



Advancing ESG: Enhancing Governance Frameworks and Data Integrity

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With us today



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Agenda

Topic	Time
Introductions	9:00 – 9:05 am
ESG Governance	9:05 – 9:30 am
Data Integrity	9:30 – 9:50 am
Q&A	9:50 – 10:00 am

01

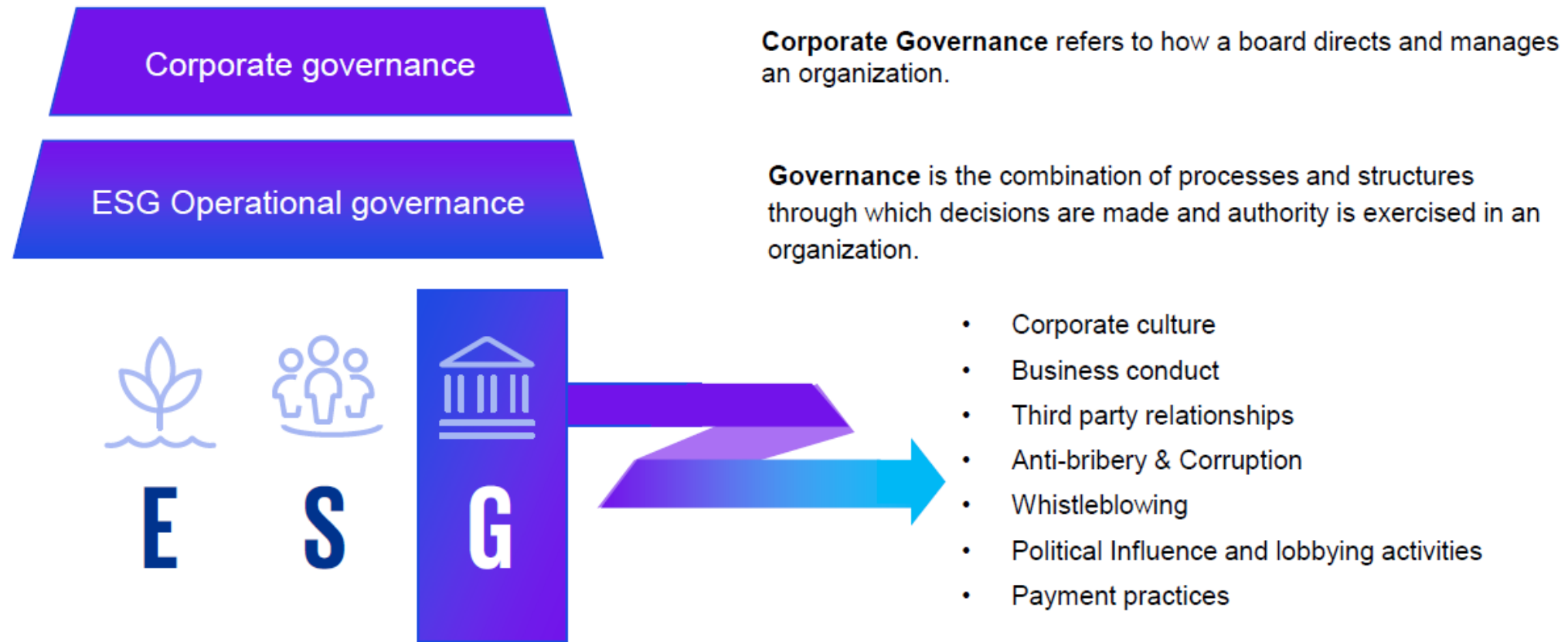
ESG Governance

Poll

- 01 Mature as it is well embedded and supported by effectiveness review (if any)
- 02 Not yet to be implemented but this is an active agenda item to be discussed in the management meeting
- 03 Still at the very beginning stage to start understand the ESG governance framework
- 04 Never on the agenda for discussion since not yet see the urgent need/have other priorities

**In your view,
how mature is
the ESG
governance
framework in
your
organisation?**

How ESG and Governance are Connected



How ESG and Governance are Connected



Common ESG Governance Challenges & Pitfalls



Strategy & Ambition

ESG strategy & ambition is insufficient clear throughout the organization and not aligned with the overall organization strategy

Corporate governance

Board-level ESG expertise is often lacking which impacts board-level support and steering.

Ownership

Unclear ownership of certain ESG metrics, unclear roles, responsibilities, and delineation of duties

ESG organization

Inefficient reporting structures and manual processes with unclear roles and responsibilities.

