



R.G. Manabat & Co.

# ADB Regional Public Sector Accounting Forum

**03 October 2024**

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R.G. Manabat & Co.  
KPMG in the Philippines

The ADB logo, consisting of the letters 'ADB' in a white, serif font, set against a dark blue square background.The background of the slide is a low-angle, upward-looking shot of a modern building's facade. The building features a series of curved, overlapping glass panels and dark metal structural elements, creating a dynamic, geometric pattern. The sky is a clear, bright blue.

# Outline

	Topic	Duration
Session 01	Event Introduction and Overview	
Session 02	Unlocking ESG: Foundations and Key Drivers of Sustainability Reporting	
	A. Introduction to ESG and Sustainability	10 mins
	B. Drivers of Sustainability Reporting	20 mins*
Session 03	From Awareness to Action: Evolution of Sustainability Reporting	
	A. Shift from Voluntary to Regulatory Driven Reporting	20 mins*
	B: Current Reporting Standards and Guidelines	20 mins*
Session 04	Navigating the Path to Effective Sustainability Reporting	
	A: Materiality Matters: Basic concepts of materiality and double materiality	20 mins*
	B: Integration of Sustainability Reporting into Financial Disclosures	20 mins*
	C: What Good Reporting Looks Like	10 mins
	D. Reflections: Discuss feasible next steps for DMCs, considering insights, challenges, and opportunities identified during the session	10mins

\*10 minutes briefing + 10 minutes feedback & discussion





**01**

# **Event Introduction and Overview**



# 02

## **Unlocking ESG: Foundations and Key Drivers of Sustainability Reporting**

# Our Constrained Future



Resources



Carbon



Social



Solutions with  
**IMPACT** are  
needed for our  
**constrained**  
future

»» **Sustain**ability  
**Ability** to sustain

**A**

# **Introduction to ESG and Sustainability**

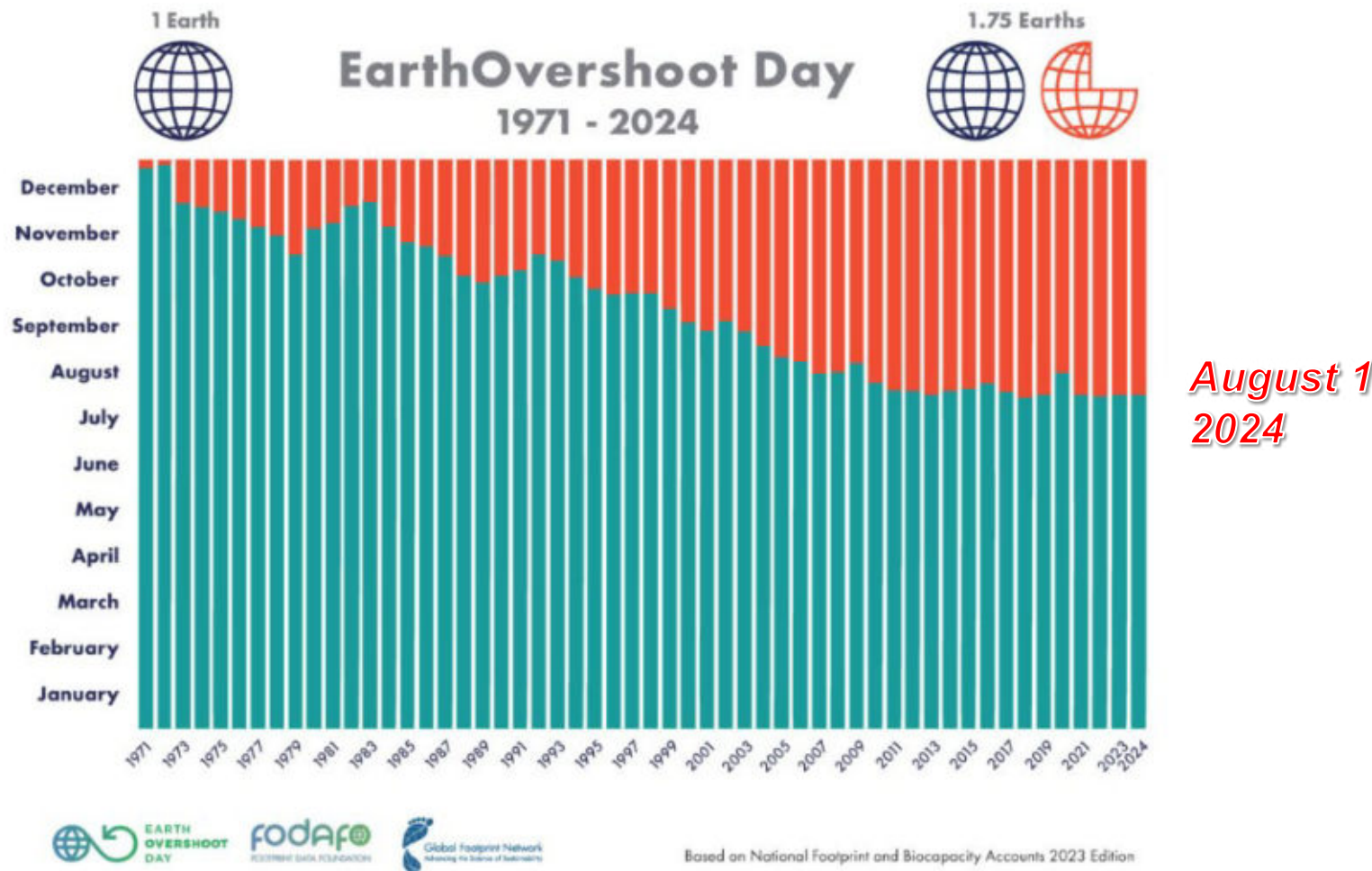


# Transition Away from Fossil Fuels, COP28

Transitioning away from fossil fuels  
in energy systems, in a just, orderly  
and equitable manner, accelerating  
action in this critical decade, so as  
to achieve net zero by 2050 in  
keeping with the science



# One planet is not enough for 8b people

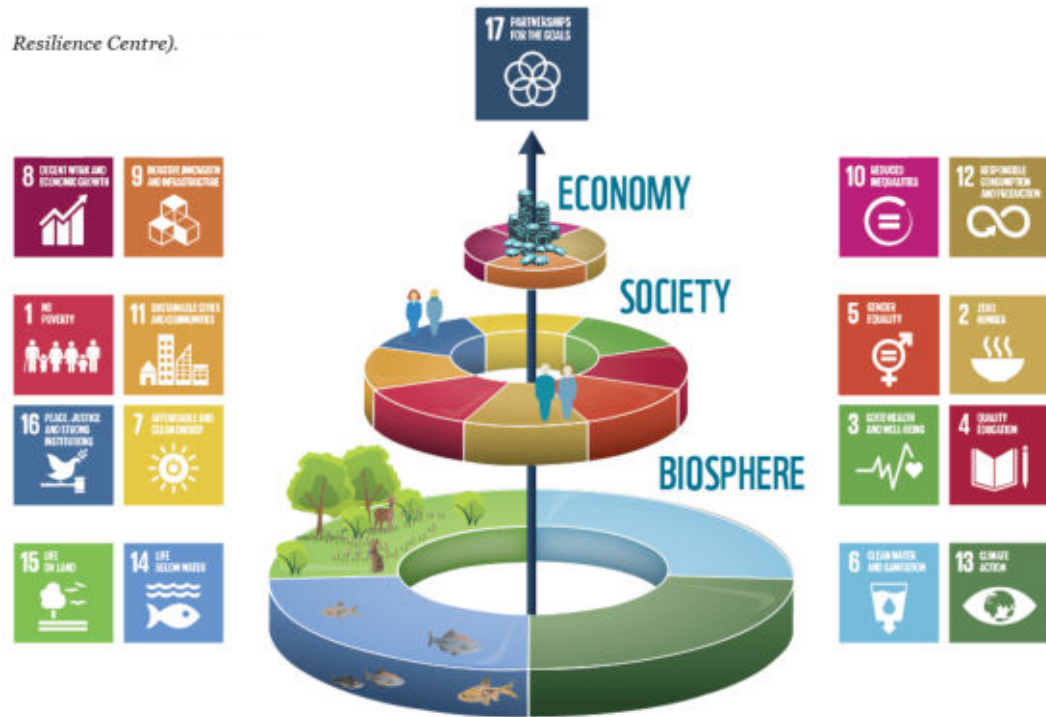


Source: [Earth Overshoot Day - Global Footprint Network](#)





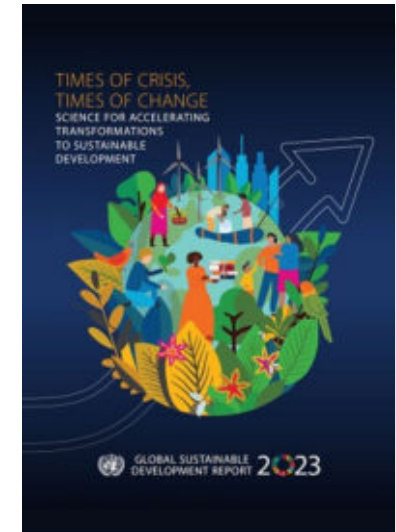
Resilience Centre).



Source of graph: WWF Living Planet Report 2018  
Original source: Azote Images for Stockholm Resilience Centre

At the half-way point toward 2030 the SDGs are far off track. Of 36 targets reviewed in the report, only 2 are on track to be achieved, while progress on eight is deteriorating.

Implementation was too slow, and even regressing in some areas like climate action, biodiversity loss and inequality before the pandemic and has now suffered significant setbacks including in poverty eradication, gender equality, education and eliminating hunger.



# Ability is the POINT



**Responsibility = Ability to respond**

**Accountability = Ability to account**

**Sustainability = Ability to sustain**

# What is ESG?

ESG is a framework to integrate environmental, social and governance risks and opportunities into an organization's strategy **to build long term financial sustainability and create value.**

ESG includes a **wide range of non-financial disclosures**, used by investors and other stakeholders to assess the impact of a company's products and business practices on sustainability and social causes.



## Environmental

- Air and water pollution materials
- Biodiversity
- Climate change
  - Including policies to mitigate climate change and the impacts of climate change
- Land degradation
- Resource depletion
- Waste management
- Water scarcity
- Deforestation
- Ecosystems services
- Energy efficiency
- Hazardous



## Social

- Customer satisfaction and education
- Data protection and privacy
- Diversity and equal opportunities
- Employee attraction and retention
- Employee engagement
- Government and community relations
- Human capital management
- Including training
- Supply chain management
- Indigenous rights
- Labour standards(a)
- Labour – management relations
- Marketing communications
- Product mis-selling
- Product safety and liability
- Human rights



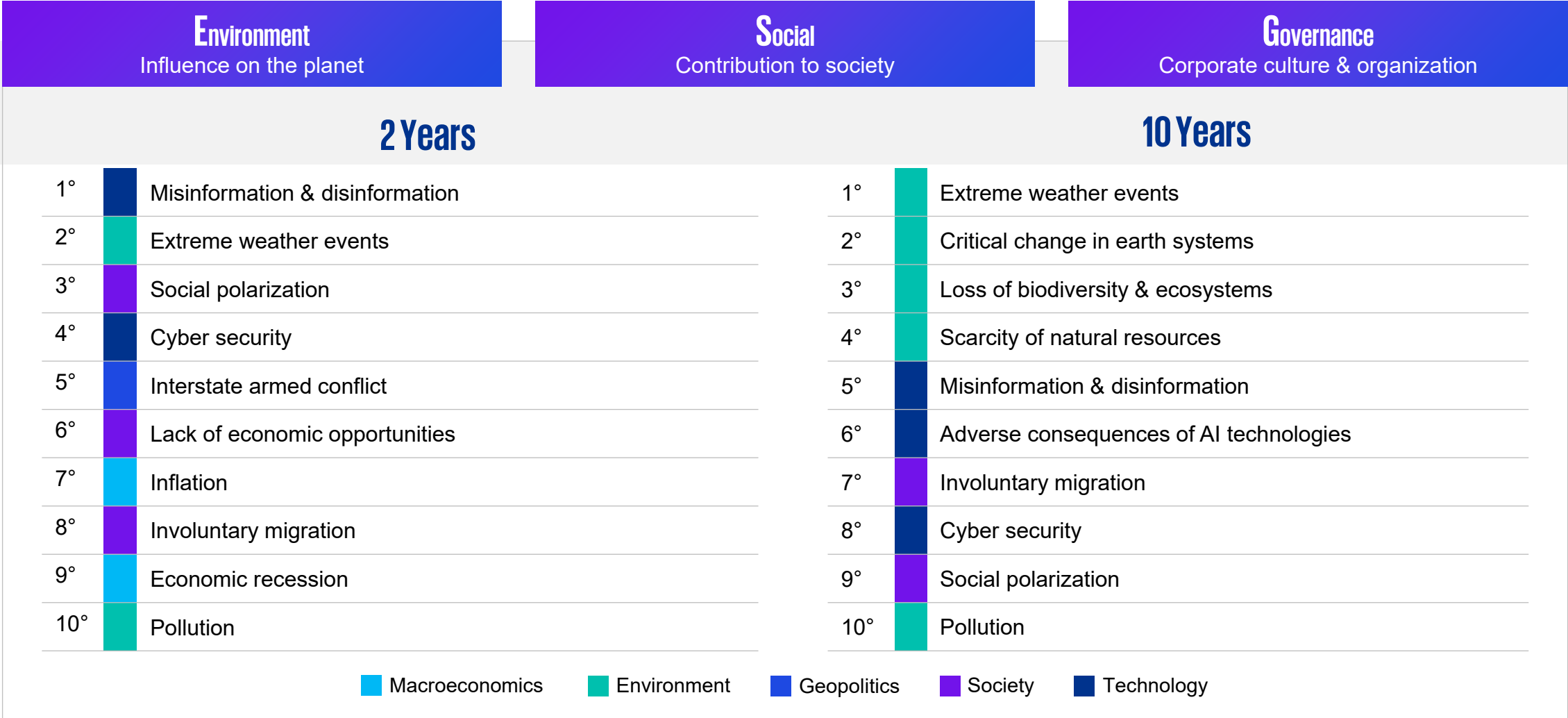
## Governance

- Accounting standards
- Anti-competitive behaviour
- Audit committee structure
- Board composition
- Bribery and corruption
- Business ethics
- Compliance
  - Including fines and other sanctions
- Executive remuneration
- Lobbying
- Political contributions
- Risk management
- Separation of chairman and CEO
- Stakeholder dialogue
- Succession planning
- Whistleblower schemes

