



**LOOKING AHEAD
ESG 2030 PREDICTIONS**

UNIVERSAL IMPACTS

CONSEQUENCES OF POOR ESG PERFORMANCE

ESG-ruptcy leads to blacklisting and personal liability

Demand for transparent and proven ESG policies and practices will lead to the introduction of mandatory ESG ratings and certification processes, with consistent non-compliances met with severe consequences.



TECHNOLOGY

Digital Twins enable a new ESG reality

There will be broad uptake of Digital Twin technology, enabling organisations to monitor and adjust their business activities in real-time.



65%
OF INTERNATIONAL DEALMAKERS BELIEVE ESG IS A KEY CONSIDERATION WHEN MAKING INVESTMENTS AND IN MERGERS & ACQUISITIONS (M&A) DECISIONS.

57%
OF CONSUMERS PLEDGED TO SHOP AT STORES WITH A STRONG FAIR TRADE COMMITMENT. FACTORS INCLUDED: NO CHILD LABOR, TACKLING POVERTY AND PROTECTING AGAINST DEFORESTATION.

CONSUMERS

The rise (and the fall) of the ESG Cowboy

As the lucrative nature of successful sustainable business models become apparent, bad actors will attempt to exploit the 'wild ESG west.'

PRICING

ESG doesn't come for free and it certainly doesn't grow on trees

ESG products, services and company valuations will reflect the costly nature of ESG compliance and practices.



DATA

The Great ESG Data Boom

An exponential increase in the amount of ESG data will drive accountability and accelerate progress against organisational ESG objectives and the United Nation's Sustainable Development Goals.

GEOPOLITICS

New cracks form in the geopolitical landscape

Defining a global ESG policy will be fraught with danger for transnational corporations as world governments, trade consortiums and political blocks increasingly assert their influence to progress their individual agendas.

ENVIRONMENT

BIODIVERSITY

You don't know what you've got 'til it's gone...

If you break it – you own it. Biodiversity, and the ecological impact of human and economic activities, will be assessed, measured and valued as a new asset class, with all living creatures becoming key stakeholders.



CLIMATE AMBITION

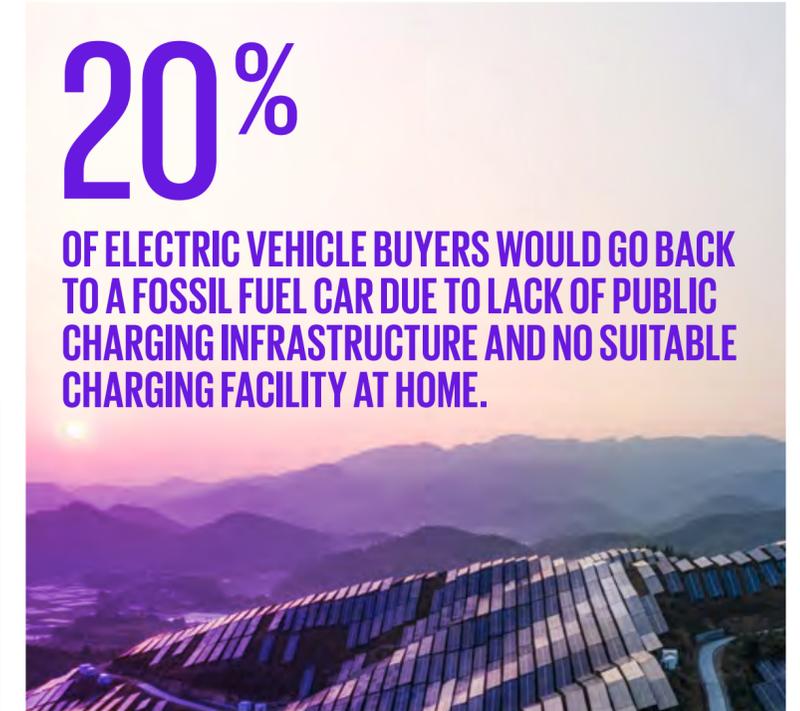
Carbon negative is the new north star

The accelerated path to zero emissions has a new North Star, as organisations shift away from avoidance and offsetting to abatement and removal.



20%

OF ELECTRIC VEHICLE BUYERS WOULD GO BACK TO A FOSSIL FUEL CAR DUE TO LACK OF PUBLIC CHARGING INFRASTRUCTURE AND NO SUITABLE CHARGING FACILITY AT HOME.



KPMG 2030 ESG PREDICTIONS REPORT

3



55%

OF GLOBAL GROSS DOMESTIC PRODUCT (GDP), EQUAL TO US \$41.7 TRILLION, DEPENDS ON HIGH-FUNCTIONING BIODIVERSITY AND ECOSYSTEMS, WITH A FIFTH OF COUNTRIES GLOBALLY AT RISK OF THEIR ECOSYSTEMS COLLAPSING.

SUSTAINABLE ASSURANCE

Traceability all the way from A to Z (and back to A again)

ESG priorities will transform supply chains, with sustainable technologies leveraged to verify end-to-end ESG credentials.



SOCIAL



MAKING A STAND

Put your money where your heart is: The rise of organisations as activists

Organisations will need to demonstrate their commitment to key social issues - sitting on the fence will no longer be an option.



PARTNERSHIPS & ECOSYSTEMS

Co-opetition... Together for better

Co-opetition will be in full force in 2030: a whole-of-systems approach between organisations will be required to implement and drive ESG change.



63%

CORPORATES SURVEYED INCREASINGLY ENTER STRATEGIC PARTNERSHIPS TO ADDRESS PURPOSE-LED ISSUES THAT CREATE SOCIETAL, ORGANISATIONAL AND STAKEHOLDER VALUE.

FIRST NATIONS ENGAGEMENT

Indigenous voices, Constitutional enshrinement and transparent impact

Greater cultural awareness will drive organisations to learn from, support and amplify Indigenous voices to address issues facing Indigenous peoples, resulting in support for a First Nations Voice to Parliament and Constitutional recognition.



TALENT ACQUISITION

AI identifies your perfect ESG match

ESG priorities will transform supply chains, with sustainable technologies leveraged to verify end-to-end ESG credentials.



GOVERNANCE

REMUNERATION

Show me the FAIR money

Organisations will lead the charge on the pay gap agenda, with legislation eventually enacted around maximum permissible pay gaps across all employee groups.



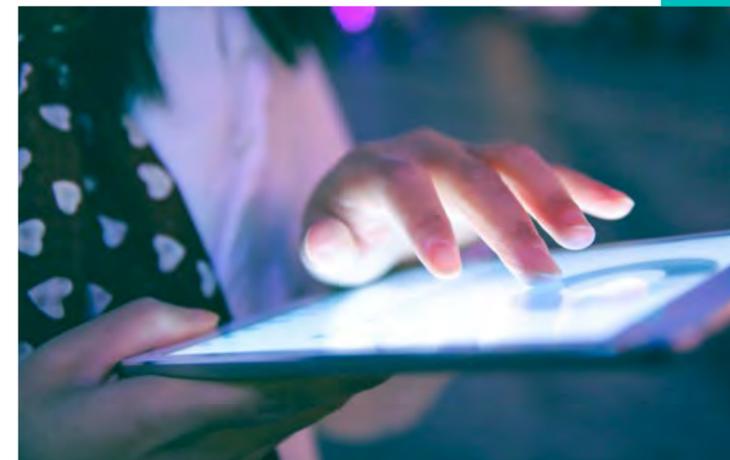
ORGANISATION & ROLES

New roles and remits at the C-suite table

The C-suite will expand to include new ESG-centric leadership teams which will adapt and change rapidly over the coming years, as organisational mindsets shift to embedding an 'ESG culture.'



WILL ORGANISATIONS NEED TO BE TRANSPARENT REGARDING THE REASONS BEHIND DIFFERENCES IN PAY?