ESG leadership

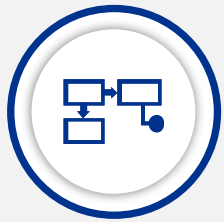
Sustainability is insufficiently integrated in core decision-making progress

Employees & Communication

Insufficient resources or capacity with the right skills set, internal silos and limited communication between departments

Organizations that understand these potential obstacles can address them pre-emptively when designing and implementing a (more) robust ESG Governance structure

ESG Governance Framework



**Governance
Ecosystem**



**Corporate
Governance
& Culture**



**Data Governance
& Tooling**



**Reporting
Governance**

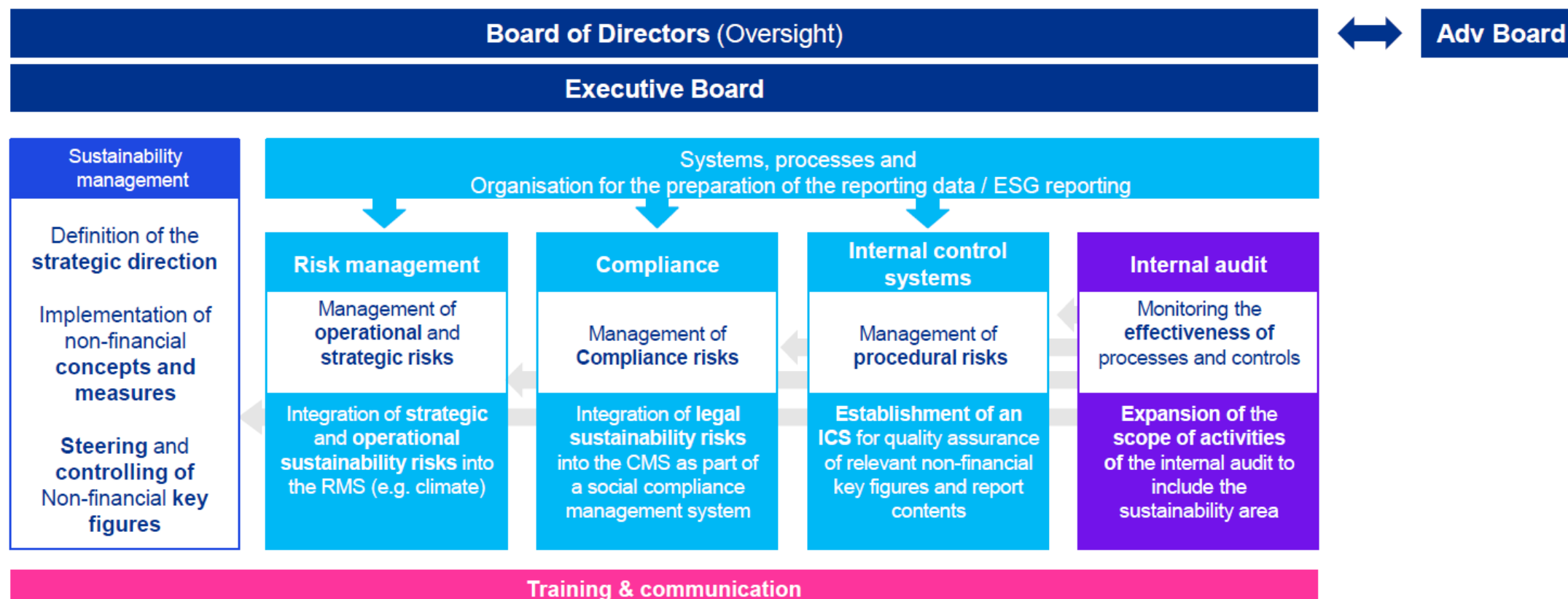


**Risk
Management
& Internal
Control**

Integrated ESG Governance Oversight Model



Governance
Ecosystem





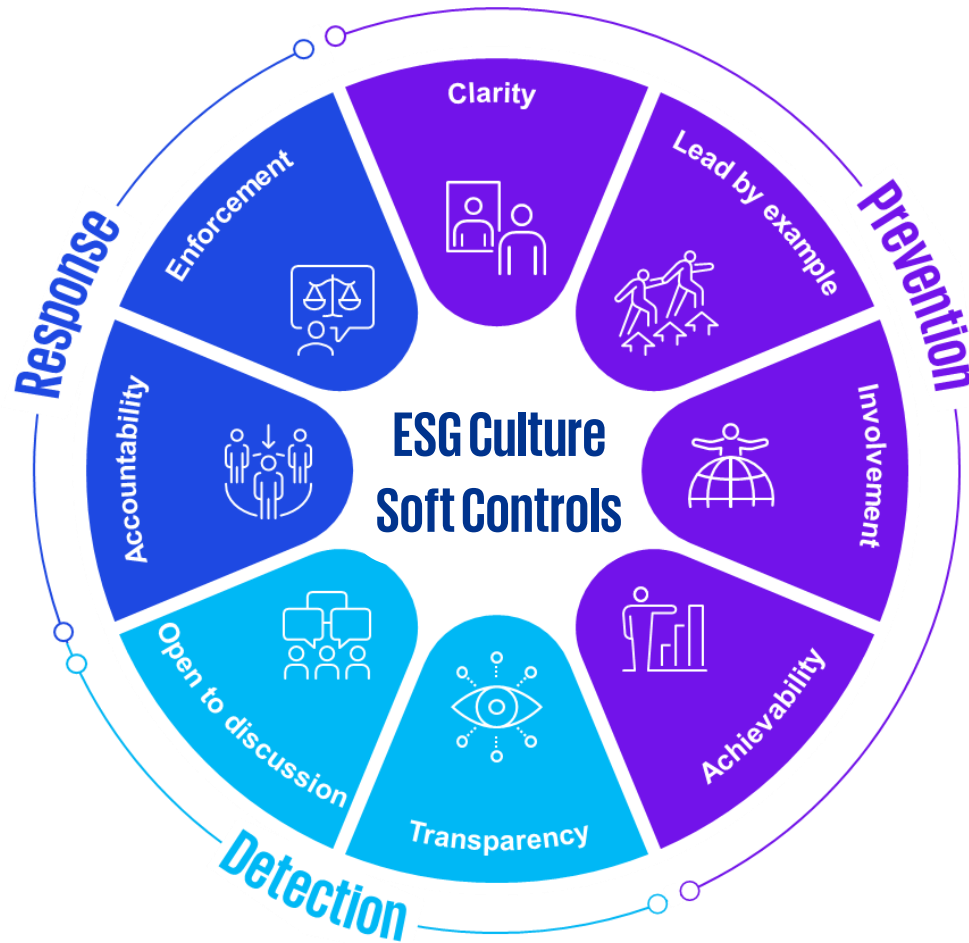
ESG Leadership Capabilities Assured by Trainings



