



Addressing top-of-mind technology, media, and telecom issues

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The SEC's climate rule



Global organizations are facing increasing regulatory pressure to disclose information about environmental, social, and governance (ESG) impacts, risks, and opportunities. As a consequence, the vast majority of technology, media, and telecommunications (TMT) companies are finding themselves compelled to spend more on sustainability initiatives over the next three years.

Despite their willingness to increase spending on ESG matters, TMT organizations are facing real challenges in executing their ESG strategy.

KPMG conducted a deep dive on where organizations are planning to invest in the coming years to maximize financial value while complying with disclosure requirements. Some key statistics about TMT companies:

- 94 percent will increase their ESG investment in the next three years
- 78 percent believe they are ahead of their peers in ESG reporting
- 38 percent still use spreadsheets to manage their ESG data
- 51 percent plan to use AI to improve ESG data collection
- 72 percent will outsource core ESG reporting in the next three years.



Potential actions:

- Assess your readiness for the final Securities and Exchange Commission (SEC) Climate Rules.
- Agree on your sustainability ambitions and strategy. Collectively agree upon a sustainability strategy for each of your material sustainability topics, establish an action plan(s), and determine how to best measure success.
- Invest in ESG talent, including training and education for your employees.
- Design a holistic ESG technology architecture.
- Restructure teams to better align sustainability goals with your business strategy.
- Consider outsourcing core sustainability reporting responsibilities.



Thought leadership:

- [Sustainability reporting & the SEC climate rule in TMT](#)
- [SEC stays its climate rule pending judicial review](#)
- [California imposes climate disclosures and assurance](#)
- [CFOs navigate SEC climate rules & GenAI](#)

Financial accounting standards and regulatory requirements



Changes in financial accounting standards and new regulatory requirements are having a significant impact on the TMT sector. For example, the recently issued Accounting Standards Update (ASU) 2023-07 introduced substantial changes to segment disclosure reporting requirements in order to improve transparency and provide more meaningful information to financial statement users.

The amendments in ASU 2023-07 improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments:

- introduce a new requirement to disclose significant segment expenses regularly provided to the chief operating decision maker (CODM)
- extend certain annual disclosures to interim periods
- clarify single reportable segment entities must apply ASC 280 in its entirety
- permit more than one measure of segment profit or loss to be reported under certain conditions
- Require disclosure of the title and position of the CODM.

It's essential that TMT companies comply with these changes in order to provide accurate and pertinent segment disclosures to stakeholders.



Potential actions:

- Analyze the impact that ASU 2023-07 and other relevant regulatory requirements have on your company's segment disclosure reporting.
- Reassess and potentially redefine your operating segments based on the revised criteria introduced by the new ASU.
- Implement efficient data collection and reporting mechanisms so you can comply with the new disclosure requirements in an accurate and timely basis.
- Seek guidance from external experts such as auditors or consultants who specialize in financial reporting.



Thought leadership:

- [FASB issues ASU requiring new segment disclosures](#)
- [Handbook: Segment reporting](#)
- [Accounting for film and TV content in the age of streaming](#)

Cybersecurity threats and data breaches



According to the KPMG [2023 Chief Risk Officer Survey](#), the biggest challenges that TMT companies face are cybersecurity threats and data breaches, complex regulatory changes and compliance obstacles, and the continued digitalization across the enterprise. This means the pressure is on for TMT companies to align their risk strategies to their growth strategies and utilize the latest innovative technologies to enhance overall trust and resilience.

Key survey findings included that:

- 49 percent of TMT companies report that cyber threats and data breaches are the top challenges TMT will face over the next two to five years
- 95 percent feel they are well or very well prepared to tackle cybersecurity threats and data breaches.
- 63 percent believe that providing training and other resources to employees on risk management and corporate strategy is critical.
- TMT leaders say they have leveraged artificial intelligence (AI) and machine learning (78 percent) and predictive modeling (46 percent) to anticipate and mitigate potential risks.



Potential actions:

- Prioritize cybersecurity and compliance risk as an integral part of your overall business concerns and ensure that mitigating these risks is embedded in your company's culture and operations.
- Create an ongoing enterprise-wide risk management strategy, which also includes ensuring that third-party vendors are appropriately managing their risks.
- Regularly conduct cybersecurity audits and penetration testing to identify vulnerabilities, and then address them promptly.
- Training should be available for employees who are outside of risk departments but who deal with risk and compliance issues.



