



# The ESG journey to assurance

2022 ESG survey  
results and analysis







# Taking aim at a moving target

Let's start with what we know with certainty: The rise of Environmental, Social and Governance (ESG) is already among the most impactful changes for the business world at large in decades. It's a generational opportunity for companies to rethink and reimagine their commitment for all possible stakeholders, everything from their corporate purpose, to how they hire, to their impact on the environment, and more. In many ways, it's a fundamental reset of the corporate entity's overall role and responsibilities.

**But now for the details. What does "ESG reporting" mean? What's required? When? And ... well, who is going to do all of that work?**

Yes, there is broad awareness of and even commitment to ESG, but most companies are still in the early stages of figuring out "the details," as we report in this ESG reporting and assurance survey. The survey included feedback from 246 financial reporting executives from companies representing a broad cross-section of industries and revenues, including both public and private organizations.

More than anything, our survey captures a landscape of companies still in the early stages of more formally defining their ESG journeys. On the one hand, 83 percent of the respondents believe that focusing on ESG will make their business better; but just 30 percent feel like they have even the beginnings of a clear strategy to report out and deliver on their ESG commitments.

Strategic changes in both business operations and historical reporting on ESG issues, is unfolding against the backdrop of the SEC's climate disclosure proposals, across an alphabet soup of regulators and reporting bodies—SEC, EU, CSRD, ISSB, EFRAG. And the targets aren't simply still moving, in many cases, they have yet to be defined.

Our goal with this ESG reporting and assurance survey is to start the conversation on what "progress" on ESG reporting and assurance means and how it will be measured. We hope you find this report valuable as a way to baseline and evaluate your own company's journey. And we look forward to the chance to regularly report back with updates from future surveys as the inevitable force that is ESG moves steadily forward.



# Key findings

**There's broad awareness and commitment to ESG, but the details?  
Companies say there's still much work to do.**

Our ESG reporting and assurance survey is a snapshot of companies trying to assess a rapidly evolving macro-business challenge and work out their responses in real time. Sure, many companies have started their journey, but now they need to evolve their plan as the proposal and potential requirements are also evolving.

The number and variety of challenges cited by respondents was particularly noteworthy. Just 4 percent reported no current challenges, while two out of three of those surveyed cited at least two significant challenges. Among those issues, the lack of resources and expertise—cited by 57 percent—jumped out as the biggest concern.

Another big-picture trend in the survey was, essentially, “Who’s in charge?” Respondents identified a wide range of teams as currently responsible for defining ESG reporting strategies

at their companies, with seven different functions noted. And an eighth option of “not sure” was cited by 21 percent, making it among the leading responses in a disparate category that had a knock-on influence across other questions in the survey.

Indeed, the responsibility and structure of ESG reporting is in transition for many companies, even as they acknowledge that additional resources and expertise will be needed. But on that front, the survey also saw a significant commitment to getting that help: two-thirds of those surveyed viewed external assurance as critical to meeting their ESG obligation and reporting needs, with 42 percent still needing to put that support in place.

**Let's take a closer look at the questions and some key learnings.**



# Big picture

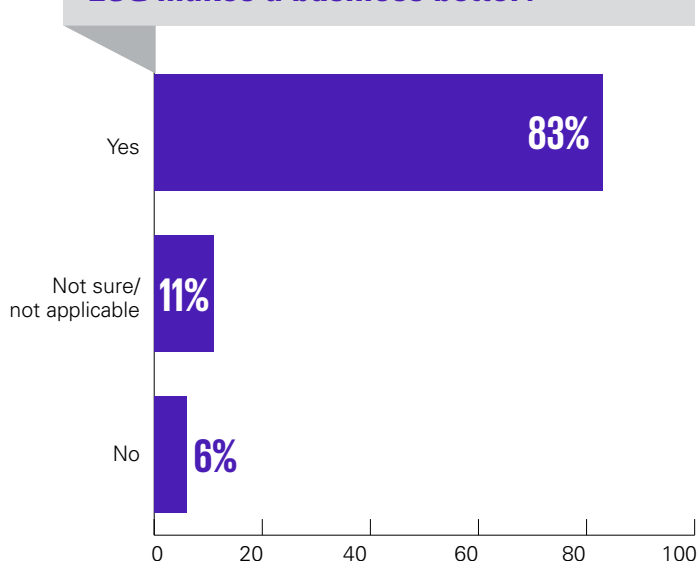
## Broad intent, evolving strategy

The survey saw an overwhelming commitment to ESG, with 8 in 10 believing it will make businesses better. But on the flipside, just half of those same respondents felt ESG was linked to their company's strategy at some level today, and one-quarter simply were not yet clear.