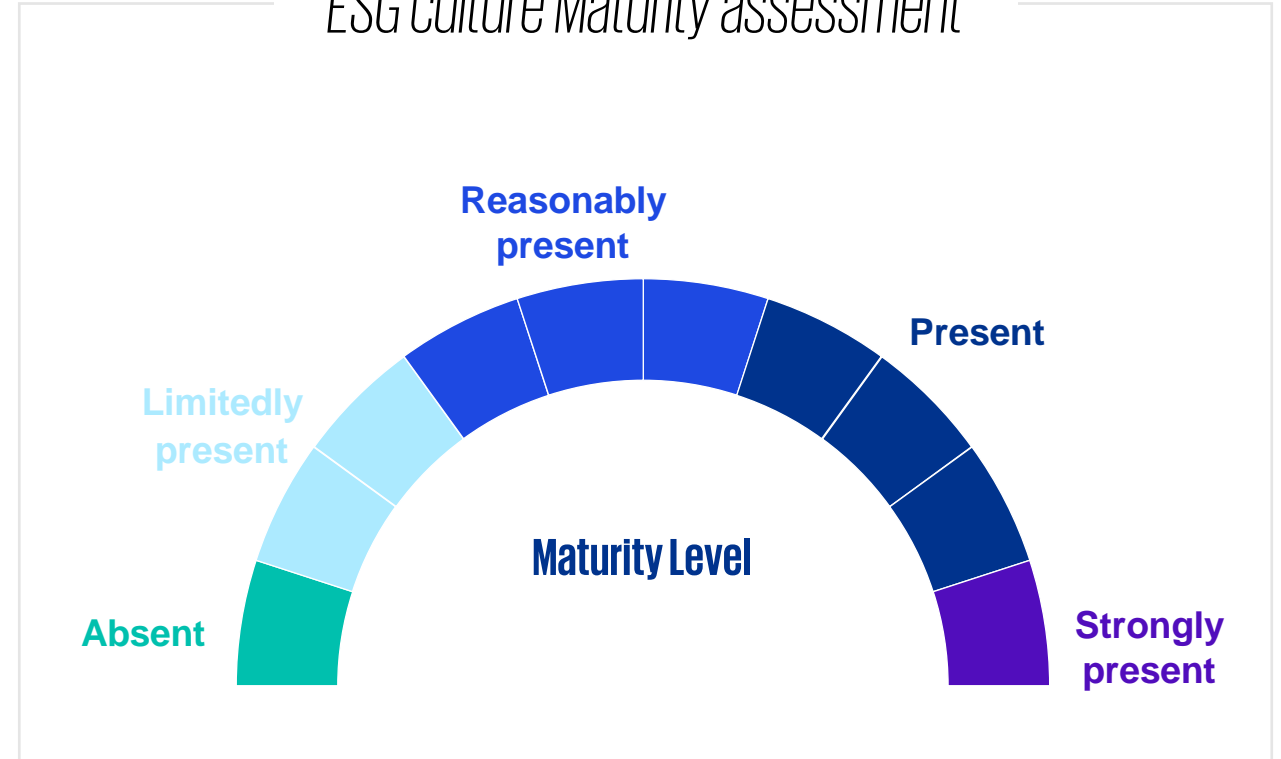
Measuring and steering ESG culture



Corporate
Governance
& Culture



ESG culture Maturity assessment

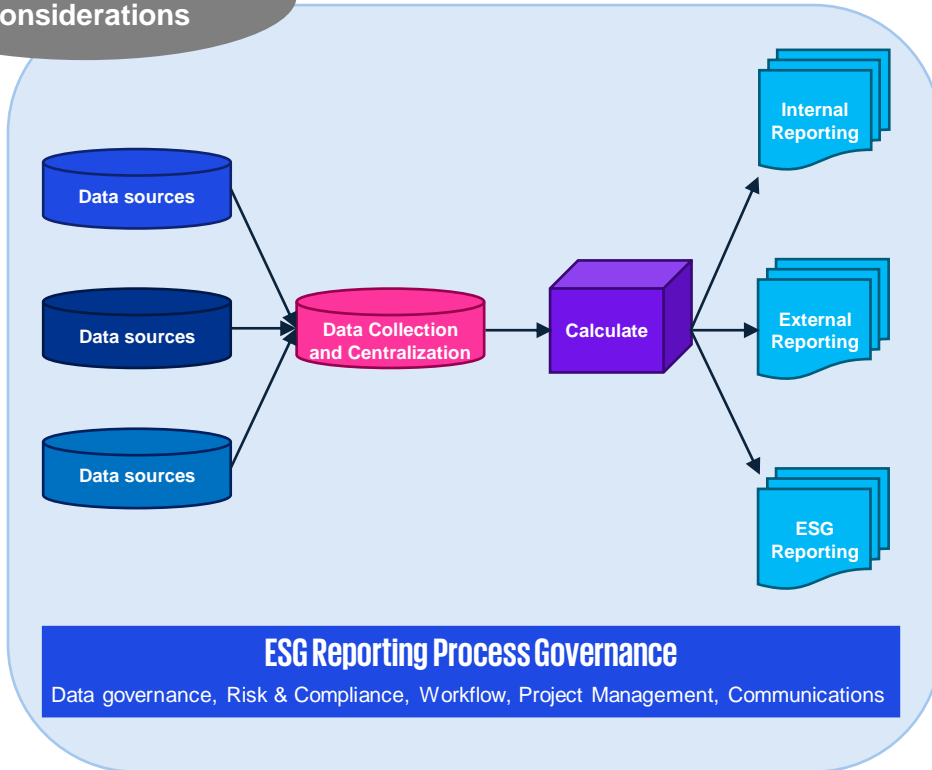


Data and cybersecurity governance



Data Governance
& Tooling

Data Governance Considerations



- ✓ Protect and safeguard the integrity of ESG data
- ✓ Improve the value of reporting insights
- ✓ Consistent, timely and transparent reporting

Cybersecurity Governance Considerations

1. Keeping regulations in focus amid change

2. Trustworthy ESG reporting

4. Effective cybersecurity management

3. Focus on transparency and accountability

ESG Reporting Framework



Reporting
Governance

Reporting Structure

ESG reporting structure options:

- Fully integrated report
- Separate ESG chapter in Annual report
- Separate ESG report
- Voluntary ESG report

Depending on regulatory requirements:

- Global and local laws, regulations and guidances to be considered
- Applicability of EU Taxonomy (*opt-in on voluntary basis for companies that fall outside the scope of the CSRD*)\
- Applicability of non-EU Taxonomy (*e.g. Singapore*)

Governance and responsibilities



Board of directors
(including especially
Audit Committee)

Risk Management

Compliance

Internal Control System

**Depending on delegation
(e.g. Head of Sustainability)**

Sustainability Statement

Oversight

- **Oversight** includes **Sustainability Statement**
- Engages external auditor for assurance over **Sustainability Statement**

