



# Sustainable governance

Integrating environmental and social  
initiatives into federal programs and  
operations through strong governance





A long-standing goal of the government is to build long-term sustainability and achieve desired equitable outcomes for constituents and other stakeholders. Referred to as ESG or sustainability in the private sector, the framework is designed to integrate environmental, social, and governance opportunities into an organization's strategy to sustainably fulfill its mission. ESG considerations in the private sector have quickly evolved to what is now a global imperative, affecting not only investment decisions and shareholders but also business strategy, the global economy, and people around the world. Applying these considerations to the federal government in a unified approach is a developing field.

This paper explores the role of governance in supporting the social and environmental initiatives that will support an organization to accomplish its mission sustainably, specifically as it relates to implementation at the federal government level. At its heart, the governance of sustainability efforts requires integration with overall agency governance processes, including enterprise risk management and the development and monitoring of appropriate internal controls. This may include activities such as internal policy making, rulemaking, establishing authorities, guidance, training, and more, which are intended to help the agency effectively manage risks and achieve intended goals.

Governments have a long history of leading what we now call ESG or sustainability—setting green standards, defining supplier diversity programs to combat social injustice, and establishing supply chain reporting and metrics. For over 100 years, the federal government has influenced environmental and social initiatives, e.g., creation of national parks in 1872. Today, the federal government’s immense purchasing power and role in procurement are applied to establish new sustainability goals, such as converting 600,000 vehicles to a 100 percent zero-emission electric fleet.<sup>1</sup> In another example, this fiscal year, the US federal government announced that it is on track to meet President Biden’s goal of 100 percent zero-emission vehicle acquisitions for light-duty vehicles by 2027 and for all vehicle classes by 2035. Similarly, a renewed focus on social equity has emerged. As the modern sustainability imperative evolves, governments have an opportunity to build on a foundation of leadership and answer a broader call, with an observable shift in the way they have typically led on sustainability issues. Figure 1 below displays an example Sustainable Governance Model depicting just some of the many interrelated factors that impact operating strategies today. This model is one example of a strategy that agencies could consider to integrate future sustainability initiatives into their operations should it be desired, or become necessary in the future.

Governance, or the “G” factor, is essential to how any organization operates to successfully conduct its business, achieve missions, and create value. In government, it is time to begin thinking of governance as a framework to create value by effectively and efficiently achieving diverse missions that serve the collective public interest in accordance with applicable laws and regulations and with full public transparency and accountability for actions stewardship and results.

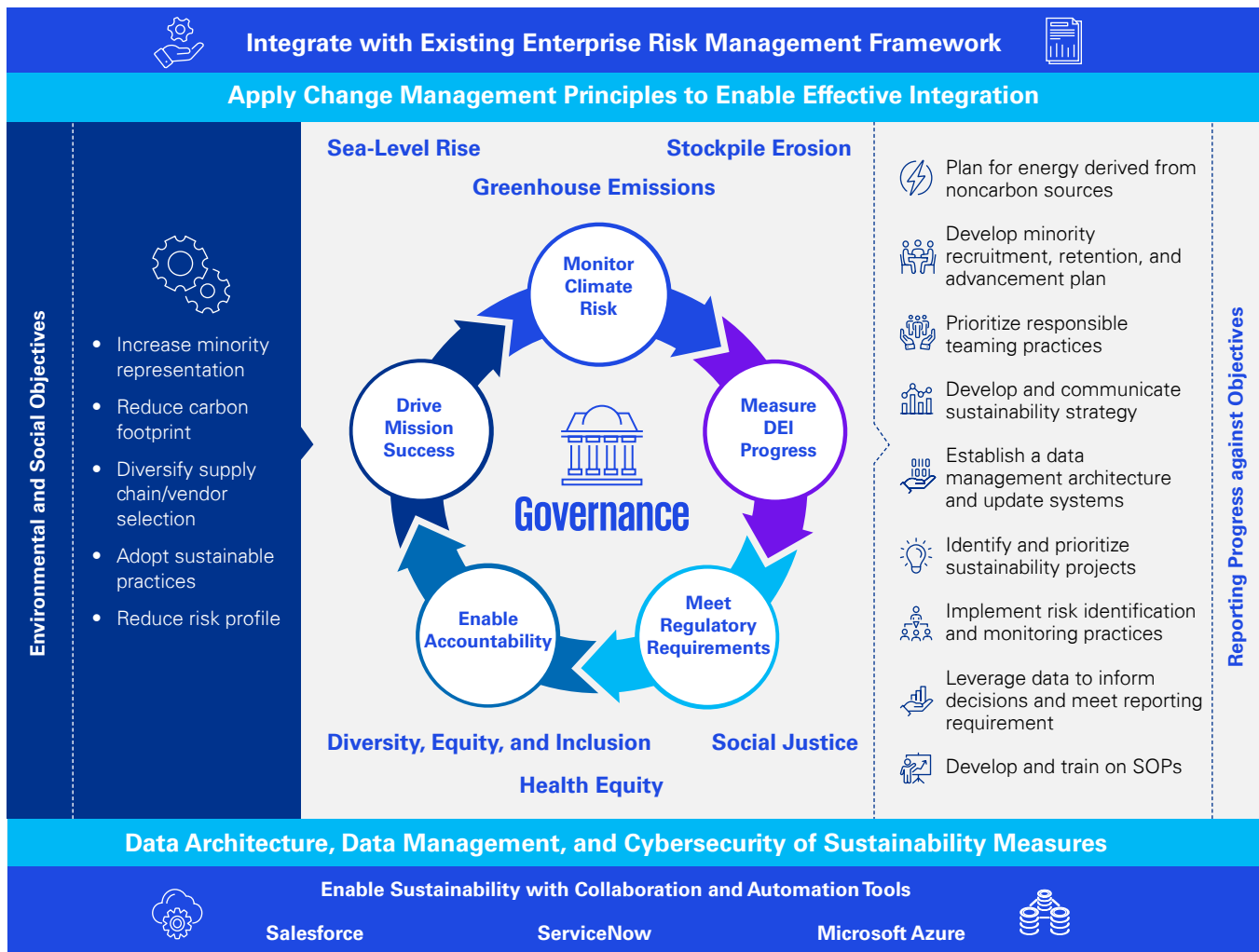


Figure 1 – Sustainable Governance Model

<sup>1</sup> CEQ Announces New Countries Committing to the Zero-Emission Government Fleet Declaration, November 16, 2022.