99%

OF WOMEN WORKING FOR CITI WERE PAID MORE THAN MEN, ON AN ADJUSTED, LIKE-FOR-LIKE, BASIS



CORPORATE CITIZENSHIP

Demonstrating social licence will be demanding - it's an ESG jungle out there

Corporate citizenship will transform and organisations will be forced to navigate a jungle of regulation, policy, legal action, whistleblowing and institutional activism, as they work to build and maintain consumer trust.

INTRODUCTION

An aerial photograph of a vast agricultural landscape, likely in a rural area. The terrain is divided into numerous irregular, green fields, some of which are transitioning to a bright yellow color, possibly indicating a different crop or a specific stage of growth. The overall scene is lush and vibrant, with a mix of deep green and bright yellow hues. The text is overlaid on the left side of the image.

**BY 2030,
THE ESG LANDSCAPE
WILL HAVE EXPANDED
AND TRANSFORMED...**

INTRODUCTION

A combination of regulatory push, mandating ESG disclosures, and pull from a range of stakeholders will increase the stakes on ESG action (or inaction). Organisations that transform their business models over the next decade and put ESG front and centre of their operations and culture, will reap the rewards.

Prizes for swift adoption may include greater brand loyalty, the ability to secure capital, increased profits and valuations. Those who fail to adapt, or who do so disingenuously, will face a reduction in market share, black-listing, severe penalties and potentially imprisonment.

The ESG road to 2030 will not be an easy one to navigate and there will be transitional disruption, as private industry charges ahead of policy and regulation. Organisations will need to meaningfully engage with a range of stakeholders and demonstrate tangible actions, beyond PR stunts. ESG mandates for transparency will propel the need for radical digital transformation.

Thorough oversight and high-quality data and analysis will be essential to measure and assess performance against organisational objectives and regulatory frameworks.

Fortunately, this road will not be a lonely one. With the emergence of new roles within organisations and a regulatory shift to enable co-opetition, ESG initiatives will be well supported by those with shared interests.

Organisational stances on key ESG issues will be vital to attracting top talent. First Nations people will hold critical roles in the creation of new ESG initiatives and will work together with organisations to amplify Indigenous voices and enhance cultural protection, resulting in Constitutional recognition.

Although the investment costs of transitioning to an ESG focus may deter some, ultimately the cost of complacency will be far greater. Will your organisation be an ESG leader or will it be left behind? What is clear... in 2030 there is no room for sitting on the fence.



UNIVERSAL IMPACTS

CONSEQUENCES OF POOR ESG PERFORMANCE

UNIVERSAL IMPACTS

ESG-ruptcy leads to blacklisting and personal liability

What 2030 will look like

Demand for transparent and proven ESG policies and practices will lead to the introduction of mandatory ESG ratings and certification processes, comparable by industry.

Investors and shareholders will have high ESG expectations and poor performing organisations will be starved of capital and see impacts on their share price.

By 2030, poor performers have been weeded out and consistent non-compliance will be met with severe consequences including penalties, public naming, a prohibition to operate and even imprisonment. The C-Suite and Directors will now be personally liable for ESG breaches.

What We Are Seeing Today

International organisations, such as the Task Force on Climate-related Financial Disclosures, the United Nations (UN), International Sustainability Standards Board (ISSB) and the World Economic Forum (WEF) are aiming to standardise international disclosure requirements.

The European Union (EU) is one of the drivers for a standardised process, with Taxonomy Regulation outlining a classification that systematises what economic activities are environmentally sustainable. This standardisation system could be extended to social and governance factors¹.

65% of international dealmakers believe ESG is a key consideration when making investments and in Mergers & Acquisitions (M&A) decisions².

Share trading platforms are streamlining the ethical investment process for retail investors with ESG ratings based on non-financial analysis of environmental, social, governance and corporate controversy metrics³.

Disputes regarding ESG issues have wiped more than US\$500 billion off the value of large United States (US) organisations over the past five years, with fines amounting over US\$243 billion paid by US banks since the financial crisis⁴.

A dominant player in the Energy sector lost two seats on its Board to members of a climate activist hedge fund. After years of unsatisfactory climate efforts, their shareholders chose real climate action over business as usual⁵.

Unanswered questions

- ▮ What does consistent non-compliance look like? Which breaches have greater consequences than others?
- ▮ Will a market develop centered on identifying and exploiting ESG loopholes for organisations, similar to tax avoidance?
- ▮ How will ESG ratings, particularly Social and Governance factors, be comparable across countries? What agreements will occur between governments to create harmony?
- ▮ Will we see a new class of private equity emerge focusing on non-compliant businesses and making them compliant to sell for a profit?



¹ Australian Institute of International Affairs, Mandatory Reporting for Environmental Social Governance Metrics, July 2021.

² Smart Company, How poor ESG performance can stop a merger or acquisition in its tracks, June 2021.

³ Self Wealth, Your Guide to ESG Investing, October 2021.

⁴ Financial Times, ESG controversies wipe \$500bn off value of US companies, December 2019.

⁵ Reuters, Exxon Loses Board Seats to Activist Hedge Fund in Landmark Climate Vote, May 2021.

CONSUMERS

UNIVERSAL IMPACTS

The rise (and the fall) of the ESG Cowboy

What 2030 will look like

As the lucrative nature of successful sustainable business models become apparent, bad actors will attempt to exploit the 'wild ESG west.'

ESG Cowboys and profiteering ESG advisors will benefit from disingenuous and unsubstantiated claims, until consumers and society demand to view and validate their ESG credentials.

There will be increased scrutiny of organisations which only deploy ESG strategies in some parts of their business but fundamentally have unsustainable business models, such as in fashion and manufacturing. Genuine action and measurable follow through on key ESG issues will be key to maintaining customer loyalty and avoiding regulatory discipline.

What We Are Seeing Today

'Green' competition between organisations has propelled the frequency of climate and sustainability-related business targets and product claims⁶.

United States (US) regulators are cracking down on \$35 trillion in sustainable assets. The Securities and Exchange Commission (SEC) is reviewing standards adopted by ESG-focused funds, due to concerns about misrepresentation and mis-labeling of environmental credentials⁷.

Criticism of profiteering has been increasingly directed at fast fashion brands that launch eco-conscious lines to appeal to Gen Z consumers, whilst also running unsustainable business models that rely upon exponential growth and production.

After finding that up to 40% of organisations' 'green claims' were misleading, the UK Competition and Markets Authority (CMA) established a Green Claims Code (Code). The Code includes guidelines around information transparency and consideration for full product lifecycle, with transgressions resulting in fines, sanctions and potential imprisonment⁸.

Litigation has commenced in the Federal Court of Australia, challenging the accuracy of an organisation's net zero emissions target and their claims based on technological advancements that have not yet occurred⁹.



Unanswered questions

- As greenwashing becomes more sophisticated and harder to detect, how will consumers, auditors and regulators seek new methods of assurance?
- Will future actions atone for past sins? How forgiving will consumers be after an ESG breach?
- Will a market form around ESG remediation to address disingenuous and unsubstantiated claims?

57%

OF CONSUMERS PLEDGED TO SHOP AT STORES WITH A STRONG FAIR TRADE COMMITMENT. FACTORS INCLUDED: NO CHILD LABOR, TACKLING POVERTY AND PROTECTING AGAINST DEFORESTATION.

⁶ Corrs Chambers Westgarth, Corporate 'greenwashing' the latest target for climate litigation, September 2021.
⁷ Bloomberg, Fund Managers Feel Heat in SEC Crackdown of Overblow ESG Labels, September 2021.
⁸ The Guardian, Competition Watchdog Gives Firms Deadline on Ending 'Greenwashing', September 2021
⁹ ACCR, Australasian Centre for Corporate Responsibility files landmark case against Santos in Federal Court, August 2021.

PRICING & POSITIONING

UNIVERSAL IMPACTS

ESG doesn't come for free and it certainly doesn't grow on trees

What 2030 will look like

As the ESG agenda moves to the forefront of corporate strategies, organisations will quickly realise the true cost of ESG compliance and practices.

ESG products, services and company valuations will reflect the cost of doing 'ESG business.' These costs will either be absorbed by the business or passed onto the consumer, however, we will see some backlash from lower socioeconomic consumers who aren't willing to pay the ESG premium.

