



# ESG/Climate

A rapid diagnostic opportunity  
for portfolio companies

KPMG offers a diagnostic process to help quickly assess the maturity of a portfolio company's ESG/Climate strategy and identify potential value creation opportunities.

## Making ESG/Climate a top priority

Getting serious about ESG, and climate in particular, has become a top priority for private equity as the tide has quickly turned from compliance burden to value opportunity.

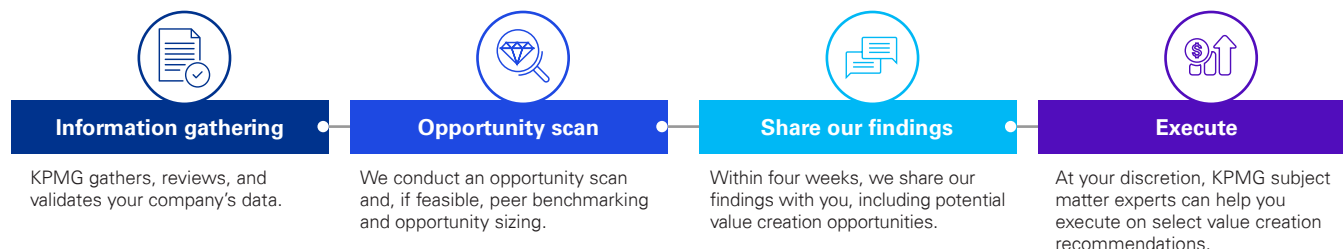
Our rapid diagnostic process can help management teams focus on what matters for their businesses and avail themselves of substantial opportunities to progress their ESG efforts.

KPMG's approach to ESG/Climate at private equity portfolio companies leverages a suite of software-enabled services to efficiently support management teams in:

- Material ESG topic assessments
- Emissions baseline measurements
- Climate risk analyses
- Decarbonization-lever identification and quantification

## Our approach

Through an initial diagnostic exercise, which is a light-touch process on your part, we quickly identify potential opportunities to advance your ESG/Climate strategy. Then, at your discretion, senior KPMG ESG/Climate experts can further guide you through the execution of select value creation opportunities that have been identified.



## Deliverables from the ESG/Climate diagnostic include:

- Key observations and challenges identified during the rapid assessment
- Perspective on current state maturity versus leading practices
- High-level quantification of potential value creation opportunities
- Prioritized list of initiatives and preliminary roadmap
- Considerations and next steps

## Whether you are in earlier stages of incorporating ESG, or seeking a more advanced approach, we assist GPs and portfolio companies along their ESG journey by:

- Targeting specific areas:
  - establishing a carbon baseline and targets
  - preparing for an IPO or exit
  - establishing a broader ESG strategy
- Addressing specific PE investor implementation and reporting requirements
- Understanding and prioritizing broader stakeholder needs

### Factors that differentiate KPMG's approach:

- **Sector-specific analysis** → identify the most relevant value creation levers
- **Opportunity driven approach** → considering how value could be created on the specific asset
- **Quantitative output and rationale** → potential upside related to ESG differentiation
- **Transaction lifecycle** → incorporate ESG value creation assessment during diligence

### Case study: Decarbonization strategy at a major infrastructure company



#### The challenge

An \$835M revenue infrastructure company was at risk of losing a major customer because the company had made minimal progress on decarbonization goals and initiatives.



#### What KPMG did

- Measured asset-level historical and baseline year Scope 1 and 2 GHG emissions
- Identified and quantified the cost and timing of available decarbonization levers, including renewable energy procurement, on-site solar, asset electrification, and biofuel usage
- Supported the management team in evaluating numerous decarbonization pathway scenarios, committing to a Net Zero path, a target for 100% renewable energy, and a tangible plan for achieving its goals. This path resulted in the company realizing lower costs as compared with its current operations.
- Assisted management in developing its external-facing decarbonization communications



#### Results:

- The company committed to 65% GHG emission reduction by 2032, being Net Zero Carbon in 2040, and achieving 100% renewable energy in 2032.
- The company is implementing a decarbonization strategy that is NPV (net present value) positive relative to its current operations.

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## Contact us

**Mark Golovcsenko**  
Private Equity Value Creation  
Lead, ESG and Climate  
T: +1-917-375-2889  
E: [mgolovcsenko@kpmg.com](mailto:mgolovcsenko@kpmg.com)

**Tania Carnegie**  
Global ESG and Climate  
Strategy  
T: +1-917-941-2338  
E: [taniacarnegie@kpmg.com](mailto:taniacarnegie@kpmg.com)

**Dazzle Bhujwala**  
Managing Director,  
Private Equity Climate  
Strategy  
T: +1-929-213-0665  
E: [dbhujwala@kpmg.com](mailto:dbhujwala@kpmg.com)