KPMG

Big shifts, small steps

Europe, Middle East and Africa edition: Survey of Sustainability Reporting 2022

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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
KPMG International and Partner
KPMG in the UK

Message from Europe, Middle East and Africa team

Adapting to a new era in ESG reporting

As companies everywhere embrace ESG, they are coming under increasing pressure to demonstrate how they are integrating sustainable business principles into their strategies and operations.

We can expect to see more and more regulations emerging, with global organizations increasingly obliged to report under multiple frameworks.

Europe has taken the lead in the shape of the Corporate Sustainability Reporting Directive (CSRD), potentially affecting approximately 50,000 businesses operating in the EU. The implications, however, extend beyond Europe to include EU subsidiaries of non-EU parents affecting at least 10,000 businesses, who will have to meet the final European Sustainability Reporting Standards (ESRS), which details what must be reported as part of the CSRD.

But this is just the start, with the US Securities and Exchange Commission's proposed climate rule also pending, and new requirements being introduced in many other countries.

According to the KPMG 2022 Global CEO Outlook, 69 percent of CEOs see significant stakeholder demand for increased transparency and reporting on ESG matters and 72 percent feel that stakeholder scrutiny regarding ESG issues — such as climate change and gender equality — will continue to accelerate.

Stepping up to the challenge

KPMG recently assessed the CSRD readiness of more than 300 companies across the world and found that many are falling short. An analysis of the top 250 Europe, Middle East and Africa mandates showed that only 11 percent of the required disclosures were available. These findings emphasize the scale of the task facing companies as they strive to adapt to reporting under the ESRS. The CSRD's double materiality assessment means affected organizations must disclose a large amount of information, both qualitative and quantitative.

The scope of reporting is extending beyond environmental and social topics to encompass the entire value chain. It's fair to say that even those companies who are more advanced on their ESG reporting journey may have to play a fast game of catch-up to satisfy the new requirements.

In many cases, companies' current environmental reporting is limited to climate-related aspects. However, they will soon have to report on a far wider range of environmental topics such as the circular economy, pollution, water and marine resources, biodiversity and resource use — where these are found to be material.

Social topics are also coming under the regulatory spotlight, with a growing need to report not just on their own workforce, but also on workers across the value chain, affected communities and consumers, and end-users. Mounting disclosures on business conduct policies include corruption and bribery prevention, supplier relationship management, lobbying activities and payment practices.

Both the range of indicators that companies need to report on, and the depth of information required, is expanding. But it's not just about meeting reporting requirements; companies should create an entire ESG reporting management and measurement system based upon materiality, establish policies and action plans for achieving compliant reporting, and set hundreds of achievable metrics and targets. Their reports should cover the business unit globally and be sufficiently robust to withstand an independent, external auditor's (limited) assurance opinion.

The clock is ticking

Effective ESG reporting will not happen overnight, and integrating ESG into corporate strategy and operations is a substantial change management exercise. Senior executives should waste no time in hastening their company's transition to a position where non-financial reporting holds the same importance as financial reporting — and be prepared to obtain assurance.

The International Sustainability Standards Board (ISSB™) has set a global baseline with its IFRS® Sustainability Disclosure Standards. And now that the ISSB's timelines are aligned with the EU, companies may also choose to voluntarily adopt IFRS Sustainability Disclosure Standards regardless of local requirements. Such dual compliance is especially relevant for larger, international companies reporting under multiple frameworks.

What steps can companies take?

An initial pre-assessment should involve a high-level overview to identify where the organization stands in relation to existing and upcoming requirements. An impact and readiness assessment can then give a more detailed understanding of reporting performance, uncovering any gaps and determining the key metrics to meet existing and future regulations. Finally, a readiness project plan should be created, with ESG targets and a cross-functional governance structure to collect, report and approve ESG data.

Meeting the objectives of the CSRD and other regulations can help avoid allegations of greenwashing and/or financial penalties and reputational damage. More importantly, the metrics and targets can play an important role in transitioning to a sustainable, low-carbon, people-friendly future, where companies that lead in ESG should be first in the queue for investment, more resilient to the impact of climate change, and more attractive to customers and prospective employees.

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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

US SEC:
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 IPCC '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.

March 2021

Sustainable Finance Disclosure Regulations (SFDR) go into effect for asset managers and financial advisers operating in the EU

April 2021

European Commission adopts the CSRD proposal, which will require large companies to report on social and environmental impacts starting in 2024

October 2021

GRI standards updated

November 2021

- IFRS® Foundation announces the formation of its global reporting standardization initiative through the ISSB
- UK Financial Conduct Authority releases Sustainability Disclosure Requirements discussion paper
- Hong Kong Stock Exchange publishes mandatory climate disclosure guidance

December 2021

- Singapore Stock Exchange issues mandatory disclosure recommendations on climate and board diversity
- The European Commission published the first delegated act on sustainable activities for the first two environmental objectives of the EU Taxonomy

February 2022

- The EU adopts a proposal for a Directive on Corporate Sustainability Due Diligence with rules for companies to respect human rights and the environment in their global value chains
- Targeted revisions issued for the CSRD proposal

March 2022

- US SEC announces climate disclosure proposal
- ISSB releases exposure draft for public commentary

June 2022

- China's voluntary Guidance for Enterprise ESG Disclosure takes effect
- Johannesburg Stock Exchange publishes guidance documents on voluntary sustainability and climate change disclosure
- Council of the EU and European Parliament reach agreement on CSRD

July 2022

The European Commission published Complementary Climate Delegation Act including specific nuclear and gas energy activities in the list of economic activities covered by EU taxonomy

November 2022

First set of draft EU sustainability reporting standards ESRS by EFRAG

June 2023

- The European Commission adopted Delegated act of economic activities substantially contributing to four environmental objectives
- The EU Commission issued first set of draft European Sustainability Reporting Standard (ESRS) for public commentary
- ISSB issued inaugural global sustainability disclosure standards IFRS S1 and IFRS S2

July 2023

EU Commission adopted the European Sustainability Reporting Standards (ESRS). This marks another step forward in the transition to a sustainable EU economy

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.

