Integrating ESG into asset management

How KPMG can help

kpmg.com/sustainability
Focus on ESG brings opportunities and challenges for asset managers

Institutional investors are increasingly recognizing the potential for ESG factors – such as climate risk and poor human rights performance – to affect the valuation and financial performance of the companies they invest in.

At the same time, consumer demand for responsible investments is surging, especially from the Millennial generation. Regulation is emerging, for example in the EU, and the influence of initiatives including the UN Principles for Responsible Investment (PRI) and the Task Force on Climate-related Financial Disclosures (TCFD) continues to escalate.

As a result, capital flows into ESG funds are accelerating and asset managers are under mounting pressure to integrate ESG considerations into their investment approaches.

Yet, as the pressure grows, asset managers face multiple challenges such as:

— a complex landscape of ESG focus areas
— differing expectations from institutional investors
— the likelihood of new regulation and uncertainty over its form
— a confusing array of inconsistent ESG data
— an absence of standard ESG terms, metrics and reporting frameworks
— a lack of consensus on the effects of ESG strategies on financial returns

KPMG member firms have a network of ESG, asset management and IT professionals who can help your organization enhance its approach to ESG, whatever your current level of maturity.

Contact us to find out how KPMG member firms can help you.

Tomas Otterström
Global Leader, Sustainable Finance Services, KPMG International. Partner, KPMG in Finland and KPMG in Sweden.

tomas.otterstrom@kpmg.fi

tomas.otterstrom@kpmg.se

Tomas works with international clients to enable them to build robust ESG strategies and effectively communicate these to investors, analysts and other stakeholders. With over 20 years of work experience, he has worked with dozens of institutional investors, asset management companies, and large corporates. He is well connected with key organizations in this space such as the UN PRI.

Troy Mortimer
Head of Responsible Investment & Sustainability Services, KPMG in the UK. Director, KPMG in the UK.
troy.mortimer@kpmg.co.uk

Riikka Sievanen
Leader, Sustainable Finance global network, KPMG International. Senior Manager, KPMG in Finland.
riikka.sievanen@kpmg.com

Bill J. Murphy
Leader, ESG Asset Management Services (Americas), KPMG International. Partner, KPMG in Canada.
billmurphy@kpmg.ca

Niven Huang
Leader, ESG Asset Management Services (Asia Pacific), KPMG International.
nivenhuang@kpmg.com.tw
How KPMG can help

KPMG member firms provide bespoke ESG services to match the differing needs of asset managers at various levels of ESG maturity. Our support typically covers the following areas:

01 Develop ESG strategy

— Define the strategic approach and ambition level: KPMG professionals help you define a strategic approach and ambition level for your organization and client base.
— Analyze market trends and regulatory landscape: KPMG specialists provide insights and intelligence to shape your ESG strategy.
— Track and predict the ESG expectations of asset owners: KPMG member firms offer systematic analysis using proprietary KPMG frameworks and tools.
— Conduct peer review and benchmarking: KPMG professionals help you understand how other asset managers are approaching ESG and what they offer to clients.
— Analyze gaps between your current and desired approaches to ESG: KPMG specialists conduct a thorough assessment based on interviews and a review of investment portfolios, processes and reporting.

02 Implement ESG strategy

— Prepare an ESG roadmap: KPMG member firms help you identify the right priorities, targets and actions to implement the ESG strategy.
— Design your ESG governance structure: KPMG specialists recommend the most effective governance structure based on your ESG roadmap, operations and capabilities.
— Prepare action plans and key performance indicators (KPIs): KPMG specialists help you develop detailed action plans and KPIs for specific work streams.
— Implement principles and approaches across asset classes, funds and mandates: KPMG member firms support you in applying your ESG strategy across differing asset classes, such as passive equity, active equity and bonds, as well as across varying client mandates.
— Incorporate ESG principles into operational processes: KPMG professionals help you integrate your ESG strategy into operations including sales and marketing, analysis, transactional and trade support functions.
— Educate and train your people: KPMG specialists develop and deliver tailored training programs for example for board directors, executives, portfolio managers and analysts.

© 2018 KPMG International Cooperative (“KPMG International”). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.
How KPMG can help (continued)

03 Monitor and report on performance

- Assess reporting needs and requirements: KPMG member firms help you identify key stakeholders and their reporting needs and requirements. This is likely to include disclosure to key stakeholders, investors, and regulatory bodies.
- Implement effective data collection and reporting systems: KPMG professionals help you ensure that your data is collected and reported accurately and in a timely manner.

04 Review processes and assure disclosures

- Review ESG processes and KPIs: KPMG professionals help you establish appropriate ESG processes and key performance indicators (KPIs) to monitor and report on.
- Review ESG policy statements and governance: KPMG member firms ensure that your ESG policy statements and governance structures are aligned with current standards and practices.
- Stress test investment portfolios: KPMG professionals conduct stress tests on your investment portfolios, for example in the context of new regulations or extreme climate change scenarios.
- Review risk assessment processes: KPMG professionals help you assess and manage risks associated with ESG factors, including the potential impacts of extreme events such as water scarcity or climate change.
- Assess and advise on reporting: KPMG member firms review your ESG reporting and provide objective recommendations for improvement, for example on UN PRI or TCFD disclosures.

© 2018 KPMG International Cooperative (“KPMG International”). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.
Client stories

01
Helping a leading asset manager develop its sustainability and ESG strategies

One of the world’s largest asset managers, with assets under management of over US$2 trillion, is convinced that sustainable investing will become the new norm. To support its ambitions to become a market leader in sustainable investment, the company sought to develop a robust strategy that integrated ESG considerations into its investment and management practices.