Consumer purchasing behaviour will now be influenced by a broader range of social and governance issues. This will create a market for high ESG-rated products which despite being more costly, gives them the 'ESG edge.' This will filter down to mainstream retailers, such as supermarkets and clothing stores, selling all-encompassing ESG conscious products and services which allocate profits to social, governance and environmental causes.

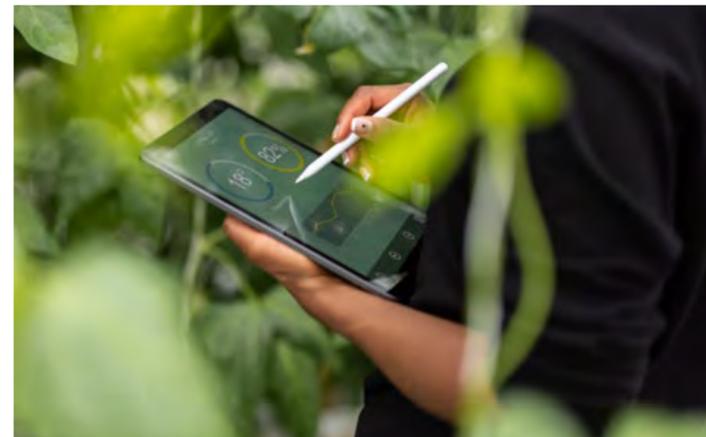
What We Are Seeing Today

Cost of business remains a concern due to the pandemic. Small and mid-sized organisations that do not invest in sustainable operations struggle to address the growing ESG demands from a range of stakeholders¹⁰.

The costs associated with environmental initiatives and reporting include: hiring professionals, data related expenditure, equipment costs and training costs¹¹.

Consumer buying behaviours have evolved into a values-based system, with some people willing to pay a premium for ethically sound products. Consumer goods company, Thankyou, has led the charge: "...the intrinsic value of [their] products have resulted in market-leading repeat purchase and customer loyalty..."¹²

Health food or organic stores highlight the rise of the specialised product store. For example, green shopping online: 100% ecofriendly, 100% Australian owned and operated and trusted quality.¹⁴



Unanswered questions

- ▮ Will ESG associated costs cause inflation? How will government play a role in easing financial pressures associated with the cost of ESG for both consumers and organisations?
- ▮ What impact will the cost of ESG business have on established organisations that have transitional ESG expenses, compared to ventures that already have ESG costs factored into their business model?
- ▮ Will there still be a demand for low cost, mass produced, lower quality (ESG unfriendly) products and retailers?

¹⁰ Investor Update Market Intelligence, ESG What Will It Cost, November 2021.

¹¹ Market Business News, Sustainability Reporting: What is the Cost?, May 2021.

¹² Business Australia, Thank you: On a Mission To Fight Poverty.

¹³ Fair Trade International, Half of global consumers used their buying power to make a positive difference during the pandemic, July 2021.

¹⁴ Green Shop Online, Kitchenware- Eco Friendly Kitchenware Online.

TECHNOLOGY

UNIVERSAL IMPACTS

Digital Twins enable a new ESG reality

What 2030 will look like

The need to measure and demonstrate progress against stated ESG objectives will facilitate broad uptake of Digital Twin technology. This will enable organisations to monitor and adjust their business activities in real-time, supported by predictive and prescriptive analytics capabilities.

Energy and Manufacturing sectors will lead the way using Digital Twins to simulate work environments, removing humans to perform safety uplifts, detect and fix faults and optimise production times.

Their implementation will decrease ESG compliance costs, enabled by greater systems integration and automation. By 2030, the first online marketplaces for Digital Twins will have emerged, enabling organisations to trade and leverage the technology across and within industry to further decrease costs.

The partnership between humans and technology will still exist but technology will increasingly assume a larger role. The unintended consequence of adopting this technology will be the reduction of labour-intensive jobs, with particular impact on developing economies.

What We Are Seeing Today

Prompted by COVID-19 events, it is anticipated that by 2023, one-third of mid-to-large-size organisations that have implemented Internet of Things (IoT) will have at least one Digital Twin use case¹⁵.

Virtual Singapore is a Singapore Government initiative to re-envision the metropolitan city as a 3D Digital Twin and collaborative data platform. The platform will enable designers, town planners and policy makers to conduct virtual experiments and urban planning decisions¹⁶.

The development of more than 75% of global wind power and 85% of electronic vehicle uses Virtual Twin technology to enhance and virtually assess engineering and performance¹⁷.

The global Extended Reality (XR) market size is estimated to be worth US\$31 billion in 2021 and is predicted to rise to approximately US\$300 billion by 2024, extending beyond gaming and entertainment sectors¹⁸.

Unanswered questions

- ▮ How will risk share models for Digital Twin technology evolve to handle conflicts between profits and harmful ESG outcomes?
- ▮ How can we hold organisations accountable for displaced workers and ensure that meaningful upskilling, retention and redeployment addresses Digital Twin skill deficiencies and maintain their social licences?
- ▮ How can organisations streamline the planning, implementation and maintenance of the digital-physical interface to enable an accelerated uptake of Digital Twin technology?

¹⁵ Gartner, Gartner Survey Reveals 47% of Organizations Will Increase Investments in IoT Despite the Impact of COVID-19, October 2020.

¹⁶ National Research Foundation, Prime Minister's Office Singapore, Virtual Singapore, February 2021.

¹⁷ Accenture, Accelerating Sustainability with Virtual Twins, January 2021.

¹⁸ KPMG, Understanding the Extended Reality Landscape, July 2021.



**DATA AND INFORMATION
ARE QUICKLY BECOMING FIERCELY
CONTESTED GLOBAL RESOURCES.**

DATA

UNIVERSAL IMPACTS

The Great ESG Data Boom

What 2030 will look like

There will be an exponential increase in the amount of ESG data to manage and analyse globally, coming from multiple sources and in some cases, real-time. The growing need for organisations to oversee ESG operations will result in improved data architecture and new categories of software products with built-in ESG data factors will emerge.

We will also see the birth of new ESG data-based business models, start-up activity and significant venture capital funding.

The disclosure of these ESG datasets will be of increasing interest to employees, shareholders, investors and community groups, covering everything from biodiversity, the offsetting of infrastructure requirements with natural infrastructure investment, contribution to disability employment, human rights responses or ratings, to sexual harassment complaints.

At a global level, this dramatic rise in information availability and transparency will drive accountability and accelerate progress against the United Nation's Sustainable Development Goals.



What We Are Seeing Today

At the 2021 Bloomberg Data and Tech Summit, 81% of respondents reported that their firms had witnessed an increased demand for ESG data over the 2020-2021 period¹⁹. Demand for ESG data is also growing among individual consumers and employees, who seek information on corporate, social and environmental activities²⁰.

The ESG data market could reach US\$1 billion by 2021. It was found that 60% of ESG spending came from Europe due to regulatory requirements²¹.

International Data Corporation (IDC) predicts that by 2023, 50% of the Global 2000 will name a Chief Trust Officer, responsible for data quality and transparency across business functions. By 2025, two-thirds of the Global 2000 Boards will ask for a formal trust initiative focusing on enterprise's data security, privacy and ethical execution²².

The importance of big data analytics is anticipated to grow, as organisations focus on monitoring end-to-end supply chains, demonstrating accountability and balancing a range of ESG-related objectives²³.

Unanswered questions

- How will organisations extract strategic value from ESG data in ways that extend beyond compliance?
- What is the relationship between regulation and business practices in setting ESG data standards?
- With ESG data becoming the new oil, what cyber-security measures need to be implemented for organisations to protect themselves and their intellectual property?
- How will the 'veracity' of ESG Big Data be managed and maximised on the global stage?

¹⁹ Bloomberg, How ESG Data is Going Mainstream, July 2021.

²⁰ Harvard Business Review, An ESG Reckoning Is Coming, March 2021.