Europe, Middle East & Africa

Adopting with the region's ESG goals and initiatives

The development of sustainability reporting standards is currently being led by Europe, however African and Middle Eastern companies have also increased the ESG integration into their policies and business strategies. With the recent development in European Commission around CSRD and the release of latest ESRS standards which would become applicable from January 2024 onwards, approximately 50,000 companies are expected to be impacted by the requirement. CSRD will bring more transparency and reliability on the ESG data being reported by the European companies through upcoming mandatory limited assurance obligation.

Sustainability reporting boundaries may be extended in response to global standards

The global ESG reporting landscape is transforming, with corporate activity set to be highly scrutinized under new sustainability reporting standards. Other global standards such as International Sustainability Standards Board (ISSB) and certain regional standards such as the EU Taxonomy has increased the attention of companies to take serious measures around sustainability reporting. ISSB has set a global baseline of investor-focused sustainability reporting by publishing its IFRS® Sustainability Disclosure Standards that local jurisdictions can build on. The standards are effective from 1 January 2024, but it will be for individual jurisdictions to decide whether and when to adopt.

Progress made in Sustainability Reporting

There has been stark increase in the quality and availability of ESG data being reported across Europe. This is likely due to the influence and pressure from the stakeholders including investors, customers and regulators. The companies are required to conduct double materiality to better analyze and mitigate the risks and lower the negative impact of their operations on the society and environment. Though, the Middle eastern and African companies have shown increasing adoption and tracking of ESG data and reporting, but in comparison with global standards their reporting disclosures requires a lot more depth especially around ESG risk management, sustainability leadership representation, assurance, etc.

The future looks promising

With the changing customer preferences and investor focus on sustainable businesses, we expect increase in the quality and reliability of the ESG data in the near future. CSRD is expected to become a global benchmark for other countries to consider as the ESRS standards are the most extensive disclosure requirements so far which is fairly aligned with the global requirement of TCFD and is an investor focused framework. Given the wide coverage of ESRS standards, the organizations fulfilling such disclosure requirements could emerge as a benchmark in the world of corporate sustainability reporting in their respective sectors. It would not only bind large EMA region companies to strategize and integrate sustainability risk management as part of their corporate strategy but act as a leading standard for large organizations across the globe.

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.

Key global trends in sustainability reporting

Trends in sustainability reporting 17
Use of reporting standards 29
Use of materiality assessments 38
Assurance 42

Global sustainability reporting inches closer to 100 percent among the world's largest companies

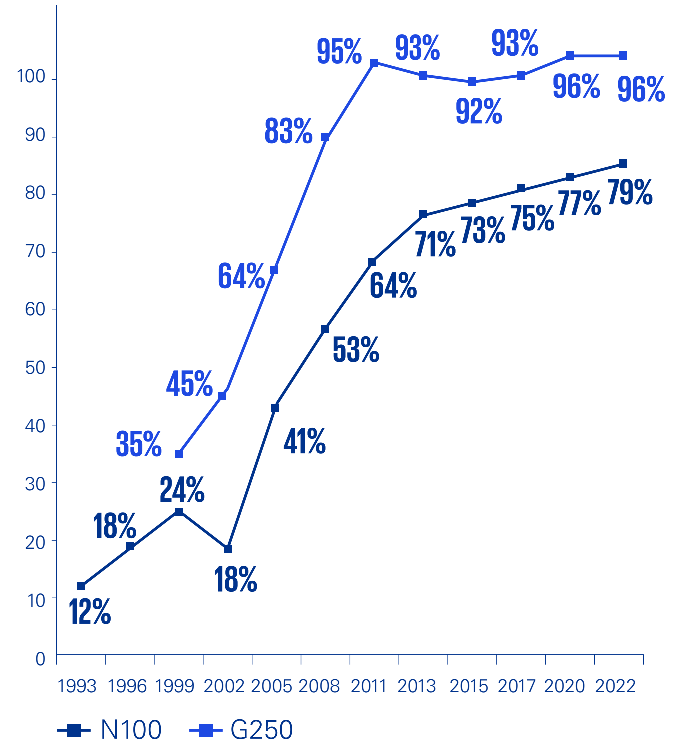
Sustainability reporting has become standard practice for many companies, with steady growth over the past decade. Our survey shows that the N100 companies have continued to steadily increase their reporting rates with each global survey. Ten years ago, 64 percent of the N100 companies reported. In 2022, 79 percent of these companies report.

Today, nearly all G250 companies report on sustainability. In 2022, the rate of reporting among the G250 remains at 96 percent, the same as 2020.

