Addressing top-of-mind technology, media, and telecom issues

ESG

The demand for investor-grade data around environmental, social and governance (ESG) issues has been building for years, and it's not slowing down any time soon. A final ruling from the U.S. Securities and Exchange Commission (SEC) on climate-related disclosures is just around the corner, but it's not the only game in town. There are many factors in the U.S. and internationally that are driving public and private companies to prioritize ESG value-based reporting and compliance efforts today.

1. **You're doing business in the European Union**: Now formally adopted, the Corporate Sustainability Reporting Directive (CSRD) amends and significantly expands the EU requirements for sustainability reporting.
2. **Or only in Germany**: The German Supply Chain Due Diligence Act sets forth a number of requirements for human rights and environmental protection for companies that supply goods or services in Germany.
3. **Or even in select U.S. cities**: Did you know several states and major cities have their own ESG and sustainability rules?
4. **You plan to go public**: Under the SEC's proposed ruling, climate-related disclosures would be required in registration statements, including those related to initial public offerings.
5. **Your customers and suppliers demand it**: Increasingly, we're finding key stakeholders in companies' value chains are requiring diversity, equity, and inclusion metrics, emissions reduction or net-zero targets, and other ESG-related data when setting up contractual agreements.
6. **As do your investors with proxy votes**: A key objective of the SEC's climate proposal, and other sustainability-related rules, is to provide investors with high-quality, timely, and comparable ESG data that they can use to power decision-making.
7. **And if none of the above applies… ESG is ultimately a competitive advantage.**

Thought leadership:

- Seven ways ESG reporting is already here

Cyber

More than 8 out of 10 technology, media, and telecom (TMT) executives recently surveyed by KPMG foresee increased cyber risk in the coming year. However, only 39 percent of respondents said their company can identify a cyber breach or attack within a week of it taking place and only 21 percent can contain it within a week of discovery.

With breaches, ransomware, malware, and other forms of attack on the rise, TMT companies have a lot to lose from a cyber event – intellectual property, customer information, network infrastructure, data center access, competitive standing and, importantly, profits. According to IBM, the average total cost of a data breach in 2022 rose to $4.35 million globally and $9.44 million in the United States.

Three key actions boards should take to mitigate cyber risk:

- Level up monitoring of management's cyber preparedness to address the growing sophistication of threats.
- Keep a close eye on the regulatory environment and plan accordingly.
- Recognize the link between cyber security and data governance.

Thought leadership:

- Taking a byte out of cybercrime
- Cybersecurity considerations 2023
- Mitigating risk in an increasingly digitized world
- Tech companies lean on cyber to go faster and gain trust
- Cyber considerations for the Metaverse

Insights

The 2022 KPMG U.S. Technology Survey Report reflects the responses of more than 1,000 cross-industry enterprise technology leaders about their organizations' current level of digital maturity, technology investment plans, major transformation challenges, and more.

› 2022 KPMG U.S. Technology Survey Report

The 2022 KPMG U.S. Technology Industry CEO Outlook, has been released in a unique time period on the heels of the pandemic and amid a business environment marked by high inflation, new geopolitical tensions, and fears of a recession. It delves into key topics at the top of today's technology agenda.

› 2022 KPMG U.S. Technology Industry CEO Outlook

Monitor trends and identify potential opportunities that could impact your strategic objectives in this economic environment.

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Addressing top-of-mind technology, media, and telecom issues (continued)

Economic uncertainty

The economy is the top concern for tech CEOs. About 85 percent of them believe a recession is likely in the next year, according to the KPMG U.S. Technology Industry CEO Outlook. Tech layoffs and hiring freezes are the headline news in the sector, and the semiconductor supply chain is still experiencing challenges, although most executives believe the shortage will ease in 2023.

Like the tech sector, the media industry is seeing a continuing trend of layoffs. Additionally, streaming services and entertainment are often the first to be cut from consumers' budgets in a downturn. Telecom, on the other hand, may be in relatively better shape than other sectors as consumers prioritize mobile and internet services over some other recurring bills.

Know before you go:

- What aspects of financial reporting are impacted if the entity has experienced a prolonged decrease in its share price and how impairment testing is affected
- Whether management's projections are consistent with expectations in the current environment
- How their business has been impacted by inflation
- Whether there are other financial challenges their customers may be facing, and the possible impacts on demand
- How the rising interest rate environment impacts discount rates used in impairment testing and in fair value calculations more broadly.

Thought leadership:

- Financial reporting amidst economic uncertainty: considerations for TMT companies

Digital transformation

Digital transformation may sound like a buzz word, but it is a critical concern of many boardrooms today, with executives realizing that those who fail to transform may not survive in a postpandemic world.

From a technology perspective, there are five things that every board member should know about digital transformation before they start making critical decisions that could affect the future of their businesses.

Five key considerations boards should know about:

1. **The move to the cloud is essential:** Cloud is an essential component of digital transformation. Moving an on-prem system such as an ERP solution to the cloud will deliver significant advantages.
2. **Don't expect cloud to be a cost-saver:** Many have found that their journey to the cloud is an order of magnitude more expensive than they had hoped.
3. **You need outside technology talent to augment your in-house team**: Leveraging third-party expertise offers many advantages while you build and train your team.
4. **AI apps are not autonomous – you need people to manage them:** AI is a powerful new tool, but it's just that: a tool. Make sure you invest in the right talent to manage your AI apps.
5. **You must take a portfolio view of your digital transformation budget:** A balanced portfolio approach will help limit risk and accelerate benefit.

Thought leadership:

- Our thinking: Successful digital transformation
- The flip side of generative AI
- Building trust in AI is a shared responsibility
- Insights from the 2023 KPMG US AI Risk Survey Report

Insights

The business and risk environment has changed dramatically over the past year. This insight highlights the eight issues for audit committees to keep in mind as they carry out their 2023 agendas.

› On the 2023 Audit Committee Agenda

The 2023 KPMG Global Semiconductor Industry Outlook provides perspectives from a survey of 151 semiconductor leaders about their outlook for the industry in 2023 and beyond.

› Global Semiconductor Industry Outlook for 2023

The KPMG Global Metaverse Survey reveals insights from 767 global strategy decision makers, at companies with more than US$250M in annual revenue, from 13 different countries across 5 continents.

› Want to win in the metaverse? Think internal first

Based on research KPMG conducted with Forrester Consulting, this thought leadership outlines four future telecoms business models that are currently emerging around the world.

› Future of Telco

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