²¹ Opimas, ESG Data Market: No Stopping Its Rise Now, March 2020; S&P Global Market Intelligence, Spending on ESG data could hit \$1B in 2021 – Opimas, March 2020.

²² TechTarget, The future of trust must be built on data transparency, March 2021.

²³ Goby, Why big data matters for ESG, May 2021.

GEOPOLITICS

UNIVERSAL IMPACTS

New cracks form in the geopolitical landscape

What 2030 will look like

World governments, trade consortiums and political blocks will increasingly assert their influence to progress their individual agendas, particularly on the 'E' front. Points of alignment and misalignment between trade, ESG values and security will impact policy.

Organisations will need to be agile in adapting their practices to the changing geopolitical environment. Defining a global ESG policy will be fraught with danger for transnational corporations, as the clash of diverse international value systems brings about accusations of social interference and a raft of unintended consequences.

There will be greater alignment around the 'E', due to irrefutable evidence of climate change. The next point of focus, and source of real tension for 2030, will be on the 'S'.

What We Are Seeing Today

The European Union (EU) Carbon Border Adjustment Mechanism will put a carbon price on specified imports and is a key policy in their journey to carbon neutrality by 2050. This will have significant financial implications for organisations who will have to pay for carbon certificates to demonstrate that cost of carbon pricing has already been incurred²⁴.

Geopolitical tensions are already building as nation States seek to ensure stable supply of critical earth minerals to support the electrification of the energy grid, electronic vehicles and meet carbon reduction goals. There is a renewed focus on diversification after the supply chain disruptions resulting from the COVID-19 pandemic²⁵.

The Agreement on Climate Change, Trade and Sustainability (ACCTS) is in the process of being established between Costa Rica, Fiji, Iceland, Norway and Switzerland, with the intention of lowering barriers for climate-friendly technologies, addressing fossil fuel reform and establishing guidelines for eco-labels²⁶.

Increasing local-global tensions around cyber-security are seen through the rise of data localisation laws, requiring personal and commercial data to be stored, and in some cases, processed inside specified territories. Data and information are quickly becoming fiercely contested global resources²⁷.

Transnational corporations are experiencing challenges where local consumers have acted against contentious business practices occurring in foreign jurisdictions. Differing perspectives on the matter, however, have resulted in retaliatory action from local consumers in the foreign jurisdiction. This has been observed recently within the cotton industry regarding forced labour and working conditions²⁸.

Unanswered questions

- How do organisations ensure they engage with local communities, as well as diverse and vulnerable stakeholders to understand local context, cultures and social expectations? How can organisations meaningfully grant agency?
- How can organisations establish continuity plans for local communities that may experience unintended negative consequences due to ESG initiatives, financial or otherwise?
- With private industry leading the ESG charge, how can governments work together to minimise geopolitical friction and raise overall ESG standards?



²⁴ Australian Institute of International Affairs, EU Carbon Border Adjustment Mechanism Compliance With WTO Rules, August 2021.

²⁵ KPMG, 30 Voices on 2030: The Future of Energy, September 2021.

²⁶ World Trade Organization, Future WTO environment work in the spotlight, as members report on two new initiatives, November 2020.

²⁷ Australian National University, The Geopolitics of Information, October 2021; The National Law Review, Data Localization and the Limits of "Everything from Everywhere", February 2021.

²⁸ New York Time, Global Brands Find It Hard to Untangle Themselves From Xinjiang Cotton, July 2021.

ENVIRONMENT

BIODIVERSITY

ENVIRONMENT

You don't know what you've got 'til it's gone...

What 2030 will look like

Biodiversity, and the ecological impact of human and economic activities, will be assessed, measured and valued as a new asset class. There will be a shift towards greater systems thinking, acknowledging that everything is interconnected, resulting in a regenerative approach and circular economy principles being adopted.

The key metric for these approaches will be 'Environmental Profit', the measurable benefit of a decision on the natural world, becoming a component of Return on Investment (ROI). This will drive a collective focus on the importance of habitats, ecosystems and the diversity of flora and fauna.

All living creatures will become key stakeholders in the ESG agenda and nature will become recognised as a living entity with its own set of rights. Extinction, endangerment and loss of habitat arising from economic activities will not be tolerated – if you break it, you own it.

What We Are Seeing Today

55% of global Gross Domestic Product (GDP), equal to US\$41.7 trillion, depends on high-functioning biodiversity and ecosystems, with a fifth of countries globally at risk of their ecosystems collapsing²⁹.

The fifth UN Global Biodiversity Outlook report highlighted the importance of biodiversity in fighting climate change and ensuring long-term food security, as well as the link between unprecedented biodiversity loss and the spread of disease³⁰.

At the 2019 United Nations (UN) Climate Action Summit, nineteen forward-thinking agricultural companies joined forces with the World Business Council for Sustainable Development (WBCSD) to launch One Planet Business for Biodiversity. This initiative focused on alternative farming practices, as well as protecting and restoring biodiversity within companies' supply chains and product portfolios³¹.

Over the past decade, demand for Social Return on Investment (SROI) reporting has grown exponentially in Australia. Stakeholders are demanding explicit accounts for value beyond financial returns³².

The Taskforce on Nature-related Financial Disclosures (TNFD) was formed to develop risk management and disclosure frameworks for climate-related risk, enabling organisations to incorporate these risks and opportunities into their strategic planning³³.

The Blue Mountains City Council unanimously decided to embed 'Rights of Nature' into long-term strategic and operational activities, making it the first Australian local council and government entity to do so³⁴.

Unanswered questions

- Who will speak on behalf of nature and be held accountable for ensuring responsible ecosystem stewardship? Would we need to introduce a nature bail-out fund? Who is picking up the bill for biodiversity destruction?
- Academics, corporates and startups: who will lead the way in evolving thinking beyond climate impact, to broader biodiversity and natural capital issues?
- How will these principles be implemented consistently for shared habitats, such as oceans, that are by their very nature international?
- How will organisations accredit the value of 'Environmental Profit'? Will a body emerge to develop standards?



²⁹ Swiss Re, A fifth of countries worldwide at risk from ecosystem collapse as biodiversity declines, reveals pioneering Swiss Re index, September 2020.

³⁰ Secretariat of the Convention on Biological Diversity, Global Biodiversity Outlook 5, 2020.

³¹ Cision PR Newswire, Nineteen Leading Companies Join Forces to Step Up Alternative Farming Practices and Protect Biodiversity, for the Benefit of Planet and People, September 2019.

³² Social Ventures Australia, SROI Revolution or Evolution, April 2018.

³³ Taskforce on Nature-related Financial Disclosures, Nature loss presents financial risk to organisations, 2021.

³⁴ Australian Earth Laws Alliance, Blue Mountains City Council becomes First Council in Australia to Adopt Rights of Nature as a Foundational Principle, April 2021.

MICROSOFT HAS PLEDGED TO BECOME CARBON NEGATIVE BY 2030 AND REMOVE HISTORICAL CARBON EMISSIONS BY 2050. THEY HAVE ALSO COMMITTED US\$1 BILLION TO A CLIMATE INNOVATION FUND TO ACCELERATE TECHNOLOGY DEVELOPMENTS AND DEPLOYMENT OF NEW CLIMATE INNOVATION.

CLIMATE AMBITION

ENVIRONMENT

Carbon negative is the new north star

What 2030 will look like

The accelerated path to zero emissions has a new North Star. While climate ambitions will escalate ahead of the first 'drop dead' interim target date of 2030, execution of these ambitions will face constraints. By 2030, organisations will have shifted away from avoidance and offsetting to abatement and removal.

This shift will be influenced by a number of push and pull factors, including rising insurance premiums due to the risk of climate inaction. Organisations that demonstrate a clear pathway to beyond net zero will be reputationally more resilient but they will need to clearly demonstrate how their projects address the underlying cause, as simply paying to offset carbon will be insufficient.

In the race to decarbonise, a level of transitionary disruption will ensue due to consumer demand and organisational aspiration outpacing policy and planning.

