Hallmarks of a good ESG report

Tell your unique ESG Story - ESG reporting can be an opportunity to not only discuss compliance with ESG regulations, but also engage with investors, stakeholders and customers of ESG initiatives and programmes. ESG activities and reporting is a topical subject and many stakeholders are increasingly differentiating which banks to work with based on their ESG activities.

Task Force on Climate-Related Finance Disclosures - The TCFD standards provide comparable indexes for comparing data around climate change risks and opportunities. As banks develop strategies for reporting climate activity, reporting against the TCFD gives a standardized standard against which to report and is widely being adopted by banks for reporting disclosures.

ESG reporting standards - Report against an internationally recognized ESG framework, or ideally a number of internationally recognized frameworks. Many banks aim to align their reporting to the Dow Jones Sustainability Indices, Global Reporting Initiative, or the Sustainability Accounting Standards. The World Economic Forum Stakeholder Capital metrics were prepared to foster some sense of comparability.

United Nations Sustainable Development Goals – The 2030 agenda for sustainability development, which was adopted by all UN member states in 2015, embraced 17 comprehensive goals for use by UN member states in developing agendas and programs through to 2030. The agenda recommends that companies report in line with the 17 goals when reporting on sustainability and disclose progress over time on alignment to the goals. This will also give a comprehensive view of ESG activity, and allow investors to make an informed decision based not just on past data, but also on future plans/projections.

Financial reporting - Align ESG reporting with the bank's financial reporting; as investors and customers increasingly review the bank's financials and ESG disclosures in tandem (integrated reporting), this can also save money. Whilst this may not be easy to achieve in the first round of reporting, it can have a positive effect on dividends in particular as ESG audits and financial audits can occur concurrently.

Risk management – ESG initiatives present a new lens through which risks and opportunities should be considered as part of the bank's enterprise risk management framework. The COSO framework provides guidance on how ESG reporting can be integrated into the bank's risk management strategy.

ESG data access - Provide ESG data that underpins the reporting. Engagement with investors as well as rating agencies is improved when access to the data is given, i.e. when the data is presented in a tabular format, so that the data can be placed into the pertinent ESG model (SASB or GRI).

Financial performance – ESG programs have a direct impact on the bank's bottom line, for example sustainable finance and green bonds are among the fastest growing sectors. ESG reporting should not solely focus on the initiatives and reporting activities that the bank is required to perform, but can also support new sources of revenue and new customer entry points. This also extends to loan assessment, and ESG data should be considered as well as traditional risk modelling.

ESG data validation – Increasing investor reliance on ESG reporting has led to an increased interest in ESG data and reporting validation. KPMG has deep experience in supporting and assurance of ESG reporting for banks. CFOs of banks that are publicly traded should be able to support their disclosures, with attestation from a recognized ESG adviser.