



Status of Australian Sustainability Reporting Trends

December 2023 Update

Reporting themes

KPMG Australian Sustainability Reporting Survey December 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 and the supplementary update from June 2023. The population of the ASX continues to change. 11 companies have changed in the population since the June 2023 update.

This document demonstrates that the vast majority of Australia’s top companies are now meeting expectations to report on sustainability performance, with 98% doing so.

Of the 98 ASX100 companies that report on sustainability, the percentage using frameworks to inform their reporting has increased since KPMG’s June 2023 update.

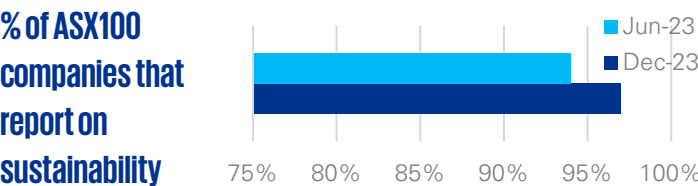
The Task Force on Climate-related Financial Disclosures (TCFD) framework has remained the most common framework used in Australia, maintaining a 78% use rate from June 2023. The Global Reporting Initiative (GRI) standards has increased in usage (77%, up from 72% in June 2023).

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

The number of ASX100 companies obtaining third-party assurance of their reported sustainability performance has remained at 53% since June 2023. This lack of independent verification of reported sustainability data suggests that ‘greenwashing’ remains an ongoing risk for those who do not obtain third-party verification.

Since June 2023, the percentage of companies acknowledging social and governance risks has changed from 90% to 84% and 90% to 77% respectively, largely due to population change.

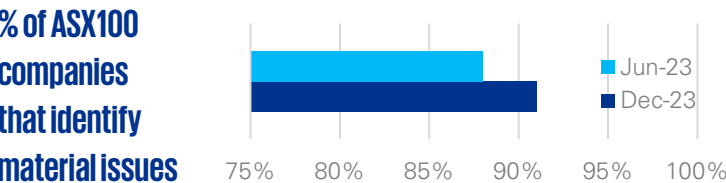
Companies that report on sustainability



Where companies report

68% of ASX100 companies that report on their sustainability performance publish a stand-alone report, while 87% 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



Of the 98 ASX100 companies that report on sustainability performance, 91% identify material topics – a 3% increase from 88% in June 2023.

Sector supplements are available for:



UN Sustainable Development Goals

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



SDG 13: Climate Action (91% of ASX100) (June 2023: 72%)

Take urgent action to combat climate change and its impacts.



SDG 8: Decent Work and Economic Growth (87% of ASX100) (June 2023: 65%)

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



SDG 5: Gender Equality (79% of ASX100) (June 2023: 60%)

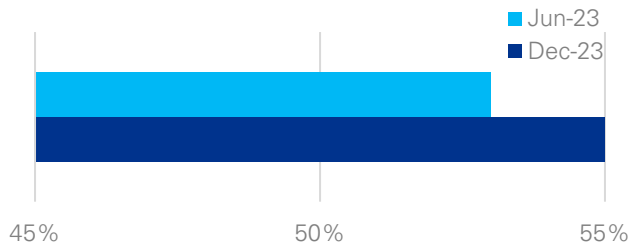
Achieve gender equality and empower all women and girls

Among ASX100 companies reporting on sustainability, the proportion of companies linking SDGs to aspects of their business has remained at 77% from June.

However, of those, only 8% report both negative and positive impacts, down from 16% in June 2023, due to population change in the dataset. 61% identify specific targets – increasing from 49% in June 2023.

