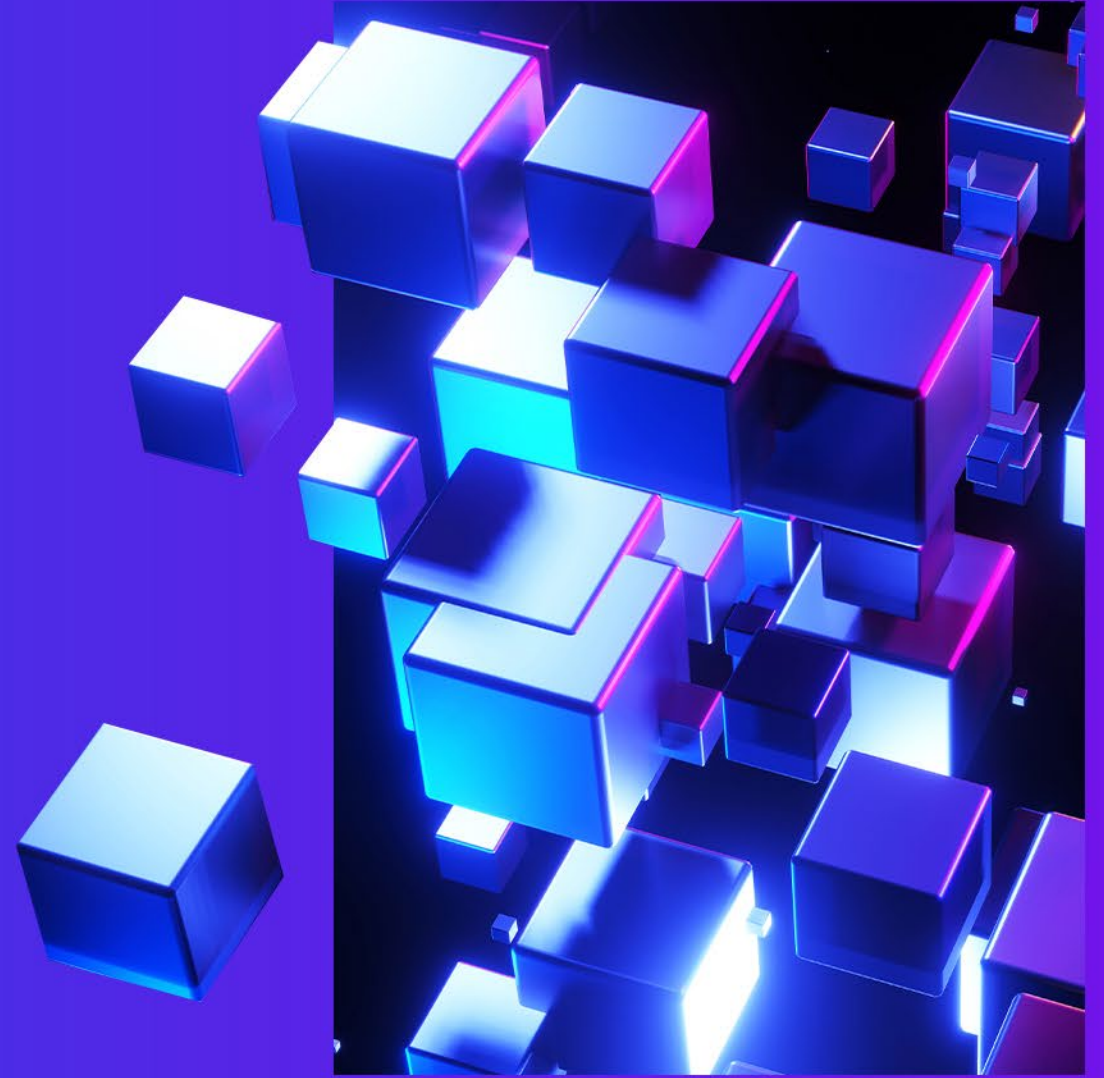




Environmental, Social, Governance

2023 Global Financial Reporting and
Valuation Conference



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Regulatory reporting update

Regulatory update: The big three

➤ One US climate proposal

- Investor focus
- Detailed requirements to report on climate only
- Future proposals expected (e.g. human capital)