Duty of care and overall responsibility

- Required to ensure a complete and accurate Sustainability Statement
- **Duty of care and liability extended to sustainability** reporting and management, incl. risk management, compliance, and internal control systems
- **Respective Board Member steers and leads implementation** of those requirements as responsible board member

Responsible organization unit

- Responsible organization unit (delegation of **operational execution** and **overall management** of the ESG reporting requirements)

Governance KPIs



Reporting
Governance



Board demographics

- Gender ratio
- Median age of the board
- Diversity metrics
- Board independence
- Frequency of ESG on the board agenda



Remuneration / Incentivization

- Goals & compensation alignment for management and executives
- Staff bonus linked to ESG targets



Ethics and business conduct

- Whistleblowing reporting metrics
- Monetary losses from unethical behaviors
- Contributions to political parties



Stakeholder engagement

- Frequency of engagement with stakeholders
- Third party ESG-checklists reviewed
- Business days to generate and distribute ESG reports



Reporting and disclosures

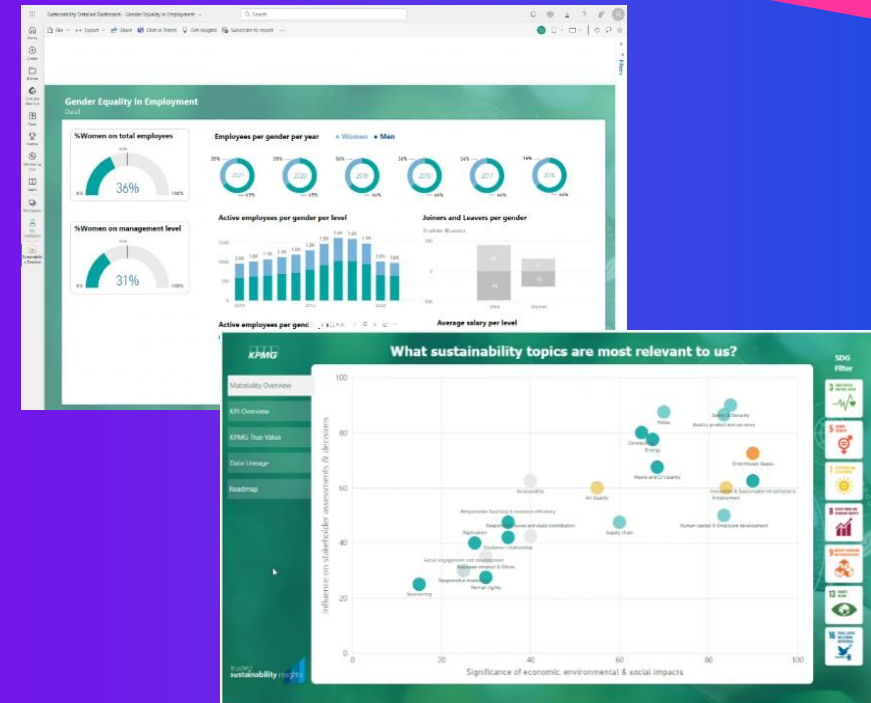
- Number of ESG metrics utilized for ESG reporting
- Number of days since formal review of ESG policies/procedures
- Total of risks/controls identified and impacted supporting ESG processes



