



How retailers unlock value from ESG and climate data

Accelerate performance and drive sustainable growth with an integrated approach to data and technology



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Little wonder that environmental, social, and governance (ESG) issues continue to grow in importance. In Europe, the Corporate Sustainability Reporting Directive (CSRD) substantially increases requirements for European Union companies to publish regular reports on their environmental and social impact activities. The United States is not far behind. The Securities and Exchange Commission (SEC) intends to make public its final regulations on what climate-related risks—including greenhouse gas emissions—companies should include in their financial statements.

In the consumer and retail sector, more than 80 percent of consumer and retail executives agree that ESG has grown somewhat or significantly more important.¹ Retailers are proactively adopting ESG, climate, decarbonization, and net-zero policies across their business to build a strong brand, satisfy key stakeholders, and promote long-term growth. Dedicated ESG roles are becoming essential.

Chief sustainability officers are increasingly common, with 7 of the top 20 U.S. retailers having this role.² To better ensure that ESG is embedded in long-range strategic plans, more CEOs are evaluated and compensated based on ESG success.

With an eye toward regulatory urgency, 39 percent of retail investors around the world say they have invested with ESG concerns in mind, and another 39 percent say they have considered it. In the United States, half the retail investors (51 percent) now say that ESG has influenced their investments, up 25 points from 2003.³

Consumers also are becoming more knowledgeable about which retailers are ESG leaders and which are laggards. The majority of consumers are less willing to buy a company's product if they find it performs poorly on environmental practices, as they believe companies are responsible to help ensure that consumer products are environmentally and socially compliant.

With the proper collection and integration of data, companies can more effectively report on ESG.



¹ KPMG 2022 Retail Trends Analysis (survey fielded May 2022).

² KPMG 2022 Retail Trends Analysis (survey fielded May 2022).

³ "Retail Investors Show Strong and Growing Interest in ESG," GlobeScan Radar, December 14, 2021.

Measure, manage, and monitor

Regardless of their ESG maturity, all consumer and retail companies face the following challenge: how best to measure, manage, and monitor the reams of data necessary to report ESG metrics accurately. As companies strive to address this challenge, they face common issues:

- Many are using spreadsheets to identify, collect, and validate emissions data.
- Complex data is originating from disparate sources that are different from the traditional sources of financial data.
- Comprehensive ESG data needs to cover all tiers of an organization's value chains and track interrelated social issues.

A pet store that imports dog collars, for example, should know where the cotton and metal come from and whether any human rights were violated in the manufacturing process.

To secure this level of accurate, detailed data, retailers need to tie measuring, reporting, and monitoring systems together using a consolidated, digitalized, and programmable approach. That's exactly the need that KPMG LLP (KPMG) addresses by leveraging the Microsoft Cloud for Sustainability™, which runs on the Microsoft Azure™ platform.

We help clients build their future-state architecture and roadmap by focusing on these key areas:



Data preparation

- Capture and securely store data across scopes 1, 2, and 3.
- Automate validations on data completeness and accuracy.



Data management

- Set up role-based controls and task automation to orchestrate energy data flows.
- Demonstrate and track program compliance with a secure audit trail.



Insights and analytics

- Visualize month-over-month emissions trends across global operations.
- Leverage predictive analytics and scenario modeling to optimize investments.



ESG reporting

- Enable full confidence in report outputs through traceable lineage.
- Streamlined process to prepare for increases in ESG reporting cycles.

The cloud becomes the catalyst to automate the identification, collection, and validation of data. Microsoft also maintains libraries of emission factors that tie calculations directly to the Microsoft Cloud