The only companies in the G250 that do not report on sustainability are in China; however, this is expected to change in the coming years. Reporting regulations were introduced in China from mid-2022, stipulating that listed Chinese companies must now disclose environmental and social information. The expectation is that the companies that have recently entered the G250 will report within the next 2 years.

For more than a decade, 90 percent or more of the G250 have reported on sustainability. The number of companies reporting since 2011 has fluctuated between 93 percent and 96 percent mainly due to the composition of companies in the G250.

Figure 1: Global sustainability reporting rates (1993–2022)



Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Regional N100 reporting rates continue to trend upwards in Asia Pacific and Europe

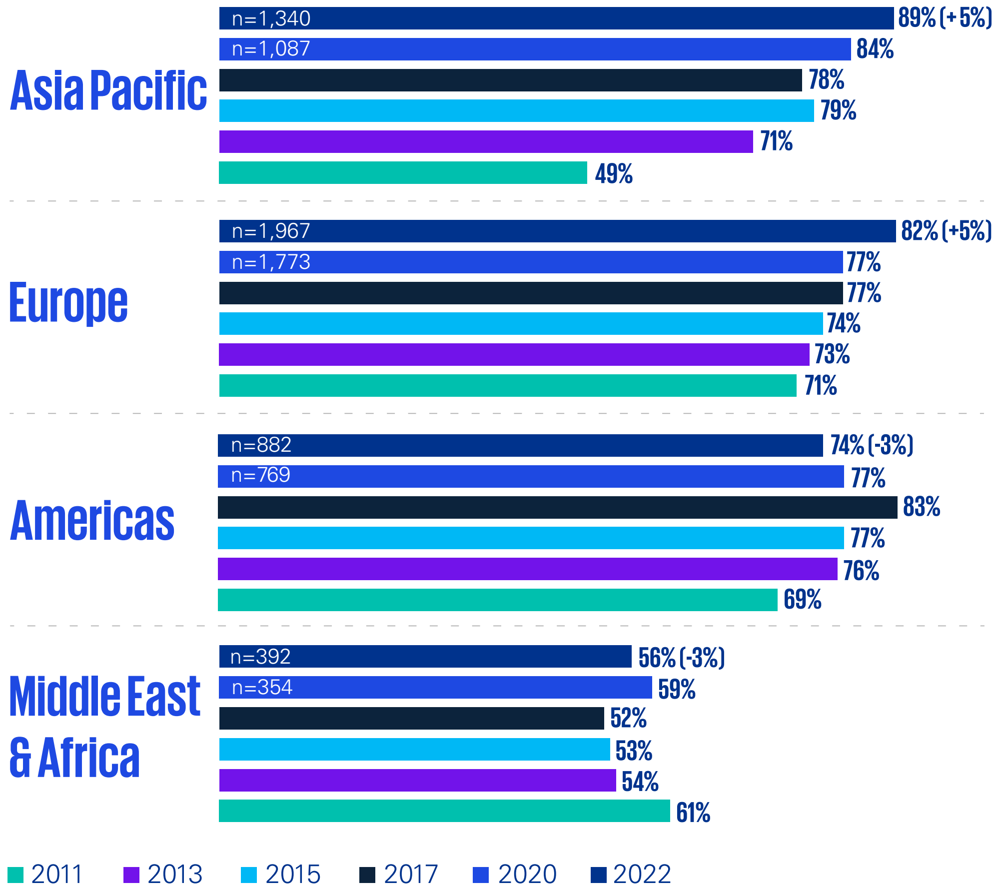
The Asia Pacific region leads in sustainability reporting among the N100, with 89 percent of its companies undertaking sustainability reporting. This is followed by Europe (82 percent), the Americas (74 percent) and the Middle East & Africa (56 percent).

Seven Asia Pacific countries, territories and jurisdictions have sustainability reporting rates higher than 90 percent: Japan (100 percent), Singapore (100 percent), Malaysia (99 percent), South Korea (99 percent), Thailand (97 percent), Taiwan (94 percent) and Pakistan (91 percent). New joiners — the Philippines and Vietnam — also have a high number of companies undertaking reporting (both at 87 percent).

Across Europe, we see an increase of 5 percentage points (from 77 percent in 2020 to 82 percent), likely influenced by pressure from regulators, investors and ESG analysts, and consumers. The pressure on companies to be more transparent is only expected to grow, with more regulatory activities, such as the CSRD, on the horizon.

As a whole, the Americas dipped 3 percent since 2020, to 74 percent. Specifically, the reporting rate in Latin America has declined steadily since 2017, dropping by 12 percent over the past 5 years (see following page); this is driven largely by the inclusion of new countries with lower reporting rates in the survey data. Likewise, we see a small decline in reporting across the data sample from the Middle East & Africa, from 59 percent in 2020 to 56 percent in 2022. North America remains the strongest reporter regionally with reporting rates among companies at 97 percent (see following page).

