NEWS RELEASE

Sustainability reporting growing among the world's top companies, but urgent progress by Belgian and global corporations still needed

The reporting rate of Belgian N100 companies rose from 72 percent in 2019 to 84 percent in 2021. Nevertheless, Belgium outperforms the N100 global average but much improvement is still needed, especially in terms of reporting quality and compliance.

Quick facts:

- The latest findings from KPMG reveal that sustainability reporting globally has grown steadily, with 79 percent of leading companies providing sustainability reports
- There have been marked improvements in companies reporting carbon reduction targets, but actions are still too slow in key related areas, with less than half of companies currently recognizing biodiversity loss as a risk
- Among the thousands of reports analyzed, less than half of the world's largest companies are reporting on 'social' and 'governance' components of ESG
- KPMG outlines a series of recommendations, including companies shifting from a narrative-driven approach and making better use of data to drive change and provide evidence of action

Brussels, Belgium, 27 October 2022 – This year's edition provides analysis of the sustainability and Environment, Social and Governance (ESG) reports from 5,800 companies across 58 countries and jurisdictions. The findings show that there is still a disconnect between the urgency of addressing climate change and social equity, and the 'hard results' provided by businesses.

The results demonstrate that sustainability reporting has grown steadily. The world's top 250 companies – known as the G250 – are almost all providing some form of sustainability reporting, with 96 percent of this group reporting on sustainability or ESG matters.

Meanwhile, there is a steady and consistent increase in reporting from the Belgian N100 (the top 100 countries in each country). The reporting rate of Belgian N100 companies rose from 72 percent in 2019 to 84 percent in 2021 compared to 79 percent for the N100 global average (up from 77% in 2019). However, improvement is still necessary, especially compared to the reporting rates of the largest 250 global companies (G250), which is 96 percent (stable compared to 2019) and considering all large undertakings will need to report on their sustainability performance following the upcoming Corporate Sustainability Reporting Directive (CSRD) adoption, as proposed by the European Commission.

Reporting standards and quality

With the upcoming CSRD, companies will need to comply with sustainability reporting standards and apply a double materiality assessment to identify and report on their material topics and impacts. In Belgium, reporting standards application can still be improved significantly. The adoption of the Global Reporting Initiative (GRI) Standards shows a consistent increase for the G250 and Global N100 companies. Meanwhile in Belgium, a decline of 5 percent (from 37% in 2019 to 32% in 2021) was reported. Both for the global N100 and the G250, GRI reporting rates are still considerably higher. Further, only 51 percent of the N100 companies in Belgium identify material topics in their reporting. Compared to the Global N100 companies (56%) and G250 companies (74%), Belgian companies also continue to lag in this respect.

Looking into the quality and reliability of the reported information, barely one-third of Belgian N100 companies that report on sustainability are obtaining third-party assurance on their reporting, which is an increase of a mere 4 percent compared to 2019. The Belgian assurance rate remains significantly lower than the average global N100 companies (47%) and the G250 (63%) reporting on sustainability. To meet the ever-growing request from stakeholders and investors for the availability of reliable, robust, and comparable sustainability information, assurance rates should increase. Additionally, for companies in scope of the upcoming CSRD, mandatory assurance on the sustainability information reported will be applicable.

Climate continues to dominate

The latest findings reveal that businesses are recognizing that they have a role to play in helping to achieve climate targets. 64 percent of the Belgian N100 companies report on carbon reduction targets (+21% vs. in 2019) compared to 59 percent of global N100 and 76 percent of G250 companies. Globally, most companies recognize that they must reduce emissions to achieve their carbon targets rather than rely solely on carbon credits.

The report also reveals key areas where faster progress is required. Globally, only 64 percent of G250 companies formally acknowledge that climate change is a risk to their business. In Belgium, the figure is lower, where only 52 percent of companies formally acknowledge climate change as a risk. Additionally, less than a third of companies worldwide and only 25 percent of Belgian N100 companies currently recognize biodiversity loss as a risk.