Strong, integrated governance over the full range of environmental and social issues that impact a government organization's diverse set of missions will serve as a catalyst for success of sustainability objectives. For example, execution of multiple sustainability efforts is slowly being integrated into some of the existing functions of government, such as increasing electric vehicle access in existing motor fleets, but there is much more to be done. Unified agency governance and alignment of ESG goals to the mission is often underdeveloped in federal government institutions.

Regardless of agency size or budget, most government agencies have wide-ranging and complex missions. To ensure consistency, enable stakeholder transparency, and promote stewardship, agencies should implement sustainable governance practices. This paper reflects upon the six key interrelated actions in the circular graphic in Figure 2 that support implementation of sustainability initiatives throughout an organization.



## The federal government serves the public interest

In addressing sustainability, government is a regulator, policy maker, operator, and employer. A 2022 KPMG survey indicates that 70 percent of the public wants to see governments play a leading role in solving environmental and social issues, but only 35 percent agree that governments are taking the appropriate amount of action.<sup>2</sup> In our rank-order poll on who survey respondents regard as primarily responsible for addressing environmental and social issues, 54 percent said the federal government, followed closely by state government (48 percent).<sup>3</sup>

The federal government, in partnership with state and local governments, provides for common needs during both steady state and in times of crisis, whether a military engagement, financial meltdown, health crisis, or natural disaster. The complexity and sheer enormity of the federal government is unparalleled.

As a steward of taxpayer's dollars, the federal government has the additional responsibility to spend wisely and be fully accountable and transparent, so that it creates the value Americans expect. It is also worth noting that taxpayer expectations are continuously evolving, and therefore, responsiveness is a key element in managing those expectations. Federal government plays a lead role in addressing sustainability issues, providing strong governance

that integrates agency mission initiatives with sustainability goals is critical to provide transparency and accountability into how agencies can be trusted with the mission of safeguarding the future.



<sup>2</sup> KPMG. "Environmental, Social, and Governance: Government leadership as a catalyst for success," July 2022.

<sup>3</sup> Ibid.

## Federal and state governments are evaluated as primarily responsible for addressing ESG issues

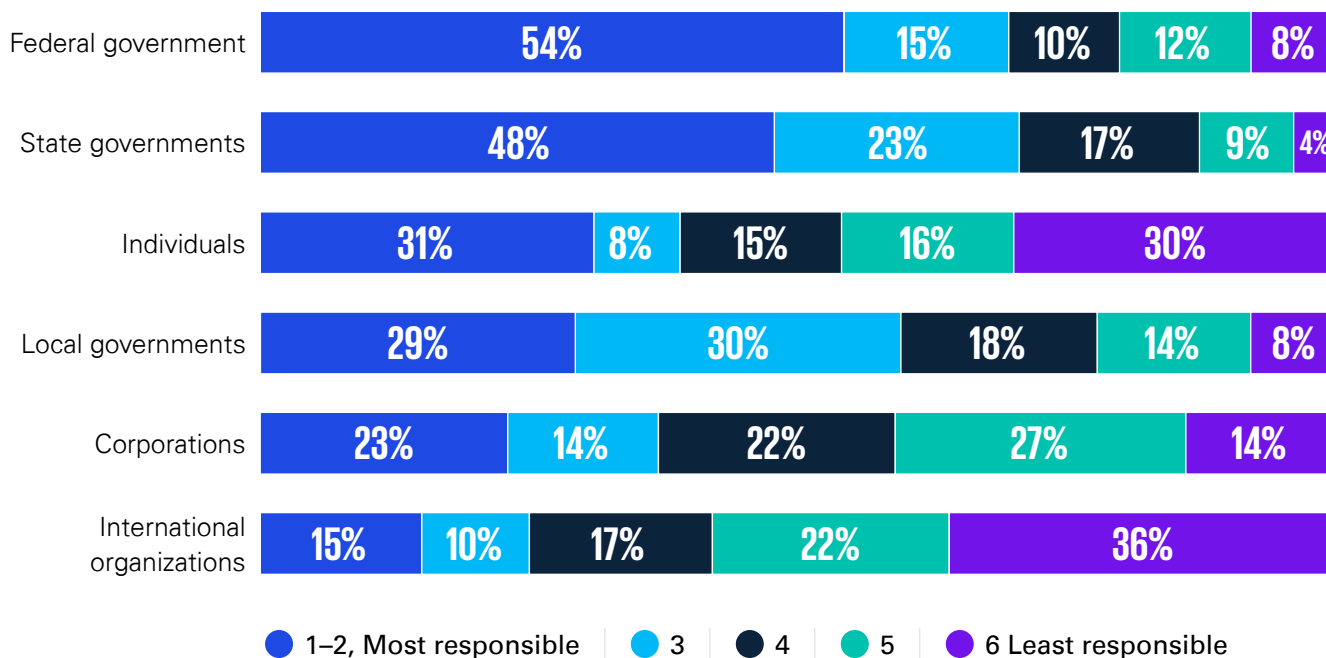


Figure 2

In fiscal year (FY) 2022, the federal government spent \$6.3 trillion to administer thousands of federal programs across hundreds of departments and agencies—many of these with direct ESG considerations. Federal missions are almost entirely focused on societal needs for services such as health and welfare, retirement security, protection in areas of national defense and homeland security, transportation, housing, employment, poverty, equality, justice, and financial market soundness. The federal government’s \$4.6 trillion response to COVID-19 starting in FY 2019 exemplifies its social focus. The governance of these expenditures was also a key question, with the Government Accountability Office (GAO) reviewing CARES Act management and making hundreds of recommendations to improve governance of relief funds.<sup>4</sup> How the government effectively manages and integrates both environmental and social considerations throughout operations matters to an ever-growing proportion

of the American people. Developing management’s sustainability capabilities requires a strategic and carefully considered approach. There are thousands of laws, regulations, executive orders, standards, and authoritative guidance applicable to federal agencies. More recently, a growing number of ESG-related executive orders have been executed as the importance of environmental resiliency takes center stage. Federal contractors<sup>5</sup> will now be responsible for tracking and reporting their own greenhouse gas emissions and climate-related financial risks alongside rational reduction targets. These metrics may be used to assess competitiveness between bidders in the future, assigning a better rating to companies with lower emissions impact. Similarly, government agencies must be prepared to answer questions about how third-party vendors are performing on sustainability initiatives.