Figure 2: Regional sustainability reporting rates (2011–2022)



Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 3: Regional sustainability reporting rates (2017–2022)

The percentage of N100 companies that report on sustainability or ESG

North America

2017	2020	2022
88%	95%	97%

Base: 200 N100 companies

Latin America

2017	2020	2022
81%	72%	69%

Base: 1,000 N100 companies

Western Europe

2017	2020	2022
82%	83%	85%

Base: 1,800 N100 companies

Eastern Europe

2017	2020	2022
65%	74%	72%

Base: 600 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 4: Countries, territories and jurisdictions with sustainability reporting rates higher than 90 percent (2022)

Significant growth seen in: +39% Iceland, +22% UAE, +21% South Korea

	2020	2022
Canada	92%	94%
Finland	90%	94%
France	97%	95%
Germany	92%	100%
Iceland	52%	91%
Ireland	88%	95%
Italy	86%	94%
Japan	100%	100%
Malaysia	99%	99%
Norway	77%	91%
Pakistan	90%	91%
Singapore	81%	100%
South Africa	96%	96%
South Korea	78%	99%
Spain	98%	95%
Sweden	98%	98%
Taiwan	93%	94%
Thailand	84%	97%
UK	94%	99%
US	98%	100%

Significant decline seen in: -16% Mexico, -16% Argentina, -12% Turkey

Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

The view from:

Estonia : 90% reporting on carbon targets

In 2021, the Estonian Accounting Act was made applicable on large Estonian companies to implement the EU's NFRD. The enforcement of the directive legally binds the large companies to start reporting on their non-financial performance along with the annual reports from 2022. The companies are obliged to report on the significant environmental and social impacts resulting from its activities.

The pressure from investors and employees has made companies realize the importance of transparency and robust ESG reporting. The most popular sustainability reporting standard is GRI although many companies have voluntarily taken up carbon targets and seen taking proactive steps towards net-zero operations. The sustainability disclosure obligations for certain financial advisors and market participants were laid down by The Sustainable Finance Disclosure Regulation (SFDR). The Estonian Financial Supervision and Resolution Authority (FSA) supervises the SFDR compliance to boost enhanced transparency and avoid potential cases of green washing.

While there has been an improvement in the implementation of NFRD guidelines, many companies still lack the resources, awareness, and technical know-how. It is expected that more companies will become mature in the coming years with their ESG reporting and implementation of the ESG best practices into their businesses and supply chains.

Iceland : +39% growth in reporting

The awareness of the importance of sustainability reporting is increasing in Iceland, as reflected by the growth in sustainability reporting from 2020 to 2022.

The increase is mostly due to the 2020 amendments in the *Act on annual accounts*. Consequently, a larger number of companies were obliged to disclose sustainability information in their annual financial accounts, including companies related to infrastructure. Increased pressure from investors and other stakeholders have also led to an uptake in reporting.

These statistics show that Icelandic companies have reached high levels of disclosure maturity. However, companies must now take the steps to manage their sustainability performance, integrate sustainability across operations, and take actions to meet their stated goals.

Ireland : 95% sustainability reporting in 2022

Ireland is among the top 20 countries for N100 companies with sustainability reporting rate of more than 90 percent in 2022 and has also shown greatest growth in carbon target reporting which is 92 percent. With a new corporate reporting landscape forming due to CSRD, Irish businesses will have to align with mandatory and regulated sustainability reporting as soon as 2024.

The CSRD represents a profound shift in the nature of corporate reporting for Irish business and will require entities to engage early on their planning and preparation, particularly given the assurance requirements.

In addition, the Climate Action Plan (CAP) 2023 provides Ireland with a broad platform for serious climate action. It introduces legal requirements relating to carbon budgets and sectoral emissions ceilings. As such, there is substantial work to be done by many Irish companies to prepare for the CSRD and broader sustainability reporting related regulatory requirements. Businesses should also capitalize on the opportunity to grow enterprise value through integrating sustainability into their broader strategy and business model.

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The view from:

The Netherlands: EMA reporting of carbon targets 2022 — 83%, SDG reporting 82 percent (positive and negative reporting)

In the Netherlands, 83 percent of N100 companies had reported their carbon targets, 68 percent reported on environmental risks in 2022 and it is among the top 10 countries by N100 companies reporting in line with TCFD and seeking assurance on sustainability reporting. The country has been maintaining a good record of materiality reporting for their AEX index companies considering the positive and negative impacts caused by those companies that are linked to its own operations.

The country has shown consistent efforts by working on all 17 SDGs since 2015 under which a few goals are given a primary focus including emissions reduction, renewable energy production, circular economy on which the Dutch government tracks the SDG progress annually.

UAE: 22% growth in sustainability reporting in 2 years period

UAE has seen a significant growth rate of 22 percent in sustainability reporting for N100 companies since 2020. The Ministry of Climate Change and Environment (MOCCAE) is in coordination to execute the "UAE Net Zero by 2050" strategic initiative aligned with the Paris Agreement making the Emirates the first Middle East and North Africa (MENA) nation to achieve this goal.

The UAE Securities and Commodities Authority (SCA) now requires public joint stock companies (PJSCs) listed on the Abu Dhabi Securities Exchange (ADX) and the Dubai Financial Market (DFM) to publish a sustainability report. The standard setting bodies are seeking to accelerate and promote the concept of double materiality reporting which is expected to bring a certain level of consistency over the coming years. Having set a net zero target and COP28 (Abu Dhabi 2023) being held within the region, a competitive regulatory framework is expected to be set which will help align the Emirates with the international market to an extent. UAE is working on its long back created "UAE Green Agenda Program (2015-2030) that includes but not limited to National Green Innovation and Diversification Program, green infrastructure, green jobs to the people, clean energy, and climate action.

