



Big shifts, small steps

Survey of Sustainability Reporting 2022

Executive Summary

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About the survey

Welcome to KPMG's biennial Survey of Sustainability Reporting 2022

First published in 1993, this 2022 survey marks the twelfth edition, examining sustainability reporting trends around the world. 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.

This is our most extensive survey to date, with five new member firms contributing to the research:

Estonia, the Philippines, Uruguay, Venezuela and Vietnam. While Chile and Israel return to the survey after not reporting in 2020, Ecuador — a 2020 participant — has not participated this time. KPMG professionals analyzed financial reports, sustainability and Environmental, Social and Governance (ESG) reports, and websites for 5,800 companies in 58 countries, territories, and jurisdictions. The survey provides information and insights for those preparing their own organization's sustainability report, as well as for investors, asset managers and ratings agencies who now factor sustainability and ESG information into their corporate performance and risk assessments.

The 2022 survey includes a number of new topics, including the use of materiality assessments, reporting on social risks, and reporting on governance risks.

Visit home.kpmg/sustainabilityreporting for more information about the survey and to explore the data in more detail using an interactive online tool.

Foreword

As business owners and professionals, we know that what gets managed gets measured.

Today's corporate sustainability reporting requirements provide solid frameworks that make reporting consistent and relative, as well as enable us to measure and compare our impacts and outcomes. Established requirements like GRI have traction, and new and emerging frameworks such as the TNFD are necessarily expanding the reporting landscape. Leading practices and lessons learned accelerate our capabilities to maximize the frameworks effectively and efficiently. Together, these tools help us achieve our shared goal of greater consistency and consolidation in this reporting realm.

But it can't be just a casual tick-the-box exercise.

Companies need to continue to make urgent progress with ESG reporting in a way that supports their short-term and long-term business objectives. A robust sustainability reporting ecosystem will help businesses not only measure progress on executing their ESG strategy, but also support businesses in driving value while mobilizing capital markets to help support innovative and much-needed solutions to the many societal issues we face.

Corporate sustainability reporting can — and should — start driving a different conversation such that business owners stretch their thinking and ensure, from the top down, leadership across our organizations are making principled and strategic decisions that take the climate,

as well as broader ESG considerations, into greater and sustained account. These HQ conversations become less about what a company 'must' do (comply) and more about what a company 'wants' to do (bring change). This is a good thing.

And it's not free.

Without question, this modern and holistic approach will include sustained discretionary spending with ESG remaining a line item on the annual financial plan. Company leaders should budget the required human and financial resources to face our global ESG predicaments head-on — with grit and zeal — continuously. There is no one-and-done. This is a long-term commitment; an annual expenditure we should get comfortable with if we genuinely intend to effect real change within and across our borders.

With significant concerns of the changing climate, increased conflict, rising inflation subsequently escalating the cost of living, and the looming threat of another recession in less than two decades, this has become a critical intersection for leaders. Those with vision and an unyielding focus on the future will likely seek and embrace business opportunities for long-term value creation in a purpose-led, sustainable, low-carbon economy.

We have tools. We have knowledge and awareness. We have responsibility. Let's commit.



John McCalla Leacy
Head of Global ESG
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KPMG in the UK

Glossary

CSRD:

Corporate Sustainability Reporting Directive

ESG:

Environmental, social and governance

EU:

European Union

G250:

World's 250 largest companies by revenue based on the 2021 Fortune 500 ranking

GRI:

Global Reporting Initiative

IPCC:

Intergovernmental Panel on Climate Change

ISSB:

International Sustainability Standards Board

N100:

Worldwide sample of the top 100 companies by revenue in 58 countries, territories and jurisdictions

SASB:

Sustainability Accounting Standards Board

SDG:

United Nations Sustainable Development Goals

TCFD:

Task Force on Climate-related Financial Disclosures

TMT:

Technology, media and telecommunications

TNFD:

Taskforce on Nature-related Financial Disclosures

USSEC:

United States Securities and Exchange Commission

Big shifts, small steps

The survey's title 'Big shifts, small steps' acknowledges the many ways in which the world has changed over the past 2 years. Regulators and non-profit standard-setters around the world have taken significant action around non-financial disclosure during this period, as shown below. More importantly, corporations are evolving in real time with shifting priorities in the world around them. Events like the IPPC 'Code Red for Humanity' report, the COVID-19 pandemic, the Black Lives Matter movement, and the Russian government's invasion of Ukraine have drawn strong reactions from the public, but now the public expects corporations to react to such events as well.