<sup>4</sup> [https://www.gao.gov/assets/2022-10/COVID\\_RECOMMENDATIONS\\_AS\\_OF\\_9\\_2022.XLSX](https://www.gao.gov/assets/2022-10/COVID_RECOMMENDATIONS_AS_OF_9_2022.XLSX).

<sup>5</sup> Biden to Federal Contractors: Make Plans to Cut Your Greenhouse Gas Emissions – Government Executive (govexec.com)



## How is your organization preparing for environmental and social impacts to agency mission?

### Are you ready?

Effective governance of your agency's mission(s) is imperative. Invariably, elements of sustainability are a part of every agency mission that is focused on providing public goods and services or national security. Governance is necessary as the primary driver for strategically implementing, evaluating, and adapting sustainability-aligned programs. If not given sufficient authority, a clear mandate, required measurement, and accountability for progress, the environmental and social efforts will be suboptimal, and risk becoming completely ineffective. Without an agreed method of evaluating programs to determine the impacts to overall agency strategy, the value of those programs becomes diminished as potential lessons learned are consigned simply to the execution of the funding provided. The programs lack a coordinated approach to integrate them into the agency through an established governance process

that purposefully considers elements of sustainability. The entire process, end to end, must be held together by sound governance processes.

Figure 3 includes questions an agency may wish to ask in determining its ESG preparedness and the maturity of its governance system to achieve sustainability, should this be a desired focus area for a particular federal agency. The processes should consider how well an organization is addressing matters of environmental impact, carbon footprint, health equity and social justice, health and safety, community outreach, and diversity in general throughout the organization. To make progress in these areas, it will require data gathering, reporting, and an atmosphere of openness and transparency as the agency transforms its sustainability culture.

## Governance of Environmental and Social Initiatives

### How is your organization preparing for the impact of ESG and sustainability initiatives?

Integrating environmental and social initiatives across the organization starts with sound governance and planning processes. These processes will also allow for continuous and incremental improvement to address emerging challenges. The graphic below provides examples of some key considerations for agencies to gain critical momentum in the sustainability journey. Consider each of the questions across the five key considerations in your sustainability initiatives and consider questions such as these throughout the implementation of the actions necessary to achieve an integrated and sustainable governance model, described in further detail beginning on page 8.

