



# G over ESG

## Effective ESG programs need governance oversight

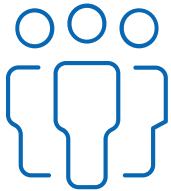
### Siloed ESG produces scattered results

The small sustainability team at a FORTUNE 500 company released annual environmental, social, and governance (ESG) reports. They showed departmental progress toward the net-zero plan, diversity goals, and new sustainability initiatives. Each team member planned a vacation to celebrate their success. Then shareholders challenged them to report full ESG program progress. After that, they heard about the SEC's proposed mandatory climate disclosure. They understood what they needed to do, but how could a four-person team track the full ESG ecosystem for a \$35 billion international company? How could they enjoy a vacation knowing operationalizing ESG across the entire ecosystem faced them?



# U.S.-based companies have 2-5 employee sustainability teams\*

\* "Small teams driving integration of sustainability into business," The Conference Board, (November 4, 2021).



Small sustainability teams with enormous responsibilities are not unusual. Forty-two percent of U.S.-based companies have two to five full-time employees on their sustainability teams.\* ESG transcends boundaries, employees, and ecosystems.

It involves a vast array of suppliers and customers. Governance and controls must cover all of these. Most sustainability teams cannot report comprehensive results using their current methods.



Eighty-one percent of executives surveyed in our 2021 ESG Outlook saw ESG initiatives as strategic priorities. At the same time, almost half of investors said lack of robust ESG data is 'holding back' their organization's further adoption of ESG.†

We hope to alter this perception by helping executives mature their ESG capabilities by connecting processes, systems, data, and people. With a clear, accurate view across the ecosystem, they can govern the entire ESG program—G over ESG.

## G over ESG requires transparency

Disconnected ESG initiatives are why many programs do not take off. The biggest challenge those responsible for enterprise risk face is connecting each ESG aspect. Effective ESG requires a cohesive enterprise approach that **includes people, processes, technology, and data**. The approach needs to align initiatives across departments, move data across systems, and allow program-wide visibility to enable measurement.

Critical ESG data comes from multiple departments. **Environmental** data comes from facilities, operations, customer service. **Social** data comes from human resources, marketing, and **governance** from finance, compliance, IT, to name a few. Each department has its own processes with separate systems and data that its employees use.

Each is outside of the sustainability team. With such disconnection, how can an organization have a comprehensive view to analyze and report ESG progress?

**Centralizing ESG data is vital to streamline and accurately measure ESG across the ecosystem.** Without transparency, the G over ESG effort is an impossible one. ESG program effectiveness may be limited. Companies will not have auditable metrics regulators and other stakeholders require.



\* The Conference Board, "Small teams driving integration of sustainability into business", (November 4, 2021).

† Gamet Roach, "Data issues biggest barrier to greater ESG adoption, survey find," Corporate Secretary, (October 21, 2021).



# Technology enables ESG journey success

Many organizations oversee ESG programs from a central command center. In an ESG command center, even a small sustainability team can use a framework with a technology platform such as ServiceNow to develop a strategy, manage, govern, and report progress for a holistic program. Your team can:

- **Set journey objectives** based on organization needs and industry benchmarks
- **Start action** by establishing programs and procedures
- **Measure where you are** on the journey based on defined metrics using custom dashboards
- **Confirm you trust journey outputs** using dashboards for risk assessments
- **Report to stakeholders** through internal and external portals

The first question the team in the opening scenario needs answered is where to begin implementing and governing an ESG program that spans the ecosystem. People are often tempted to jump straight to reports, the output they need.

**These are some necessary steps that must happen first.**

**1. Assess your ESG capabilities.** Organizations should prepare to comply with new, comprehensive regulations now.

- Analyze whether your risk management program can extend to govern the entire ESG program
- Determine what good looks like
- Understand the quality and capabilities of your data, controls, and governance

**2. Connect your data.** Creating the ability to govern an ecosystem’s ESG program starts with connecting data. Identify and integrate systems that contain ESG-related data. Technology platforms such as ServiceNow can be the central integration hub for external data sources and enable critical reporting capabilities including:



**3. Explore existing technology for risk management capabilities.** Information technology departments already use a technology platform for IT service management (ITSM). ITSM tools such as ServiceNow have modules with project and risk management capabilities. Sustainability groups can use these modules to address growing ESG oversight issues. A third-party provider can help design an integrated solution to enable the transparency you need across ESG initiatives. The solution should include a tailored, data-driven strategy, governance, controls, reporting, and be managed on one technology platform. The solution should also leave you with project management capabilities and the ability to operationalize the G over ESG.

2022 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.



**4. Use workflows.** Imagine having the ability to go to a dashboard and click on sustainable procurement. The workflow would start with materials sourcing and carbon estimates within those materials. It would include when and where the materials were deployed. The same visibility would be possible for industry-specific compliance, waste management, green lending, employee engagement, and other functions. An operating model enabled by integrated workflow technology can support your ESG strategy.

Once you connect data, workflow automation is possible using a technology platform such as ServiceNow. The efficiency that workflow automation provides allows small sustainability teams to meet reporting demands. These teams evolve each day. With help from technology, they will soon take responsibility for and own all three pillars—E, S, and G.

## Progress along your ESG journey now

ESG accountability is a hotly debated topic that is here to stay. Each year, government agencies propose additional and more comprehensive regulations for consistent ESG reporting. Whether the thorough or gentler versions affect companies soon, we recommend companies prepare now. Organizations need time to plan an approach to mature their ESG program. The journey is a gradual one that can take years not months to reach goals. Wherever your organization is on the ESG journey, KPMG can help you achieve ESG advantage.

KPMG LLP has helped many organizations become ESG leaders. Our teams apply global, cross-industry experience as we work with you on your ESG strategy, execution, reporting, and auditability. The approach defies silos to align your investments and enable transparency to help build trust. It blends ESG efforts with other priorities to enhance business performance. The result is a mature program with ESG infused through your organization for a more sustainable future.

**Contact us to learn more about our ESG offering enabled by ServiceNow.  
We would like to hear what parts of ESG challenge your organization most.**



**Arun Ghosh**  
Principal, Climate and  
Data Technology  
GTM Leader, KPMG LLP  
+1 805 807 8872  
arunghosh@kpmg.com



**Lisa Rawls**  
Principal, Governance,  
Risk and Compliance,  
KPMG LLP  
+1 804 306 2182  
lisarawls@kpmg.com



**Sean Barrins**  
Managing Director, US  
ServiceNow Alliance &  
Sales Leader, KPMG LLP  
+1 206 406 1799  
sbarrins@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization. MGT8806

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)