What We Are Seeing Today

Microsoft has pledged to become carbon negative by 2030 and remove historical carbon emissions by 2050. They have also committed US\$1 billion to a climate innovation fund to accelerate technology developments and deployment of new climate innovations³⁵.

Tim Buckley, Director of the Institute for Energy Economics and Financial Analysis (IEEFA), notes that: "in 2030, you cannot operate a company which destroys the environment."³⁶

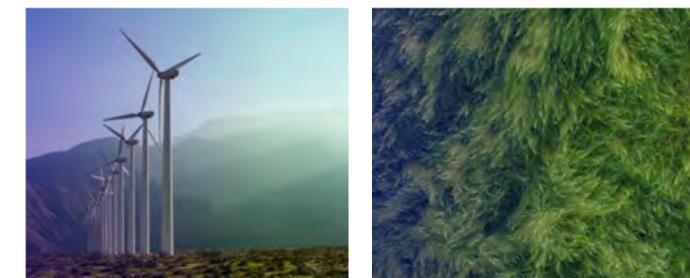
Climate change and natural perils are top concerns facing the insurance industry, particularly in the wake of \$1.3 billion in claims from the 2019 Australian Black Summer bushfires³⁷.

Transitionary disruption is evidenced in a recent study. In California, where EV per capita is second highest in the world, results showed that nearly 20% of EV buyers would go back to a fossil fuel car due to lack of public charging infrastructure and no suitable charging facility at home³⁸.

Unanswered questions

- What will be the catalyst that shifts organisational mindsets from carbon offsetting to carbon removal?
- What happens after carbon negative? Will ESG front runners make contributions towards paying down the carbon debt of other organisations?
- How can organisations change but remain agile amidst shifting sustainability goal posts?

\$1.3B
IN CLAIMS FROM THE 2019 AUSTRALIAN BLACK SUMMER BUSHFIRES



³⁵ Microsoft, Microsoft will be carbon negative by 2030, January 2020.
³⁶ KPMG Australia, 30 Voices On 2030: The Future of Energy, September 2021
³⁷ Taylor Fry, RADAR 2020, September 2020.
³⁸ Scott Hardman and Gil Tal, Understanding Discontinuance Amongst California's Electronic Vehicle Owners, Nature Energy, 2021.

SUSTAINABLE ASSURANCE

ENVIRONMENT

Traceability all the way from A to Z (and back to A again)

What 2030 will look like

Purchasing decisions will become increasingly sophisticated, swayed by more than just the 'Made in X' label. Consumers will demand proof of ethical procurement, renewable energy use, appropriate waste management and recycling best practices before committing to purchases.

ESG priorities will transform supply chains, with organisations moving to more open and transparent production, underpinned by principles of circularity. Sustainable technologies, including eco-friendly blockchain³⁹ and the Internet of Things (IoT), will be leveraged to verify the end-to-end ESG credentials of products and services.

Fast movers in this space will be Agriculture, Energy and Manufacturing sectors. This technology-enabled oversight will assist organisations and regulatory bodies to better combat fraud and corruption, support root-cause failure identification, enable more efficient product recalls, improve working conditions and increase consumer confidence.

What We Are Seeing Today

58% of global Chief Executive Officers (CEO) state they are experiencing an increasing demand for ESG reporting and transparency⁴⁰.

Distributed Ledger Technology is being deployed with success in the food and agri-business sector, enabling greater transparency of global food supply chains to verify product quality and improve traceability⁴¹.

Evocco, a carbon footprint app in the United Kingdom (UK), tracks the climate impact of grocery shopping and offers consumers lower carbon alternatives⁴².

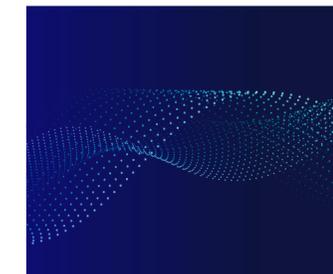
The Modern Slavery Act 2018 (Cth) established a national Modern Slavery Reporting Requirement which applies to large Australian businesses and other entities to address modern slavery risks and maintain responsible and transparent supply chains⁴³.

The number of N100⁴⁴ companies investing in independent third-party assurance for their sustainability information has exceeded 50% for the first time since 1993⁴⁵.

Unanswered questions

- How will digital solutions monitor and measure social impact? How will organisations integrate impact metrics of different stakeholder groups?
- What needs to be created to support equal access to emerging assurance technologies for smaller organisations and organisations in developing countries?
- How will sustainable assurance be communicated to consumers in a consistent, meaningful and accessible way across diverse stakeholder groups and international borders?

THE ACCELERATED PATH TO ZERO EMISSIONS HAS A NEW NORTH STAR, AS ORGANISATIONS SHIFT AWAY FROM AVOIDANCE AND OFFSETTING TO ABATEMENT AND REMOVAL.



³⁹ Eco-friendly blockchain is blockchain that is powered by sustainable resources.
⁴⁰ KPMG Australia, KPMG Australia CEO Outlook: Plugged-in people-first, purpose-led, 2021.
⁴¹ KPMG Australia, KPMG Origins.
⁴² Green Queen, Evocco: This App Calculates Your Food Footprint With Your Grocery Store Receipts, March 2021.

⁴³ Modern Slavery Act 2018 (Cth).
⁴⁴ The N100 refers to a worldwide sample of 4,900 companies comprising the top 100 companies by revenue in each of the 49 countries researched in this study.
⁴⁵ KPMG Impact, The time has come: The KPMG Survey of Sustainability Reporting 2020, December 2020.



SOCIAL

MAKING A STAND

SOCIAL

Put your money where your heart is: the rise of organisations as activists

What 2030 will look like

By 2030, organisations will need to 'put their money where their mouth is' and demonstrate their commitment to transformation.

Consumer behaviour will be significantly influenced by organisational commitment and action towards social issues such as equality, homelessness and geopolitical issues – sitting on the fence is no longer an option.

Organisations that transform their business models to become social enterprises will have a competitive edge. Consumer demand to understand organisational action will result in some organisations creating a public register outlining their positions on key social issues.

This transparency will filter into organisational operations and structures, with every decision influenced by impact on the community. Employees will be encouraged to voice opinions through involvement in social movements and activism. However, organisational involvement in social issues will not be without its challenges.

Organisations will be held accountable for ESG transgressions, faux pas and disingenuous actions. To safeguard against social blacklisting, stronger and more robust crisis management plans and stakeholder engagement strategies will be vital.

What We Are Seeing Today

Airbnb has demonstrated on-going support for the Afghanistan refugee crisis by announcing in August 2021 it will house up to 20,000 refugees for free through contributions from the charity entity, Airbnb.org, and its co-founder, Brian Chesky⁴⁶.

Canva co-founders Melanie Perkins and Cliff Obrecht have pledged to donate a 30% stake in the company towards a foundation that invests in social causes, such as eliminating extreme poverty in Southern Africa⁴⁷.

Organisations were accused of "performative allyship", as the authenticity of their actions was questioned after pledging support to address inequalities during the Black Lives Matter movement⁴⁸.

A Saturday Night Live comedian was fired after historical racial and homophobic comments had surfaced⁴⁹.

Unanswered questions

- ❑ How will public social issues registers be responsibly managed, addressing privacy and ethical considerations?
- ❑ What happens to individual employees who don't agree with an organisation's stance? Do they lose their voice?
- ❑ Will organisations develop a blacklist of social causes that employees cannot be involved in?
- ❑ What is the saturation point for organisations in their activist pursuits? Will organisations retreat into their shell?

⁴⁶ Forbes, Airbnb Offers Free Housing to Refugees, Says Proper Safeguards Will Be in Place, August 2021.

⁴⁷ Forbes, Canva Raises at \$40 Billion Valuation – Its Founders Are Pledging Away Most Of Their Wealth, September 2021

⁴⁸ Washington Post, As Big Corporations Say 'Black Lives Matter,' Their Track Records Raise Scepticism, June 2020.

⁴⁹ NPR, 'SNL' Fires Comedian Shane Gillis For Racist Remarks, September 2019.

