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.

We've identified 4 key consumer and retail trends

- Ethical supply chain, and logistics impact
- Carbon footprint
- Waste management
- Energy Use
- Disposable packaging and single-use plastics
- Customer privacy and data security
- Ethical business and labour practices
- Product quality and safety
- Reporting and labelling

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

- Sir Donald Brydon recommended that statutory audits should encompass assurance on ESG issues
- 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 percent due to modern slavery concerns; Rio Tinto’s CEO quit after investor backlash over destruction of Aboriginal caves; and ESG controversies wiped US$500 billion off the market value of large US firms, over past 5 years.

Key ESG issues facing retailers and consumers...

- 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
- 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
- 74% of UK CEOs experienced a focus-shift to the “S” of ESG, during the pandemic5

COVID-19 has highlighted the ‘S’ and ‘G’ elements within ESG...

Your ESG journey – what and how to report?

1. Demystify
   Decode the commonly used terms in ESG reporting

2. Strategise
   Establish a sustainable ESG strategy that positively impacts the environment and society whilst driving shareholder value

3. Evaluate
   Examine current business and operating model via the ESG lens — identifying threats and opportunities

4. Finance
   Evaluate your funding sources and engage ESG rating providers to ensure your business is correctly rated

5. Transform
   Define/design future business and operating model

6. Measure and report
   Align governance and remuneration; and measure as well as report progress against ESG factors

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

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Our proposition...

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

Our 4-step approach...

1. **External ESG context**
   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

Key contacts
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

**Don Williams**
ESG Retail Lead
Email: Don.Williams@kpmg.co.uk

**Simon Purkess**
ESG Retail Lead
Email: Simon.Purkess@kpmg.co.uk

**Jo Stringer**
Consumer Behaviour Insights (ESG Strategy)
Email: Joanna.Stringer@kpmg.co.uk

**Alexandra Skeggs**
Responsible Business Strategy (ESG Strategy)
Email: Alexandra.Skeggs@kpmg.co.uk

**Josh Hasdell**
Circular Economy (ESG Strategy)
Email: Joshua.Hasdell@kpmg.co.uk

**Simon Weaver**
Climate Risk and Decarbonisation Strategy
Email: Simon.Weaver@kpmg.co.uk

**Jon Hughes**
Sustainable Supply Chain
Email: Jon.Hughes@kpmg.co.uk

**George Richards**
ESG Corporate Reporting
Email: George.Richards@kpmg.co.uk

**Tim Nicholson**
Sustainable Finance
Email: Tim.Nicholson@kpmg.co.uk
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