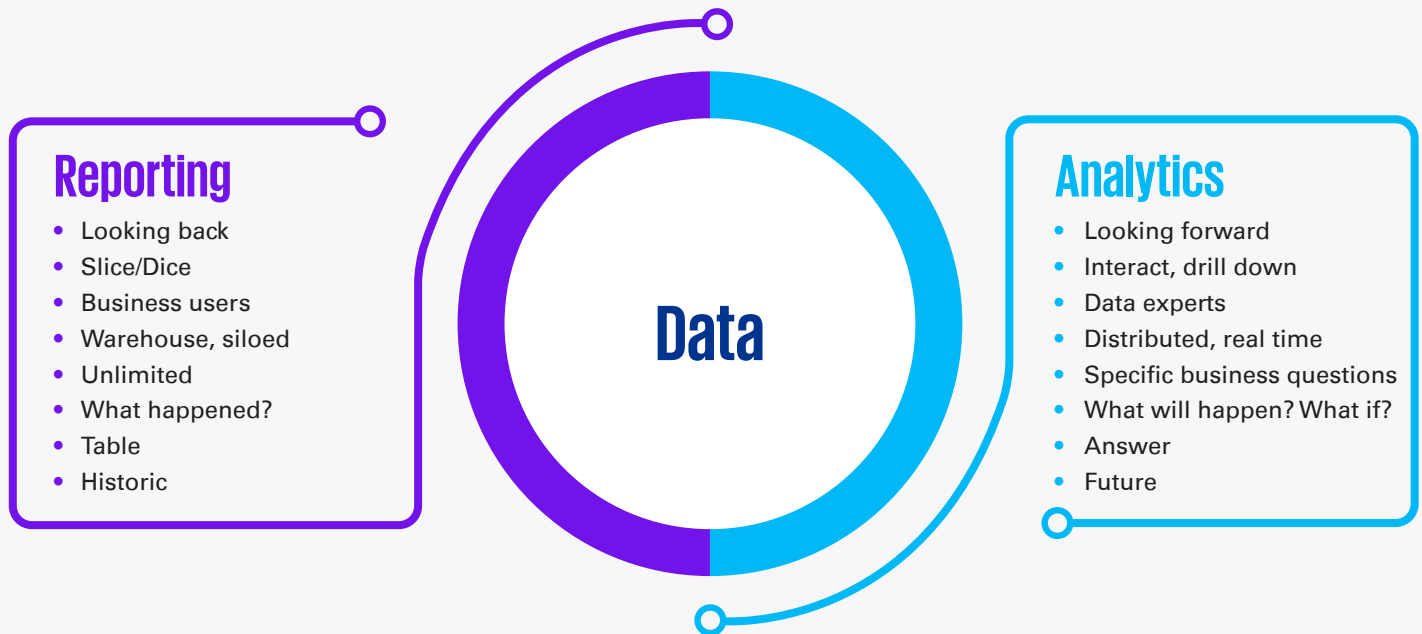
for Retail™. This specialized cloud contains the templates and data models that analyze usage to drive better decisions.



Working with KPMG and Microsoft

Leveraging Microsoft technology, KPMG has developed a set of capabilities and accelerators that centralize and integrate data to provide a unified view of the systems that drive retail performance. They help companies improve controls, automate regulatory reporting, and deliver advanced insights.

Our analytics capability collects, transforms, and integrates data across legacy applications so that companies can extract greater value from their existing systems. While streamlined reporting is top of mind for our clients, they also demand progress toward an “analytics first” future state.



Perspective | Actions | Expertise | Data | Scope | Questions | Output | Applicability

Our KPMG data collection and reporting approach enables companies to:

- Record data to represent the emissions footprint of their operation and value chain more accurately
- Report their environmental impact and sustainability progress in near real time
- Enable better decisions for decarbonization.

KPMG helps clients accelerate growth and operational efficiency and better serve customers in their trusted Microsoft cloud environment. They have access to:

- A common data model and extensive consumer and retail experience to implement controls specific to their business
- Cloud-based analytics capabilities and accelerators to help realize faster speed to value and return on investment
- Built-in powerful dashboards with detailed drill downs to visualize data clearly.

Getting to work

When we begin working with consumer and retail clients, we review the data on hand to help them understand how useful it is now, the gaps that remain, and how best to prioritize the top three to five commitments that are key to the success of their ESG program.

The three ESG categories can be broken down into dozens of subcategories. By consolidating key topics from across major reporting frameworks, we can typically consider the following set of topics to be a good starting point for developing ESG priorities:

Environmental			Social				Governance		
Emissions	Resource use	Innovation	Workforce	Human rights	Community	Product responsibility	Management	Shareholders	CSR strategy
GHG emissions/ climate impact	Energy Water	Sustainable products	Employment creation and retention	Human rights policies	Living wage/ income	Product safety	Board composition and governance	Shareholder rights and governance	Sustainability committee
Waste		Product impact reduction initiatives	Employee and supply chain health and safety	Supply chain human rights compliance	Donations and community service	Product responsibility monitoring	Executive team composition and compensation	Board structure	Reporting and stakeholder engagement

During this process, it's important to take a 360-degree view in assessing a company's current strategy, looking internally and externally at the viewpoints of employees, suppliers, consumers, investors, and regulators, among other stakeholders.

Companies want to see how they stack up against their peer group and how ambitious they want to be in meeting or exceeding ESG commitments that adhere to regulatory requirements. Deciding the level of ambition helps determine how best to operationalize their strategy and clarify the amount of data needed to measure success.

Unlocking further value from ESG

Retailers know that embedding ESG into their long-term business strategies is beneficial to their business. They've seen the results—reduced risk, increased network resilience, high employee

engagement and retention, enhanced brand reputation, a larger customer base, greater loyalty, and reduced capital costs from tax incentives, to name a few.



Contact us to discuss how we can help your organization turn ESG data into a competitive advantage using the Microsoft Cloud for Sustainability.

Contact us

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