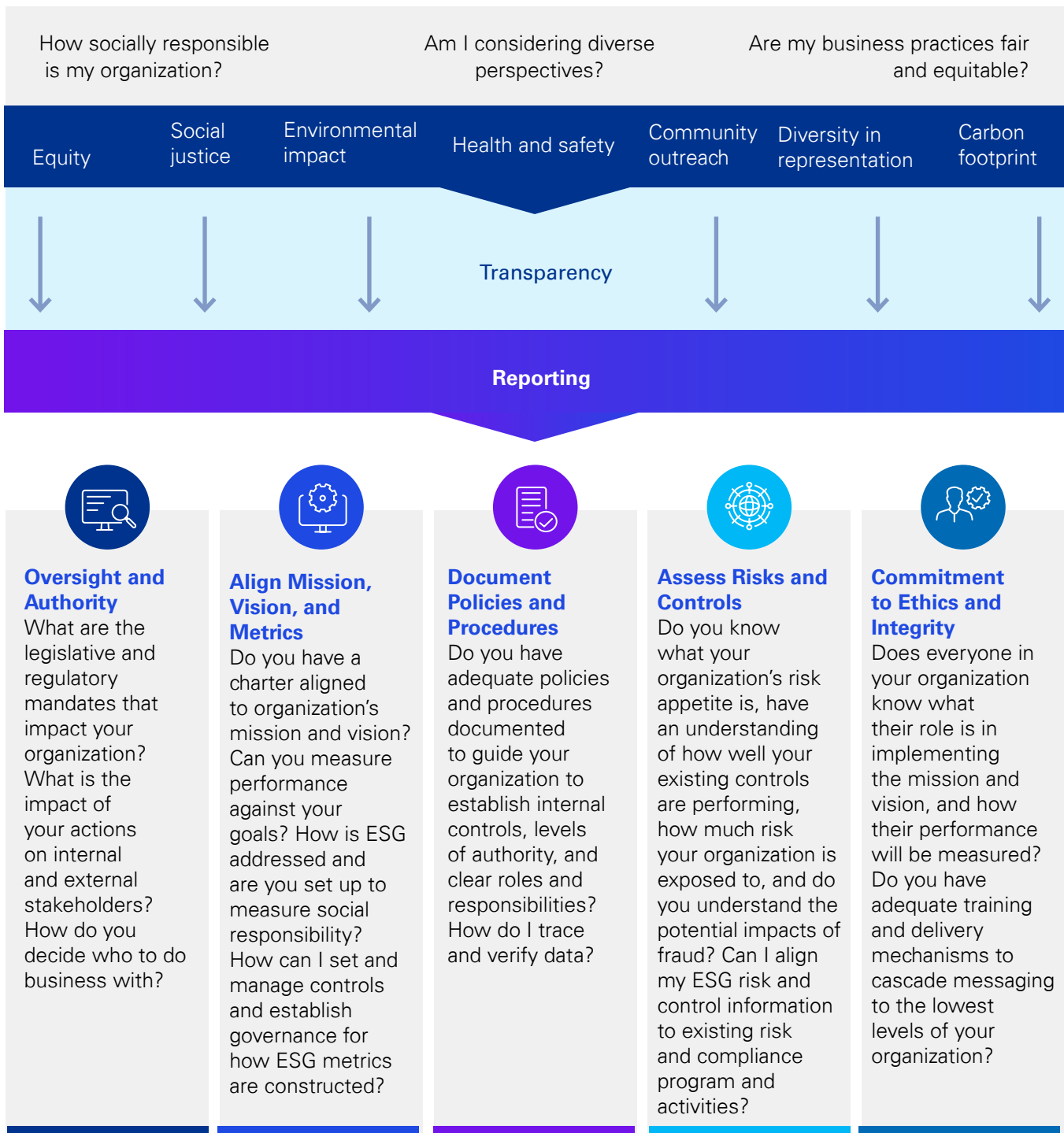


Figure 3



# Developing a sustainable and integrated governance model

An integrated governance model, supported by a data-driven strategy, intelligent systems capable of generating efficiency in decision-making, and workflow technology, is crucial to creating greater value and trust in federal programs and operations. Governance is an enabler—the glue to achieve results and hold government agencies accountable. Governance systems must be tailored to agency missions, presidential priorities, legal requirements, and public expectations. A documented governance framework is necessary to guide the organization’s activities and behaviors in a manner that supports the agency’s mission while simultaneously fostering an environmentally and socially inclusive workplace. An efficient governance model should consider how environmental and social initiatives, for example, may

help to strengthen the ability of the agency to achieve its mission, enabling agencies to adapt and articulate change as the environmental and social requirements evolve. Similarly, sustainability initiatives should be harmonized with other organization-wide governance efforts, including:

- Each employee’s responsibility to only act in the public interest
- A commitment to effective and efficient customer service, spending wisely, and safeguarding resources
- Accountability and transparency for results.

Figure 4 highlights the six primary interrelated actions that drive strong federal agency governance programs with a focus on environmental and social initiatives.

## ESG Integration In Action



Figure 4





## Action 1: Establish Tone at the Top. Core values, supported by the Tone at the Top, frame the organizational culture and behavior needed for strong governance.

KPMG thinks of core values as “what we believe.” In government, core values drive expectations for performance and provide a foundation for acting with integrity by doing the right thing in the public interest. They are succinct, well understood, broadly accepted, integral to the organizational culture, and guide what people do and how they do it. Core values should be further supported by a code of conduct that sets the highest bar for integrity and ethics and should be enforced equally for all employees, including senior leaders. They need to be continually reinforced through the tone at the top, which represents what top management genuinely cares about.

Agencies show their commitment to fair and accurate sustainability reporting through their mission and value statements, standards of conduct, operating principles, policies, procedures, and stakeholder communications. This is most effective when senior leadership and oversight bodies set the tone at the top by thoroughly communicating their commitment to sustainability and demonstrating those values and principles.<sup>6</sup>

Adoption levels will reflect how effectively leadership communicates priorities and values, helping leadership priorities to become part of the organizational DNA. Staff will need to see commitment, a sense of urgency, and clear expectations that focus on adding value to accomplishing the mission.<sup>7</sup> This helps to establish credibility for the effort and also generates buy-in throughout the various levels of the agency. In addition to the latest Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidance and new SEC ESG reporting requirements, communities and individuals are also seeking

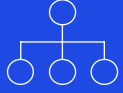
accountability for sustainability measures and presidential orders are on the rise.

On January 20, 2021, in Presidential Executive Order (EO) 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*, the president “established that affirmatively advancing equity, civil rights, racial justice, and equal opportunity is the responsibility” of the entire federal government. On June 25, 2021, EO 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*, established an administration policy “to cultivate a workforce that draws from the full diversity of the Nation. As the Nation’s largest employer, the Federal Government must be a model for diversity, equity, inclusion, and accessibility, where all employees are treated with dignity and respect.” This was followed in November 2021 with a Government-wide Strategic Plan to Advance Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce. These types of top leadership actions support strong core values and organizational behavior and are crucial to governance. Once the tone is established, agencies should next focus on the structure and purpose of each operating unit.



<sup>6</sup> <https://advisory.kpmg.us/articles/2023/insights-2023-coso-icif-report.html>

<sup>7</sup> Steinhoff, Jeffrey, Laura Price, and Edmund Green. “It’s All About the Culture,” AGA Journal of Government Financial Management, Summer 2019.



## Action 2: Define Structure and Purpose. Roles and responsibilities are clearly defined and aligned with authority and accountability.

As of December 2, at least 30 EOs (see Sample Listing of Executive Orders on last page) have been identified as ESG related. Each of these EOs will necessitate consideration for potential impact to standard operating procedures, data governance models, third-party vendor requirements, strategic planning, and communication and training efforts. A sound governance model will enable agencies to artfully assess and then update impacted processes and artifacts quickly, cascading critical information throughout the organization. Standard operating procedures and guidelines will need to be appropriately calibrated. The question an agency needs to ask itself is “Who is responsible for updating related documentation, and how does my agency track progression of these artifacts from inception to completion?”

Each person in the agency should understand their responsibilities and the interrelationships with other units so they can work collaboratively, both internally and externally. Ideally, each standard operating procedure (SOP) will have a primary point of contact (POC) assigned to it. However, the initiative to kick off an agency-wide review and update should ultimately be the responsibility of the same governing body that sets the tone, updates the strategic plan, and monitors for risks.



Eliminating hierarchical stovepipes through a holistic organizational approach to sustainability measures can improve communication and coordination, increase agility, and support efficient resource utilization to enable more effective mission performance across organizational lines and disciplines, while reducing layers of unnecessary administration. Once this is accomplished, the agency can assess for potential impacts to its enterprise risk management approach.



### Action 3: Integrate assessment and control of ESG-related risks into enterprise risk management (ERM) and fraud risk management (FRM) infrastructures.