➤ Two ISSB™ Standards

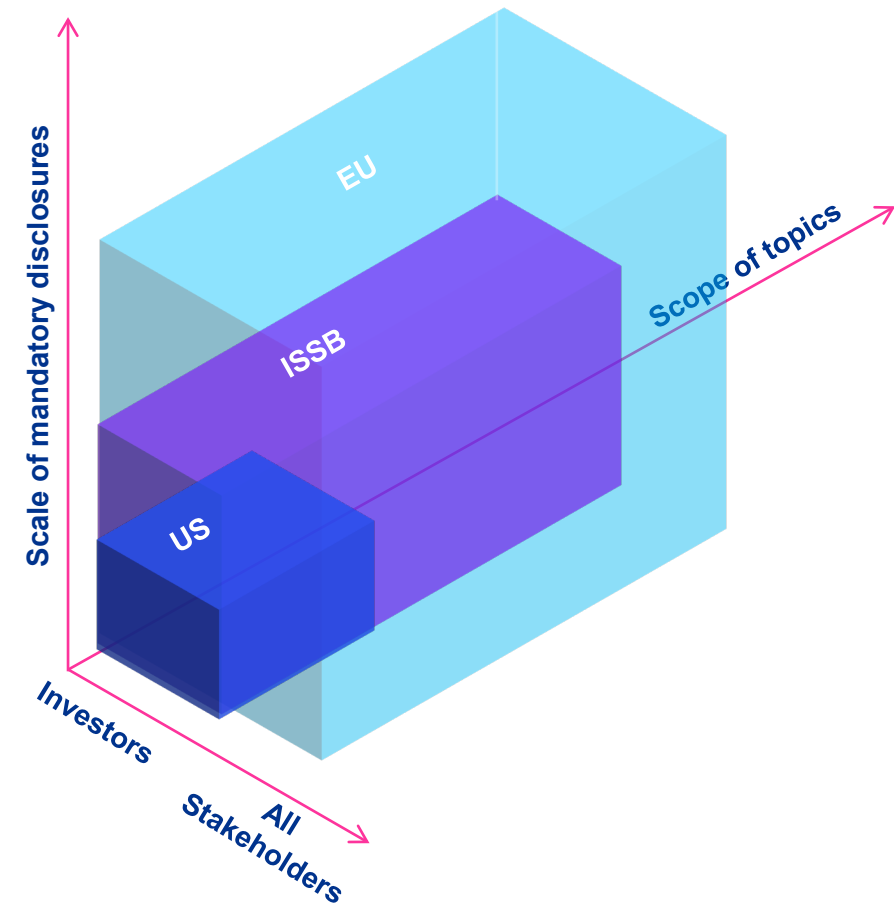
- Investor focus
- General principles, including requirement to report across all sustainability-related risks and opportunities
- Topic-specific standard on climate
- Climate-first option available in the first year of reporting

➤ Twelve EU standards

- Multi-stakeholder focus, including investors
- Core principles for disclosure
- Granular requirements published for sustainability impacts, risks and opportunities

Commonality

TCFD framework forms a shared input



The walls closing in on U.S. Companies



In October 2023, in a movement to improve transparency and standardize climate-related disclosures, the California Governor signed two climate disclosure laws that will shape climate disclosure practices beyond the state's borders. The laws apply to US businesses that meet specified revenue thresholds and do business in California.

The laws will require companies to disclose GHG emissions and report on climate-related risks.

	SB-253	SB-261
Title	Climate Corporate Data Accountability Act	Greenhouse gases: climate-related financial risk
Scope	US companies > \$1B annual revenue doing business in California	US companies > \$500M annual revenue doing business in California
Reporting	Annual: Scopes 1, 2, 3 GHG emissions	Biennial: Report with climate-related financial risk and measures adopted to reduce and adapt to climate-related financial risk
Status	First reports in 2026 (2025 data)	First reports due by Jan 1, 2026
Assurance	<ul style="list-style-type: none"> Scopes 1, 2: limited (2026); reasonable (2030) Scope 3: TBD 	None proposed
Next steps	State Air Resources Board to work out operational details	