**B**

## **Drivers of Sustainability Reporting**

# The business risk landscape is dominated by “E”, “S” and “G”



Source: World Economic Forum, The Global Risks Report 2024



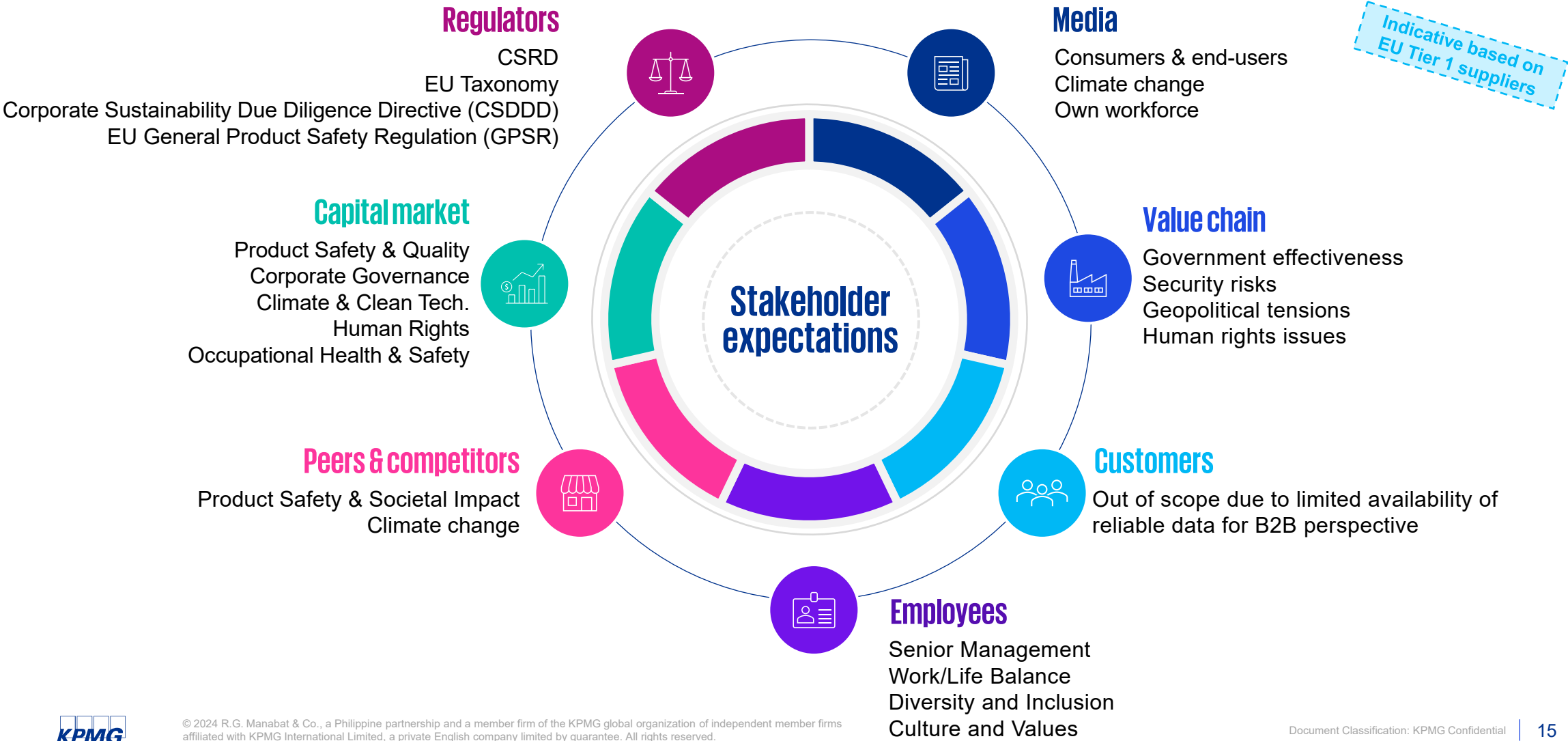
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# Multi-stakeholder' expectations to business



# Incorporating a wide range of stakeholder expectations enables real market differentiation beyond regulatory requirements



# Climate & sustainability risks affecting the world and economies

**SWI** swissinfo.ch

July 23, 2024 - 20:25

## Porsche Warns on Profit as Supply Chain Hit Slows Production



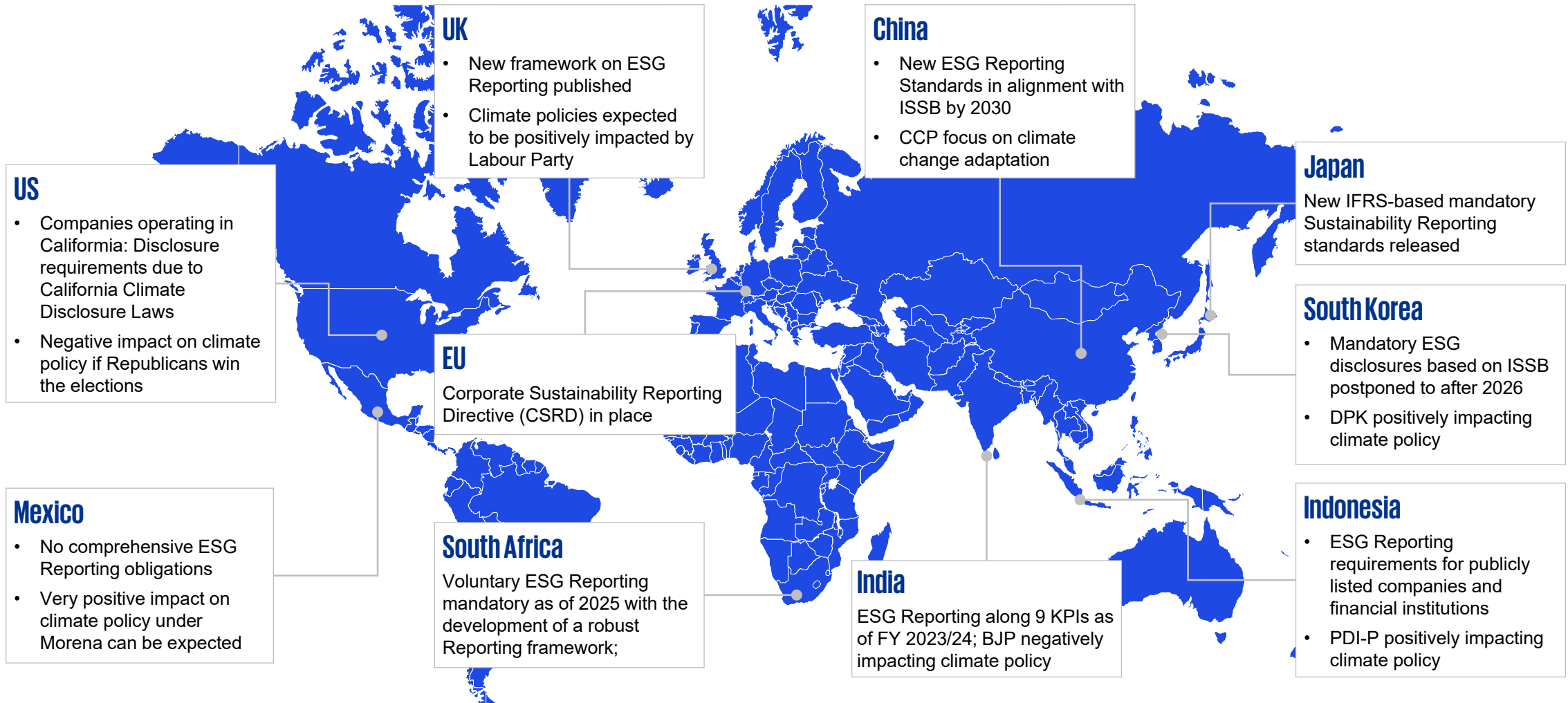
“The **supply shortage** is the **result of flooding** at a production facility of an important European supplier”

“Porsche will certainly be closely **questioned over its cluster risk management** that has left it so vulnerable to one critical supplier”

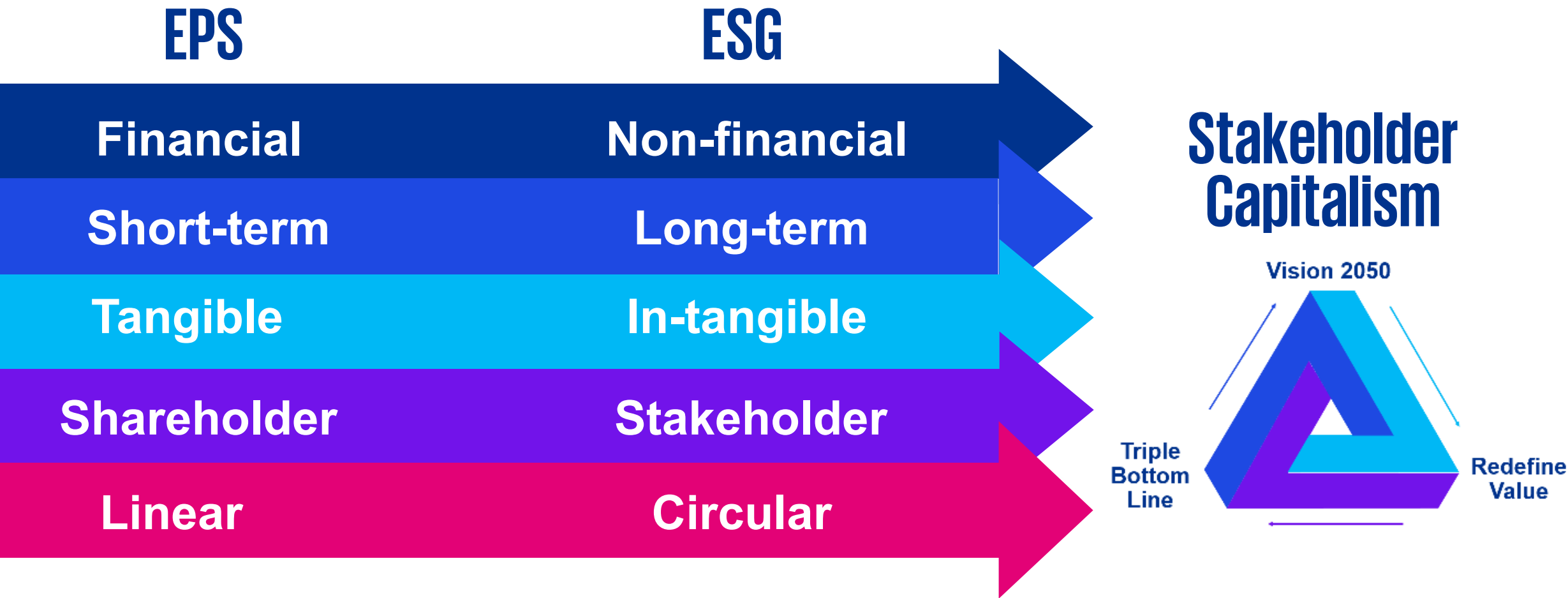
“Porsche’s **stock is down** around **14%** this year. Volkswagen dropped as much as 2.8% on Tuesday”

Source: [Swissinfo](#), 07/2024

# ESG Reporting becomes a priority across the globe



# Investors ask for investment-grade data of long-term value





A scenic landscape featuring several wind turbines on a green, rolling hill. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The text 'Q&A' is prominently displayed in the center of the image.

# Q&A

**In your perspective, how are your countries advancing in terms of the evolving ESG expectations and their responses to climate change and sustainability issues?**



**03**

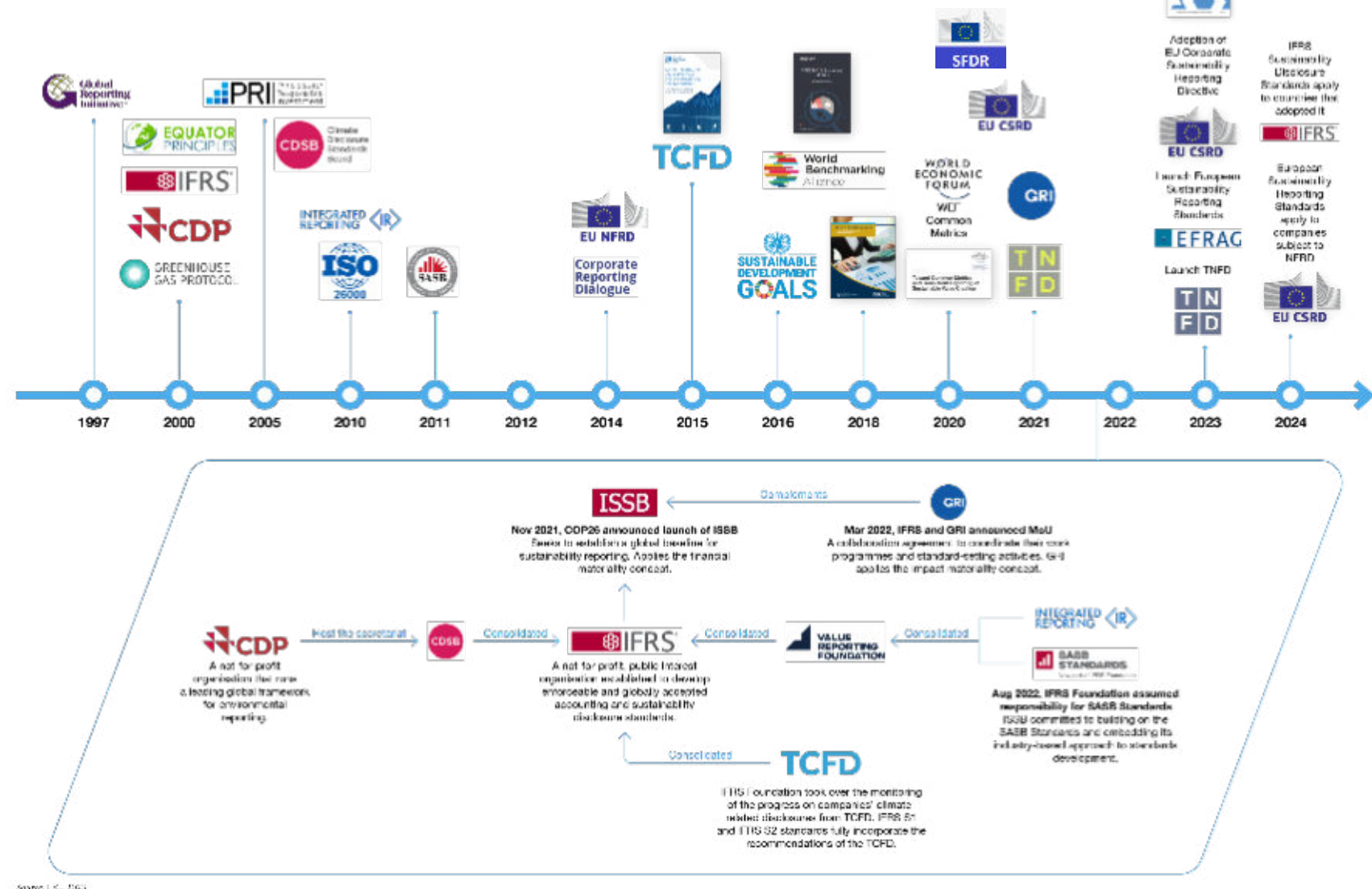
## **From Awareness to Action: Evolution of Sustainability Reporting**

**A**

**Shift from Voluntary  
to Regulatory Driven  
Reporting**



# Global reporting pathway from voluntary to regulatory





# Global ESG regulatory landscape: Overview



## California climate rule

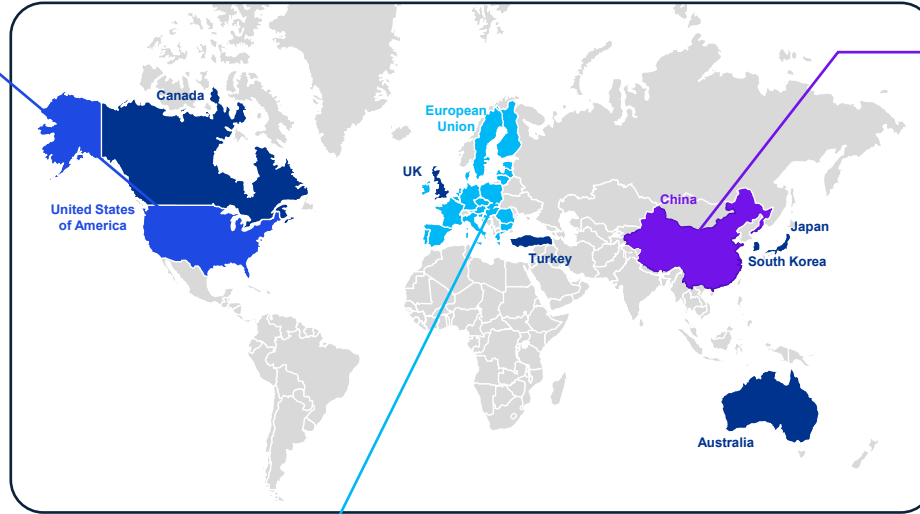
### Focus on companies in California

- **Scope:** Public or private companies doing business in California
- **Disclosure:** Detailed requirements to report GHG emissions and climate risks, including fines and penalties
- **Assurance requirement:** Initially limited assurance for scopes 1 and 2, with transition to reasonable assurance (TBD for scope 3)

## SEC climate rule

### Investor and public company focus

- **Scope:** Nearly all US SEC registrants, including foreign private issuers
- **Disclosure:** Detailed requirements to report on climate
- **Assurance requirement:** For accelerated and large accelerated filers, initially limited assurance for scopes 1 and 2, with transition to reasonable assurance



## Chinese sustainability reporting guidelines (Proposal)

### Focus on companies listed in China

- **Scope:** Listed companies in China and first reporting starts from FY 2025
- **Disclosure:** Detailed reporting on climate change, energy use, supply chain, circular economy rural revitalization and biodiversity across governance, strategy, IRO management and indicators and goals.
- **Assurance requirement:** No clarity on Assurance requirement.