Over the past 3 decades, our surveys have shown that sustainability reporting has become an accepted part of disclosure and transparency for many large companies, with a continued uptake of sustainability reporting globally and increasing integration into mainstream financial reporting. With this increased transparency comes greater accountability for action around reducing carbon emissions, halting biodiversity loss, and tackling societal inequality. Yet, this work is challenging and growth in reporting has slowed as companies focus inward, assessing the investment necessary to mitigate their risks and take advantage of the opportunities that have come to light.



Note: This timeline is intended to provide a sample of developments in non-financial disclosure and is not intended to be provide a complete or comprehensive view.

What can you do?

The world is facing complex climate, social and geopolitical issues and addressing ESG priorities is more important than ever.

As we publish this edition, the looming threat of a recession is raising concerns that ESG issues may be put on the back burner in favor of financial survival. But the world has changed since the last recession and ESG provides insights into the long-term sustainability of a business. The COVID-19 pandemic placed a spotlight on the need for business resiliency and disclosure is necessary to communicate how you are prepared for the future. The findings in this report provide a roadmap to the following key trends you should know as you plan your approach to ESG reporting. We have seen much progress over the past few years in climate-related reporting — the E in ESG — but this now needs to translate to social and governance. Companies continue to find it challenging to strike a balance in sustainability reporting, with a continued slant towards positive reporting and qualitative descriptions of impact and limited insight into the impact of the environment and society on the business itself. Companies must find a way to address both their positive and negative impacts.

Uncertainty has become the new normal for businesses and our advice to business leaders is to prepare now on sustainability reporting as change is coming at a rapid pace.

In light of the trends highlighted in this survey, here are some tangible ways businesses can begin to navigate the sustainability reporting landscape:

- **Understand stakeholder expectations using stakeholder materiality assessments to inform your business strategy and prioritize your focus.**
- **Determine strategic imperatives against key ESG topics and define key metrics, considering impending regulations.**
- **Establish a cross-functional governance structure to collect, report and approve sustainability and ESG information.**
- **Consider investing in quality non-financial data management, including documenting process and testing controls over the information, or system implementation.**

Each company's sustainability reporting journey will be unique. Whether you report on climate-risk or biodiversity, align with the SDGs or SASB, or choose to report on 10 or 100 metrics, a successful program will comply with mandatory reporting rules, accurately and reliably reflect the material impacts the company has on the environment and society, and effectively describe how the company integrates ESG risks and opportunities into its business strategy. As we continue to see big shifts, you can be confident that KPMG is ready to walk alongside you as you take your next steps.

About the lead authors



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John has more than 20 years of experience in senior and leadership roles at KPMG, and is a strong external advocate for the 'S' in ESG driving inclusion, diversity, and social equality outside of the firm. John is very experienced in leading rapid, complex change. He is a former senior leader within KPMG's Global Center of Excellence Mergers & Acquisitions team. To date, he has led both the overall and technology aspects of some of the largest multi-billion-dollar client mergers, acquisitions and divestments that KPMG has ever supported across multiple sectors and geographies.

John focuses on inspiring and driving rapid ESG-related change for KPMG firms and their clients.



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Jennifer works at the intersection of economics, finance and ESG. She has more than 20 years of experience helping clients with complex economic analyses, value and cost/benefit issues in multiple settings, including ESG strategy and business transformation, ESG measurement and impact analysis, and ESG reporting.

Jennifer helps clients with multiple stakeholders to develop and implement funding and costing methodologies and strategies, thereby bringing together elements of economics, statistical modeling, cost accounting, and game theory.