[CDP to incorporate ISSB climate-related disclosure standard into global environmental disclosure platform.](#)




[EFRAG and CDP announce cooperation to drive market uptake of European Sustainability Reporting Standards](#)



[U.S. Insurance Commissioners Endorse Internationally Recognized Climate Risk Disclosure Standard for Insurance Companies](#)

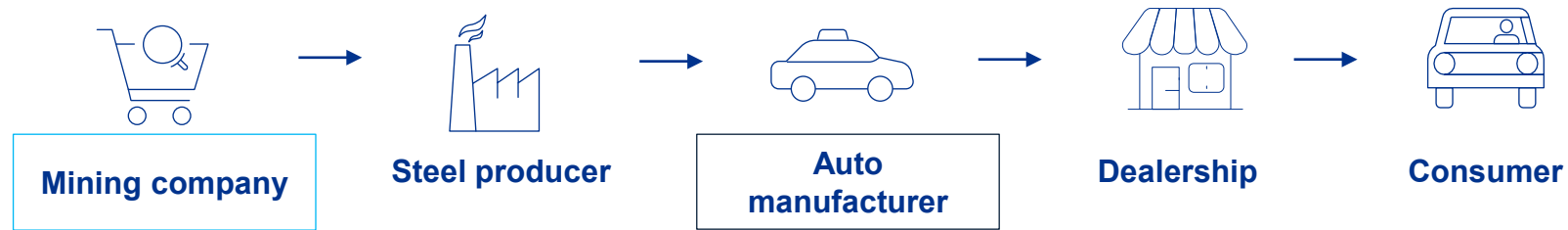




**Case study:
The entire ESG
reporting journey**

Case study: An auto manufacturer's supply chain

Auto manufacturer sources raw materials from a mining company in India that is heavily dependent on a supply of water and operates in a region of water scarcity



Let's assume this Auto Manufacturer needs to comply with the CSRD and has identified the following:



Identify Material Matters

Water

Risk: Water consumption – Limited water supply in water-stressed areas causing production delays at manufacturing sites.

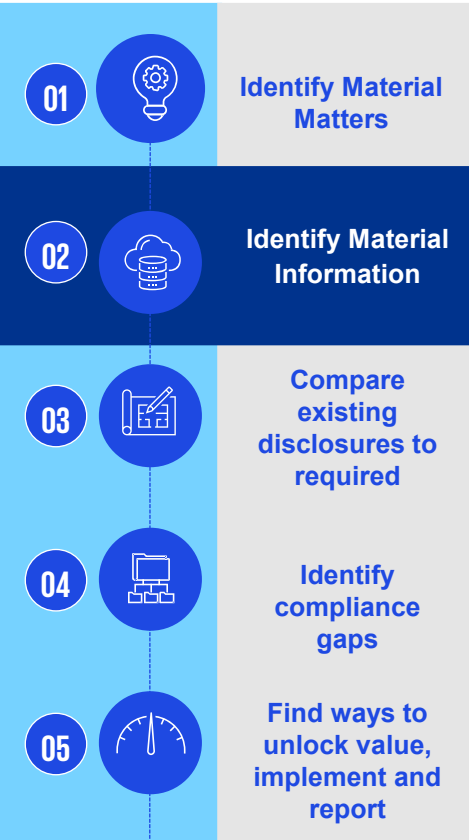
Opportunity: Water use – Work with supplier to reduce raw material cost by gaining access to rebates, incentives and tax breaks from water management authorities through water-efficient technology.

Impacts (Positive): Water re-use – Optimization of material production processes to conserve resources by phasing out water-intensive production practices.

Impacts (Negative): Improper wastewater discharge leading to human or environmental health impacts.

- 01 Identify Material Matters
- 02 Identify Material Information
- 03 Compare existing disclosures to required
- 04 Identify compliance gaps
- 05 Find ways to unlock value, implement and report

Case study: Financial risks and opportunities



Minimum Disclosures

(Apply to all IROs)

The **process to identify and assess** material water-related matters

The **policies** adopted to manage water-related matters – E.g., policies to set water-related commitments.