## Corporate Sustainability Reporting Directive (CSRD)

### Multi-stakeholder focus, including investors

- **Scope:** Listed and private EU companies or groups and non-EU companies or groups with significant operations in the EU
- **Disclosure:** Comprehensive disclosures across Governance, Strategy and granular requirements on sustainability impacts, risks and opportunities
- **Assurance requirement:** Mandatory limited assurance required, with intent to mandatory reasonable assurance at a later stage

## EU Taxonomy

### A framework to facilitate sustainable investment

- **Scope:** Large EU PIEs and other large companies in EU
- **Disclosure:** Reporting of KPIs for taxonomy eligible and aligned economic activities (Quantitative and Qualitative disclosures)
- **Assurance requirement:** Mandatory limited assurance required, with intent to mandatory reasonable assurance at a later stage
















## ISSB Standards (Investor focus)

### Investor focus

- **Scope:** As determined by individual jurisdictions
- **Disclosure:** General principles, including requirement to report across all sustainability-related risks and opportunities. Topic-specific standard on climate
- **Assurance requirement:** No mandatory assurance. Responsibility of each adopting jurisdiction



# ISSB adoption by Asia Pacific



Country	ISSB adoption	Country	ISSB adoption
<b>Australia</b>	 In October 2023, the Australian Accounting Standards Board (AASB) released an exposure draft (ED) for disclosure of climate-related financial information in which ISSB standards is used as a baseline to develop Australian-specific sustainability-related financial disclosure requirements	<b>New Zealand</b>	 Aotearoa New Zealand Climate Standards (NZ CS), as issued in December 2022, are the mandatory climate-related disclosure standards for Aotearoa New Zealand and will remain so. The External Reporting Board (XRB) considers there is a high degree of interoperability between NZ CS, the TCFD recommendations and the ISSB standards.
<b>China</b>	 China Stock Exchanges announced mandatory sustainability reporting requirements for listed companies, including a new requirement for hundreds of larger cap and dual-listed issuers to begin mandatory disclosure on a broad range of ESG topics in 2026.	<b>Philippines</b>	 The Philippine Sustainability Reporting Committee (PSRC) is evaluating the ISSB standards for local use.
<b>Hongkong</b>	 HKEX consulted the market to enhance climate-related disclosures based on IFRS S2 with effect from 1 Jan 2024, and the conclusion is to be finalized in 2023 Q4.	<b>Singapore</b>	 ISSB equivalent regulation is expected in FY25.
<b>Indonesia</b>	 The Institute of Indonesia Chartered Accountants has shared its support for the ISSB standards in a comment letter but has made no formal announcement on potential implementation.	<b>Thailand</b>	 There is currently no specific date for the mandatory adoption of ISSB standards.
<b>Japan</b>	 Japan plans to issue its draft sustainability disclosure standards, which consistent with the ISSB's framework by March 2024 and to finalize these standards by March 2025. These disclosure rules are expected to apply to listed companies in Japan.	<b>Taiwan</b>	 TW FSC proposed that companies shall prepare their ESG information based on ISSB standards beginning in 2026 in phases.
<b>Korea</b>	 The Korea Accounting Institute and the Korea Sustainability Standards Board are assessing the feasibility of adopting the ISSB standards domestically. The FSC is expected to largely draw upon the ISSB standards.	<b>Vietnam</b>	 There is currently no specific date for the mandatory adoption of ISSB standards.
<b>Malaysia</b>	 The adoption of ISSB was announced in Feb 2024 for mandatory reporting requirements for listed and large companies.		

# EU regulations trigger ESG reporting requirements globally

CSRD starts in Europe and affects companies worldwide

Americas (no of companies)		
Non-EU headquarter (US)		3k+
Non-EU headquarter (Canada)		1.3k

## CSRD, SEC and California Act...


ESG Reporting Advisory for the US region is focused on SEC and other regulatory requirements.



EMEA + UK		
EU Companies		50k+
Germany		>10k
Non-EU HQ Switzerland		200+
Non-EU HQ (UK)		1.2k

## 50,000 companies in EU CSRD, ISSB and EU Taxonomy

ESG Reporting Advisory for the EMEA region is focused on CSRD and other regulatory requirements. This includes the UK being focused on ISSB.

Asia Pacific (no of companies)		
Non-EU headquarter (Japan)		700+
Non-EU headquarter (Australia)		600+
Non-EU headquarter (Hongkong)		100+
Non-EU headquarter (China)		600+
Non-EU headquarter (Korea)		75+
Non-EU headquarter (Singapore)		100+

## CSRD, ISSB, TCFD +

ESG Reporting Advisory for the Asia Pacific region is focused on ISSB and other frameworks.

# Facts and figures on CSRD

Captured companies in EU in 2024-25

**CSRD**

## Corporate Sustainability Reporting Directive

12 new binding **European Sustainability Reporting Standards (ESRSs)**, more to come in 2025

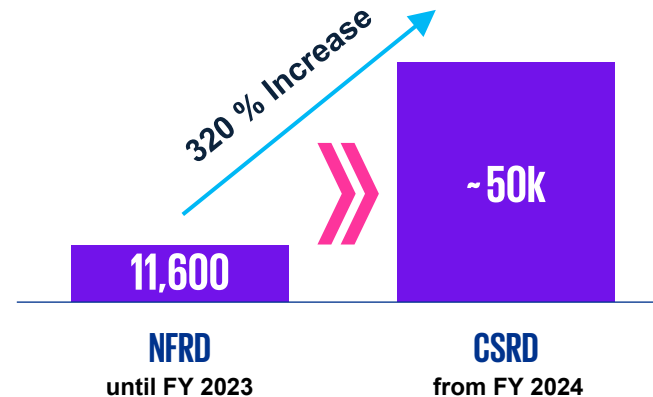
Reporting as **part of the management report**

**Mandatory limited** assurance required, with intent to mandatory, **reasonable assurance at a later stage**

**Mandatory double materiality** assessment in accordance to ESRS 1 & 2



### Entities in scope in EU



### Criteria for application

EU based public interest entities (PIEs)  
**All large EU based companies including large subsidiaries of non-EU parents/headquarters**



Large means meeting two of the following:

- > 250 employees (annual average)
- > €50M in net turnover
- > €25M in total assets

Listed SMEs from 2026 onwards, with deferral option



**Reporting obligations for EU companies**



**Assurance Obligations for EU companies**



**Almost every corporate is in scope of CSRD**

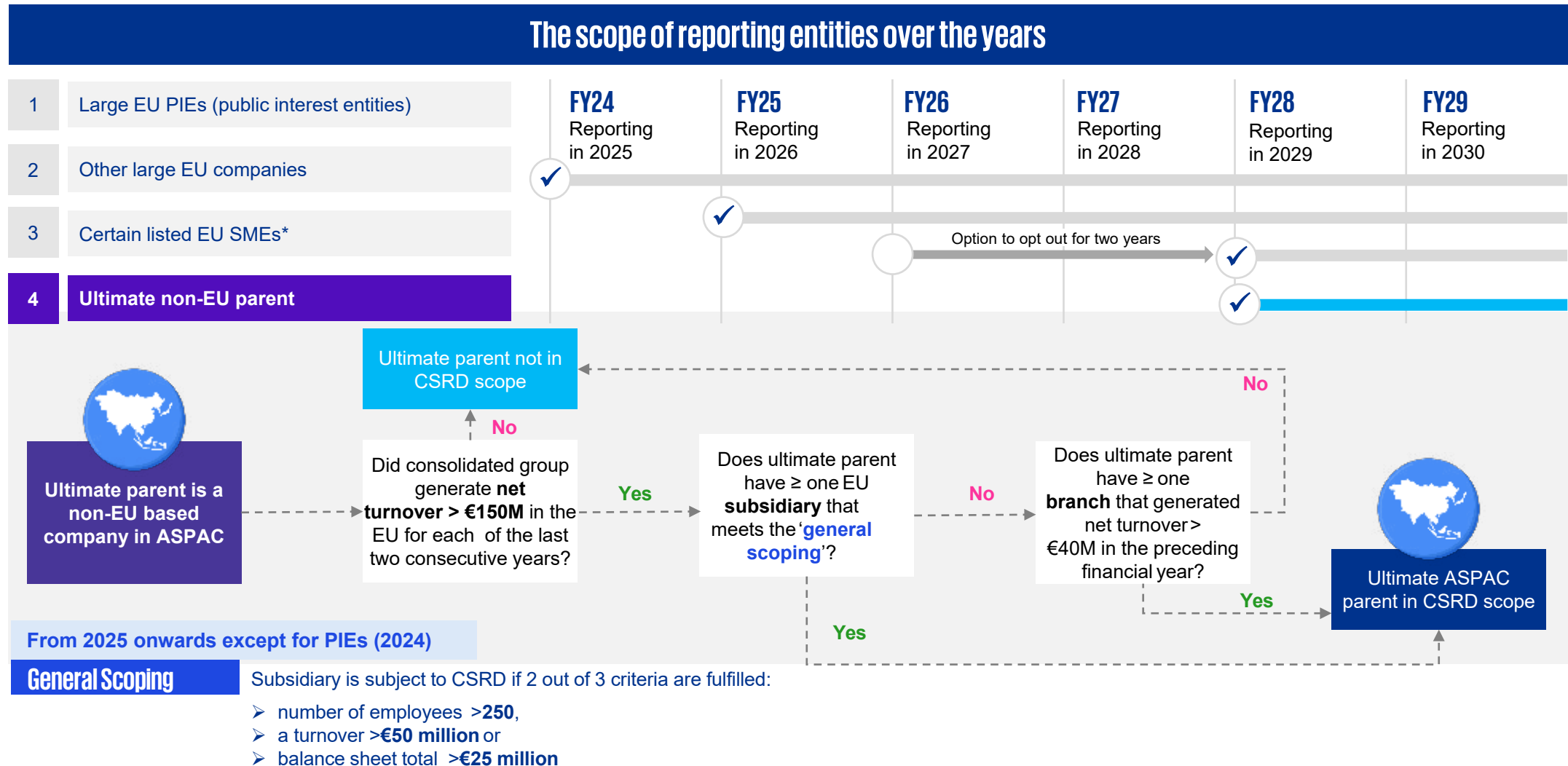
**50k "In Scope" EU companies**

**10k Non-EU HQ affected**

- Subsidiaries of Non-EU HQ to prepare an (artificial) group consolidation at a certain EU level, probably in Germany, BeNeLux or Ireland

**SME in Supply chain affected**

# Applicability of CSRD regulations on Asia Pacific companies

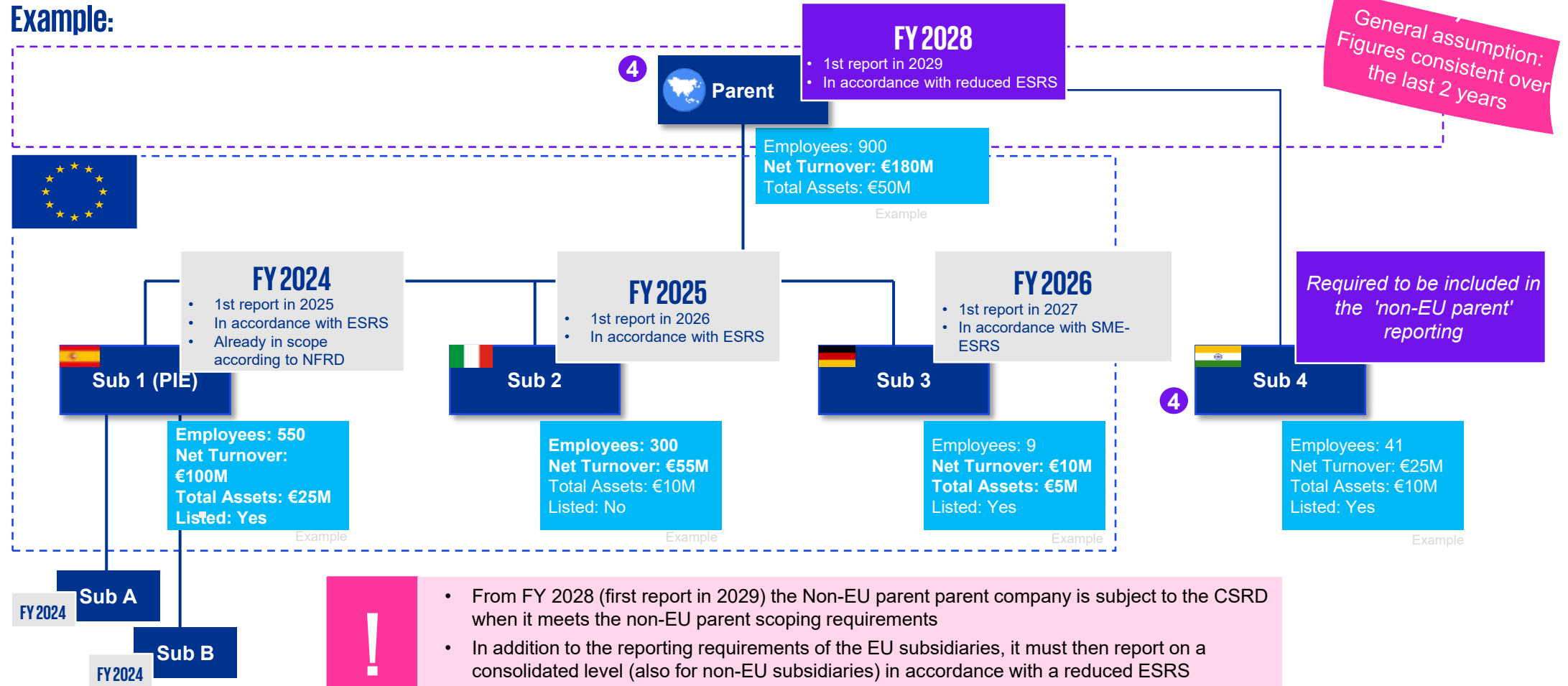





# Example : Non-EU parent scoping (Asia Pacific HQ)



Example:



A scenic landscape featuring several wind turbines on a green, rolling hill. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The text 'Q&A' is prominently displayed in the center of the image.