As federal agencies continue making progress on leveraging their knowledge and understanding of enterprise risks as a valuable asset to help them achieve what they want to achieve and avoid what they want to avoid, agencies should be sure to open the aperture to assess the nature of current and future risks and controls related to social and environmental objectives.

Broadening the perspective in assessing and controlling sustainability-related risk aligns with existing ERM and FRM requirements and guidance. OMB's implementing requirements in Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, frame the scope of ERM as assessing the "full spectrum of the organization's external and internal risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks within silos." The Circular also emphasizes "the need to integrate and coordinate risk management and internal control into existing business activities and as an integral part of managing an agency." It also requires the integration of ERM and FRM.<sup>8</sup>

Potential changes in laws and regulations, as well as the myriad EOs addressing ESG, set the stage for significant impact to an agency's risk profile if each risk impact is not appropriately considered and addressed. To that end, governance of sustainability efforts should be integrated within existing ERM and FRM models for consistently reassessing risk and updating agency responses. This will help to reflect the recommendations that emerge from those initiatives and enable internal controls to be designed and evaluated in a manner that supports proper implementation of



ESG objectives and related budget formulation. In addition to helping enable development of internal controls, the alignment of risks/needs for sustainability-focused initiatives to the ERM process will also help inform an agency's budget process.<sup>9</sup>

A consistent evaluation of these controls, and in some cases their update or even their deprecation, should be driven throughout the agency to ensure that ESG initiatives are current in their deployment. The ERM model of continuous review is well aligned to provide consistent advancements in maturity of both governance and internal controls. In this manner, processes move forward to reflect the current environment and the associated risks and responses instead of fossilizing into procedures performed for their own sake. The next step in the journey to integrate sustainability is measuring and monitoring progress through fair and accurate reporting.

<sup>8</sup> To support OMB Circular A-123, the 2016 Playbook: Enterprise Risk Management for the U.S. Federal Government (ERM Playbook), developed by the CFO Council and the Performance Improvement Council, provides leading ERM implementation practices.

<sup>9</sup> Per OMB A-11 budget guidance, ERM results should be used to inform budget formulation.



## Action 4: Monitor and report to drive accountability, performance, and compliance.

It isn't enough to set the tone at the top, good governance requires a system that values continuous learning and promotes integrity at a grassroots level across the whole organization. This system requires repetition, effort, and a common and deep understanding of the current baseline objectives as well as future-state goals. Once the organization's sustainability objectives are determined and documented, performance expectations and training must be designed, developed, and delivered at an appropriate cadence to further support the sustainability messaging and the tone at the top that seeks to embed a culture of learning and integrity into the monitoring and reporting process throughout the organization's operating units. Tracking progress against performance and ultimately measuring the accomplishment of defined measures is also important. The Government Performance and Results Act of 1993 (GPRA) requires executive agency heads to submit to the Director of the Office of Management and Budget (OMB) and the Congress a strategic plan for performance goals of their agency's program activities. It requires such plan to cover at least a five-year period and to be updated at least every three years. This also requires the inclusion of performance plans in the President's budget, and GPRA directs the director to require each agency to prepare annual performance plans covering each program activity in the agency's budget.<sup>10</sup>

Within GPRA, it further noted that executive agency heads are to report annually to the President and to Congress on program performance for the previous fiscal year, setting forth performance indicators, actual



program performance, and a comparison with plan goals for that fiscal year. It is essential for reporting to therefore include tangible, data-driven activities, within the governance framework that can provide transparency and accountability to foster better understanding, adoption, and effectiveness of environmental and social initiatives.

The 2019 Grant Reporting Efficiency and Agreements Transparency (GREAT)<sup>11</sup> Act requires standardized reporting that helps grantees more efficiently and effectively report on their use of grant funds while permitting greater oversight and comparability and more targeted use by the federal government in program oversight.

<sup>10</sup> Government Performance and Results Act of 1993 <https://www.congress.gov/bill/103rd-congress/senate-bill/20>

<sup>11</sup> P.L. 116-193, Dec. 30, 2019.

Governance requires federal agencies to oversee performance and the use of federal funds—the concept of “trust but verify.” From a governance standpoint, adequate oversight requires consideration of factors including the federal guidance for administering grants—the Uniform Grant Guidance - Executive—priorities for responsible stewardship of grant funding, and interests from “privacy experts, privacy advocates, transparency experts, and transparency advocates.”<sup>12</sup> The anticipated 2024 publication of the revised Uniform Grant Guidance and Executive priorities emphasize an increased federal focus on grantee internal controls over financial and performance reporting, responsible use of grant funds, and outcome measurement.<sup>13</sup> Grantees, educational institutions, research and innovation labs, the private sector, and our international allies and investors have a vested interest in how the US government moves forward on addressing climate, pollution, energy, social, and healthcare disparities. We are inextricably linked.

The performance measurement process is used as a positive tool to help guide performance and meet or exceed the agency’s goals and objectives. What gets measured most likely gets done and done well if there is strong accountability for results. For example, GAO found that by using metrics to measure cost reduction, federal contract officials could potentially save billions of dollars annually.<sup>14</sup>

Organizations must clearly identify what they want to achieve from a sustainability perspective and measure what is relevant in line with the mission and the goals and objectives in their strategic plan. Input from the public, who are not only the customers but also shareholders, and other key stakeholders, such as the Congress, as well as state and local governments, is crucial to this process. Further, a robust measurement methodology premised on applicability, accountability, reliability, and objectivity, along with data that has been validated is essential to success. How an organization teaches and trains its people to master these concepts, become part of the process to create and maintain a culture of integrity in reporting, and accurately measure individual performance in creating a culture of integrity is the foundation of fostering progress in environmental and social efforts. People

must know what expectations are and how they manifest in their everyday life. Monitoring, reporting, and transparent performance measurement create these linkages.