Water-related **targets that have been set** to support its water-related policies, including targets associated with the reduction of water consumption.

Actions taken (and planned) and resources allocated to achieve the water-related policy objectives and targets, including changes it has made or plans to make to its strategy or business model.

If the company has not established any of these, then it needs to disclose that fact.



Minimum Disclosures

Where water-related matters are **concentrated**.

Current and anticipated effects on its business model, value chain and decision-making.

The **resilience** of the company's strategy and business model to address water-related matters.

The **current and anticipated financial effects** over the short, medium and long-term.

How they, including the time horizons for the impacts, **affect people or the environment**

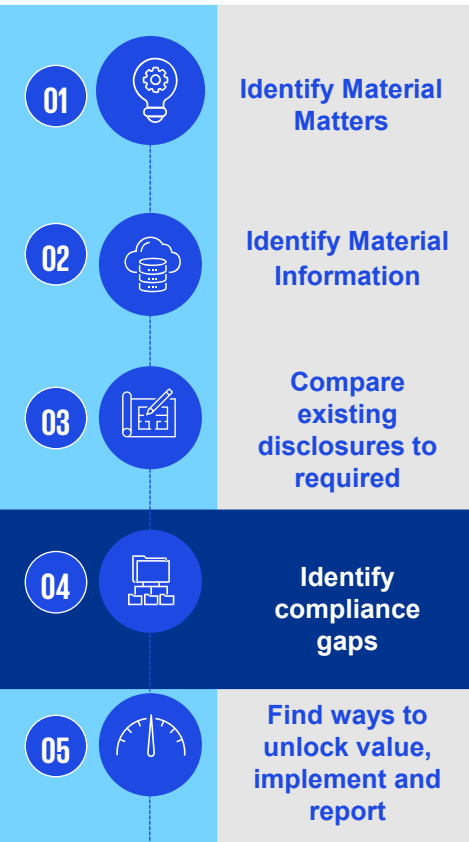
	I	R	O
Where water-related matters are concentrated .	✓	✓	✓
Current and anticipated effects on its business model, value chain and decision-making.	✓	✓	✓
The resilience of the company's strategy and business model to address water-related matters.	✓	✓	✓
The current and anticipated financial effects over the short, medium and long-term.	✓	✓	✓
How they, including the time horizons for the impacts, affect people or the environment	✓		

Case study: Financial risks and opportunities



Minimum disclosures	Gap identification
The process to identify and assess material water-related matters	First time assessing, disclosure needed
The policies adopted to manage water-related matters, including commitments to reduce material water consumption.	Policy exists only for own operation. Consider expansion to value chain.
Water-related targets that have been set to support its water-related policies, including targets associated with the reductions of water consumption.	Targets exist only for own operation. Consider expansion to value chain.
Actions taken and planned to achieve the water-related policy objectives and targets, including changes it has made or plans to make to its strategy or business model to address these matters.	Have incorporated some water consumption factors into supply chain due diligence previously, never disclosed.
Where water-related matters are concentrated .	Disclosed publicly.
Current and anticipated effects on its business model, value chain and decision-making.	Current effects on business model have been evaluated for internal purposes.
The current and anticipated financial effects over the short, medium and long-term.	Never evaluated previously.
How they impact the people or the environment , including the time horizons for the impacts.	No assessment previously completed for this mining company.
The resilience of the company's strategy and business model to address water-related matters.	Only considered for own operations. Need to expand to value chain.