# Q&A

# What are the current requirements for non-financial reporting within the public sector in your country?



**Are there ongoing initiatives or discussions within your country aimed at developing or enhancing non-financial reporting requirements for the public sector?**

**B**

## **Current Reporting Standards and Guidelines**

# Multiple reporting standards for ESG Reporting

## ○ Two ISSB Standards

- **Investor focus**
- General principles, including requirement to report across all sustainability-related risks and opportunities
- Topic-specific standard on climate
- Climate-first option available in the first year of reporting

## ○ Twelve ESRS standards under CSRD

- **Multi-stakeholder focus, including investors**
- Core principles for disclosure, not limited to climate
- To date, granular requirements published for sustainability impacts, risks and opportunities

## ○ EU Taxonomy Regulation

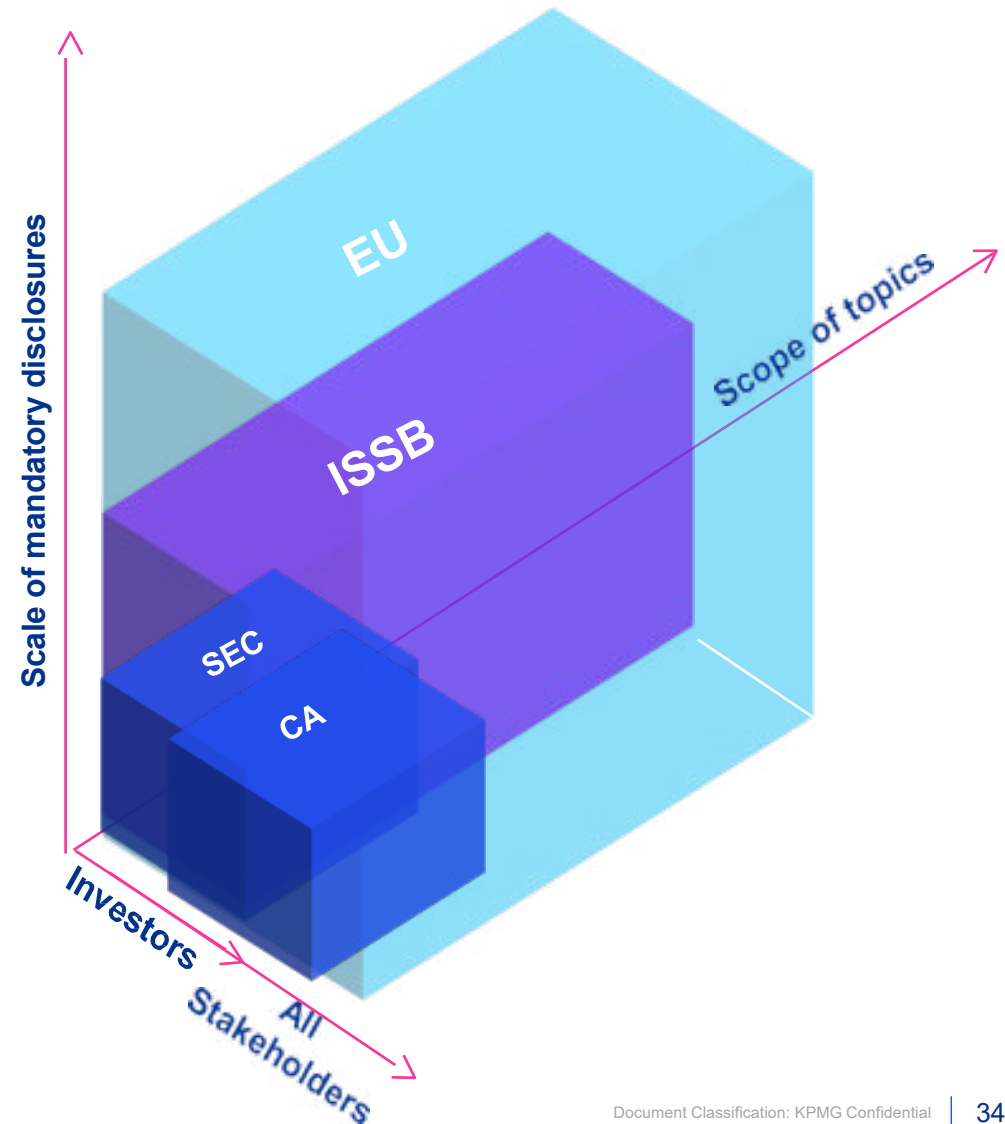
- **A framework to facilitate sustainable investment**
- The Taxonomy is a 'green' classification system that defines which economic activities can be considered sustainable
- Taxonomy-aligned reporting / disclosures are mandated through a variety of regulations

## ○ One SEC climate proposal

- **Investor and public company focus**
- Detailed requirements to report on climate
- Recent proposals (e.g. cyber, human capital)

## ○ One California climate rule

- **Focus on all companies doing business in CA**
- Signed into law on October 7, 2023
- Detailed requirements to report GHG including fines and penalties







# Corporate Sustainability Reporting Directive (CSRD)

## WHO in scope and WHEN to report



- Large EU-PIEs: **FY24**
- Other large EU companies: **FY25**
- Certain listed EU SMEs: **FY26** (Option to opt out 2 Years)
- **Ultimate Non-EU Parents: FY28**

## WHERE to report?



### Reporting in the **Management Report**

Digital reporting of sustainability information in line with the **European Single Electronic Format (ESEF)**

**At the same time of financial statements**

## Assurance Obligation



**Limited Assurance** according to ISAE 3000 or a comparable standard will be mandatory

**Reasonable Assurance** to follow

## WHAT to report?

### Topics of CSRD

- Cross-cutting**
- Environmental**
- Social**
- Governance**

### Reporting Levels of the Corporate Sustainability Reporting Directive (CSRD)

#### Sector-agnostic Standards

**ESRS 1** — General Requirements  
**ESRS 2** — General Disclosures

**ESRS E1** — Climate change  
**ESRS E2** — Pollution  
**ESRS E3** — Water & marine resources  
**ESRS E4** — Biodiversity & ecosystems  
**ESRS E5** — Resource use & circular economy

**ESRS S1** — Own workforce  
**ESRS S2** — Workers in the value chain  
**ESRS S3** — Affected communities  
**ESRS S4** — Consumers & end-users

**ESRS G1** — Business Conduct

#### Sector-specific Standards (Set 2,3,4) to come

### Reporting Areas

- I. Governance**
- II. Strategy**
- III. Implementation**
- IV. Metrics & Targets**

# EU Taxonomy



## WHO in scope and WHEN to report



Large EU-PIEs by **FY23**  
Other large EU companies by **FY25**  
**By FY24 Eligibility and alignment for all six environmental objectives.**

## WHERE to report?



**Reporting in the Management Report**

## Assurance Obligation



**Limited Assurance**  
**Reasonable Assurance to follow**

## WHAT to report?



### Eligibility

**01**

**Verify the company's economic activities in the list of eligible activities**

**List of eligible activities for the six environmental objectives is publicly available on the EU Taxonomy Compass**

<https://ec.europa.eu/sustainable-finance-taxonomy/taxonomy-compass>



### Alignment

**02**

**Substantially contribute to at least one environmental objective**

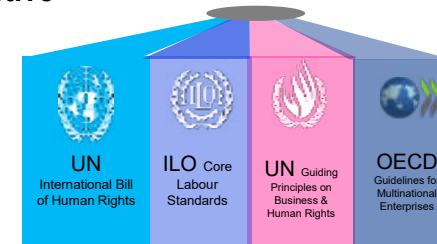
Climate change mitigation  
Climate change adaptation  
Protection of water and marine resources  
Transition to a circular economy  
Pollution prevention and control  
Protection of biodiversity & ecosystems

**03**

**Do no significantly harm (DNSH) to any other environmental objective**

**04**

**Comply with Minimum safeguards**



**For eligible activities, the company continues the analysis of the technical screening criteria to check whether the activity complies with Substantial contribution, DNSH and Minimum safeguards**



### Reporting

**05**

**Reporting of KPIs for taxonomy eligibility and alignment**

**a) KPIs per economic activity**

- Turnover
- CapEx
- OpEx

**b) Qualitative disclosures**

- Accounting policy
- Assessment of EU Taxonomy compliance
- Contextual information



# California Climate Rules



## WHO in Scope

US businesses (public and private)

- Doing business in California
- Total revenue > \$1B

{for SB-253}

- Total revenue > \$500M

{for SB-261}

- Includes US subs of non-US companies
- SB 261 scoping excludes insurance companies

Over 10,000 US companies will be subject to the climate disclosure requirements in the near term.

Awaiting the CARB adoption of implementation regulations; implementation costs and timeline



## WHAT to Report (Overview)

It covers three landmark climate disclosure bills

### SB-253- Climate corporate data accountability act

#### Major areas covered

Scopes 1, 2 and 3 greenhouse gas (GHG) emissions in accordance with the GHG Protocol

If already reporting under another mandatory standard, no need to duplicate.

### SB-261- Climate related financial risk act

#### Major areas covered

Climate-related financial risks and measures adopted to reduce and adapt to climate-related financial risk in accordance with the TCFD or successor body (ISSB)

### AB-1305- Voluntary carbon market disclosure

#### Major areas covered

Supplements global anti-greenwashing enforcement trends for voluntary carbon offsets and emissions reduction claims.



## WHEN to report

### SB-253: Annual reporting

- starting Jan 1, 2026 (2025 data) for scopes 1 and 2
- starting Jan 1, 2027 (2026 data) for scope 3

### SB-261: Biennial reporting

- starting on or before Jan 1, 2026



## WHERE to report

**SB-253:** Annual submission on publicly accessible digital platform

**SB-261:** Biennial disclosure on an entity's website



## Assurance

Initially limited assurance for scopes 1 and 2, with transition to reasonable assurance (TBD for scope 3)

# SEC Climate Rule



## WHO in Scope

- **Public companies and investors**
- A registrant with Exchange Act reporting obligations pursuant to Exchange Act Section 13 (a) or Section 15 (d) and companies filing a Securities Act or Exchange Act registration statement
- Includes Foreign Private Issuers



## WHERE to report

Disclosure in annual reports, including MD&A, financial statements, and potentially a separate section as per SEC guidelines



## WHAT to Report (Overview)

**It would require companies to disclose GHG emission, exposure to climate-related risks and their efforts to mitigate those risks**

### Specific disclosures requirements under SEC:

- Provide certain climate-related financial expenditure metrics, financial estimates and assumptions used.
- Disclosure of material and/or potential impacts of climate-related risks on business strategy, outlook, or financial position over short (the next 12 months) vs. long term (beyond the 12 months).
- Separate disclosure needed for Scopes 1 and 2 GHG emissions, if material.
- Board and management structure and oversight of climate-related risk including committees and their expertise.
- Risk Management- Processes of identifying, assessing, and managing climate-related risks and Transition plan disclosure.
- Attestation requirements- Limited assurance moving to reasonable after 2 years.



## WHEN to report

### Large accelerated filer:

- Disclosures other than GHG and financial estimates and assumptions in Fiscal Year Beginning ("FYB") 2025
- Scope 1 & 2 GHG and financial estimates and assumptions disclosures in FYB 2026

### Accelerated filer:

- Disclosures other than GHG and financial estimates and assumptions by FYB 2026
- Financial estimates and assumptions disclosures by FYB 2027
- Scope 1 & 2 GHG disclosures by FYB 2028

### Small reporting company, emerging growth company, and Non-Accelerated filer:

- Disclosures other than financial estimates and assumptions by FYB 2027
- Financial estimates and assumptions disclosures by FYB 2028
- No GHG emissions reporting requirements

## Assurance

### Large accelerated filer:

Assurance: Limited assurance on GHG by FYB 2029 and Reasonable assurance by FYB 2033

### Accelerated filer:

Assurance: Limited assurance by FYB 2031 and no Reasonable assurance requirement



# International Sustainability Standard Board (ISSB)

## WHO is in scope and WHEN to report



As determined by individual jurisdiction.  
Applicable for broad range of listed and private companies in EU and companies with significant operations in the EU.

Timing: FY24

## WHERE to report?



**Mandatory reporting in the Annual Report.**  
Information included outside the annual report via cross-referencing to other documents, e.g.; a sustainability report.  
Not required in financial statements, but permitted via cross-referencing



## Assurance Obligation



The ISSB cannot require companies to obtain assurance, but many jurisdictions may require it.

Companies must engage with internal audit teams to design procedures to be ready for assurance.

## WHAT to report?

Topics of IFRS		Reporting Levels of the International Sustainability Standards Board (ISSB)		ISSB Adoption
<div><div></div>General</div>		Sector-agnostic Standards		<p>Asia Pacific countries that adopted/will adopt ISSB are <b>Australia, Hong Kong, Japan, Korea, Malaysia, Singapore, and Taiwan.</b></p> <p>Other ASPAC countries that support ISSB but have no formal announcement on implementation are China, Indonesia, Philippines, Thailand, Vietnam, and Cambodia.</p>
<div><div></div>Climate</div>		<b>IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information</b>	<b>IFRS S2 – Climate-related Disclosures</b>	
Reporting Areas		<b>Major areas covered-</b> Basis of preparation Oversight Management role Identification of impacts, risks and opportunities Metrics measurement and requirement	<b>Major areas covered-</b> Oversight- assessment frequency, expertise, reporting Effects of impacts, risks and opportunities Sector-specific and industry specific requirements Information about actions, plans, resources, targets Time horizon	
I. Governance		Sector-specific Standards		
II. Strategy		Entity-specific Standards		
III. Risk management				
IV. Metrics & Targets				

**What Next-** IFRS S1 and IFRS S2 will be applicable for organizations reporting for FY24. Upcoming standards will include disclosure requirements around biodiversity, human capital, human rights, etc.

A scenic landscape featuring several wind turbines on a green, rolling hill. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The text 'Q&A' is prominently displayed in the center of the image.