A team of ESG asset management specialists from KPMG member firms in the Netherlands and Germany worked with the client to conduct a materiality assessment to help the company understand its most significant ESG issues and shape and inform its strategy. This involved a broad-ranging review of the client’s investment processes and portfolios, as well as interviews with senior managers. The research identified a number of challenges including gaps in the company’s ESG governance structures and sub-optimal control.

KPMG professionals provided recommendations to help the client shape its sustainability and ESG investment strategies, such as changes to organizational structure, the introduction of new ESG policies, and improvements in accountability and traceability of assets. KPMG specialists also helped deliver ESG training for the client’s senior staff members. With the support of KPMG, the client improved its approach to sustainability and ESG investment. Today, the company is ranked as one of the top asset managers by leading sustainability indexes.

02
Improving an asset manager’s ESG processes and reporting

As a signatory of the UN PRI, a Nordic asset manager wanted to make sure it was delivering on its responsible investment promises and commitments. KPMG ESG asset management professionals in Sweden and Finland assessed the client’s existing ESG systems, controls, and reporting.

This involved reviewing and evaluating the company’s ESG documentation and speaking with certain staff members to understand what processes were currently in place, how these were being implemented, and who was accountable.

The research identified significant opportunities for improvement in the company’s ESG accountability structure and processes, and its ESG reporting. Based on these findings, KPMG professionals made recommendations including how to increase the quality and credibility of the client’s ESG reports. With KPMG’s support, the client was better able to take corrective action to improve its ESG processes and reporting.

© 2018 KPMG International Cooperative (“KPMG International”). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.
Local KPMG contacts

Argentina
Martin Muñoz-Velarde
martin.munozvelarde@kpmg.com

Australia
Adrian C. King
adrian.c.king@kpmg.com

Austria
Peter Grill
peter.grill@kpmg.com

Azerbaijan
Vahid Aliyev
vahid.aliyev@kpmg.com

Belgium
Mike Boonen
mboonen@kpmg.com

Brazil
Mike Boonen
mboonen@kpmg.com

Bulgaria
Igor Korotetskiy
igor.korotetskiy@kpmg.com

Canada
Bill J. Murphy
billj.murphy@kpmg.ca

China
Francis Liu
fliu@kpmg.com

Colombia
Fabiola Quesada
fabiola.quesada@kpmg.com

Czech Republic
Miroslava Prokešová
mprokesova@kpmg.cz

Denmark
Franceske Leika
flieka@kpmg.com

Finland
Tomas Otterström
tomas.otterstrom@kpmg.fi

France
Philippe Arnould
philippe.arnould@kpmg.com

Germany
Christian Hill
christian.hill@kpmg.com

Ghana
Benedict Owusu
owusub@jgh.com

Hungary
Ivett Sinka
ivett.sinka@kpmg.com

India
Ghanashyam Patil
gp@kpmg.com

Indonesia
Ivan Harang
ivhan@kpmg.co.id

Ireland
Helen Hayes
helen.hayes@kpmg.ie

Italy
Paolo Barzaghi
pbarzaghi@kpmg.it

Japan
Yoshitake Funakoshi
yoshitake.funakoshi@jp.kpmg.com

Kazakhstan
Kazakhstan
kz@kpmg.com

Korea
Hyoung-Chan Kim
hch@kr.kpmg.com

Kosovo
Izeta Hani
i.hani@kpmg.com

Kuwait
Khalid Al-Rumaihi
khalid.rumaihi@kpmg.com

Latvia
Valdis Randrats
valdis.randrats@kpmg.com

Lithuania
Ieva Peciute
ievap@kpmg.com

Luxembourg
Ilses Poncin
ilses.poncin@kpmg.lu

Mexico
Jesus Luna
ejlu@kpmg.com

Netherlands
Arjaan de Draijer
arjaan.de.draijer@kpmg.com

New Zealand
Ian Hong
i.hong@kpmg.com

Norway
Anette Ronnov
anette.ronnov@kpmg.no

Pakistan
Abid Sohail
sohail@kpmg.com

Peru
Rosario Calderón
rcalderon@kpmg.com

Poland
Krzysztof Rzepka
krzysztof.rzepka@kpmg.com

Portugal
Marcos Fonseca
marcos.fonseca@kpmg.pt

Puerto Rico
José Luis Iriarte
jiriarte@kpmg.com

Qatar
Alaa Alshater
alaa.alshater@kpmg.com

Romania
Dorin Ghiţă
dorin.ghita@kpmg.ro

Russia
Mikhail Zvezdin
mikhail.zvezdin@kpmg.ru

Slovakia
Slovakia
sk@kpmg.com

Singapore
Singapore
sg@kpmg.com

Slovak Republic
Nektar Petkova
nepetkova@kpmg.sk

South Africa
Shireen Naidoo
jrodrigues@kpmg.com

South Korea
Hyoung-Chan Kim
hch@kr.kpmg.com

Spain
Jose Luis Deloso Vazquez
jol@kpmg.com

Sweden
Tomas Otterström
tomas.otterstrom@kpmg.se

Switzerland
Christian Matti
christian.matti@kpmg.com

Taiwan
Tseh-Chao Chou
jessica.chou@kpmg.com

Thailand
Paul Filip
pfilip@kpmg.com

Turkey
Seren Selçuk
serenc@kpmg.com

UAE
Larry Gao
larry.gao@kpmg.com

UK
Tony Mortimer
tonymortimer@kpmg.co.uk

US
Troy Mortimer
troy.mortimer@kpmg.co.uk

Vietnam
Anh L. Cuong
anh.l.cuong@kpmg.com

Venezuela
Jose L. Rodriguez
jrodriguez@kpmg.com

kpmg.com/sustainability

© 2018 KPMG International Cooperative (“KPMG International”), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm in any capacity. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.