Sustainability reporting through the ESG lens

This year's report has also highlighted some further challenges the world's major companies are facing reporting on ESG. Among the thousands of reports analyzed, less than half of the world's largest companies and 43 percent of the Belgian N100 address social risks (e.g., health & safety; diversity, inclusion, and equity; community engagement; and labor issues), despite an increasing awareness of the link between the climate crisis and social inequality.

At the same time, less than half of companies worldwide and 41 percent of the top 100 Belgian companies disclosed their governance risks (e.g., corruption bribery and anti-corruption, anti-competitive behavior, or political contributions).

In addition, only one third of global and Belgian N100 companies have a dedicated member of their leadership team responsible for sustainability. The survey also revealed that one third of these Belgian companies integrate sustainability targets and metrics into the compensation of the Board or leadership (compared to less than a quarter of global N100 and 40 percent of G250 companies).

ESG disclosures continue to be overwhelmingly narrative-driven, rather than publishing quantitative or financial data regarding impacts. This is clearly an area of improvement for companies in Belgium and around the world.

John McCalla-Leacy, KPMG's Global Head of ESG, said:

> "Last year, scientists from the IPCC warned the world was on 'Code Red' for human driven global warming. It was followed by several commitments from political leaders at COP26. As we head towards COP27, immediate action is now needed to avert human and environmental tragedies on an ever-increasing scale.

“KPMG’s 2022 Survey of Sustainability Reporting reveals regulation is making a difference. My view is that it is critical to provide guidance and direction to companies and help drive cultural change. Business leaders have accepted they have a responsibility and role to play in helping to slow and potentially avert the unfolding crisis. What’s needed more than ever is globally consistent standards from governments and a collective effort from the world’s major companies to report on all aspects of ESG, recognizing the clear links between the environment and wider social equality issues.”

Steven Mulkens, Executive Director ESG Reporting & Assurance, KPMG in Belgium, concluded:

“The survey demonstrates that reporting rates are rising in Belgium, and sustainability matters are increasingly being integrated into the business strategy, risk management and governance structure. However, there are still quite a lot of hurdles to overcome. Given the upcoming standard-setting projects and reporting requirements - such as the Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB) - it will be crucial for companies to timely prepare for the future; identifying and reconciling critical gaps in their current reporting and ensuring reliable and accurate reporting of sustainability information.”

A call to action

New ESG requirements are driving a different perspective and set of conversations in Boardrooms, driving business leaders to stretch their thinking and ensure that from the top down they are making strategic decisions that take climate and broader ESG considerations more into account.

The KPMG report outlines the tangible ways businesses can invest in sustainability reporting:

- Understanding stakeholder expectations
- Incorporating materiality assessments into reporting
- Aligning reporting to mandatory or voluntary frameworks
- Investing in quality non-financial data management
- Understanding the impact of climate change and social issues on business

Considering the increased focus of investors and stakeholders on sustainability matters, as well as the upcoming legislative reporting proposals, it is key that companies take the next steps in their sustainability journeys and prepare thoroughly for the new trends and requirements. The pressure on businesses to report on non-financial metrics is only expected to grow as regulations evolve. By acting now, companies can make informed choices to drive the change that is much needed to be a good corporate citizen in today’s world.

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About KPMG's Survey of Sustainability Reporting

Over the past two decades, sustainability reporting has been largely voluntary, so the purpose of this survey was to offer meaningful insights about how to improve levels of disclosure by business leaders, sustainability professionals, and company boards.

Today, we are on the precipice of adopting mandatory and regulated sustainability reporting and the reporting landscape is poised to change drastically. The findings in this report reflect on the current state of reporting today, the gaps that should be filled to meet regulatory requirements and the overarching business strategy considerations that can allow companies to meet increasing regulatory expectations while still creating impact and generating value.

About KPMG in Belgium

With 1,900 employees across the country, KPMG Belgium offers your company personalized and multidisciplinary support in audit, accountancy, tax, and legal advice. We also support a wide range of management services: from operational efficiency and cost management to digital transformations, risk management and deal advice. Our local consultants will support you thanks to their knowledge and through the use of innovative tools to help you face each of your challenges.

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