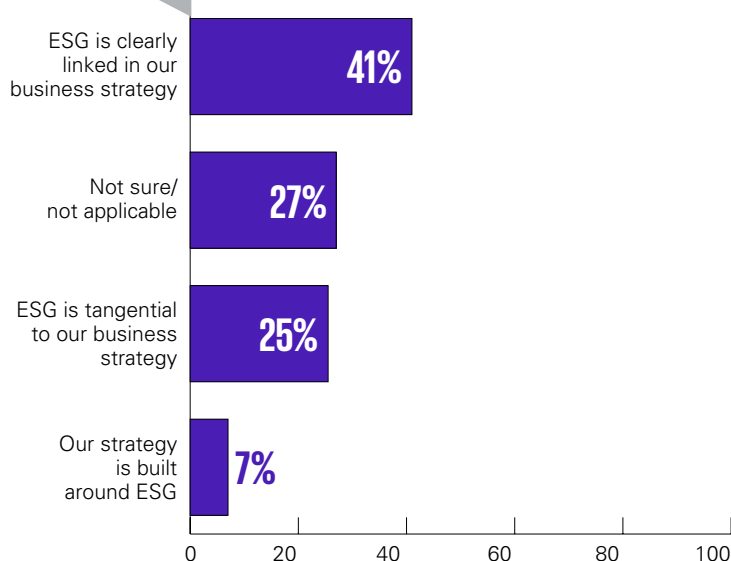
Historically, most companies have not clearly defined their ESG strategies: How they measure risks and opportunities, the frequency of reporting, who's responsible and where it belongs in the organization. But with increased focus and expectations from investors and regulators, businesses are beginning to integrate a cross-functional team into an established ESG committee in which ESG strategy is a companywide initiative.

Also gaining attention is the growing body of research that ESG investments can drive tangible value for companies, regardless of the regulatory landscape. For example, a recent study from New York University's Stern Center for Sustainable Business did a meta-analysis of more than 1,000 research papers between 2015 and 2020 that examined the impact of ESG investment on financial performance. The analysis found several clear value propositions, including improved financial performance for companies in a number of areas and enhanced protection during times of crisis.<sup>1</sup>

### Do you believe that focusing on ESG makes a business better?



### How embedded is ESG in your business strategy?



<sup>1</sup> Source: NYU Stern Center for Sustainable Business, "ESG and Financial Performance," Tenise Whelan, et al (February 2021).