# Q&A



**How do you envision the future of non-financial reporting for the public sector, especially in the light of increasing demands for transparency and accountability?**

# In your perspective, what is the public sector's role in the adoption of sustainability reporting standards?





**04**

# **Navigating the Path to Effective Sustainability Reporting**

**A**

# **Materiality Matters: Basic concepts of materiality and double materiality**

# PRIORITISATION BASED ON DOUBLE MATERIALITY

Both financial and impact materiality must be considered when developing and prioritising ESG initiatives to meet different stakeholder expectations

## IDENTIFICATION OF ESG ISSUES

Identify ESG issues to be measured per peer review, research ESG megatrends and international ESG frameworks / standards (e.g. SASB)



## STAKEHOLDER ENGAGEMENT

Collect internal and external stakeholder views on which ESG issues to focus on

- It is important to understand stakeholders' ESG preferences.
- External stakeholders**
  - HNWIs
  - Insurance Companies
  - Pensions
  - Sovereign Wealth Funds
  - Endowments
  - Talent
  - Public
- Internal stakeholders**
  - Board of Directors
  - Investment team
  - Risk team
  - Employees

## ASSESSMENT & PRIORITISATION

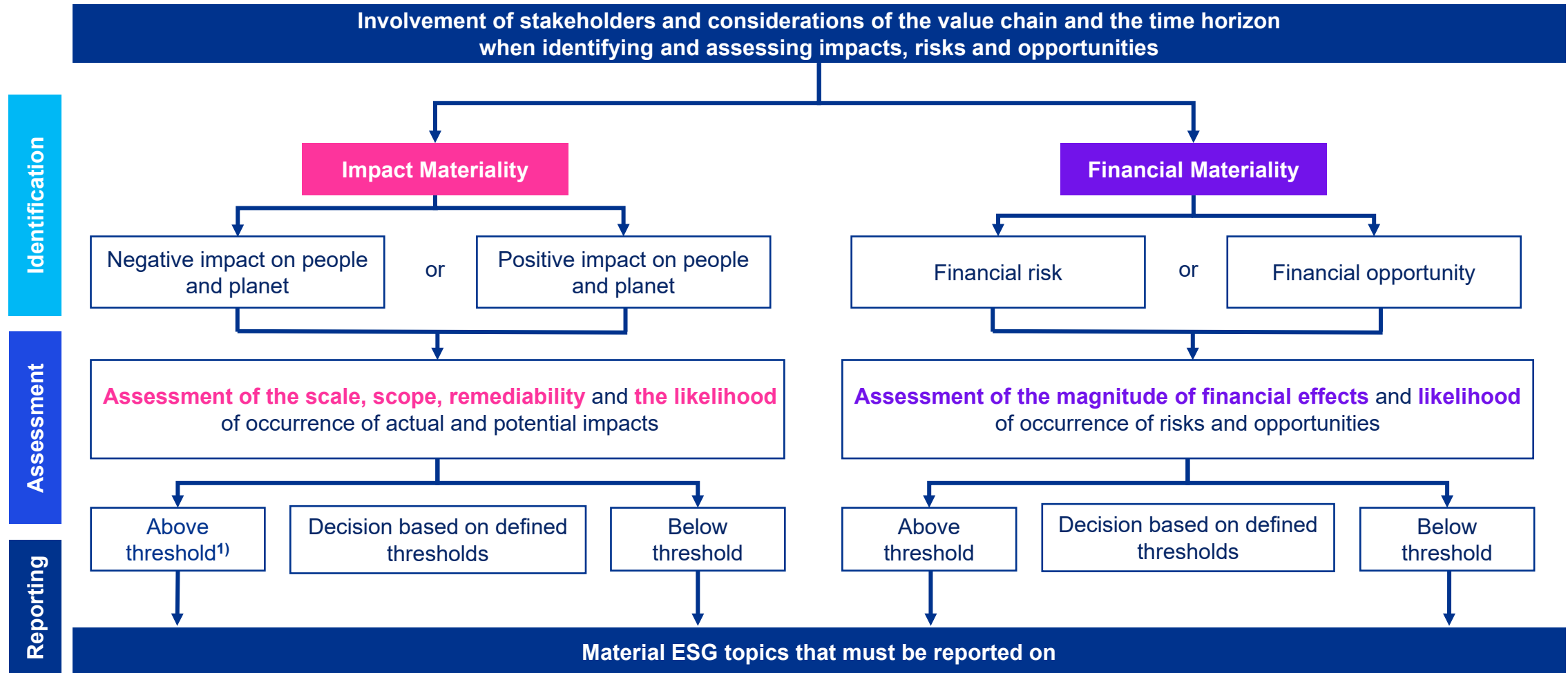
Analyse insights gathered from stakeholders and prioritise the ESG issues



Source: KPMG / Quinlan & Associates analysis



# How are material ESG topics determined?



Note: 1) ESRS 1 does not prescribe how to set thresholds. Therefore, the scales as well as quantitative and qualitative thresholds must be defined on a company-specific basis to determine an impact materiality score.

# Exemplary DMA results: Environmental aspects (1/2)

Topic	Sub-topic	OEM 1	OEM 2	Supplier	Tech
E1 Climate change	Climate change adaptation	Material	Non-Material	Material	Material
	Climate change mitigation	Material	Material	Material	Material
	Energy	Material	Material	Material	Material
E2 Pollution	Pollution of air	Material	Material	Material	Non-Material
	Pollution of water	Material	Material	Material	Material
	Pollution of soil	Material	Non-Material	Material	Material
	Pollution of living organisms and food resources	Non-Material	Non-Material	Material	Non-Material
	Substances of concern	Material	Non-Material	Material	Material
	Substances of very high concern	Material	Material	Material	Material
	Microplastics	Material	Material	Material	Material
E3 Water & marine resources	Water	Material	Material	Non-Material	Material
	Marine resources	Non-Material	Non-Material	Material	Non-Material

Material Non-Material

Note: For more information on the specific KPIs, please refer to the EFRAG Implementation Guidance: [EFRAG \(sharefile.com\)](https://www.efrag.eu/sharefile.com)

# Exemplary DMA results: Environmental aspects (2/2)

Topic	Sub-topic	OEM 1	OEM 2	Supplier	Tech
E4 Biodiversity & Ecosystems	Direct impact drivers of biodiversity loss	Material	Material	Material	Non-Material
	Impacts on the state of species	Non-Material	Material	Material	Non-Material
	Impacts on the extent and condition of ecosystems	Non-Material	Material	Material	Non-Material
	Impacts and dependencies on ecosystems services	Non-Material	Material	Material	Material
E5 Circular economy	Resource inflows, including resource use	Material	Material	Material	Material
	Resource outflows related to products and services	Material	Material	Material	Material
	Waste	Material	Material	Material	Material

Material	Non-Material
----------	--------------

Note: For more information on the specific KPIs, please refer to the EFRAG Implementation Guidance: [EFRAG \(sharefile.com\)](#)



# Exemplary DMA results: Social aspects

Topic	Sub-topic	OEM 1	OEM 2	Supplier	Tech
S1 Own workforce	Working conditions	Material	Material	Material	Material
	Equal treatment and opportunities for all	Material	Material	Material	Material
	Other work-related rights	Material	Material	Material	Material
S2 Workers in the value chain	Working conditions	Material	Material	Material	Material
	Equal treatment and opportunities for all	Material	Material	Material	Non-Material
	Other work-related rights	Material	Material	Material	Non-Material
S3 Affected communities	Communities' economic, social and cultural rights	Material	Non-Material	Material	Non-Material
	Communities' civil and political rights	Material	Non-Material	Material	Non-Material
	Rights of indigenous peoples	Material	Non-Material	Material	Non-Material
	Entity specific: Corporate Citizenship	Non-Material	Material	Material	Non-Material
S4 Consumers & end users	Information-related impacts for consumers and/or end-users	Material	Material	Material	Material
	Personal safety of consumers and/or end-users	Material	Material	Material	Material
	Social inclusion of consumers and/or end-users	Material	Non-Material	Material	Material

Material Non-Material

Note: For more information on the specific KPIs, please refer to the EFRAG Implementation Guidance: [EFRAG \(sharefile.com\)](https://www.efrag.org/sharefile.com)

# Exemplary DMA results: Governance aspects

Topic	Sub-topic	OEM 1	OEM 2	Supplier	Tech
G1 Business conduct	Corporate Culture	Material	Material	Material	Material
	Protection of whistleblowers	Material	Material	Material	Material
	Animal welfare	Non-Material	Non-Material	Material	Non-Material
	Political engagement	Material	Material	Material	Non-Material
	Management of relationships with suppliers including payment practices	Material	Material	Material	Non-Material
	Corruption and bribery	Material	Material	Material	Material

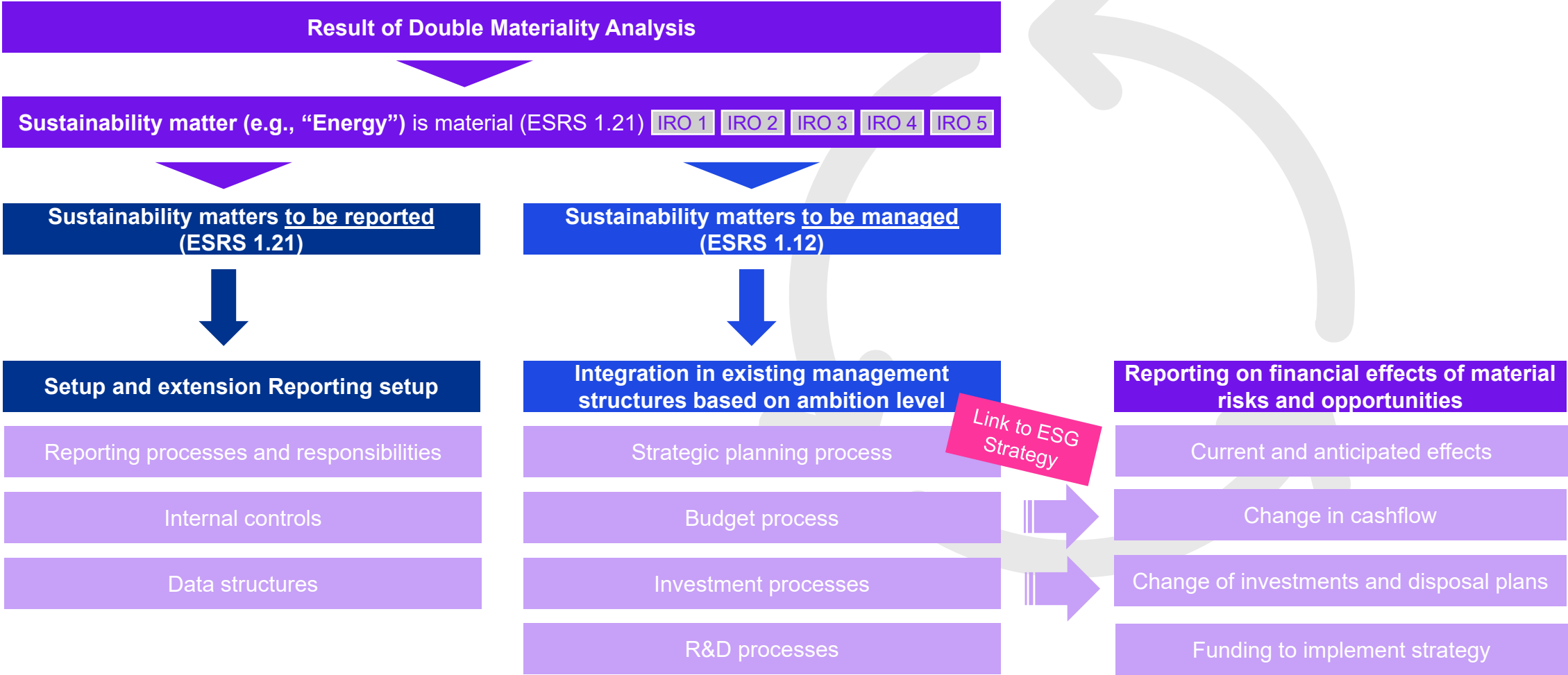
Note: For more information on the specific KPIs, please refer to the EFRAG Implementation Guidance: [EFRAG \(sharefile.com\)](#)

Material


Non-Material



# Reporting and management of material sustainability matters goes side by side



Note: The disclosure of the values in EUR for IROs is only to be included from 2028 (from the fourth year of reporting).

A scenic landscape featuring several wind turbines on a green, rolling hill. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The text 'Q&A' is prominently displayed in the center of the image.

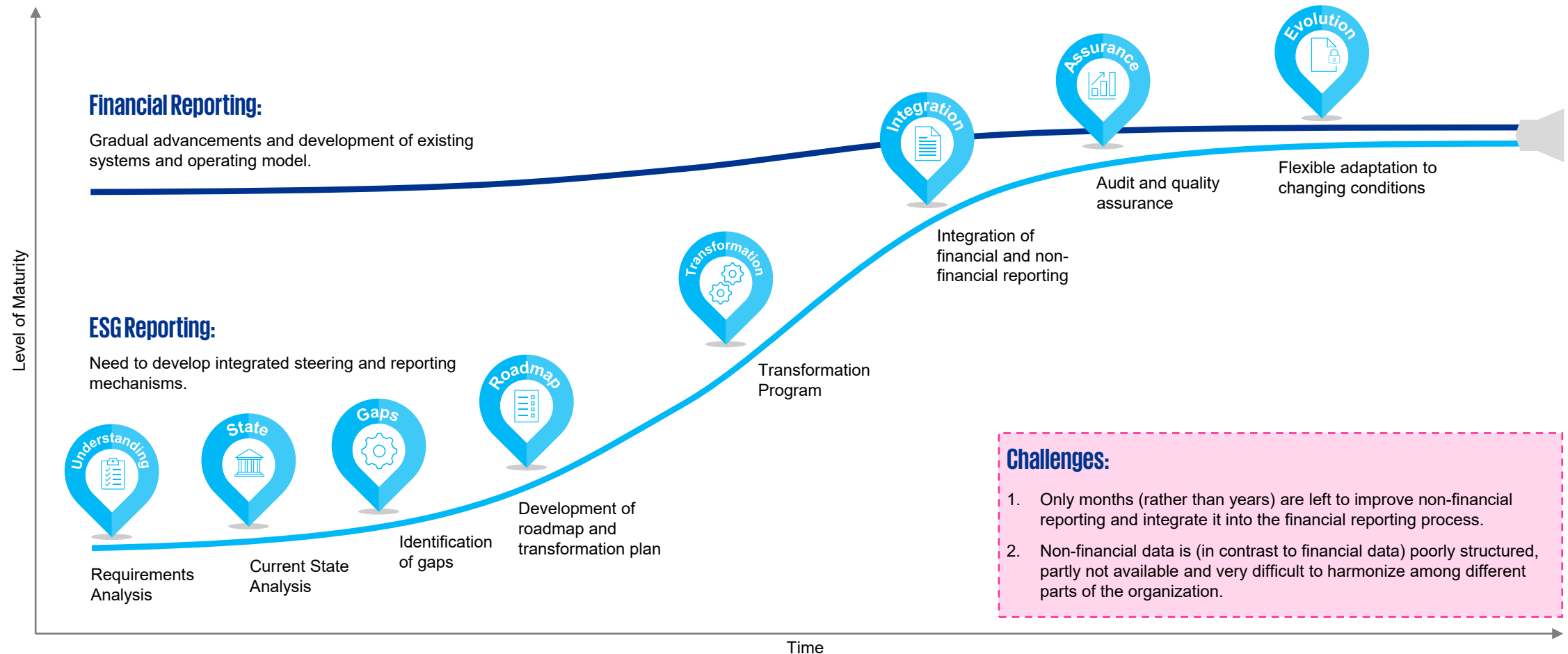
# Q&A

**What mechanisms are in place for stakeholder engagement, particularly with the civil society and private sector to identify and address material sustainability issues?**