Assurance

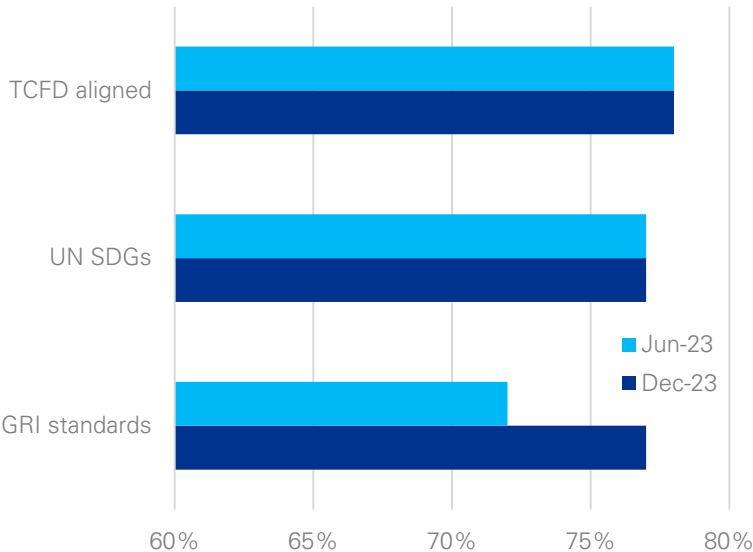
% of ASX100 companies that have external assurance over sustainability information



While there is a slight increase in ASX100 companies obtaining external assurance over sustainability information, it remains an area for potential improvement. Limited assurance continues to be most common level of assurance among those organisations (81%), with 15% obtaining a combination of limited and reasonable assurance.

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

Frameworks



78% of the ASX100 companies that report on sustainability use the Task Force on Climate-related Financial Disclosures (TCFD) framework, maintaining the same percentage since June 2023.

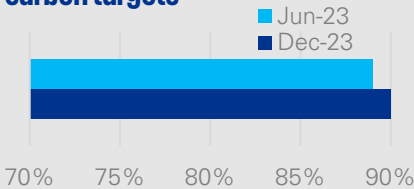
TCFD is the most common reporting standard in Australia, marginally ahead of the UN Sustainable Development Goals (SDGs) (77%) and Global Reporting Initiative (GRI) standards (77%). In relation to climate change disclosures, 78% have conducted Climate Scenario Analysis (CSA), an increase from June 2023 (64%), which is promising as CSA is an area of TCFD many find challenging.

The number of companies following the International <Integrated Reporting> Framework (19%) and stock exchange guidelines (13%) remains low. 45% reference the Sustainability Accounting Standards Board (SASB) standards, an increase from June 2023 (38%).

The number of ASX100 companies that explicitly mention the International Sustainability Standards Board (ISSB) and upcoming mandatory reporting requirements has significantly increased from 9% in June 2023 to 51% currently. This is likely due to the proximity to the date the Australian equivalent of the ISSB standards, the ASRS, which will become mandatory.

Carbon targets

% of ASX100 companies that report carbon targets



Of the 98 ASX100 companies that report on sustainability performance, 90% reported carbon targets, a slight increase change from 89% in June 2023.

Among companies with carbon targets in place, 66% intend to achieve their goal using both emissions reductions and carbon credits, while 27% are relying on emissions reductions alone.

The percentage of companies linking their carbon targets to external targets has decreased since June 2023.

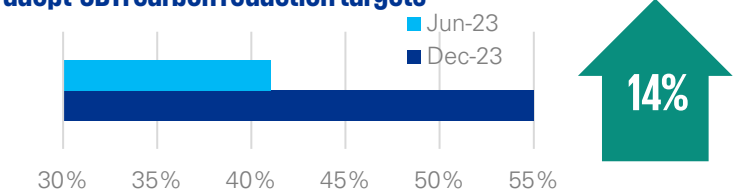
This indicates that the rigour of this analysis has improved, possibly due to concerns over being able to defend such claims.

Of the companies that report carbon targets, there has been an increase in ambition. Since June 2023 there has been an increase in 1.5°C aligned targets from 13% to 43%, bringing the total percentage of Paris-aligned 2°C and below targets from 61% to 68%.

79% of companies now report scope 3 emissions. The proportion of companies with a Climate Action Plan has significantly increased from June 2023 (23%) to 62% currently, and 20% publish information about their internal carbon price.