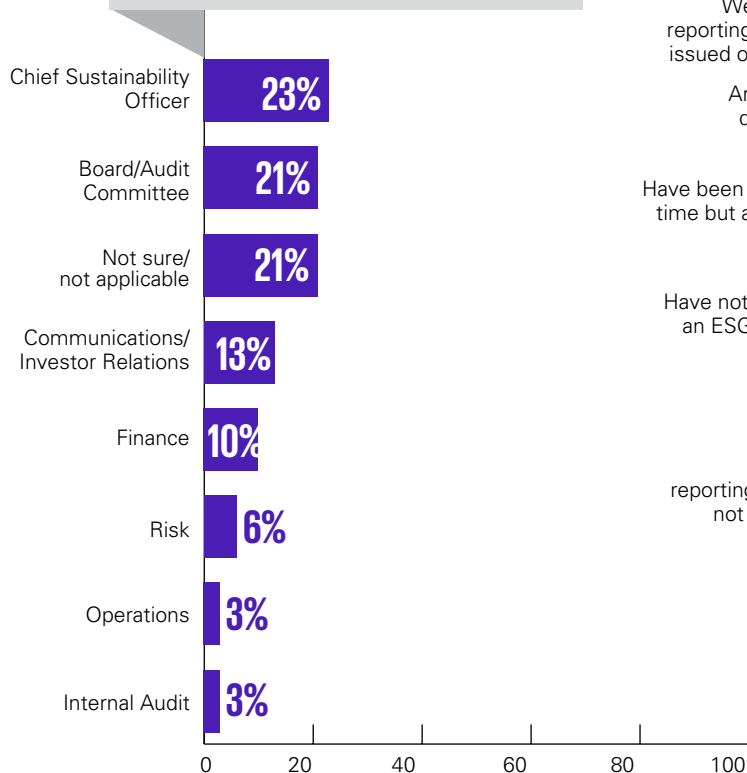
# Reporting

A work in progress

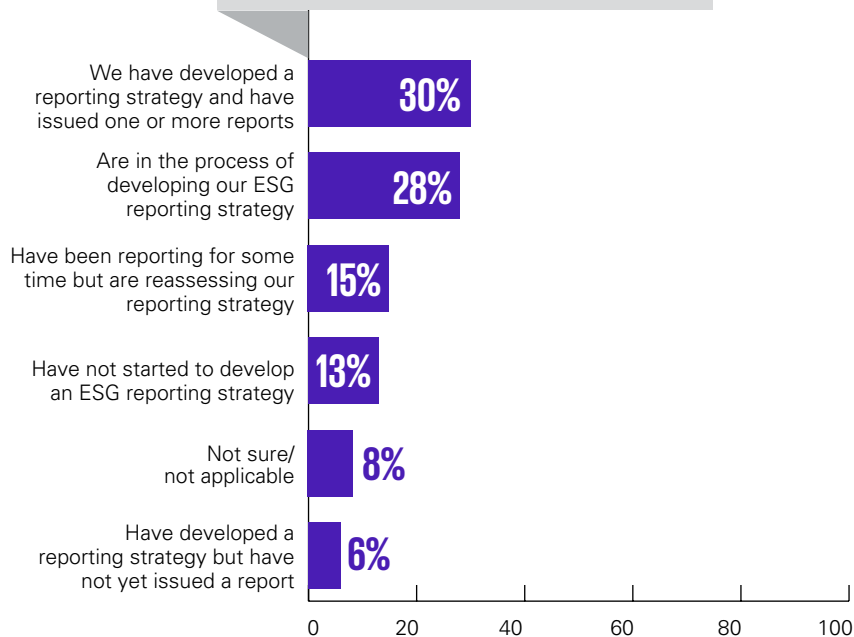
Responses to our three key questions about the current state of ESG reporting reflected widely disparate approaches and a good amount of “in-the-process” sentiments. Overall strategy was in flux for 7 of 10 respondents. Responsibility was still widely scattered, with top-down influences from boards, committees and specialized

sustainability roles. But two-thirds of those surveyed valued external assurance, with 24 percent already receiving external assurance on their ESG reporting.

