



Status of Australian Sustainability Reporting Trends

June 2023 Update

Reporting themes

KPMG Australian Sustainability Reporting Survey June 2023 update outlines key trends in sustainability reporting among the ASX100, the largest 100 companies in Australia based on market capitalisation.

Sustainability reporting by these companies represents the leading practice for reporting in Australia. This report complements KPMG’s Global Sustainability Reporting Survey issued in October 2022. The population of the ASX100 continues to change. 12 companies have changed in the population since the 2022 global survey.

This document demonstrates that although the vast majority of Australia’s top companies now report on sustainability performance, areas for potential improvement persist. Sustainability reporting in Australia is now an expectation, but the ASX100 still has some way to go.

Of the 94 ASX100 companies that report on sustainability, the percentage using frameworks to inform their reporting has increased since KPMG’s 2022 Global Sustainability Reporting Survey.

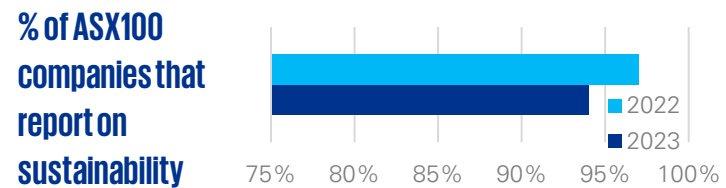
The Taskforce on Climate-related Financial Disclosures (TCFD) framework (78%, up from 74% in 2022) has overtaken the Global Reporting Initiative (GRI) standards (72%, down from 77% in 2022) as the most common framework used in Australia.

The imminent publication of the International Sustainability Standards Board (ISSB) frameworks – based largely on the TCFD standards – is expected to further boost sustainability and climate reporting.

However, the number of ASX100 companies obtaining third-party assurance of their reported sustainability performance has increased only slightly to 53% (2022: 51%). This lack of independent verification of reported sustainability data suggests that ‘greenwashing’ remains a risk for those who do not obtain third-party verification.

Additionally, although a majority of ASX100 companies acknowledge social and governance risks (90%), the reporting is mostly narrative and more quantitative details are needed.

Companies that report on sustainability

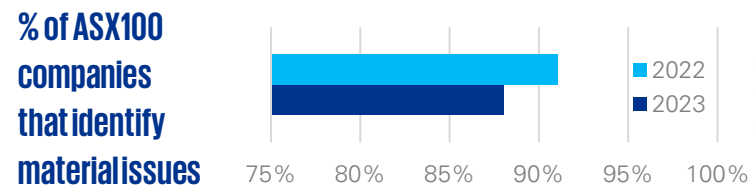


Change is largely due to change of companies in dataset population.

Where companies report

73% of ASX100 companies that report on their sustainability performance publish a stand-alone report, while 88% include ESG or sustainability information in their annual financial report. This reflects a trend of Australia’s top businesses acknowledging the significance of sustainability performance to stakeholders and incorporating it alongside broader business performance.

Material issues



Change is largely due to change of companies in dataset population.

Of the 94 ASX100 companies that report on sustainability performance, 88% identify material topics – a slight decrease from 91% in 2022.

Of them, 67% identify the impact on the company and its stakeholders, while 28% identify the impact on the company, its stakeholders and broader society.

Sector supplements are available for:



UN Sustainable Development Goals

The ASX100's most prioritised Sustainable Development Goals (SDGs) are:



SDG 13: Climate Action (72% of ASX100)

Take urgent action to combat climate change and its impacts.



SDG 8: Decent Work and Economic Growth (65% of ASX100)

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



SDG 5: Gender Equality (60% of ASX100)

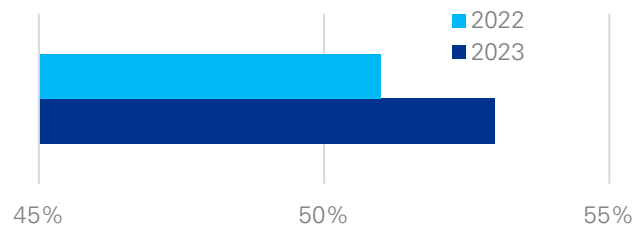
Achieve gender equality and empower all women and girls

Among ASX100 companies reporting on sustainability, the proportion of companies linking SDGs to aspects of their business has increased from 71% in 2022 to 77% in 2023.