Asia Pacific region continues to dominate in presenting sustainability data in annual reports

With 60 percent of companies reporting in 2022, the number of N100 companies including sustainability information in their annual reports has stabilized since 2017.

Among the G250, however, we see a decrease of 8 percentage points since 2020 to 68 percent.

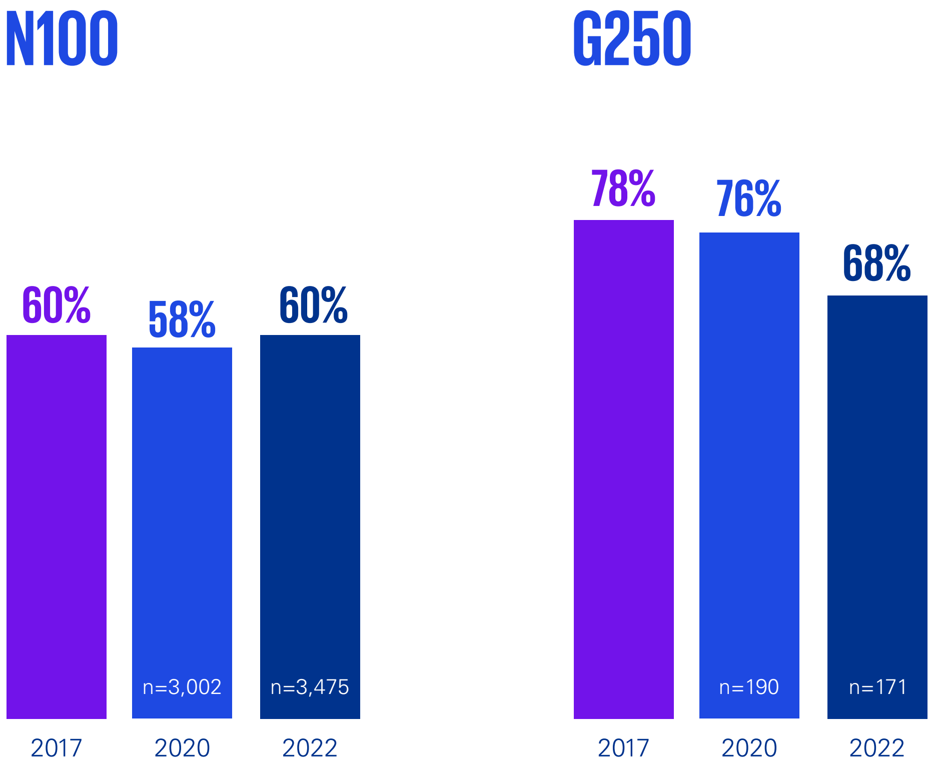
As seen on the next page, among the N100, the Asia Pacific region has a particularly strong presence with 6 of the top 10 countries, territories and jurisdictions coming from this region.

Greatest growth since 2020:

+39% Iceland

+26% South Korea

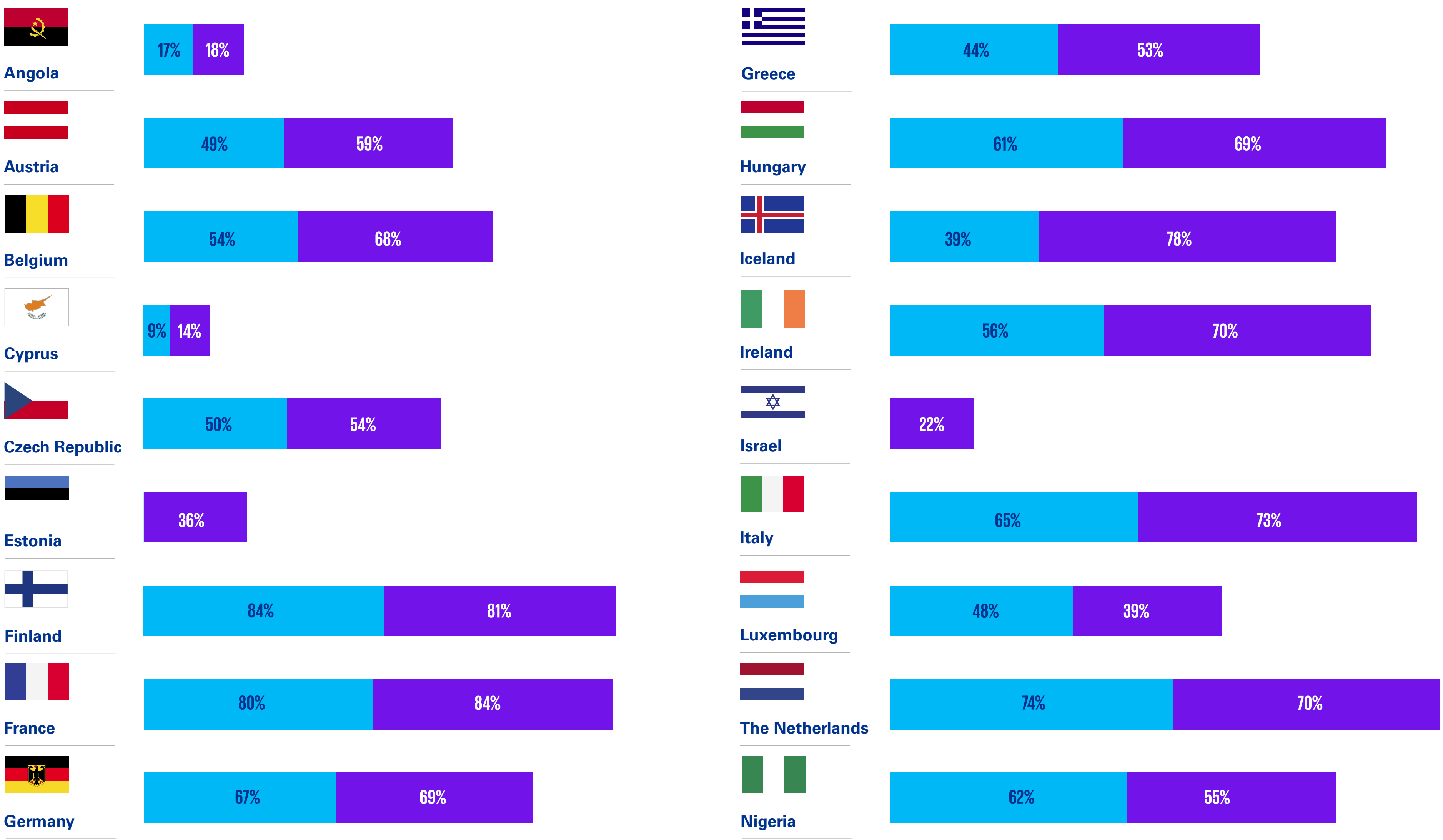
Figure 5: Sustainability information in annual financial reports (2017–2022)