## What function has the greatest focus and input regarding your company's ESG reporting strategy?



## How established is your company on its ESG reporting strategy?





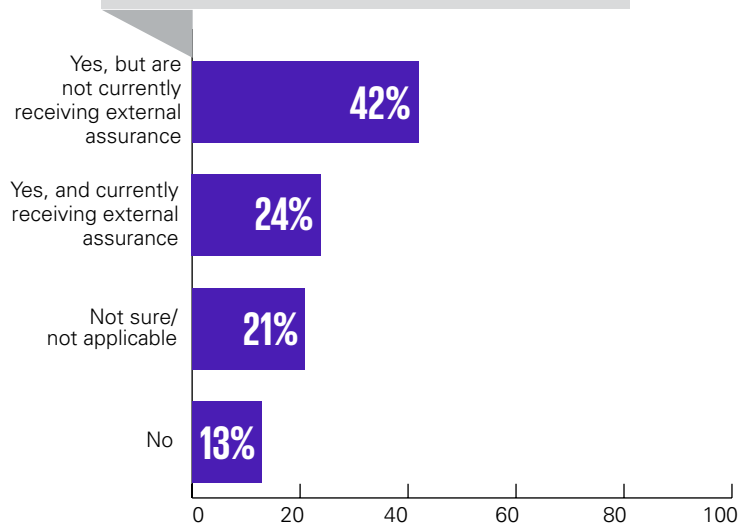
# Challenges

What companies are up against

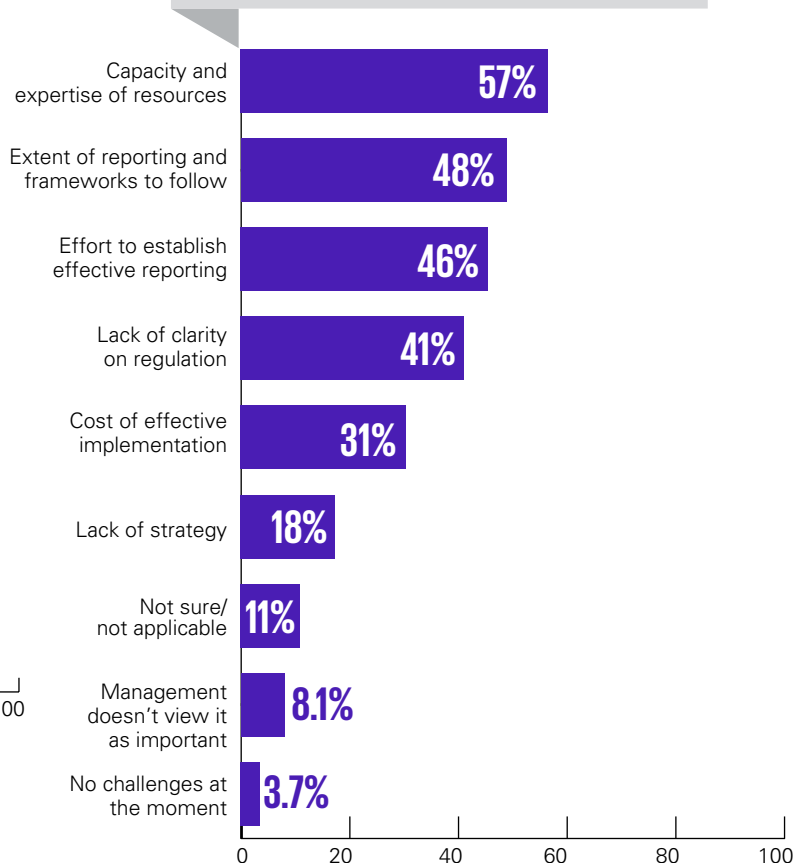
Our question on the challenges companies are facing was perhaps the most revealing, simply because of the multiple issues cited. Sixty-six percent of the respondents cited at least two

challenges, and exactly half cited three or more. Expertise, bandwidth, uncertainty, level of effort, costs ... it's instructive that just 4 percent feel like they have things covered.

**Do you view external assurance as critical to the comparability, transparency and accuracy of companies' ESG reporting efforts?**



**What challenges does your company face in focusing more closely on ESG? (Respondents could select multiple answers.)**







# Next steps

Where do companies go from here? The path ahead will be influenced by each organization's current progress.

For businesses that have traditionally reported on ESG metrics, for example, the next steps might be to pave the way for assurance to perform an assessment of current-state processes and controls over ESG reporting. We have found that even the most sophisticated and well-resourced organizations benefit from including a finance point of view to introduce the rigor to produce of investor-grade reporting.

For other companies that are just beginning their ESG journey, we caution against an "ESG-in-a-box" solution: It may seem very appealing at first, but it typically lacks the ability to deliver each company's unique needs. The ESG journey doesn't have to be hard or complex, but it does need to be guided by a thoughtful, sincere representation of each organization's North Star.

Our KPMG IMPACT team has been working with clients on their ESG journeys, helping them understand and assess their maturity, stay on top of the evolving regulations, and provide the

additional expertise and resources they may need at each stop along the way. Rather than standing still and waiting for every last piece to fall in place, we believe there are several "no regrets" moves that companies can consider making today on ESG today, including:

- **Assess any ESG climate-related reporting and associated commitments your company has made.**
- **Keep management and the board updated on the evolving reporting requirements, especially the extensive and complex international regulatory landscape.**
- **Assemble a working group that will be responsible for reporting, establishing clear roles and responsibilities based on individual's skills and experiences.**
- **Calculate your Scope 1 and 2 greenhouse gas emissions and get them assured by a third-party.**

Yes, the ESG roadmap is still filled with uncertainty, but with the right foresight, strategy, planning and structure, companies will not only survive, but thrive on their ESG journey.





# Methodology

This survey included feedback from 246 financial reporting executives from companies representing a broad cross-section of industries and revenues.

## What was your organization's global annual revenue in the most recent fiscal year?

\$100 billion or more	7%
\$50 billion to \$99.9 billion	3%
\$20 billion to \$49.9 billion	10%
\$10 billion to \$19.9 billion	11%
\$5 billion to \$9.9 billion	15%
\$1 billion to \$4.9 billion	23%
Less than \$1 billion	31%

## Which best describes your industry?

Consumer and Retail	17%
Energy	9%
Financial Services	26%
Government	1%
Healthcare and Life Sciences	8%
Industrial Manufacturing	12%
Media and Entertainment	3%
Other	15%
Technology	9%



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