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Richard is Global Head of Infrastructure, Government and Healthcare. He has almost 30 years of experience in policy, governance, strategy and financing, advising both public and private sector clients in the UK and overseas.

Richard has an extensive network of contacts across the infrastructure, transport, utility and construction markets and the related political, financial and legal communities, in the UK and internationally. He has a long-standing reputation for leading clients through complex and politically high-profile transactions and providing strategic, financial and governance advice.

Richard is Chair of the International Coalition for Sustainable Infrastructure, and KPMG's representative on the World Business Council for Sustainable Development.

Executive summary

96%



of G250 companies report on sustainability or ESG matters

64%



of the G250 acknowledge climate change as a risk to their business

Less than half of companies report on



biodiversity loss

GRI, TCFD and SDGs

form the most commonly used anchors for sustainability reporting

TCFD adoption nearly doubled in 2 years, going from

37% to 61%

among the G250



49%



of the G250 acknowledge social elements as a risk to their business, with Western Europe as the leading region

71%

of N100 companies identify material ESG topics



Fewer than half of G250 companies have leadership level representation for

sustainability

The 2022 survey findings indicate five major trends in sustainability reporting:

1. Sustainability reporting grows incrementally with movement towards the use of standards framed by stakeholder materiality assessments

The rates of sustainability reporting among the world's leading 250 companies are at an impressive 96 percent. Reporting rates are expected to grow as new regulation on non-financial reporting is introduced.

While there is still a need for global consistency in ESG reporting, existing standards have increased in usage. The GRI remains the most dominant standard used around the world, though some regions have a clear preference for SASB or local stock exchange guidelines.

For the first time, the survey looked at how many companies carry out materiality assessments, finding that around three-quarters across both the N100 and G250 use materiality assessments.

2. Increased reporting on climate-related risks and carbon reduction targets, in line with TCFD

The survey found that nearly three-quarters of companies report their carbon targets, although 20 percent do not disclose any link to an external target (such as a 1.5°C scenario).

The number of companies reporting against TCFD has nearly doubled, leading to more consistent and comparable climate disclosure.

3. Growing awareness of biodiversity risk

2022 is a pivotal year for nature and biodiversity with international efforts stepping up to halt biodiversity loss. Despite growing awareness of biodiversity loss as a critical issue, less than half of companies recognize this loss as a risk to the business. On the positive side, most sectors now acknowledge this risk, even many of those that can be considered low risk. The launch of the TNFD and CSRD frameworks are expected to drive up reporting in the immediate years.

4. UN SDG reporting prioritizes quantity over quality

The majority of companies report on SDGs, with 10 percent of companies reporting against all 17 SDGs. Three SDGs remain the most popular for companies: 8: Decent Work and Economic Growth; 12: Responsible Consumption and Production; and 13: Climate Action.

5. Climate risk reporting leads, followed by social and governance risks

Since 2017, there has been a marked improvement in the number of companies that acknowledge climate change as a risk to their business. However, less than half of companies report on social and governance risks to their business. In general, the description of

these risks are overwhelmingly narrative-driven and do not quantify the financial impact of these risks on companies or on society.

Sustainability continues to become a priority for company leadership but there is room for improvement. Only one-third of companies in the N100 have a dedicated member of their board or leadership team responsible for sustainability matters. Compensation conditions related to sustainability outcomes for leadership teams are prevalent for only 40 percent of G250 companies.

Research samples: G250 and N100

Our 2022 report is based on data from two different research samples: the G250 and the N100.

The G250 refers to the world's 250 largest companies by revenue based on the *2021 Fortune 500* ranking. Large global companies tend to lead in sustainability reporting and provide a useful gauge for broader trends that are eventually adopted more widely.

The N100 refers to a worldwide sample of the top 100 companies by revenue in 58 countries, territories and jurisdictions researched in this study. These N100 statistics provide a broad-based snapshot of sustainability reporting.

See page 73 for more details of these research samples and the research methodology.



The representation of Chinese companies in the G250 has grown from 61 companies to 74 companies. China now represents the largest contributor to the G250.

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