FIRST NATIONS ENGAGEMENT

SOCIAL

Indigenous voices, Constitutional enshrinement and transparent impact



What 2030 will look like

Greater cultural awareness will drive organisations to learn from, support and amplify Indigenous voices to address issues facing Indigenous peoples in ways that enable self-determination and agency.

First Nations experts will guide organisations in the formulation of strategy, alternative business model development and in the creation of new initiatives which champion Indigenous communities.

Prior Informed Consent, outlined in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), will become the expected standard, embedding and promoting Indigenous voice and consultation. There will be an increased focus on impact investing, with more sophisticated modelling of expected social dividends.

New procurement policies and frameworks for decision making will result in Indigenous owned and run organisations frequently winning large government and private sector tenders.

Accelerator programs to upskill Indigenous communities will be mainstream, increasing representation across professional fields, while ensuring alignment with Indigenous peoples' values and lives.

Core business strategy will involve a focus on creating sustainable employment opportunities for Indigenous communities. Corporate sector actions will highlight that the government is increasingly out of step, resulting in a groundswell of organisations and individuals lending their support for a First Nations Voice to Parliament, resulting in Constitutional recognition.

The consultation and refresh of Closing The Gap initiatives with Indigenous and Torres Strait Islanders peoples in 2020, will lead to greater transparency and reporting on their impact.

FIRST NATIONS ENGAGEMENT (CONTINUED)

SOCIAL

Indigenous voices, Constitutional enshrinement and transparent impact

What We Are Seeing Today

In 2019, the Response to the Uluru Statement was developed by a range of organisations in consultation with Aboriginal and Torres Strait Islanders leaders within the organisations. At that time, there were more than 1,000 Reconciliation Action Plans and 24 Elevate Reconciliation Action Plans, reflecting the highest level of endorsement in advancing reconciliation. In 2020, more than 80% of Australians recognised the importance of Constitutional recognition⁵⁰.

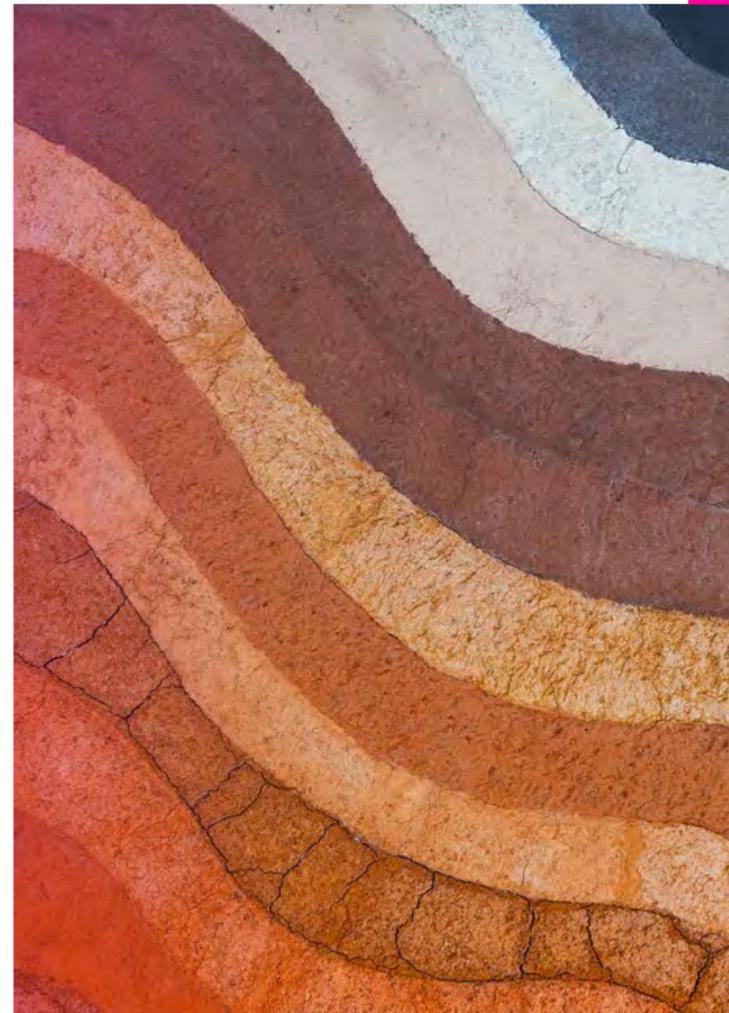
For the first time in 2020, the Closing The Gap targets were refreshed in consultation with Indigenous and Torres Strait Islanders peoples and the limited progress in closing the gap to date has been noticeable⁵¹.

In 2019, Minister for Indigenous Australians Ken Wyatt committed to “develop[ing] and bring[ing] forward a consensus option for constitutional recognition to be put to a referendum during the current parliamentary term.”⁵²

The destruction of the 46,000 year-old Juukan Gorge rock shelters has prompted a radical rethinking of Australia’s cultural heritage laws, with particular focus on practices within the energy and natural resources industry. There has been a call from traditional owners to rethink and redesign investment decision making processes and for a right to veto industrial activities⁵³. This is consistent with Free Prior Informed Consent outlined in UNDRIP.

In 2019, the Business Council of Australia launched the Raising the Bar project to grow the Indigenous procurement capability and impact of Business Council companies. Its key components include a 3% Indigenous procurement target over five years, reporting and activities that develop Indigenous suppliers⁵⁴.

Accelerators such as the Yarpa program aim to assist high performing Indigenous companies looking to scale their business⁵⁵. Other examples include the Pūhoro Science, Technology, Engineering and Mathematics (STEM) Academy in New Zealand, to enable Māori representation in STEM-related industries⁵⁶.



Unanswered questions

- ❑ How can community leaders navigate and coalesce a diverse range of individual opinions to help organisations understand the collective goals and aspirations of Indigenous peoples, to define success in a way that is meaningful for them?
- ❑ How can local organisations engage with Indigenous groups from other countries to learn from global best practice?
- ❑ What place-based solutions will emerge to address Indigenous disadvantage in all its shapes and forms?
- ❑ How will the embedding of Indigenous values, priorities and peoples into organisations help shape the long-term approach to ESG initiatives?
- ❑ What will transparency, accountability and integrated impact reporting on Closing The Gap look like?

⁵⁰ Reconciliation Australia, Australian Reconciliation Barometer 2020, 2020.

⁵¹ ABC News, Closing the Gap agreement reset with 16 new targets to improve lives of Aboriginal and Torres Strait Islanders Australians, July 2020.

⁵² KPMG, Alison Kitchen, Australian Chairman responds to Wyatt’s pledge for Indigenous recognition, July 2019.

⁵³ Australian Broadcasting Corporation, First Nations leaders urge NSW to adopt Juukan Gorge inquiry protections, October 2021.

⁵⁴ Business Council of Australia, Indigenous engagement.

⁵⁵ Yarpa NSW Indigenous Business and Employment Hub, 15 Indigenous Businesses Graduate Intensive Indigenous Business Growth Program, November 2020.

⁵⁶ New Zealand Government, New Partnership to Grow Māori success in STEM, May 2021.

FIRST NATIONS EXPERTS WILL GUIDE ORGANISATIONS IN THE FORMULATION OF STRATEGY, ALTERNATIVE BUSINESS MODEL DEVELOPMENT AND IN THE CREATION OF NEW INITIATIVES WHICH CHAMPION INDIGENOUS COMMUNITIES.

PARTNERSHIPS & ECOSYSTEMS

SOCIAL

Co-opetition... Together for better

What 2030 will look like

Co-opetition will be in full force in 2030. ESG issues cannot be solved by a single organisation: a collaborative, whole-of-systems approach will be required to implement change, particularly on the 'Social' front.

Regulatory and legislative approaches will be turned on their heads over the next decade. Competition laws will favour organisational collaborations that demonstrate benefits to consumers and society.