Case study: Financial risks and opportunities



High priority areas

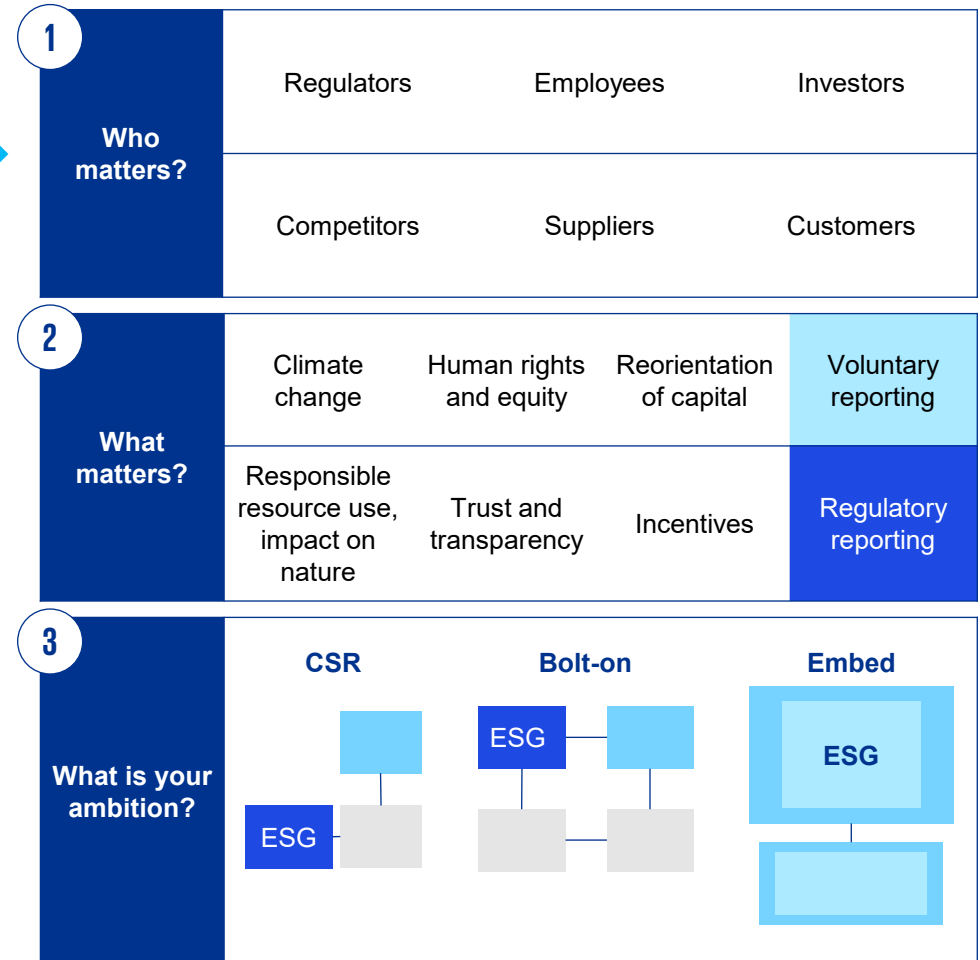
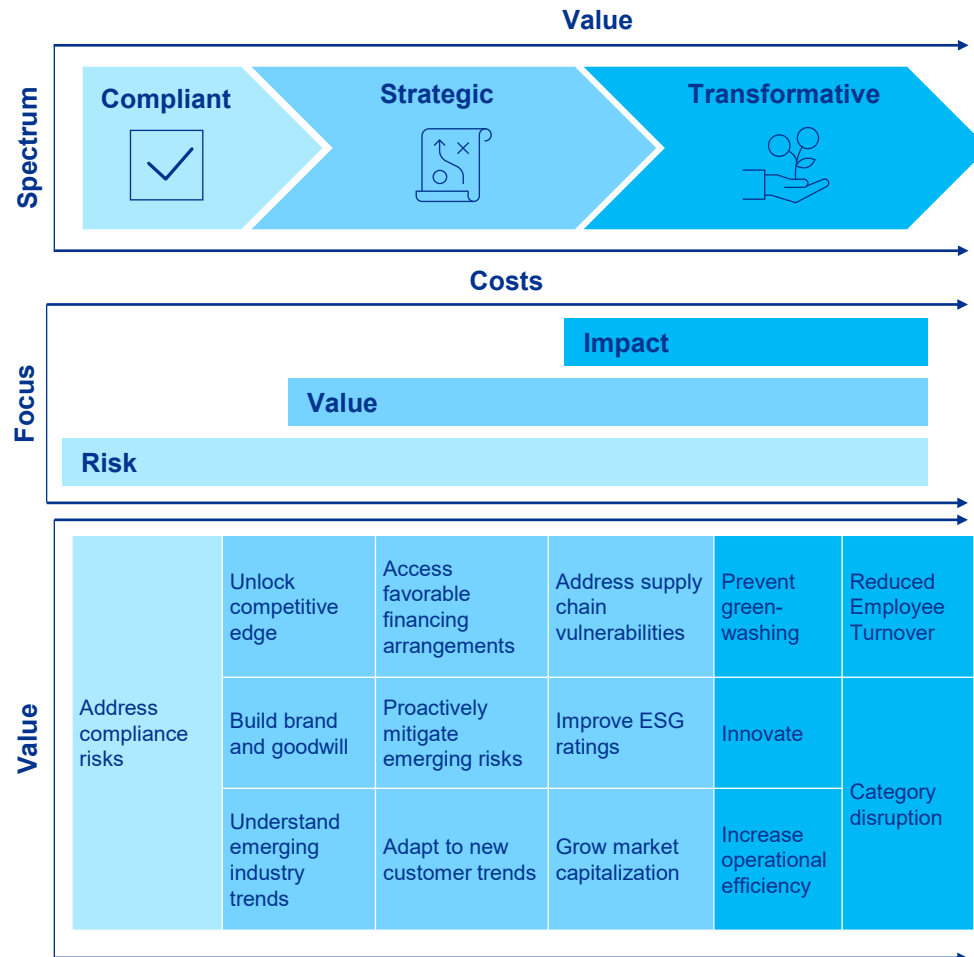
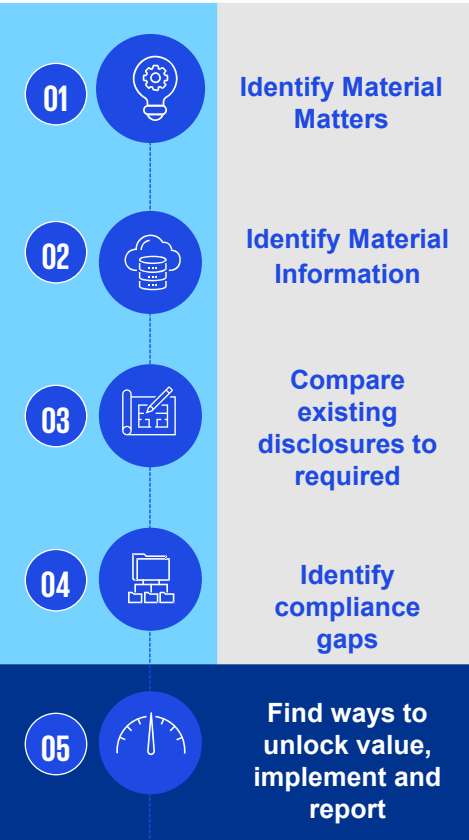
Anticipated effects on its business model, value chain and decision-making.