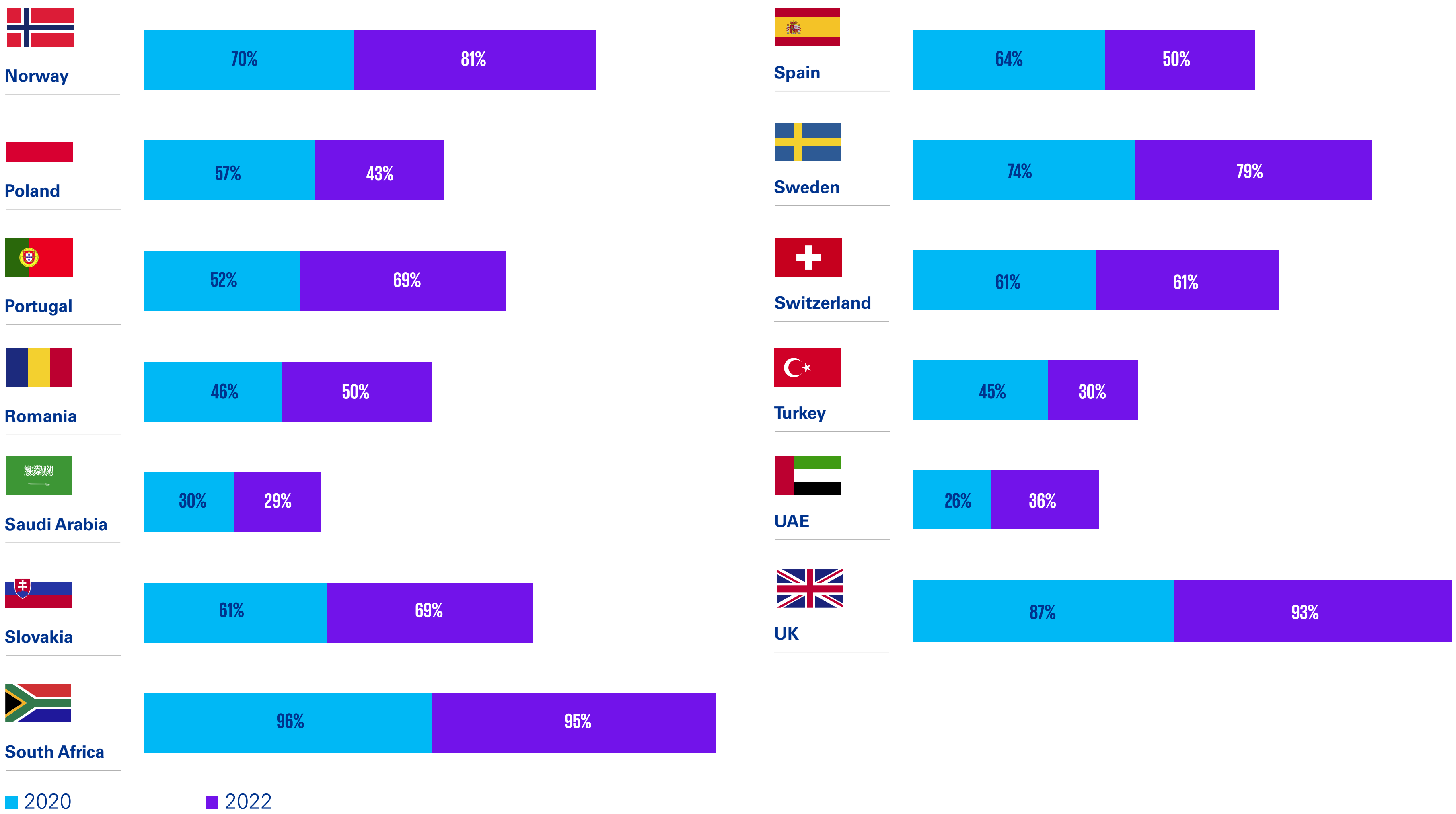


Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 5A: EMA rates of sustainability information in annual financial reports (2020–2022)