Training / development

- Percentage/frequency of training on Code of Conduct
- Training on ethics, integrity, and compliance

ESG Governance KPIs
Dashboard example



ESG integration in Risk Management & Internal Controls



Risk
Management
& Internal
Control



Companies should consider ESG factors as potential drivers of traditional risk categories and embed ESG risks within the regular Risk Management system and processes to ensure consistency with the overall business and risk strategies.

Poll

- 01 Effective integration to the existing governance framework including the risk management
- 02 Clarity of roles and responsibilities to manage ESG matters
- 03 Adequate in-house ESG skills and capabilities for operations and cultivating strong ESG culture
- 04 Effective management oversights to ESG implementation and monitoring

**In your view,
what is the key
challenge to
implement the
ESG
Governance
Framework?**

How Can You Prepare?



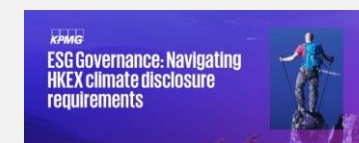
Baseline assessment



Gap analysis



Roadmap



With effect from 1 January 2025, the HKEX's ESG Code will require issuers to make climate-related disclosures in phases, covering Governance, Strategy, Risk, Management and Metrics and Targets (referred to as 'the new Climate Disclosure Requirements').

What is 'Governance' in ESG?

The 'G' in ESG refers to the governance factors that are needed to deliver on an organisation's ESG ambitions in the long term. It requires the incorporation of sustainability considerations into the organisational structure, roles and responsibilities, decision-making, operations, risk management, board leadership and company culture. It promotes transparency and accountability across the entire organisation and drives the ESG transformation journey.

Key Governance principles	What do you need to consider?
Structure & Oversight	<ul style="list-style-type: none">• Board role & composition• Managerial structure & respons• Policies & procedures• Collaboration
Culture & Values	<ul style="list-style-type: none">• Board Leadership• Business ethics• Employee engagement & incor• Organisational culture
Transparency & Reporting	<ul style="list-style-type: none">• Transformation integrity• Reporting structures & roles
Risk Management	<ul style="list-style-type: none">• Risk Management & Internal G• Regulatory compliance• Technology & cybersecurity• Internal Audit• Tax strategy / Tax governance



02

Data Integrity

Poll

- 01 Limited confidence in ESG data integrity
- 02 Moderate confidence in ESG data integrity
- 03 Confidence in ESG data integrity

**Which
statement
most
accurately
describes
your ESG
data?**

Drivers for ESG Data Integrity



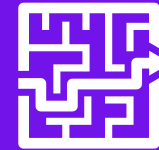
Externally reported data is relied upon by users of mandatory and voluntary disclosures



Internally reported data is relied upon by decision makers responsible for progressing ESG strategies