An agency’s social and environmental initiatives help to shape the cultural objectives that the messaging is designed to communicate. The performance measures and goals developed from the social and environmental activities, when supported by governance, now become integrated into the regular monitoring and reporting functions in a manner that supports the principles of transparency and integrity. Performance measures and goals must be widely communicated so that everyone, including the public, can clearly understand how success is defined and measured within the agency. Performance reporting should then demonstrate:

- Where the organization has achieved results and their impact
- How those results compare to current goals and prior results
- Why, if there are shortfalls
- What improvements have been made
- Where additional actions are ongoing and planned, including milestones for completion.

There should be a richness to the analysis and candor and openness regarding results. Strengths are recognized, while shortfalls are analyzed and openly acknowledged. Root causes of weaknesses are identified and timely addressed with frequent positive communications that engage and keep ESG initiatives and metrics top of mind for agency employees.

Regarding measurable goals, on December 8, 2021, in EO 14057, *Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability*, the president directed the federal government to lead the nation on a “firm path to net-zero emissions by 2050.” He established a “coordinated whole-of-government approach,” where the federal government’s scale and procurement power would be used to achieve specified results, with the initiatives supported by federal investments and a climate- and sustainability-focused federal workforce. Agency heads are required

<sup>12</sup> Ibid, Section 7(b).

<sup>13</sup> Lewis, Andrew, Derek Thomas, Kelly Salter, and Jeffrey Steinhoff. “Creating Greater Value Through the Statutory Performance and Accountability Framework,” AGA Journal, Winter 2022.

<sup>14</sup> See Footnote 15.

to propose annual progress targets and report on progress, which is critical to sound governance. Lastly, quality data and the ability to analyze and use data are crucial to managing program operations as well as measuring performance. The Foundations for Evidence-Based Policymaking Act (Evidence Act) of 2018 mandated rethinking of government data management to better facilitate access for evidence-building activities and public consumption. Data assets must be relevant, transparent, accessible, and of sufficient quality to support the mission, help improve operational efficiency and effectiveness, and provide useful information to the public that promotes accountability and transparency and engenders trust. An effective data governance program framework encompasses the authorities, roles, responsibilities,

organization structures, processes, policies, standards, and resources needed to ensure data are relevant and of sufficient quality.

Leveraging these existing data governance processes, where they exist, to integrate environmental and social measures is a cornerstone to enabling accurate measurement and performance assessment. It requires participation and commitment from agency staff and leadership to generate, analyze, and use the data to make decisions by enhancing evidence-building capabilities.

To protect and maintain the viability, accuracy, and availability of data necessary to measure performance, agencies will need to revisit their cybersecurity posture related to sustainability.





## Action 5: Strengthen cybersecurity and data management as a top priority.

A strong cybersecurity posture, rooted in Zero Trust principles<sup>15</sup>, generates increased trust of an organization's ESG-related metrics and reporting. Agencies must have reliable access to critical data contained in its sustainability-focused systems to support urgent decision-making, and that data must be protected from unauthorized disclosure, damage, and destruction. An organization's enterprise data management and cybersecurity programs should integrate sustainability requirements and leverage the appropriate risk classification for relevant data so technical controls (e.g., role-based access controls, encryption of data at rest and in transit, and configuration management) can be properly implemented and data can be accessed, edited, and shared by only those that are authorized and have a need to know. KPMG has taken the crucial step to document our own Impact Plan, which we updated annually. A key component includes how we approach our data strategy for sustainability. "Data is essential to assessing our carbon footprint and adapting our climate strategy. With the support of the Salesforce Net Zero Cloud, we've enhanced our ability to measure and analyze our own carbon emissions data. We also apply sustainability considerations in our supply chain management and procurement practices. We continue to refine our purchased goods and services carbon accounting and work with KPMG to address emissions for top global suppliers."<sup>16</sup> Securely gathering, storing, and accessing this data must include the principles of cybersecurity.



Organizations worldwide face a perilous and ever-evolving cyber environment that touches all aspects of government programs and operations. For example, the consequences of cyberattacks against our nation's critical infrastructure could have devastating impacts on national security, health, welfare, and the environment. Therefore, it must be an essential part of governance systems. Every day, managers find themselves in the crosshairs of potential cyberattacks. In its 2022 "High-Risk Series" report, GAO, which first identified information security as a high-risk area in 1997, noted that risks to IT systems are increasing, including insider threats from witting or unwitting employees, escalating and emerging threats

<sup>15</sup> Zero Trust and its principles: 1) Never Trust/Always Verify, 2) Assume Breach, and 3) Verify Explicitly are particularly important to ESG because they seek to protect data granularly, rather than relying solely on traditional perimeter network defenses. ESG data is particularly susceptible to the erosion of the public trust that comes as a result of data breaches. By protecting the data or data service itself, Zero Trust helps organizations protect against ESG data breaches caused by insiders acting either deliberately or accidentally, as well as malignant outsiders.

<sup>16</sup> KPMG U.S. Impact Plan 2023

from around the globe, and the emergence of new and more destructive attacks.”<sup>17</sup> In 2010, a computer worm called Stuxnet was discovered to have infected industrial control systems at the Natanz Nuclear Facility in Iran.<sup>18</sup> While the worm seems to have been designed specifically to damage Iran’s ability to enrich uranium using industrial centrifuges and was successful in doing so, it’s not difficult to imagine a worm designed to sabotage the programmable logic controllers that control water that cools a nuclear reactor, resulting in a meltdown of that nuclear reactor and an ensuing environmental crisis. Cybersecurity is key to support an agency’s ability to meet reporting expectations and demonstrate compliance using reliable secure data.

Cybersecurity is a foundational element of an organization’s governance program. As discussed previously in Action 1, the “Tone at the Top” should clearly articulate how all individuals within the organization play a critical role to protecting data and systems, including those that contain sustainability-focused data elements that can pose safety or privacy concerns. Identification of cybersecurity-related roles and responsibilities and ongoing awareness training formalizes and embeds the right behaviors, response actions, and organizational culture, enabling the organization’s ESG framework. These frameworks comprise of systems and data—all of which must be initially authorized to operate and continuously monitored in accordance with federal standards and requirements. With the limited supply of qualified cybersecurity professionals,

Connect security to decarbonization, CO<sup>2</sup> reduction, and the circular economy, Most plans for decarbonization and CO<sup>2</sup> reduction rely on digital transformation and the application of smart technologies and automated systems that monitor and manage energy production, distribution, and consumption. However, these solutions can create new opportunities for cybercrime and demand a high level of cybersecurity and data protection.