Thought leadership:

- [SEC cybersecurity disclosure rules: Cracking the code on materiality and reporting](#)
- [Cybersecurity considerations 2024: Technology, media and telecommunications](#)
- [Chief Risk Officer Survey: TMT perspectives](#)
- [AI Regulations: Present & Future](#)
- [KPMG Survey: C-Suite Cyber Leaders Optimistic about Defenses, but Large Percentage Suffered Recent Cyber Attack](#)

IPOs and M&A transactions



There are signs pointing to a resurgence of merger and acquisition (M&A) and initial public offering (IPO) activity in the TMT space driven by emerging technologies and changing consumer behaviors. As a result, TMT companies may want to carefully consider their strategies to navigate this landscape.

For example, TMT companies considering going public will want to be able to demonstrate solid financial fundamentals and a clear path to profitability. This may include showcasing innovative technologies, addressing market gaps, or providing unique value propositions that differentiate themselves from competitors.

TMT companies looking to acquire another enterprise may also want to take a closer look at the potential for revenue growth as well as cost-cutting opportunities to ensure that a deal pays off. Dealmaking is expected to remain slow for several more quarters as buyers have little incentive as there is an expectation that rates will go down in the coming months.



Potential actions:

- Stay informed about regulatory changes and make sure you're in compliance with rules and regulations to mitigate potential risks or disruptions to deals or IPO plans.
- Conduct thorough due diligence on potential IPO/M&A partners or targets to assess their financial health, market position, and compatibility with your strategic objectives.
- Assess the risks associated with IPO or M&A activities, including potential regulatory entanglements, financial due diligence, and integration risks. Implement robust risk management processes and controls to mitigate these risks.
- Engage an independent audit firm to review your financial statements and internal controls. This can provide assurance to potential investors and/or acquirers regarding the accuracy and reliability of financial information.



Thought leadership:

- [The long wait for the recovery : Q1'24 M&A trends in TMT](#)
- [PitchBook's Global M&A Report](#)
- [KPMG Venture Pulse report](#)
- [IPO Insights Q1 2024](#)

Cost-cutting and performance improvements



AI, generative AI (GenAI), and other technological advances have emerged as powerful cost-cutting and performance enhancement tools that are driving optimization, teamwork, and automation for TMT companies.

For example, TMT companies are leveraging AI and GenAI to assist employees in decision-making and data analysis, making employees more productive and efficient. GenAI is also being used to create personalized, innovative content that captures customers' attention, improves engagement, and delivers more impactful experiences to their customers. In addition, TMT companies have found that integrating GenAI into their operations can lead to increased operating efficiency and significant cost reductions through automation of repetitive and time-consuming workflows.



Potential actions:

- Utilize AI and other innovative technology tools to improve efficiency and identify cost-cutting opportunities. However, it's crucial to establish a good governance structure to maintain a balance between advanced technology and appropriate controls.
- Establish functional and data management processes that promote consistency and efficiency throughout the organization. This will help reduce redundant work, wasted time, and the likelihood of legal disputes.
- Focus on training programs and optimizing responsibilities to provide the organization with greater control, flexibility, cost savings, and the necessary skills required for driving business growth.



Thought leadership:

- [Executives expect generative AI to have enormous impact on business, but unprepared for immediate adoption](#)
- [KPMG Generative AI Survey](#)
- [Accelerating revenue in the age of Generative AI](#)

Industry outlook reports and other insights



[2024 KPMG US CEO Outlook Pulse Survey](#)



This year's KPMG US CEO Outlook Pulse Survey analyzed insights from 100 CEOs at large companies in the United States on key challenges and opportunities in driving business growth with a lens into managing compound volatility.

[Telco to Techco](#)



Today's telcos know that in order to survive and thrive in the digital age, they should be built around their customers, with an ability to continuously respond and adapt to ever-changing needs.

[Chief Risk Officer Survey: TMT Perspectives](#)



This report highlights the top priorities, challenges, and intentions of risk leaders at TMT companies.

[Global semiconductor industry outlook for 2024](#)



KPMG and the Global Semiconductor Alliance released a new Global Semiconductor Outlook, highlighting executives' perspectives on major sector trends and drivers over the next year.

[AI in financial reporting and audit: Navigating the new era](#)



KPMG surveyed more than 300 US finance leaders at companies across industries around their experiences with AI in financial reporting, concerns around risk, and expectations of external auditors.

[On the 2024 audit committee agenda](#)



Eight issues for audit committees to keep in mind as they carry out their 2024 agendas.

[Directors Quarterly](#)



Highlights and excerpts from recent KPMG Board Leadership Center publications and interviews, as well as critical information from across KPMG specifically for audit committee members and the full board.

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