Executive compensation is increasingly linked to ESG performance

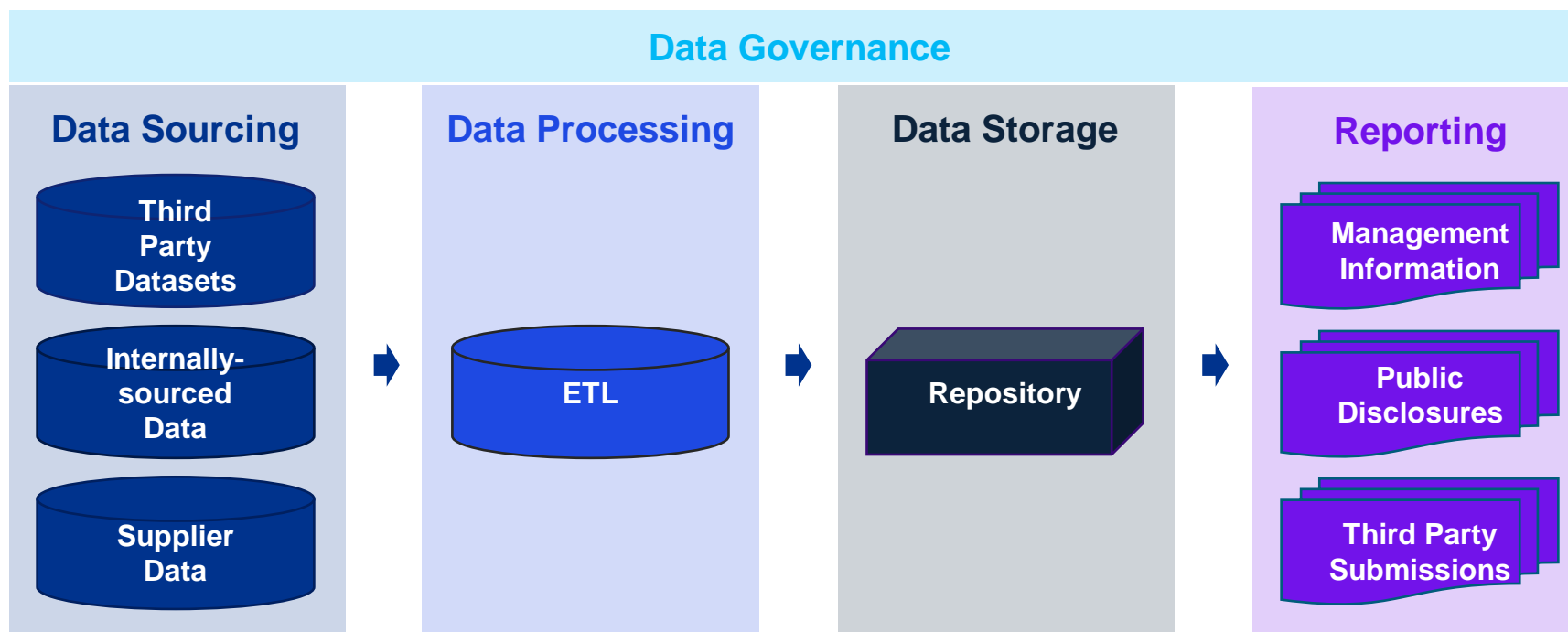


Low quality data is one of the leading causes

Simplified ESG Reporting Process

ESG Reporting Objectives

- ✓ Protect and safeguard the integrity of ESG data
- ✓ Improve the value of reporting insights
- ✓ Complete, accurate and timely reporting



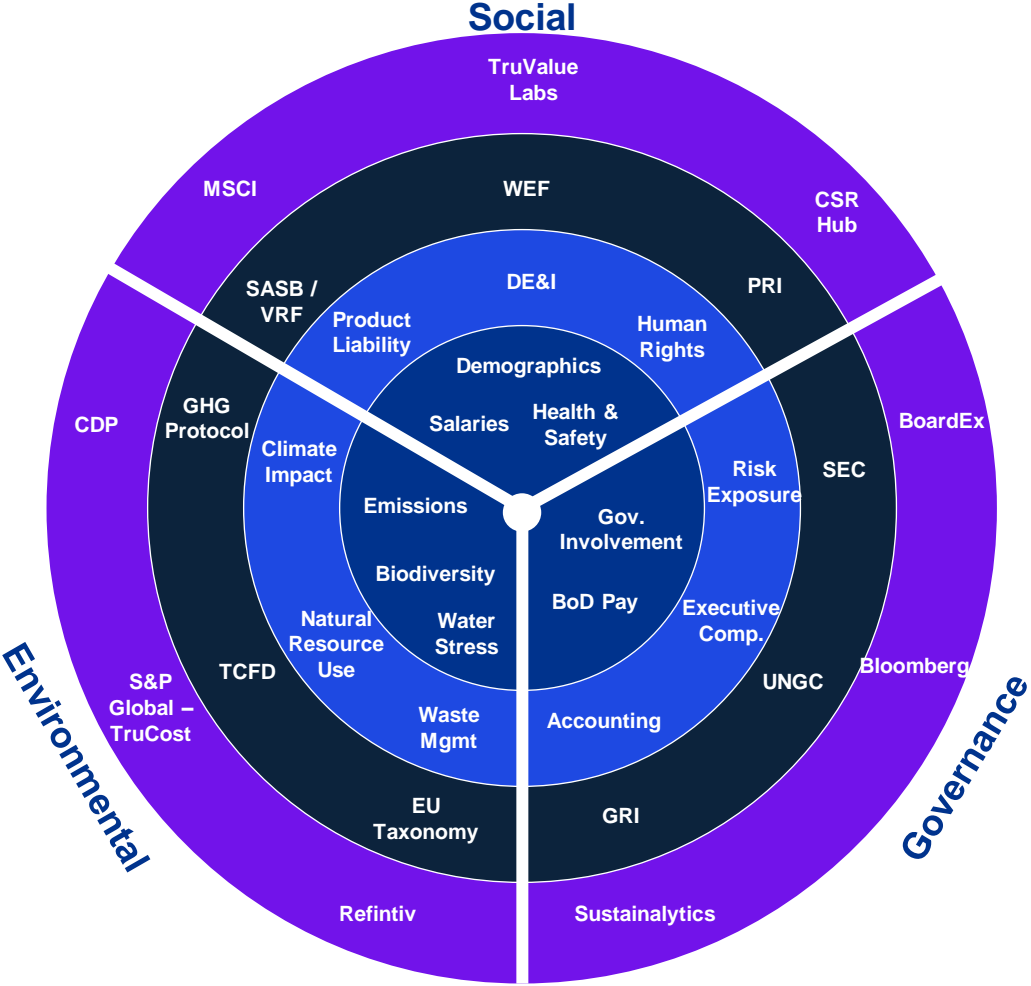
Data Sources

Company
Raw Data
(Proprietary)