Is your agency prepared to weather a cyberattack on critical electric- or nuclear-powered assets?

Source: [Cybersecurity in ESG](#)  
([Cybersecurity in ESG \(kpmg.com\)](#))

it is critical for organizations to leverage automation and modern technology solutions to protect systems and data from unauthorized disclosure, damage, and destruction. These basic steps are essential to fostering trust in the agency’s ability to accomplish its mission with integrity.



<sup>17</sup> GAO. “High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas,” GAO- 21-119SP, March 2, 2021.

<sup>18</sup> <https://en.wikipedia.org/wiki/Stuxnet>





## Action 6: Engage the full spectrum of stakeholders.

Stakeholders are many and varied when it comes to sustainability efforts. ESG initiatives impact government agencies and stakeholders outside of government, including those that receive and administer federal funds, in the private and nonprofit sectors, individuals in the communities served, and beyond. Partnerships with these stakeholders will continue to be a critical component in achieving federal agency missions. As an example, the FY 2022 federal budget request included \$1.1 trillion in funding to state, local, and tribal communities. Federal financial assistance to states, local, and tribal governments may exist in the form of contracts or grants. In engaging with these stakeholders, it is now incumbent upon agencies to identify ESG risks that may exist, such as in grants management procedures within all four stages of the grants lifecycle and in subsidy/supply chain and procurement programs as well. The emphasis is shifting to become more fulsome and comprehensive in calculating the broad spectrum of environmental impact and dynamic societal expectations.

With increased public scrutiny on responsible use of federal financial assistance in combination with environmental impacts, shifting cultural dynamics, and the recent emphasis on improving health equity (reducing disparities), ESG will naturally take center stage. The public is growing increasingly more alarmed at climate impacts on their own communities and need to have confidence that government is addressing these issues to avoid detrimental permanent impacts on society.

Understanding impacts driven by the shifting societal expectations, the future impact of rising sea levels on agency operations, the importance of fair and equitable treatment



in all facets of government, and so much more is now critical to meeting taxpayer and stakeholder expectations. The government needs to cultivate and, in some cases, deepen those essential partnerships with both the private sector and the nonprofit community, leveraging educational partnerships in tandem.

Further, the ESG processes of these parties should also be known and understood at a federal level to have awareness of how they impact government sustainability objectives—for example, understanding a third-party vendor's carbon footprint, level of social inclusion, and impact on fostering health equity. This knowledge of not just your agency's sustainability-focused activities, but also the private and public partners of your agency's ESG activities requires both awareness and surveillance.

**Finally, these six elements are brought together and enabled by comprehensive integrated performance and financial reporting to strengthen accountability and transparency over the impact of agency programs and operations.**

Governance that consistently engages in these six actions provides agencies with a dynamic ESG framework that results in not just better governance of sustainability initiatives, but better governance practices throughout an agency, its offices, and divisions. In evaluating the effectiveness of this unified governance, the following actions should be performed and measured to confirm the success of governance within and beyond the ESG framework:

- Set the tone at the top and communicate a culture of ethics and purposeful transparency.
- Define your agencies structure, purpose, and roles and responsibilities for sustainability initiatives.
- Develop an impact-oriented value statement, mission goals, and measurements.
- Continue to modernize business systems to keep pace with rapid advancements in technology that allow a seamless and cost-effective correlation of sustainability performance and financial information.
- Integrate performance and financial reporting, building on the comprehensive performance and accountability reports that are now prepared by some federal agencies. Provide reasonable assurance for performance and spending data by applying the rigor of financial statement reporting to DATA Act and performance reporting.<sup>19</sup>
- Embrace the public and stakeholders to continually understand how customers view federal performance, accountability, and transparency.



<sup>19</sup> Lewis, Andrew and Jeffrey Steinhoff. "The Next Frontier in Government Accountability: Impact Reporting," AGA Journal of Government Financial Management, Spring 2019.



KPMG codified our ESG commitments in our KPMG Impact plan to intentionally develop a corporate-wide business plan intended to embed sustainability initiatives into our growth strategy and our firm culture. The document includes a roadmap to reduce our impact on the environment and create an inclusive, caring, and values-led culture for our people. In addition to walking the talk ourselves, we have deep experience helping clients address critical ESG issues and integrate them into business processes—including decarbonization, strategic planning, reporting, asset and climate modeling, health equity, diversity, equity, and inclusion, while considering implications for cybersecurity and enterprise risk management. We can help create your tailored blueprint to integrate sustainability

considerations into your mission and operations, leveraging our own experiences in navigating the process. We can help simplify your strategy and guide its full implementation so that you can take the lead on ESG. This includes the full range of governance issues discussed in this paper. With more than 100 years of experience serving governments, we have a deep understanding of capital intensive, complex infrastructure, and data-driven technology, and bring a complete suite of tailored methodologies, tools, and accelerators. Leveraging an approach that is both well rounded and practical, we go beyond strategy, working side by side with you at each step of your journey. We work hard to make your goal our goal: creating positive change that benefits government workers, constituents, and communities.