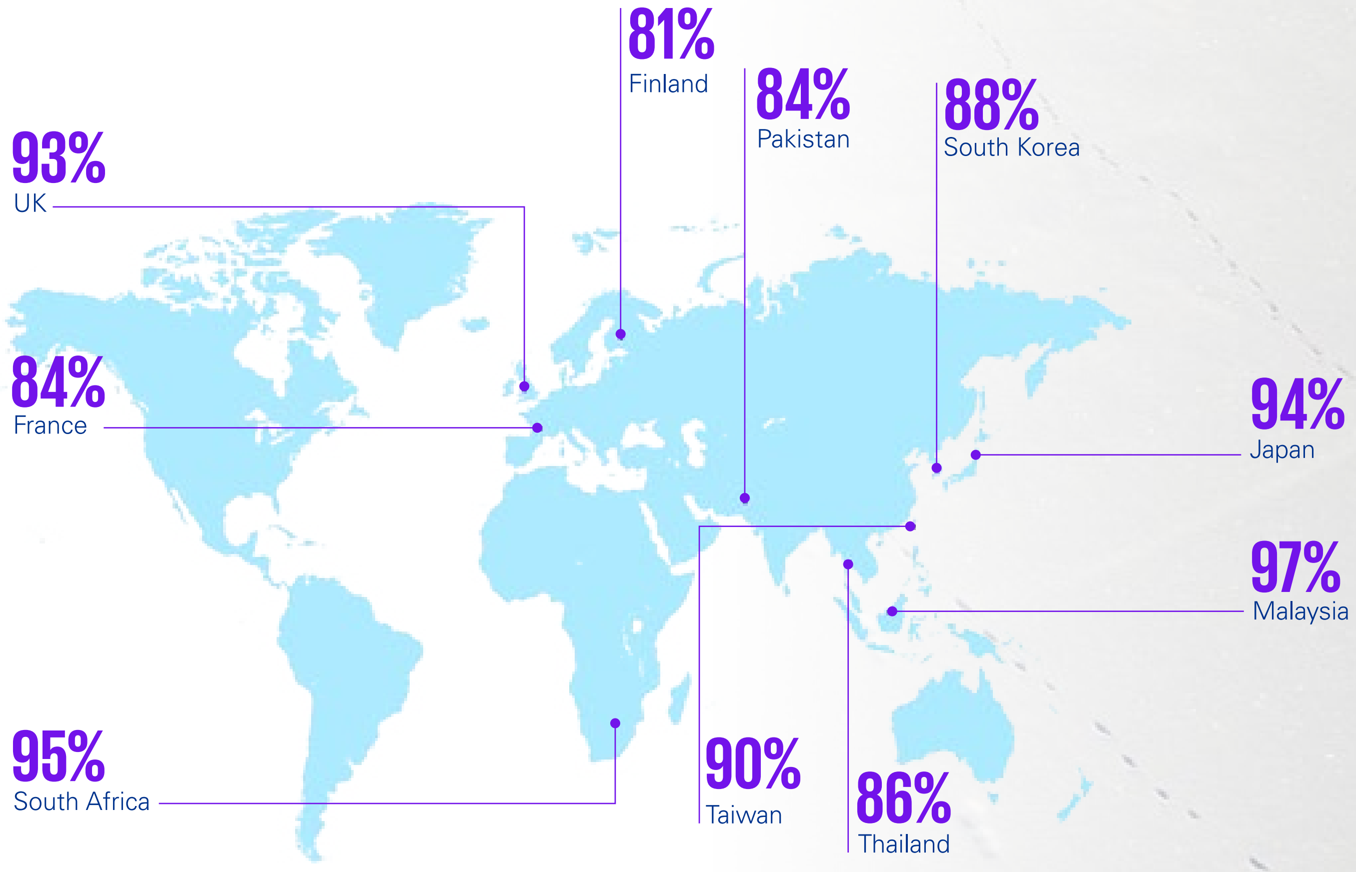




Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

Figure 6: Top 10 countries, territories and jurisdictions by percentage of N100 companies including sustainability information in annual financial reports (2022)



Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Integrated reporting strong in Middle East and Asia Pacific

Integrated reporting — that is, a report that combines both financial and non-financial data in a single annual report — has taken hold among the N100. In 2022, KPMG professionals assessed whether companies specifically state whether they follow the International Integrated Reporting Framework or its associated guidance.

The Middle East leads the N100 at 55 percent and with a 12 percent growth in integrated reporting since 2020. The Asia Pacific region is at 30 percent (a growth of 5 percentage points from 2020), and we see notable growth in Latin America where the rate of integrated reporting increased by 12 percent (to 28 percent of companies). This strengthening of integrated reporting may by driven by a combination of regulation and investor influence to encourage greater transparency of non-financial data.