Derived &
Functional
Data

Reported
Data

Third Party
Data



Data Sourcing Challenges & Solutions



Company Raw Data

Multiple sources needed for ingestion, incl. data from the company's ERP / CRM / HR / SCM / Risk and other systems

Derived & Functional Data (e.g. ESG data from portfolio companies)

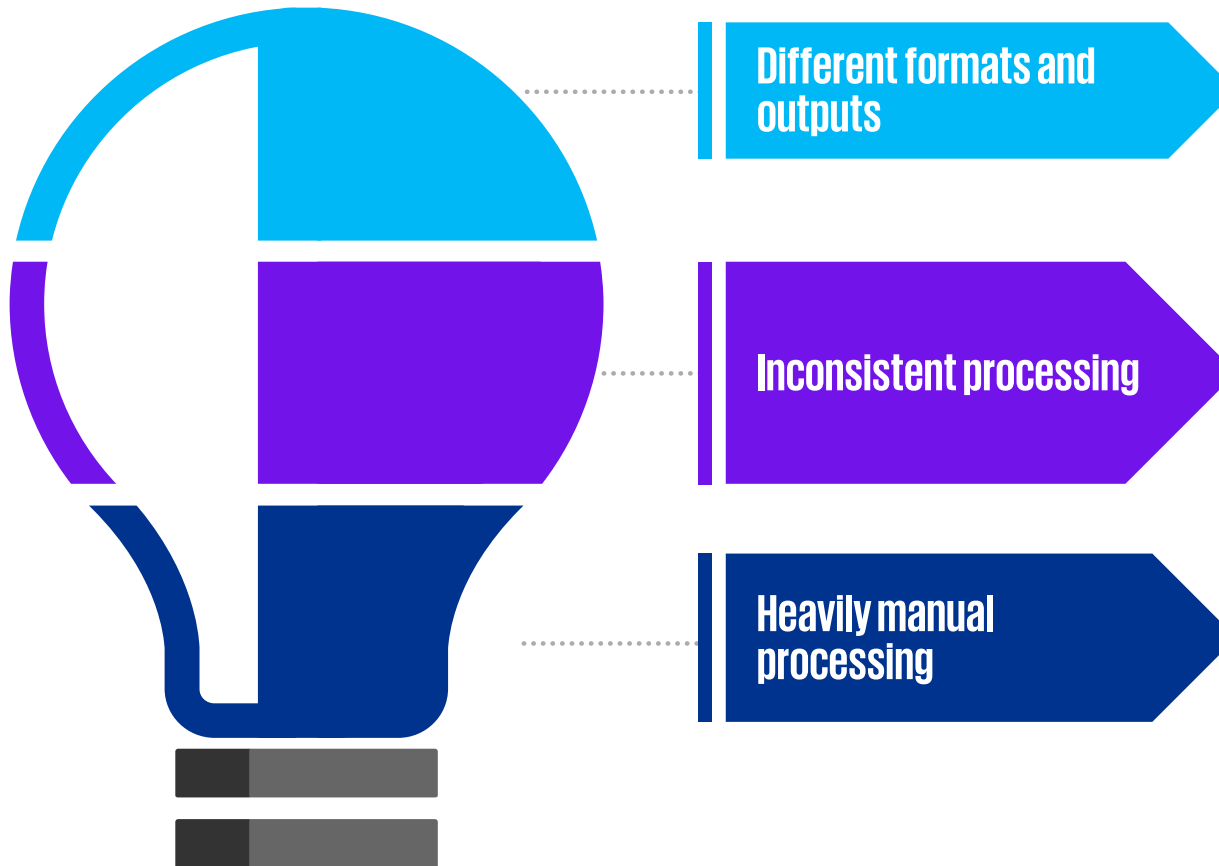
Sheer breadth and volume making it challenging to manage

Third Party Data

Often **estimated** and very **rarely ready** for external **assurance**

- Work “right to left” when assessing readiness and identifying data gaps
- Where new data sources are required, rationalize with existing data sources and implement validation controls
- Where possible, automate feeds from external data providers