### List of Executive Orders Impacting Sustainability Initiatives

E.O. Number	Date of E.O.	Title	E.O. Summary
13985	January 20, 2021	Advancing Racial Equity and Support for Underserved Communities Through the Federal Government	Establishes a comprehensive and systemic federal approach to evaluating barriers to equal opportunity and advancing equity for all
13987	January 20, 2021	Organizing and Mobilizing the United States Government to Provide a Unified and Effective Response to Combat COVID-19 and To Provide United States Leadership on Global Health and Security	Establishes the White House's responsibility to appoint the position of Coordinator of the COVID-19 Response and Counselor to the President and the approach the White House in coordination with heads of agencies should take to combat the COVID-19 virus
13994	January 21, 2021	Ensuring a Data-Driven Response to COVID-19 and Future High-Consequence Public Health Threats	Establishes the requirement for the heads of agencies to facilitate the gathering, sharing, and publication of COVID-19-related data

E.O. Number	Date of E.O.	Title	E.O. Summary
13996	January 21, 2021	Establishing the COVID-19 Pandemic Testing Board and Ensuring a Sustainable Public Health Workforce for COVID-19 and Other Biological Threats	Initiates a government-wide approach to COVID-19 that includes addressing testing costs and establishing a testing board and workforce program
13999	January 21, 2021	Protecting Worker Health and Safety	Establishes measures and resources to reduce the risk of contracting COVID-19 in the workplace, including partnering with state and local government, enforcing health and safety requirements, and strengthening the OSHA Act
14001	January 21, 2021	A Sustainable Health Supply Chain	In response to COVID-19, establishes the immediate requirement for the federal government to secure supplies necessary for responding to the pandemic
14008	January 27, 2021	Tackling the Climate Crisis at Home and Abroad	Establishes the climate crisis as the center of United States foreign policy and national security and deploys a government-wide approach to addressing this crisis
14012	February 2, 2021	Restoring Faith in Our Legal Immigration Systems and Strengthening Integration and Inclusion Efforts for New Americans	Establishes the requirement for the federal government to ensure laws and policies encourage full participation by immigrants in our civic life and develop a strategy that promotes inclusion for immigrants
14013	February 4, 2021	Rebuilding and Enhancing Programs to Resettle Refugees and Planning for the Impact of Climate Change on Migration	Acts to meet the challenges of restoring and expanding the United States Refugee Admissions Program (USRAP)
14015	February 14, 2021	Establishment of the White House Office of Faith-Based and Neighborhood Partnerships	Establishes the responsibility for the federal government to strengthen relationships with faith based and other organizations that are vital to serving the community

E.O. Number	Date of E.O.	Title	E.O. Summary
14020	March 8, 2021	Establishment of the White House Gender Policy Council	Establishes the requirement to ensure the federal government is working to advance equal rights and opportunities by promoting workplace diversity, fairness, and inclusion across the federal workforce and military
14021	March 8, 2021	Guaranteeing an Educational Environment Free from Discrimination on the Basis of Sex, Including Sexual Orientation or Gender Identity	Establishes specific requirements for the Secretary of Education to ensure all students are guaranteed an educational environment free from discrimination
14027	May 7, 2021	Establishment of the Climate Change Support Office	Acts to create the Climate Change Support Office (CCSO) within the Department of State
14030	May 20, 2021	Climate-Related Financial Risk	Establishes the federal government's aim to advance accurate disclosure of climate-related financial risk, spur the creation well-paying jobs, and achieve the target of a net-zero emissions economy by 2050
14031	May 28, 2021	Advancing Equity, Justice, and Opportunity for Asian Americans, Native Hawaiians, and Pacific Islanders	Acts to advance equity, justice, and opportunity for Asian-American, Native Hawaiian, and Pacific Islander (AA and NHPI) communities in the United States
14035	June 25, 2021	Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce	States that the federal government must be a model for diversity, equity, inclusion, and accessibility and must strengthen its ability to recruit, hire, develop, promote, and retain our nation's diverse talent while removing any barriers to equal opportunity

E.O. Number	Date of E.O.	Title	E.O. Summary
14041	September 3, 2021	White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity Through Historically Black Colleges and Universities	Acts to strengthen the capacity of Historically Black Colleges and Universities (HBCUs) to provide the highest-quality education by increasing opportunities for these institutions to participate in and benefit from federal programs
14045	September 13, 2021	White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Hispanics	Acts to advance educational equity, excellence, and economic opportunity for Hispanic communities from early childhood until their chosen career
14049	October 11, 2021	White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Native Americans and Strengthening Tribal Colleges and Universities	Acts to advance educational equity, excellence, and economic opportunity for Native American students and support the rights and well-being of Tribal Nations and their communities
14050	October 19, 2021	White House Initiative on Advancing Educational Equity, Excellence, and Economic Opportunity for Black Americans	Acts to advance educational equity, excellence, and economic opportunity for Black Americans and communities from early childhood until their chosen career
14057	December 8, 2021	Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability	In response to the climate crisis, establishes requirements for the federal government to reach sustainability goals. This includes advancing the federal government's strategic planning, governance, financial management, and procurement
14058	December 13, 2021	Transforming Federal Customer Experience and Service Delivery To Rebuild Trust in Government	Establishes actions agencies should take to improve efficiency and effectiveness in both public-facing services and internal processes

E.O. Number	Date of E.O.	Title	E.O. Summary
14069	March 15, 2022	Advancing Economy, Efficiency, and Effectiveness in Federal Contracting by Promoting Pay Equity and Transparency	Establishes actions that should be taken to eliminate discriminatory pay practices within the federal workforce
14070	April 5, 2022	Continuing To Strengthen Americans' Access to Affordable Quality Health Coverage	Establishes the requirement for agencies to perform a review of existing action, to continue to expand the availability of affordable health coverage, improve the quality of healthcare, and help more Americans enroll
14076	July 8, 2022	Protecting Access to Reproductive Healthcare Services	Establishes actions that the federal government should take to protect reproductive healthcare services resulting from the overturn of <i>Roe v. Wade</i>
14080	July 25, 2022	Implementation of the CHIPS Act of 2022	Establishes the CHIPS Act, with the goal of advancing research, development, and manufacturing of semiconductors through transformative investments

# Contact us



**Timothy Comello**  
**Partner, Federal Risk Services**  
T: 703-286-8580  
E: tcomello@kpmg.com



**Marcus Melton**  
**Managing Director, Federal Risk Services**  
T: 703-286-6648  
E: marcusmelton@kpmg.com



**Misti Cary**  
**Director, Federal Risk Services**  
T: 571-242-0196  
E: mcary@kpmg.com



**Donovan Chase**  
**Director, Federal Risk Services**  
T: 571-635-4039  
E: donovanchase@kpmg.com

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