The **current and anticipated financial effects** over the short, medium and long-term.

Address compliance risks based on your needs:

- Evaluate the impact over time on own operations and strategy.
- Develop policies and methodologies to calculate anticipated financial effects
- Identify and collect data needed to support measurement of anticipated financial effects
- Design processes to support data collection and use of it
- Design controls over any new or revised processes
- Develop a change management to help personnel understand what they need to do going forward
- Evaluate the governance of the program to achieve these needs
- Evaluate the need for technology to support the new processes

Creating value through your transition journey



ESG resources



GHG emissions reporting

Handbook and Executive Summary

Explains how the measurement of reporting of GHG emissions through the lens of the Greenhouse Gas Protocol.

Read [here](#) >



Comparing sustainability reporting requirements

Comparing requirements from the ISSB, EU and US

[Read now >](#)



Latest: Impact of EU ESG reporting on US companies

Latest: Impact of EU ESG reporting on US companies.

[Read now >](#)



Impact of EU supply chain laws on US companies

A German supply chain due diligence act is already effective, with an EU-wide directive set to follow.

[Read now >](#)



Environmental, Social and Governance reporting

KPMG guidance and articles for financial reporting professionals

The background features a 3D geometric pattern of interlocking, angular shapes in various shades of purple and blue. A large, solid dark blue rectangle is positioned on the left side of the image, containing the text 'Q&A'.

Q&A



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