However, of those, only 16% report both negative and positive impacts, and 49% identify specific targets – both decreasing since 2022 (impacts 20%, targets 66%).

Assurance

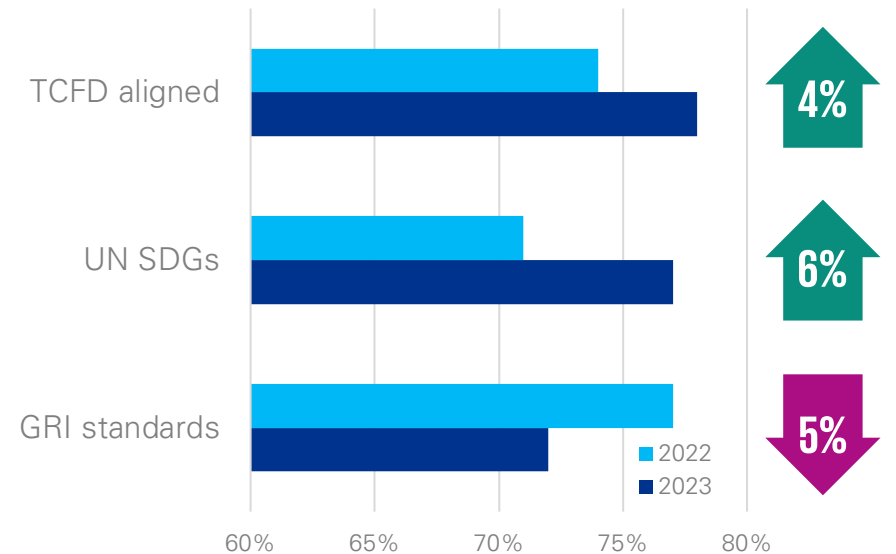
% of ASX100 companies that have external assurance over sustainability information



External assurance remains an area for potential improvement. Limited assurance continues to be the most common level of assurance among those organisations (85%), with 9% obtaining a combination of limited and reasonable assurance.

Independent verification of reported information would increase confidence in organisations' sustainability reporting and reduce greenwashing risks.

Frameworks



Encouragingly, 78% of the ASX100 companies that report on sustainability report against the Taskforce on Climate-related Financial Disclosures (TCFD) framework, an increase from 74% in 2022.

TCFD is now the most common reporting standard in Australia, ahead of the UN Sustainable Development Goals (SDGs) (77%) and Global Reporting Initiative (GRI) standards (72%).

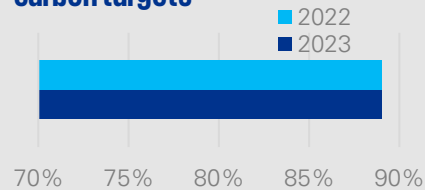
The change in GRI standards is likely due to shift in reporting requirements with the GRI's new universal standards. In relation to climate change disclosures, 64% have conducted Climate Scenario Analysis, which is an area of TCFD many find more difficult.

The number of companies following the International <Integrated Reporting> Framework (17%) and stock exchange guidelines (7%) remains low. 38% reference the Sustainability Accounting Standards Board (SASB) standards.

A small number (9%) of ASX100 companies explicitly mention the International Sustainability Standards Board (ISSB) and upcoming mandatory reporting requirements, while 7% reference having reporting requirements, but do not directly name the requirements.

Carbon targets

% of ASX100 companies that report carbon targets



Of the 94 ASX100 companies that report on sustainability performance, 89% reported carbon targets, no change from 89% in 2022.

Among companies with carbon targets in place, 46% intend to achieve their goal using both emissions reductions and carbon credits, while 38% are relying on emissions reductions alone.