SBTi net zero targets

% of ASX100 companies that have adopted or intend to adopt SBTi carbon reduction targets

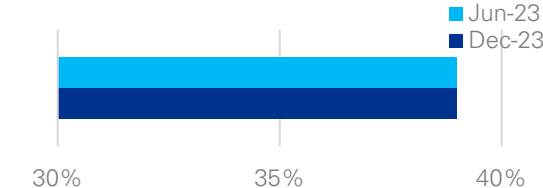


Of the 98 ASX100 companies reporting on sustainability, 55% of companies have adopted or intend to adopt Science Based Targets initiative (SBTi) carbon reduction targets. Of those, 84% either have adopted or intend to adopt an SBTi net-zero target.

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

Biodiversity and TNFD

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

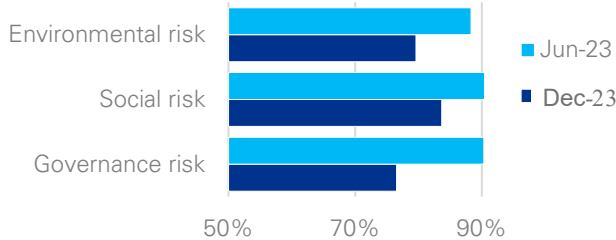


Of the ASX100 companies reporting on sustainability, 31% have had interactions with the Taskforce on Nature-related Financial Disclosures (TNFD), and/or intend to explore or adopt nature-related reporting in line with the TNFD framework.

Of those, just 37% are participating in a TNFD pilot and 33% are forum members of the TNFD.

ESG risks

% of ASX100 companies that acknowledge:



Of the 98 ASX100 companies that report sustainability performance, 80% acknowledge climate change as a risk to the business. Most of those deliver a narrative description of the potential impacts (76%). Very few include modelling of the potential impacts using scenario analysis (2%) or provide financial quantification of the potential impacts (2%).

The percentage of companies that describe social and governance risks in annual or integrated reporting has dropped since June 2023, from 90% to 84% and 90% to 77% respectively. The majority of this change is attributed to a change in companies in the ASX100. Of those that report on the 'S' and the 'G' in ESG, almost all provide a narrative description of the potential impacts (social 99%, governance 100%) rather than a quantification of the potential impacts (social 1%, governance 0%).

79% of companies' annual or integrated reports recognise a dedicated member of the Board and/or leadership team responsible for sustainability, while 47% acknowledge that sustainability matters have been included in compensation at either a Board or leadership level.

Although this represents an increase from June 2023 – where just 54% acknowledged a dedicated sustainability leader and 45% reported sustainability-linked remuneration for their leadership team – continued improvement in this area could increase external confidence in a company's approach to overseeing sustainability risks and opportunities.



Contact our Climate Change & Sustainability team

Adrian King
Partner-in-Charge
+61 3 9288 5738
avking@kpmg.com.au

Julia Bilyanska
Partner
+61 3 9838 4036
jbilyanska@kpmg.com.au

Andrew King
Partner
+61 2 9455 9080
aking1@kpmg.com.au

Geri McMahon
Partner
+61 2 9273 5022
gerimcmahon@kpmg.com.au

Nick Moffatt
Partner
+61 8 9263 4833
nmoffatt@kpmg.com.au

Doris Pallozzi
Partner
+61 3 9288 6171
dpallozzi@kpmg.com.au

Gary Selwyn
Partner
+61 3 9288 6263
garyselwyn@kpmg.com.au

Mark Spicer
Partner
+61 2 9335 8020
markspicer@kpmg.com.au

Duncan Stevens
Partner
+61 3 9288 6260
dstevens1@kpmg.com.au

Scott Coleman
Director
+61 8 9263 4851
scoleman3@kpmg.com.au

Sian Edwards
Director
+61 8 8982 9063
sedwards13@kpmg.com.au

Tanya Kerkvliet
Director
+61 8 9263 7567
tkerkvliet@kpmg.com.au

Sarah Newman
Director
+61 3 9838 4087
senewman@kpmg.com.au

Sophie Hollingsworth
Director
+61 2 9335 7995
sophie1@kpmg.com.au

Paul Rubotham
Director
+61 8 9263 4840
prubotham@kpmg.com.au

[KPMG.com.au](https://www.kpmg.com.au)



The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

©2024 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.