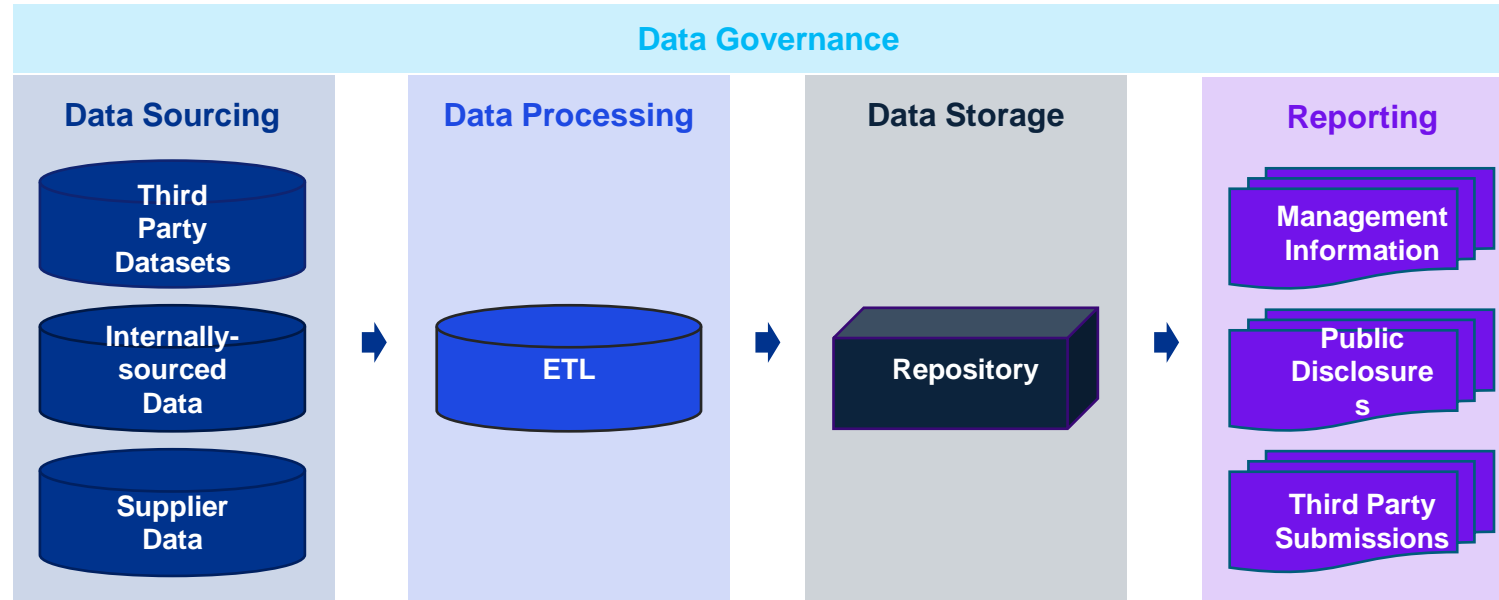
Data Processing & Reporting Challenges & Solutions



Reducing manual intervention through:

- Automating data processing, including data extraction, transformation and loading
- Outsourcing or implementing tools to capture, calculate and report emissions, including scope 3 and other complex calculations
- Consider existing architecture and how it can be leveraged to accommodate ESG data processing
- Leverage existing financial reporting systems, processes and expertise to facilitate ESG Reporting or introducing ESG reporting software

Better Practices for Data Repository and Governance



Data Repository

- Develop a “**Single Source of Truth**” for ESG reporting and analysis
- Consider updating **existing architecture**

Data Governance

- Clear data element definitions and flexible data taxonomy
- Master data management
- Format standardization

Poll

- 01 All excel-based or disparate systems that are fragmented and rely heavily on manual processing
- 02 Standard cloud-based solutions configured to enable basic metric calculation and reporting automation
- 03 Advanced cloud-based solutions configured to enable advanced intelligent automation

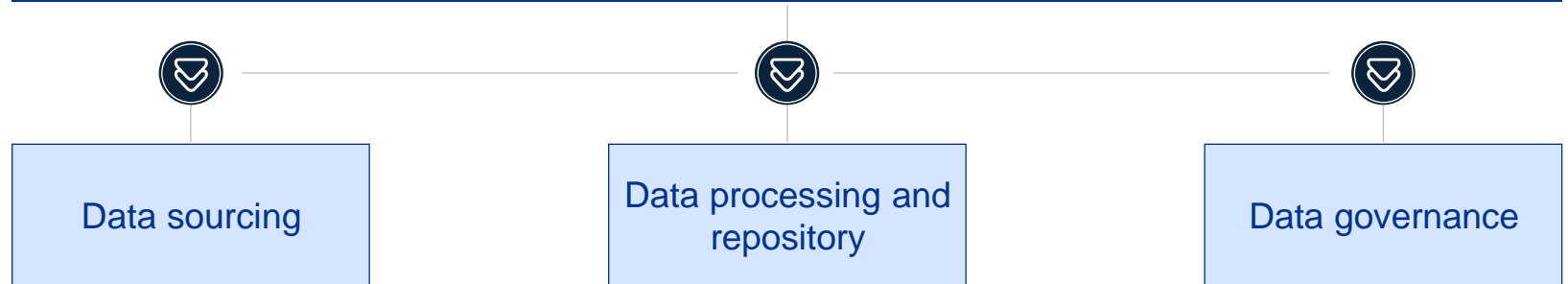
Which statement most accurately describes your ESG data architecture?

Case Study



A global financial institution noted data integrity issues with their sustainable investment metrics and mandated automation by all reporting entities

The management team saw an opportunity not just to automate sustainable investment reporting, but collect, process and report more granular investment data



Key Takeaways

What was the outcome?

A solution was designed that automated a manual sustainable investment reporting process, and replaced an automated investment and financial reporting process.

How was it achieved?

Working “right to left” defining current and future metrics, configuring the existing data management infrastructure to accommodate the new data and calculations and documentation of data sources.

Q&A





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