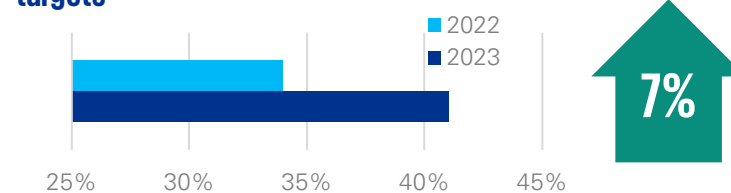
The percentage of companies linking their carbon targets to external targets has decreased since 2022.

Only 47% of organisations that report carbon targets link their goals to the Paris Agreement’s global 2°C target, down from 66% in 2022 – primarily due to population change – while 36% do not link to any external global, national or regional targets, down from 28% last year. This indicates that the rigour of this analysis has improved, possibly due to concerns over being able to defend such claims.

While 70% of companies now report scope 3 emissions, only 23% have a Climate Action Plan and 16% publish information about their internal carbon price.

SBTi net zero targets

% of ASX100 companies that use SBTi carbon reduction targets

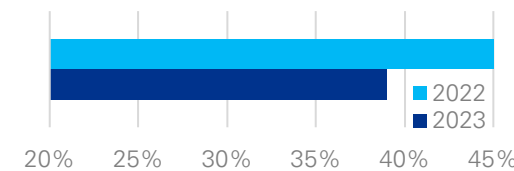


Of the 94 ASX100 companies reporting on sustainability, 41% of companies have adopted or intend to adopt Science Based Targets initiative (SBTi) carbon reduction targets. Of those, 56% either have adopted or intend to adopt an SBTi net zero target.

This continues the ASX100’s continued uptake of the SBTi, up from 34% in 2022 and 26% in 2020.

Biodiversity loss

% of ASX100 companies that recognise biodiversity loss as a risk to their business



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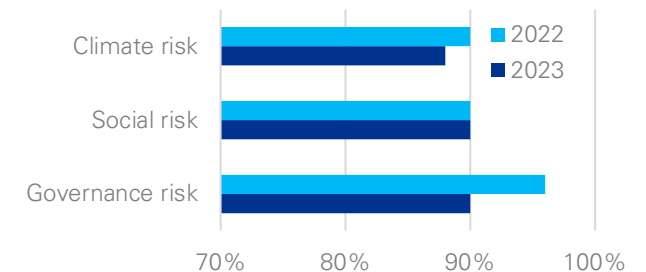
Biodiversity and TNFD

Of ASX100 companies reporting on sustainability, 22% have any reference to the Taskforce on Nature-related Financial Disclosures (TNFD), and/or intend to explore or adopt nature-related reporting in line with the TNFD framework.

Of those, just one company is participating in a TNFD pilot and nine are forum members of the TNFD.

ESG risks

% of ASX100 companies that acknowledge:



Of the 94 ASX100 companies that report sustainability performance, 88% acknowledge climate change as a risk to the business. Most of those deliver a narrative description of the potential impacts (90%), and very few include modelling of the potential impacts using scenario analysis (8%) or provide financial quantification of the potential impacts (1%).

While the large majority (90%) of companies acknowledge both social and governance risks in annual or integrated reporting, the reporting is mostly narrative and more quantitative details are needed. Of those that report on the ‘S’ and the ‘G’ in ESG, almost all provide a narrative description of the potential impacts (social 98%, governance 99%) rather than quantification of the potential impacts (social 2%, governance 1%).

54% of companies’ annual or integrated reports recognise a dedicated member of the Board and/or leadership team responsible for sustainability, while 45% acknowledge that sustainability matters have been included in compensation at either a Board or leadership level.

Although this represents an increase from 2022 – when 49% acknowledged a dedicated sustainability leader and one third reported sustainability-linked remuneration for their leadership team – continued improvement in this area could increase confidence in a company’s approach to overseeing sustainability risks and opportunities.



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