Shared ESG initiatives will be bolstered by information and resource sharing. Purpose-led ecosystems comprising organisations, educational institutions, start-ups, not-for-profits and government bodies, will come together to tackle complex challenges across industries such as preserving natural capital and addressing climate risks, employee pay gaps and diversity and inclusion.

The complimentary reach and capabilities of these diverse organisations will drive innovative and creative interventions. New backbone entities will emerge and will play leading roles in orchestrating these alliances, connecting entities using a values-based approach.

What We Are Seeing Today

63% of corporates surveyed in 2020 stated that their organisations increasingly enter strategic partnerships to address purpose-led issues, that create societal, organisational and stakeholder value⁵⁷.

The Alliance to End Plastic Waste is an alliance of over 80 member companies, project partners, allies and supporters working in conjunction with policy makers, Non-Governmental Organisations (NGOs) and local communities to end plastic waste and protect the environment⁵⁸.

Microsoft engaged in a partnership with Volt Energy to allocate a portion of profits to community impact funding initiatives supporting programs that bring renewables to underserved communities without access to clean energy. This demonstrates the interconnected nature of ESG issues, with social and environmental injustice often going hand in hand⁵⁹.

A progressive voice by comparison to other jurisdictions, The Dutch Authority for Consumers and Markets (ACM), has stipulated that certain types of sustainability agreements will not be in breach of competition law where they do not substantially discourage competition, where the benefits of collaboration offset any competition issues and if organisations act in good faith, they will not face fines⁶⁰.

Unanswered questions

- How can organisations balance the tension between individual decision making and accountability for collective commitments?
- What safeguards will emerge to ensure that the benefits of co-opetition are realised?
- What is the role of these ecosystems in establishing and driving best practice operations, benchmarks and organisational activities?

63%

CORPORATES SURVEYED INCREASINGLY ENTER STRATEGIC PARTNERSHIPS TO ADDRESS PURPOSE-LED ISSUES THAT CREATE SOCIETAL, ORGANISATIONAL AND STAKEHOLDER VALUE.



⁵⁷ C & E Advisory, C&E Corporate-NGO Partnerships Barometer 2020, 2020.

⁵⁸ Alliance To End Plastic Waste, About, September 2021.

⁵⁹ Nasdaq, New Microsoft Partnership Highlights 'S' & 'G' Elements of the 'E' in the ESG, August 2021.

⁶⁰ Herbert Smith Freehills, ESG collaboration and competition law: change on the horizon?, March 2021.

TALENT ACQUISITION

AI identifies your perfect ESG match

SOCIAL

What 2030 will look like

Increasingly digitised recruitment systems will support a personalised approach to talent acquisition and further diversity and inclusion efforts. Artificial Intelligence (AI) will aid in the assessment and alignment of employer and prospective candidate value systems, achieving successful 'ESG matches.'

AI-enabled quasi-personality tests will also be used for detecting ESG risks, such as the likelihood of inappropriate conduct or misalignment of values. This will increase the competition for talent, with both parties vying to demonstrate their desired credentials.

However, AI ESG matching will lead to a 'stranded people agenda', with lower socioeconomic workers at greater risk of being neglected.

Whilst ESG pedigree and potential will be critical, organisations must consider how to incorporate humanity, diversity, equity and inclusion into talent acquisition and retention.



What We Are Seeing Today

Role DeepSense AI uses social profiles to infer key characteristics regarding situational leadership and emotional intelligence⁶¹.

Psychometric assessments are used to measure candidates' suitability for a role based on intellectual capabilities and personality traits. Organisations use psychometric assessments as a standardised testing tool to provide objective assessment of suitable candidates⁶².

Organisations such as Heinz and Unilever leverage AI-based games as part of their hiring processes to assess candidates' problem-solving abilities⁶³.

In Sweden, a robot named Tengai conducts job interviews using AI technology to remove bias while remaining as 'human' as possible⁶⁴.

Unanswered questions

- ❑ Will the increased integration of technology evolve into a black-listing/green-lighting approach to employee vetting? Is past behaviour truly indicative of future performance?
- ❑ How will organisations tailor their ESG initiatives to increase relevance to attract the best talent?
- ❑ What types of disclosures will organisations have to make regarding the metrics and algorithms behind their AI recruitment systems?
- ❑ What privacy, ethics and discrimination factors need to be considered when filtering candidates based on personal behavior? Will these technologies trump reference checks and feedback?

PSYCHOMETRIC ASSESSMENTS ARE USED TO MEASURE CANDIDATES' SUITABILITY FOR A ROLE...



⁶¹ The Verge, The next frontier in hiring is AI-driven, January 2019.

⁶² Seek, Psychometric assessments – what to expect if you're asked to complete one.

⁶³ Ibid.

⁶⁴ Forbes, Can AI Improve Your Job Search? It Already Has, July 2020.

GOVERNANCE



**WILL ORGANISATIONS
NEED TO BE TRANSPARENT
REGARDING THE REASONS
BEHIND DIFFERENCES IN PAY?**

REMUNERATION

GOVERNANCE

Show me the FAIR money

What 2030 will look like

Organisations will lead the charge on the pay gap agenda, with legislation eventually enacted around maximum permissible pay gaps across all employee groups. This will specify criteria guiding fair pay, balancing the need to improve social inequities, address discrimination and recognise merit, informed by socio-cultural changes and human rights standards.

Artificial Intelligence (AI) will be broadly deployed to identify potential discrimination factors, for example intersectional identities. These technologies will evaluate employment variables, creating benchmarks and making recommendations to reduce pay disparity across the employee lifecycle.

They will interface directly with the regulator so pay discrepancy alerts are automatically triggered and actioned, with sanctions imposed for repeat organisational offenders.

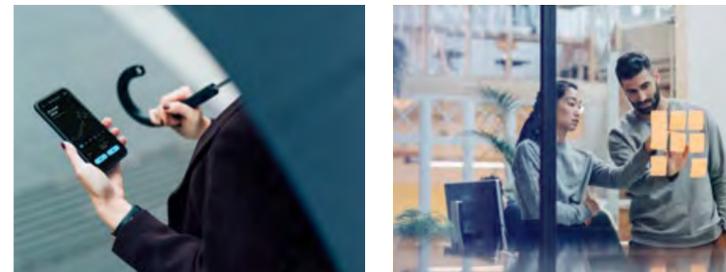
What We Are Seeing Today

The European Union (EU) Commission has proposed pay transparency legislation to help close gender pay gaps, with non-compliance resulting in penalties. Large organisations would be required to publish information on pay and provide detailed information to staff⁶⁵.

The pay gap is being analysed and actioned based on data. Citi analysed their 2021 pay results, disclosing that globally, women were paid more than 99% of men on an adjusted, like-for-like, basis. Additionally, they found that there was no statistically significant pay gap between minorities and non-minorities in United States (US)⁶⁶.

In South Africa, a Bill has been put forward for consultation, requiring publicly listed organisations and stated-owned enterprises to disclose pay gaps between Directors and workers in annual financial statements⁶⁷.

Pipeline has launched software using AI to help organisations track their gender equity metrics, identify internal areas of unconscious bias and actively make recommendations to increase gender equity⁶⁸.



Unanswered questions

- ❑ Will organisations need to be transparent regarding the reasons behind differences in pay, enabling employees to proactively address them (e.g. the need to acquire a new skill)?
- ❑ Will organisations be required to address historical pay gaps and what will be the extent of this?
- ❑ How will non-financial elements of work (e.g. flexible working arrangements and unlimited leave) be balanced within the award of equal pay?
- ❑ How will organisations ensure that accurate and timely data is used for determining appropriate remuneration?

⁶⁵ Fortune, EU considering pay transparency rules to help close gender pay gap, March 2021.

⁶⁶ Citigroup, Citi's Latest Update on Global Pay Equity, January 2021.

⁶⁷ KPMG Australia, Replace Paid Parental Leave scheme: move to equal parenting model, April 2021.

⁶⁸ Pipeline, Pipeline.

