



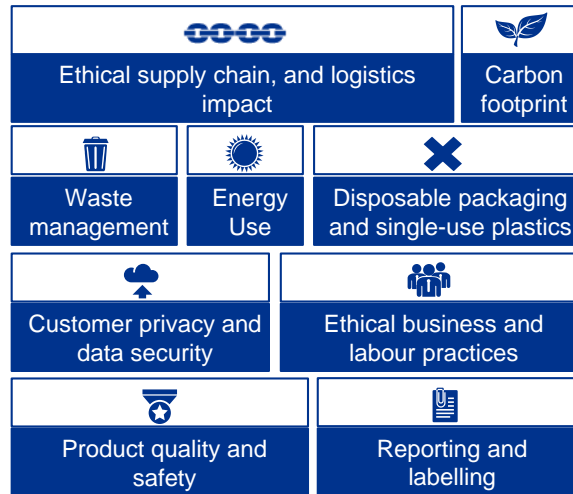
The ESG agenda for retail and consumer businesses



Why ESG?

We've identified 4 key consumer and retail trends (i.e. reviewing business models and partnerships; re-thinking the cost of doing business; clearly articulating purpose; and changing customer behaviour) that need to be prioritised now, to drive sustainable success in future — and all of these play into ESG

Key ESG issues facing retailers and consumers...



...are highlighting the need to define a compelling ESG position, now

84% of investors are "actively considering" incorporating ESG criteria into their investment decision¹

91% of students said they cared about working for an ethical company²

COVID-19 has highlighted the 'S' and 'G' elements within ESG...
74% of UK CEOs experienced a focus-shift to the 'S' of ESG, during the pandemic⁵

Sir Donald Brydon recommended that statutory audits should encompass assurance on ESG issues

75% of CEO's believe climate risk is the biggest risk facing their business³

56% of consumers say the environmental and social practices of a firm, impact their choice to buy from them⁴

Mark Carney formerly of BoE said "Companies that don't adapt will go bankrupt without question"

Multiple instances highlight the fallout of companies who are found deficient on the ESG front — Boohoo's share price plunged by 43 percent⁶ due to modern slavery concerns; Rio Tinto's CEO quit after investor backlash over destruction of Aboriginal caves; and ESG controversies wiped US\$500 billion⁷ off the market value of large US firms, over past 5 years

1. 2019 Morgan Stanley survey; 2. TrendenceUK; 3. KPMG's 2019 CEO Outlook; 4. KPMG Me, My Life, My Wallet 2020; 5. KPMG's UK CEO Outlook Survey 2020 6. CMC Markets 7. BoFA analysis

Your ESG journey — what and how to report?



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What's in it for you?

Listed Entity

- Compliance with government and regulatory requirements — for instance, listed entities need to comply with TCFD by Jan 2022 (which is also an FRC focus area)
- Better access to finance (as investors increasingly feel that sustainability-integrated portfolios can offer better risk-adjusted returns) and lower cost of capital
- Protect and increase customer spend, as consumers' environmental and social values are being infused in buying decisions
- Ability to protect and/or enhance reputation
- Easier attraction and retention of young talent

PE backed entity

- Better access to capital and enhanced equity values for both Funds and Portfolio firms
- Many PE firms make future investment decisions based on ESG metrics and are required to report against them
- ESG metrics' transparency impacts how businesses are treated from a risk perspective during due diligence
- Businesses with strong ESG policies and practices tend to have more robust and dynamic cultures
- Compliance with regulations/requirements (e.g. TCFD)
- Customer and talent considerations, as with listed entities

Private or family owned

- Better access to finance and at lower rates, along with opportunity to leverage alternative funding models
- Reviewing socio-economic wealth (to reflect post-COVID beliefs) in a bid to build relevant environmental and social goals directly into business strategies
- Next generation family members are injecting fresh thinking and unlike previous generations, they are focusing more on planet or 'impact of wealth', rather than wealth accumulation
- Reviewing goals of family business owned charitable foundations, to ensure family's capital is redirected towards issues that have a social impact
- Customer and talent considerations, as with listed entities

Our proposition...

Key contacts



Strategy:

- Through our workshop approach we can help you answer questions on:
- **Sustainable Value** — How can we embed ESG in business strategy to help unlock value?
 - **Circular economy** — How can we maximise value from limited resources, while reducing the adverse impact on people and planet?
 - **Stakeholder story** — What matters most to our customers/stakeholders? Which ESG initiatives should we prioritise and communicate?

Sustainable Finance:

- We can help in:
- Enhancing eligibility for ESG finance
 - Optimising credit ratings, given inclusion of ESG criteria
 - Structuring and accessing sustainability linked loans, green bonds and impact investing as part of core debt advisory
 - Provision of required assurance to suppliers of those loans

Corporate reporting:

- We provide external assurance opinions on ESG reporting requirements irrespective of them being financial/non-financial, qualitative/quantitative or voluntary/mandatory. We can help you to:
- Develop a new ESG-embedded reporting framework
 - Understand regulation and comply with upcoming TCFD requirements

Ethical supply chain:

- We provide ethical supplier due diligence (incl. modern slavery and fair taxes), Operating Model Transformation, Supply Chain Risk management (incl. water, waste, energy and plastic usage) and subsequently, map the extended value chain to measure the ESG performance — prioritising key risks and providing assurance across these areas

If you would like to discuss any of the content and your business' approach to ESG please reach out to any of the key contacts below

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Our 4-step approach...



1 External ESG context

Objective Understand the ESG landscape and common reporting frameworks, and align on objectives



2 Maturity and risk assessment

Understand your ESG risk and assess your existing ESG activities to identify current gaps relative to key issues, your peers and regulatory expectations



3 ESG Opportunity Identification

Agree prioritised opportunities to embed ESG into the organisation



4 Future Reporting

Highlight relevant reporting frameworks and identify potential KPIs for ESG reporting purposes



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