**B**

## **Integration of Sustainability Reporting into Financial Disclosures**

# Financial and non-financial reporting have to be integrated for disclosure *and* performance controlling





# Reflecting on your key stakeholders' expectations provides opportunities for ESG-driven value creation

## Our understanding of ESG Strategy

**Value preservation**  
Avoiding ESG-related cost



**Secure compliance**



**Value creation**  
Using ESG-driven opportunities



**Develop ESG business cases**

### What are key drivers for ESG activities in your company?

Climate change & environ. damages	64%	Competitive pressure	46%	Client expectations and needs	76%	New business potentials	57%
Politics & regulation	54%	Societal pressure	34%	Owner / investor requirements	54%	Employer attractiveness	55%

**Value-focused drivers**

Source: KPMG 2023 ESG Steering study

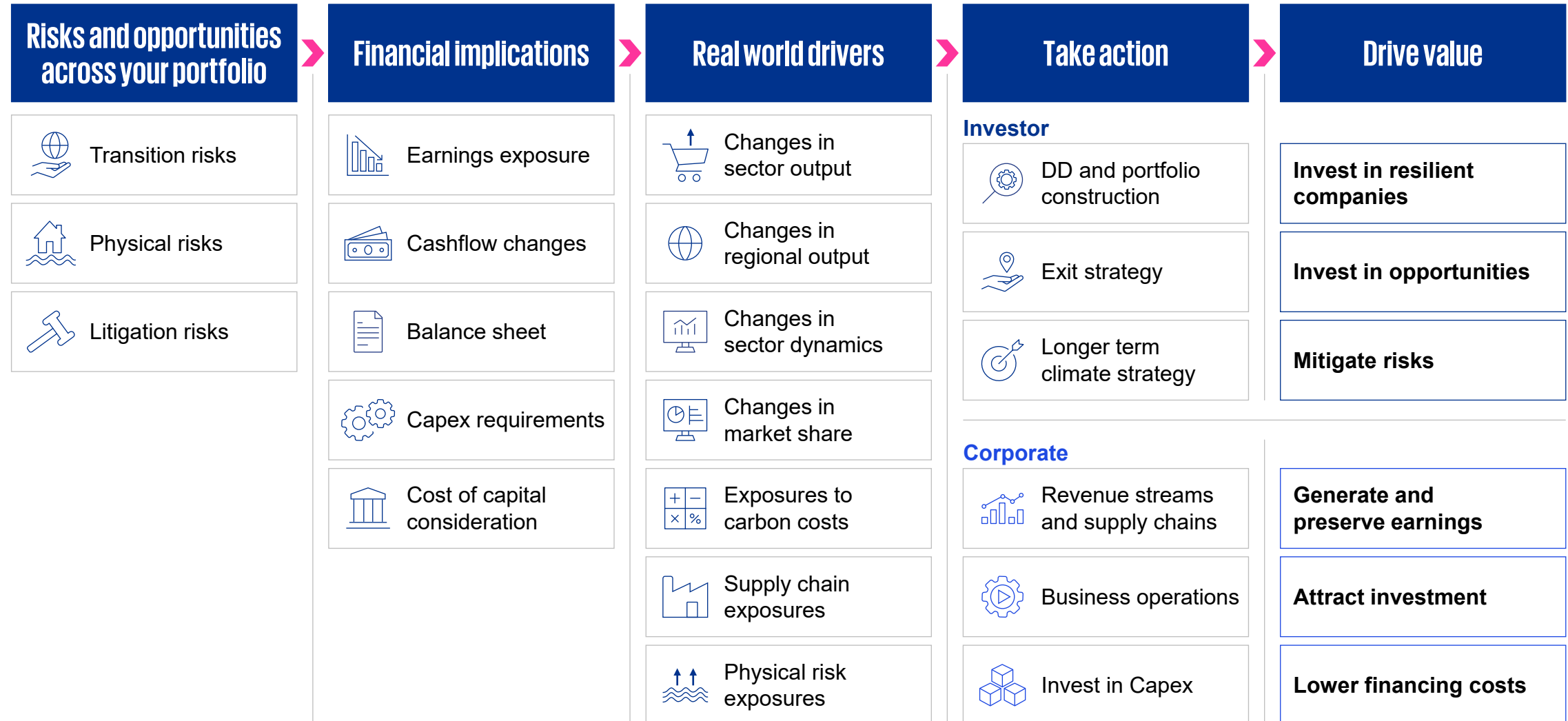


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# Markets in Europe are facing ESG-driven changes: Investor and corporate perspectives on risks and opportunities

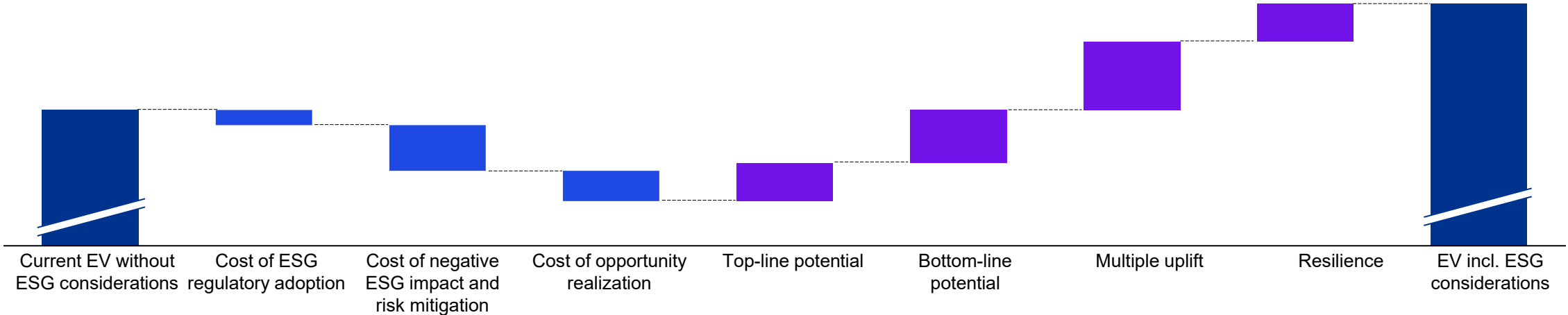


# We encourage companies to discuss ESG beyond compliance

## Levers for ESG-driven value creation

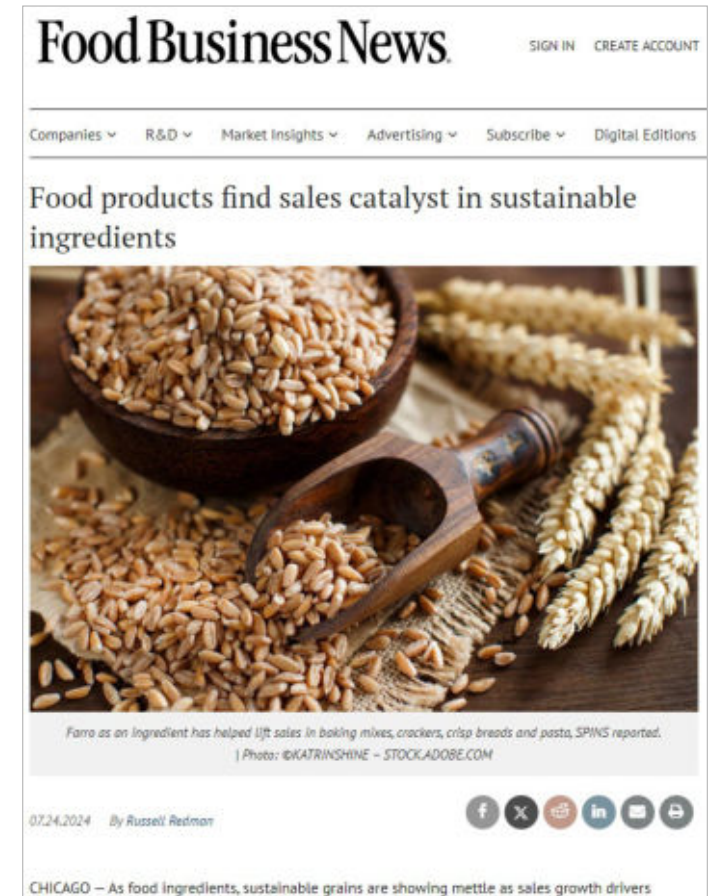
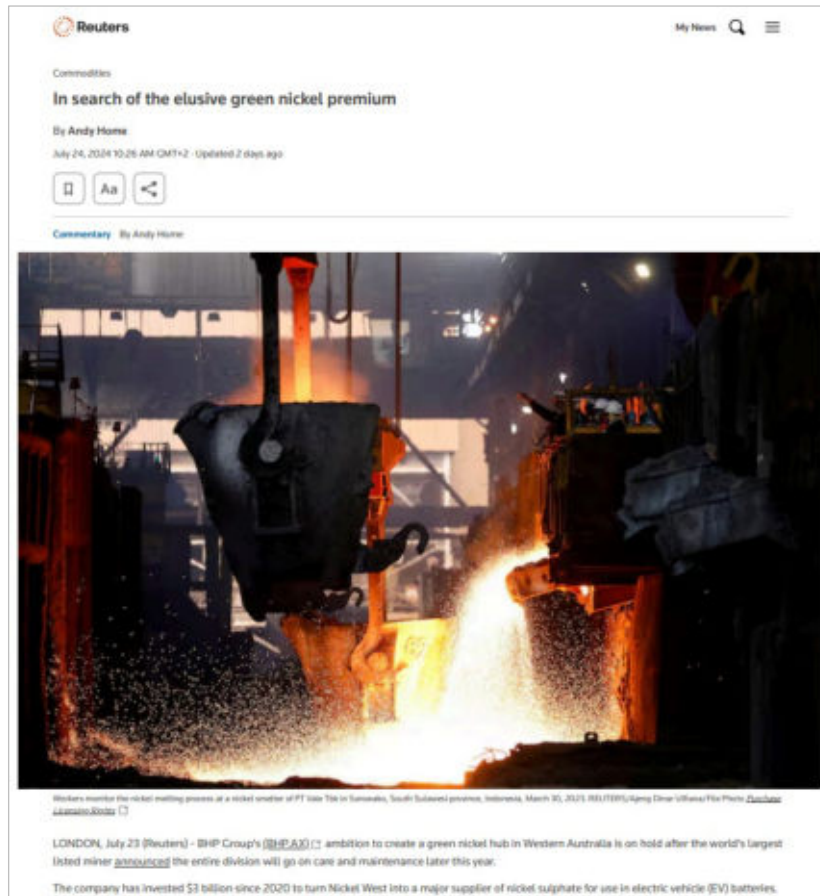
Top-line potential		Bottom-line potential		Multiple uplift	Resilience
<b>Avoided revenue loss</b>	<b>Revenue upside</b>	<b>Avoided costs</b>	<b>Cost reduction</b>		
“EV adoption gathers steam in fossil fuel-rich Saudi Arabia” Japan Times, 25 July 2024	“In search of the elusive green nickel premium” Reuters, 24 July 2024	“Manufacturing in Mexico is having its moment. The US is buying in – and so is China” CNN Business, 28 April 2024	“One-stop-shop to help businesses save money and go green” Gov.UK, 14 August 2023	“Companies see sustainability as integral to long-term value creation” Morgan Stanley, 21 May 2024	“Adaptation and resilience – a \$2 trillion market opportunity the private sector cannot ignore” British International Investment, July 2024
	Example - Next page				

## Illustration



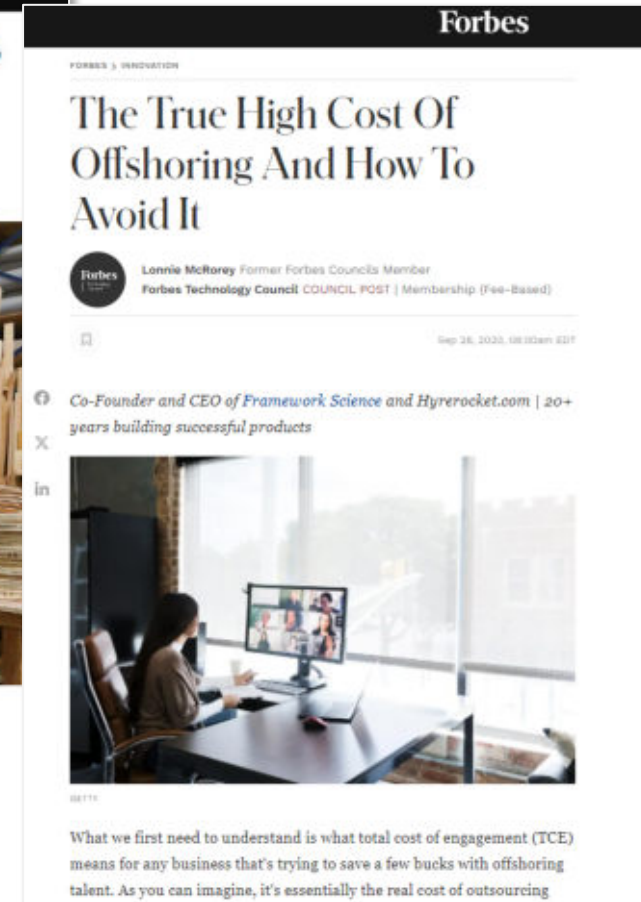
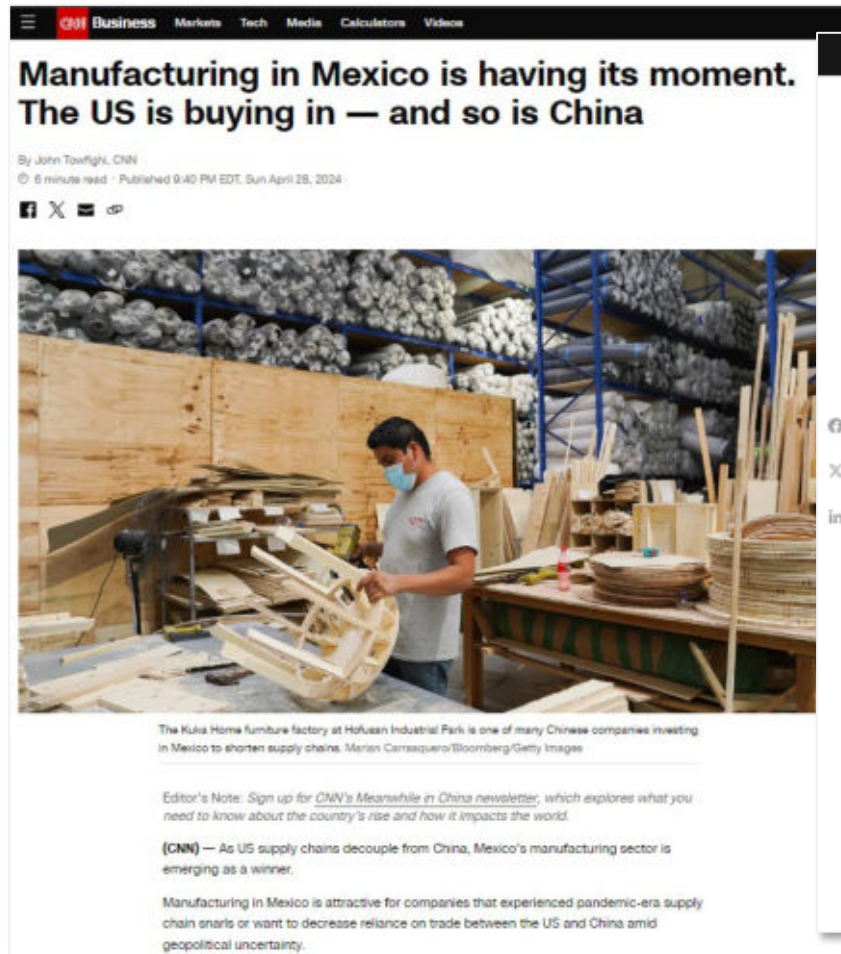
# Companies are looking for sustainable product features to justify higher prices

## Revenue upside



# Companies use nearshoring to avoid potential costs from supply chain disruptions and geopolitical uncertainties

Avoided costs





# ESG one of the key value levers for private equity companies



Morgan Stanley

Our InsightsWhat We Do

INSTITUTE FOR SUSTAINABLE INVESTING • MAY 21, 2024

Companies See Sustainability as Integral to Long-Term Value Creation

Twitter

LinkedIn

Facebook

Instagram

Companies' top reason for pursuing a sustainability strategy is the opportunity for value creation. The biggest hurdle? The high level of investment that's needed.