ORGANISATION & ROLES

GOVERNANCE

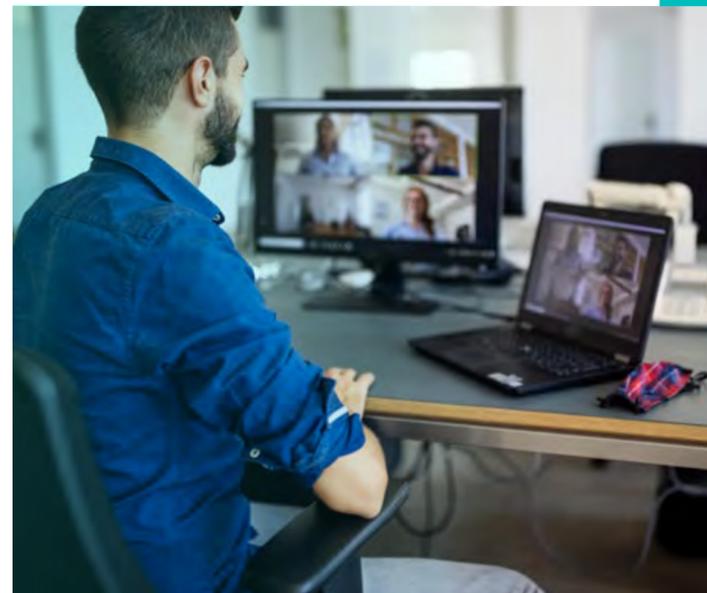
New roles and remits at the C-suite table

What 2030 will look like

With ESG commitments driving organisational practices, there will be increasing demand for new ESG-centric leadership teams. The C-suite will expand to include additional roles such as a Chief Impact Officer, Chief Purpose Officer and Chief ESG Ethicist, who will work alongside the Chief Sustainability Officer. These roles will be supported by environmental and social science experts, including ESG strategists.

Financial and Energy sectors will lead the way, with others quickly following suit. This team will be accountable for ensuring ESG targets are met and compliance activities are completed to a high standard.

However, these roles are transitional and will adapt and change rapidly over the coming years as organisational mindsets shift to embedding an 'ESG culture,' ensuring that ESG is everyone's responsibility. Key performance indicators (KPI) for employees and executive compensation will be directly tied to positive ESG outcomes, resulting in ESG practices becoming part of business as usual.



What We Are Seeing Today

Leaders are already recognising that dysfunctional cultures that prioritise short-term decision making and profits over long-term sustainability goals destroy organisational value, as demonstrated by a string of high-profile emissions scandals⁶⁹.

42% of global Chief Executive Officers (CEO) admitted that they were "struggling to articulate a compelling ESG story" to their stakeholders⁷⁰.

ESG specific roles such as ESG Program Manager, ESG Specialist and Associate Director of ESG are already growing in demand, with hundreds of open positions in Australia alone⁷¹.

In the global finance industry, dedicated stewardship teams overseeing ESG issues at portfolio companies doubled between 2017-2020, with other dedicated ESG jobs increasing fourfold⁷².

More than 46% of Australian CEOs and 30% of global CEOs reported that their pay was based, at least partly, on ESG issues, as well as financial performance. 70% believed they were being evaluated by key stakeholders through an ESG lens⁷³.

Unanswered questions

- Will compensation tied to ESG outcomes move beyond the C-suite? Will all employees eventually have their remuneration tied in part to ESG outcomes?
- Will a separate class of ESG-linked share options form part of executive compensation, with vesting periods and claw back terms linked to outcomes over the long-term?
- As ESG issues come to the forefront of Board conversations, will this result in fewer organisational silos due to operational alignment?

42%

GLOBAL CHIEF EXECUTIVE OFFICERS (CEO) ADMITTED THAT THEY WERE "STRUGGLING TO ARTICULATE A COMPELLING ESG STORY" TO THEIR STAKEHOLDERS

⁶⁹ Forbes, A Sustainability Revolution Is Coming, Are Leaders Ready?, March 2021.

⁷⁰ KPMG Australia, ESG, Corporate Purpose, Cyber, Top List of CEO Priorities, KPMG Outlook, September 2021.

⁷¹ Seek, Job Search: ESG, 2021.

⁷² Financial Times, Jobs Bonanza in Stewardship and Sustainable Investing Teams, March 2020

⁷³ KPMG Australia, ESG, corporate purpose, cyber, top list of CEO priorities, September 2021.

CORPORATE CITIZENSHIP

GOVERNANCE

Demonstrating social licence will be demanding – it's an ESG jungle out there

What 2030 will look like

As the ESG mandate becomes increasingly multi-faceted, corporate citizenship as it is known in the late 2020s will be transformed and become integrated into business as usual. However, the obstacles organisations will have to face to demonstrate their social licence will be demanding.

Organisations will be forced to navigate a jungle of regulation, policy, legal action, whistleblowing and institutional activism, as they work to build and maintain consumer trust.

In the face of environmental and social licence issues, particularly in Mining and Agriculture sectors, there will be a need to look beyond traditional approaches to governance and risk management and operationalise these behaviours in every role and at every level.

33%
OF AUSTRALIANS REPORTED
DECREASED TRUST IN BANKS

COMPARED TO

13%
IN THE UNITED STATES (US)

What We Are Seeing Today

A shareholder class action was recently launched against a food production organisation on the basis of poor accounting practices, internal controls and using its ESG program to greenwash⁷⁴.

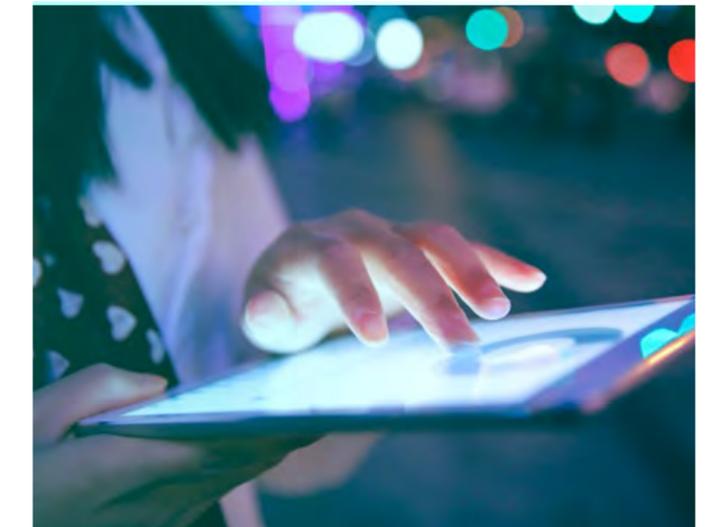
Moderating content on social media and a range of stakeholder views is becoming increasingly challenging. The High Court of Australia found that media organisations are legally responsible for comments made on their social media pages, irrespective of author, as facilitator and moderator of comments⁷⁵.

The theme of trust is prevalent, as seen in the fallout from the Banking Royal Commission, resulting in widespread mistrust in Australia's financial sector, insurance and other related industries. In 2019, 33% of Australians reported decreased trust in banks, compared to 13% in the United States (US)⁷⁶.

The pricing of ESG-related risk is requiring greater sophistication, with challenges compounded by a lack of information. However, 60% of large organisations are now sharing data, up from 10% a decade ago⁷⁷.

Unanswered questions

- What technologies will be established to enable organisations to keep their fingers on the pulse regarding ESG issues?
- Will members of Parliament need to tangibly demonstrate their social licence to operate?
- Will we see the rise of ESG litigation funds or ESG-related 'no win, no fee' firms emerge, reducing the cost barriers to entry to start a cause of action?



⁷⁴ Intelligize, Activist Claims Oatly's ESG Program is More Sizzle Than Steak, August 2021.

⁷⁵ ABC News, Facebook Defamation Ruling by High Court Exposes All Page Owners to Lawsuits, Not Just the Media, September 2021.

⁷⁶ Business Insider, Australians' Trust in Banks Below Global Standards, May 2019.

⁷⁷ Australian Financial Review, Heavy is the Head that Wears the ESG Crown, August 2021.



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December 2021. 803231466FIRM.