Investing influencing the value of companies?

Ability-led investing has skyrocketed, but its impact on chemical firms is not

CAEN

Its story appeared in Volume 95, Issue 44

Most Popular in Business

CAEN's Global Top 50 chemical firms for 2024

CAEN's Global Top 50 chemical firms for 2022

What's in sunscreen, and how does it protect your skin from the sun's rays?

What are glow sticks, and what's the chemical reaction that makes them light up?

Is ammonia the fuel of the future?



Credit: Arlema

Arlema's investment in solar energy at its site in Saint-Aubin, France, may have contributed to its good standing in a Wall Street Journal sustainability ranking.

In the past couple of years, the stock market has not been kind to DuPont, 3M, and Chemours, three giants of the global chemical industry. Between January 2018 and September 2020, DuPont's shares fell 45%, 3M's dropped 31%, and Chemours's plummeted 59%. That's a combined decline in value of about \$80 billion.

# Climate resilience may not only protect company value but can become a business case

## Resilience

KPMG

### Climate risks and consequences of climate change 2023

Study on the potential of German industry and solutions based on innovation and changes to portfolios



I'm looking

## Adaptation and resilience – a \$2 trillion market opportunity the private sector cannot ignore

Our Managing Director and Head of Climate, Diversity and Advisory, Amal-Lee Amin, explores the stark case for accelerating private investment in climate adaptation and resilience.

2024 | IMPACT COUNCIL

## The business case for climate resiliency

Climate change is a big risk for companies, but it can be turned into a money-saving opportunity.



Climate splash (lightning, forest fire, hurricane, sun)]

BY SHIMON ELKABETZ 3 MINUTE READ



Resiliency. As the climate around us changes, this concept is dominating conversations from the watercooler to the C-suite. But what does it really mean? Weather can be one of the biggest impact on business efficiency and operations, yet it remains an underappreciated risk in the boardroom. The growing frequency and severity of natural



# Enhanced sustainability requirements and expectations will fundamentally change corporate ESG management



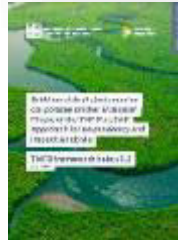
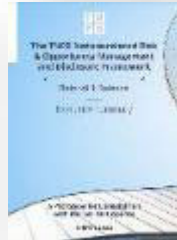
# Financial disclosure matters for Climate, Nature, and Social

2017 TCFD



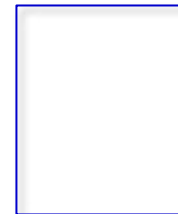
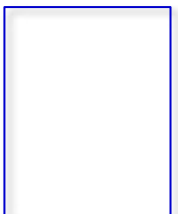
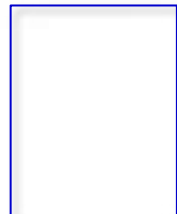
Task Force on Climate-related Financial Disclosures

2023 TNFD



Task Force on Nature-related Financial Disclosures

202? TISFD



Task Force on Inequality- and Social related Financial Disclosures

A scenic landscape featuring several wind turbines on a green, rolling hill. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The text 'Q&A' is prominently displayed in the center of the image.

# Q&A

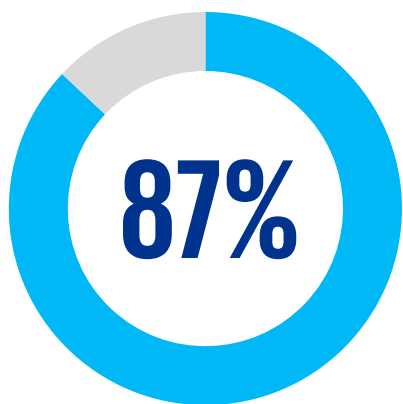
**In what ways do you think the absence of formal sustainability reporting requirements affects the quality of financial disclosures in the public sector?**

**C**

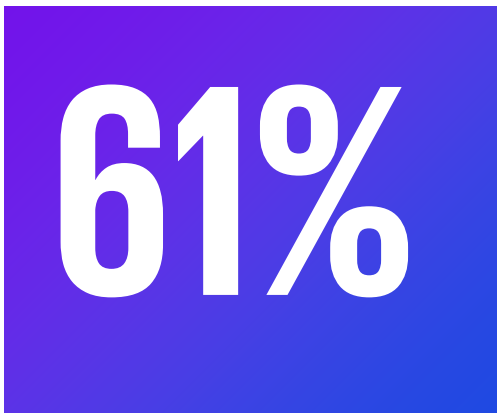
**What Good Reporting  
Looks Like**



# Our 2024 KPMG Global ESG DD study show the increasing relevance of linking sustainability to value and the corporate strategy

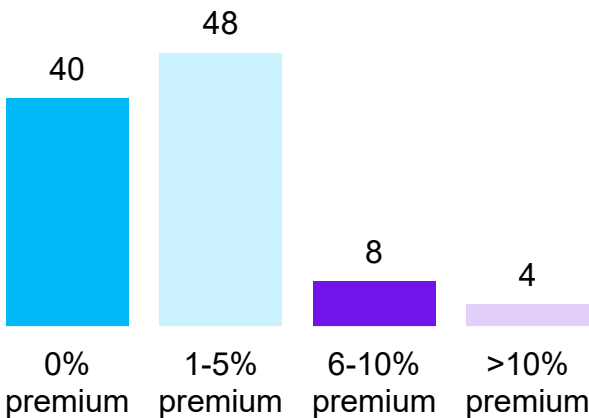


of respondents from ASPAC consider the **link of ESG to the business strategy** and thereby their investment thesis a priority due diligence scope item

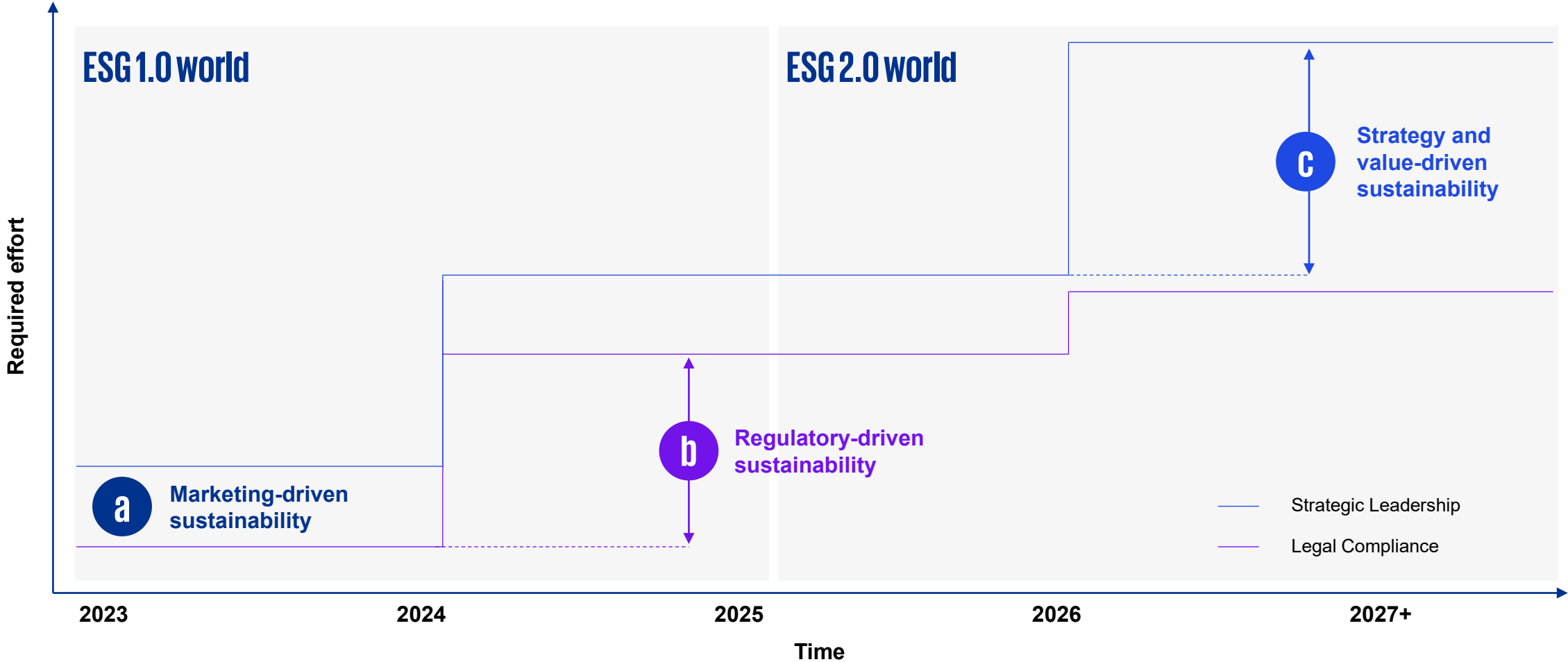


of financial investors are looking to acquire targets that have **potential for an “ESG Transformation”**

More than half of corporate and financial investors in ASPAC are willing to **pay a premium for assets with high ESG maturity**



# CSRD-driven transparency will be a game changer for strategic ESG management



# The CSRD is a reporting framework, as well as a lever for value creation

## Four reporting areas



### Governance

Coverage of supervisory bodies' responsibilities, processes, and reporting procedures in place to manage and oversee sustainability matters



### Strategy

Description of the company's strategy and business model, stakeholders and value chain, materiality assessment



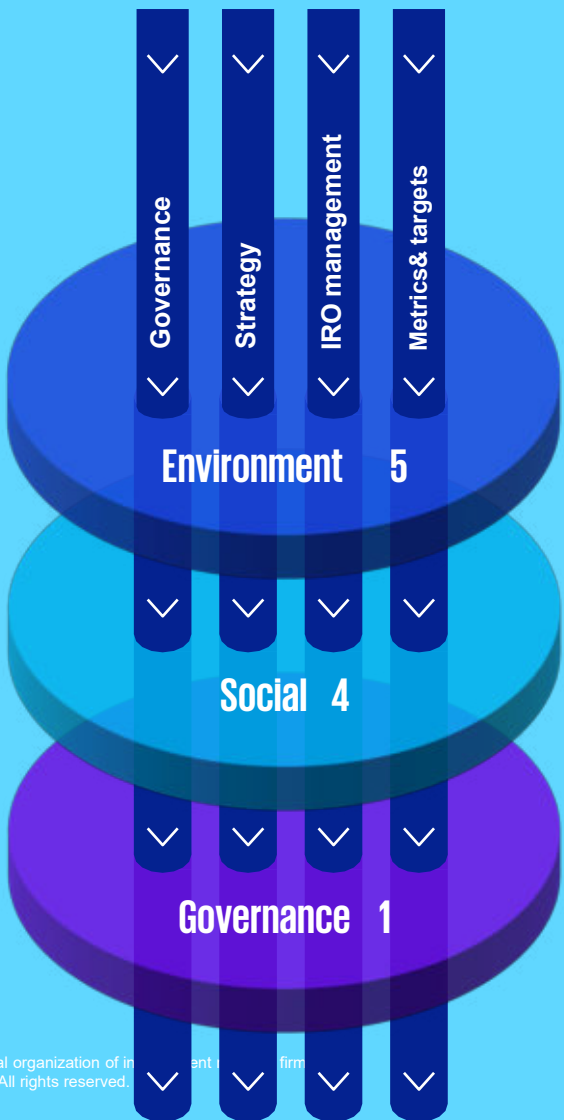
### Impact, risk and opportunity management

Disclosures on impacts, risks and opportunities (IRO) on sustainability matters that are assessed to be material and how the company translates its strategy into action through policies, targets, action plans and resources



### Metrics and targets

Specific sets of metrics and targets in line with materiality assessment



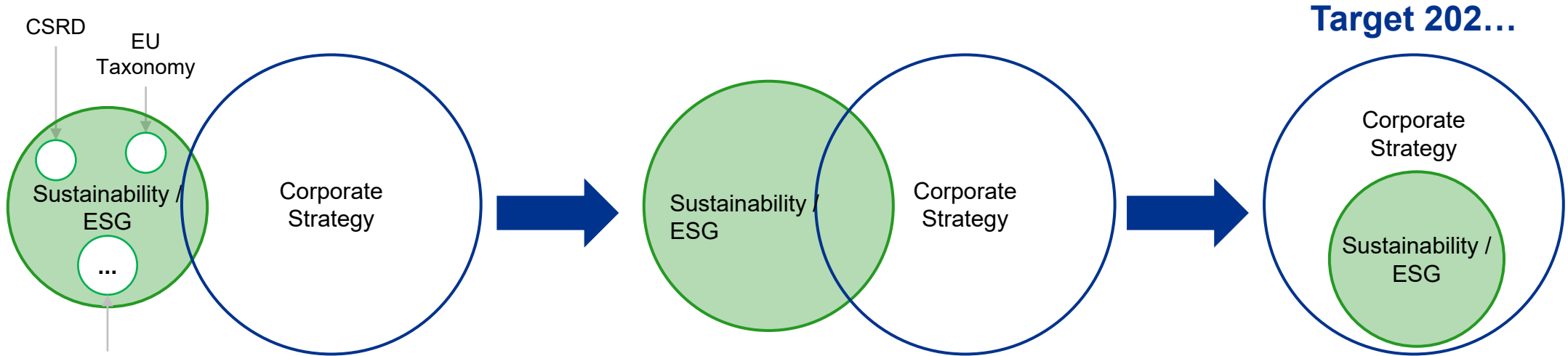
# Sustainability is expected to be integrated into corporate strategy



In recent years, sustainability has become more important and will even gain more relevance in the upcoming years. Sustainability also becomes a relevant aspect in general business discussions and therefore must be integrated into the corporate strategy.



As the importance of sustainability increases, the number of involved business units / departments increases, too. Consequently, there are implications on the corporate structure.



Further initiatives:

- EcoSmart
- NetPositive
- Microplastic
- Battery Act

# The ESG TOM provides a framework to better support the strategy

## The ESG TOM

The ESG TOM provides a framework to better support the overall strategy and business model, in defining the future direction of the organization within 6 dimensions under consideration of the regulatory framework

## Regulatory Framework

### People

- Competence development (on-boarding, training)
- People empowerment
- ESG Community

### Role and strategy

- Ambition level and maturity assessment
- Strategic goals
- Roadmap for operationalizing the ESG strategy

### Governance

- Structure of committees and boards
- Integration into the corporate governance structure
- Tasks and responsibilities

### Organization

- Organizational structure
- Control
- RACI

### Processes

- Prioritization of goals and KPIs
- Process scope
- Process re-design (incl. activity split)

### Technology

- Benchmarking
- Data models & IT tools
- IT interfaces



CSRD

Corporate Sustainability Reporting Directive

EU Taxonomy

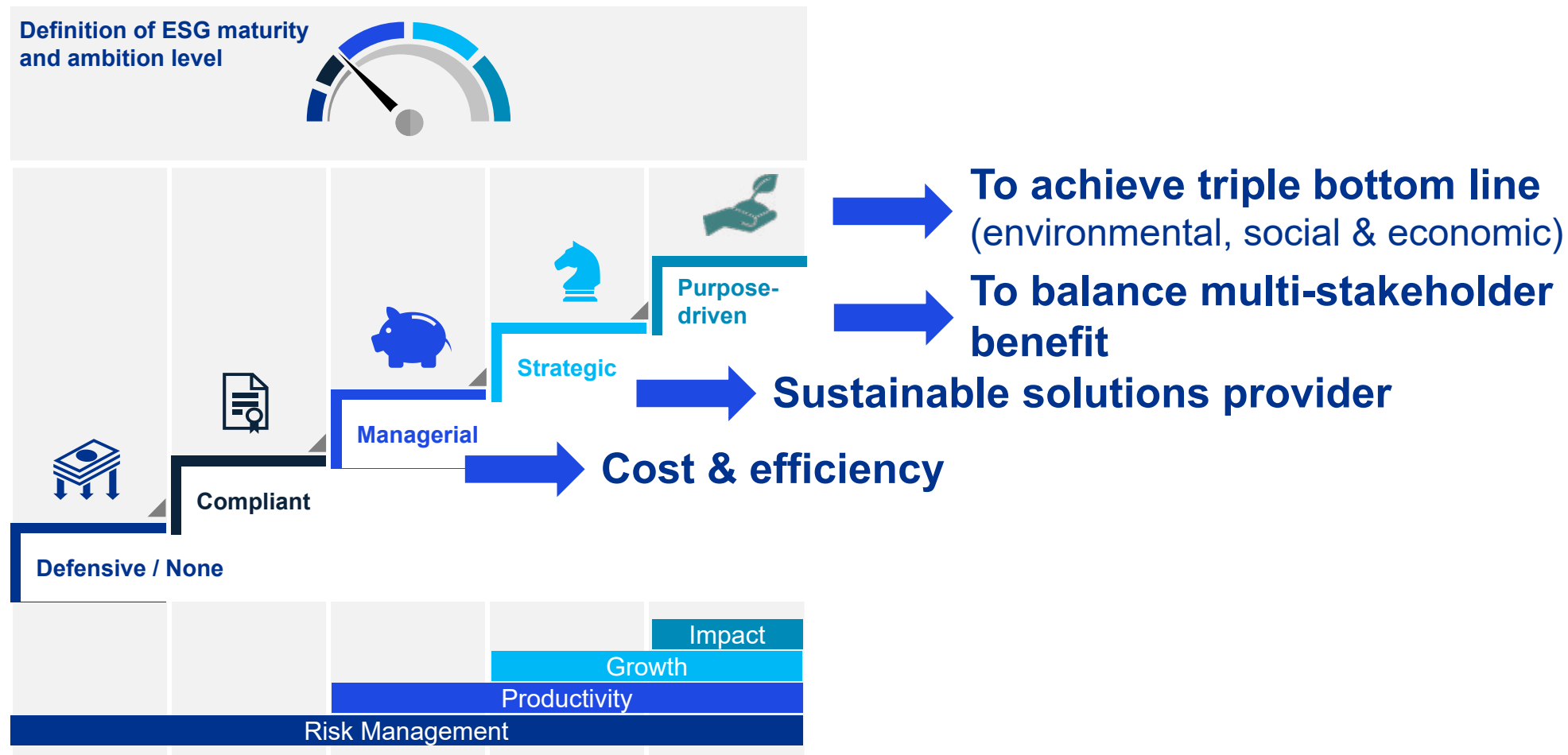
CSDDD

SFDR

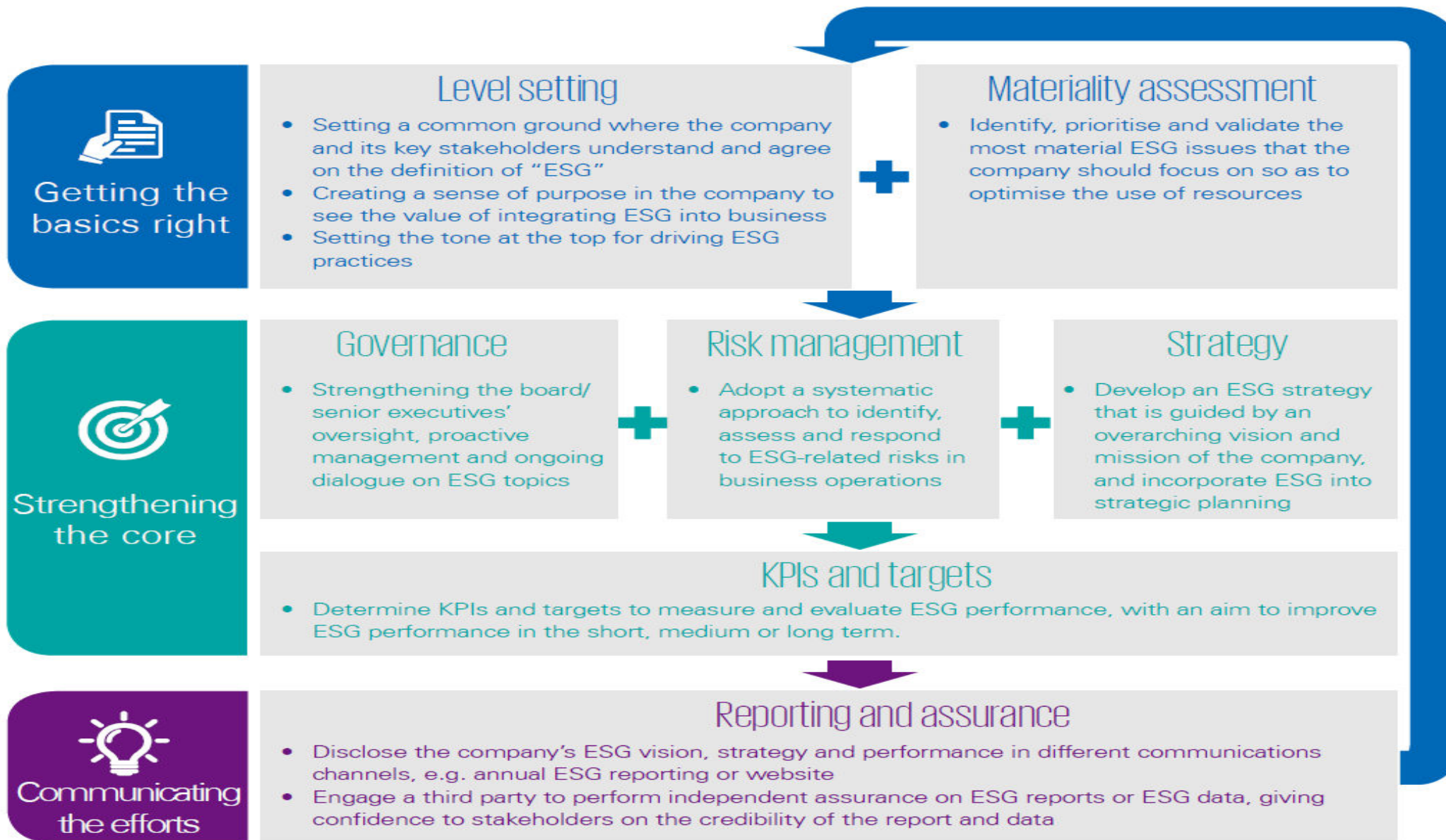
Sustainable Finance Disclosure Regulation



# The ESG Maturity and Ambition Need to be Defined



Sources: KPMG, based on UN Global Compact Sustainability Stages Model: Defensive / None (originally Crisis Management), Compliant (originally Compliance), Managerial (originally Resource Optimization), Strategic (originally Market Differentiation), Purpose Driven (similar)



# D

## **Reflections:**

**Discuss feasible next steps for DMCs, considering insights, challenges, and opportunities identified during the session**

# What is your perception of the readiness to adopt sustainability reporting standards?

# What do you believe are the main gaps and challenges to adopt sustainability reporting standards?



**Can you please share the measures have been taken to build the capacity of public sector accountants and auditors to adopt sustainability reporting standards?**

**Can you please share the measures have been taken to build the capacity of public sector accountants and auditors to adopt sustainability reporting standards?**

**Can you share your views on how regional cooperation can be strengthened to share best practices in adopting sustainability reporting standards?**

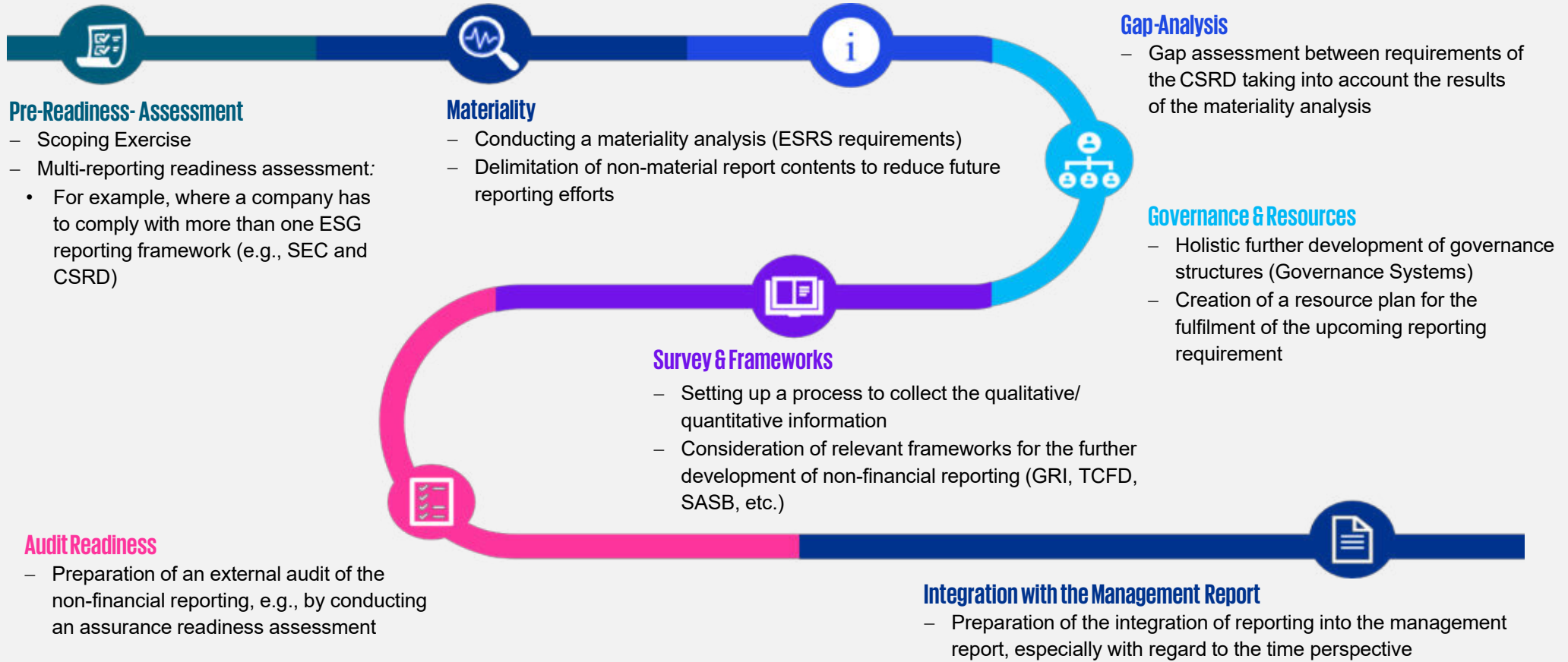
**Appendix**

# **KPMG's implementation approach**



# Key steps towards CSRD compliance

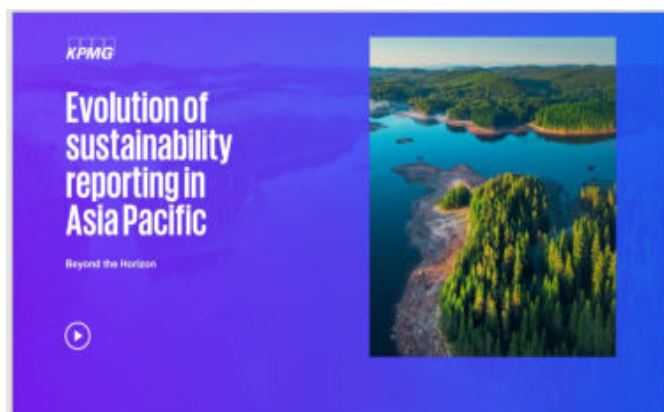
## KPMG's implementation approach





# Asia Pacific Thought Leadership

The outlook of sustainability reporting in **Asia Pacific** 13 countries and regions.



Evolution of sustainability reporting in Asia Pacific - KPMG Global



## Executive summary

Overview on the key market expectations and challenges in Asia Pacific are included.

## Market highlights

Along with an executive summary focusing on ESG reporting evolution, major sustainability reporting requirements and/or guidance in each country and region are highlighted.



# Key note speech

## ESG and the Public Sector



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# Public Sector has a unique position supporting ESG outcomes

# Government regulations are driving the ESG agenda across all sectors

## Ambition & Policy Setter



**Mechanisms for change:** Setting global commitments such as Net Zero, Paris Agreement.

**Challenge:** Complex Implementation across sectors.

## Regulator



**Mechanisms for change:** Setting the standards, compulsory disclosures

**Challenge:** The need for harmonized and globally aligned standards

## Participant & Operator



**Mechanisms for change:** Employer, Asset Owners, Cultural Steward

**Challenge:** Resistance to lead, reform procurement and operational policies

## Instigator & Capacity Builder



**Mechanisms for change:** Innovative finance, R&D incentives, upskilling

**Challenge:** Avoid crowding out institutional and private finance

**Corporate Sustainability Due Diligence Directive (EU):** Tackles environmental & human rights abuses

**US SEC Climate Guidance (US):** Climate risk disclosure

**EU Non-Financial Reporting Directive (EU):** Mandates sustainability reporting

**Business Responsibility and Sustainability Reports (India):** ESG metrics for top 1000 firms

**Sustainable Finance Disclosure Regulation (EU):** Transparency in sustainable finance

**National Greenhouse and Energy Reporting Regulation (Australia):** GHG and energy reporting framework



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