Increase in applying the Integrated Reporting Framework:

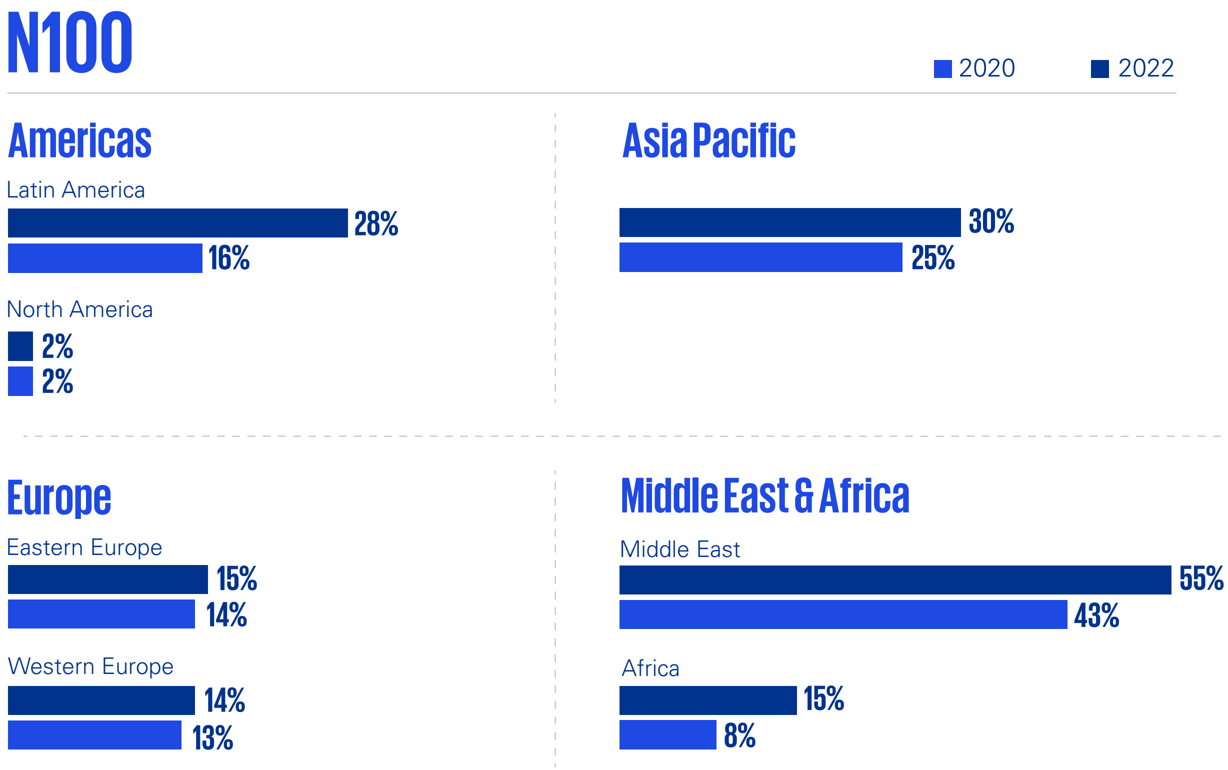
+34% India

+18% Panama

+20% Poland

+17% Japan

Figure 7: Integrated reporting rates (2020–2022)



Base: 4,581 N100 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

We anticipate an increase in the use of integrated reporting in coming years as non-financial disclosures become mandated. However, the requirements of the International Integrated Reporting Framework are likely to get incorporated into regional and domestic regulations.

In recent years, companies have witnessed a tightening focus on environmental, social and other non-financial factors that are critical for their long-term viability and success. Reinforced by increasing stakeholder demands for consistent and comparable data, there is now a movement toward more harmonized non-financial reporting based on common metrics.

In this context, the World Economic Forum, in collaboration with KPMG, developed a set of baseline environmental, social and governance metrics to bring greater comparability to non-financial reporting and accelerate convergence among leading standard setters. Two years on, the progress is encouraging. One hundred and eighty-three global businesses, with a combined market capitalization of over US$6.5 trillion, are adopting the metrics, and the recently established International Sustainability Standards Board is making great strides in moving toward a global baseline for consistent and comparable non-financial reporting standards.

We are particularly pleased that KPMG's survey confirms the incrementally increasing uptake in non-financial reporting.

Professor Klaus Schwab
Founder and Executive Chairman of the World Economic Forum

Widespread use of reporting standards

While sustainability reporting in 2022 continues to anchor around voluntary frameworks such as the GRI and SASB standards, we expect this to change in the coming years. Regional and domestic reporting regulations are evolving fast and companies should be preparing for mandatory reporting.

The GRI remains the most dominant standard used around the world. Singapore, Taiwan and Chile lead the uptake of this reporting standard.

The data also indicates a greater adoption of country stock exchange guidelines where GRI or SASB usage is lower. Leading adopters of stock exchange guidelines are South Africa, Malaysia and India.

The SASB standard is the leading reporting standard among companies in the US, Canada and Brazil.

The diverse range of reporting standards currently used around the world makes comparison across companies and markets challenging. As the world attempts to collectively address issues such as climate change and inequality, it is increasingly important that we all speak the same way about sustainability. Fortunately, alignment is in progress, driven by initiatives such as the ISSB and CSRD.

Figure 8: Top 10 countries, territories and jurisdictions by percentage of N100 companies reporting against GRI standards, stock exchange guidelines, and SASB standards (2022)

GRI		Stock exchange		SASB	
Singapore 100%	Italy 90%	South Africa 100%	Thailand 61%	USA 75%	Chile 58%
Taiwan 99%	Austria 89%	Malaysia 95%	China 61%	Canada 72%	Uruguay 56%
Chile 96%	Finland 87%	India 89%	UAE 47%	Brazil 64%	Hungary 56%
Brazil 93%	Japan 87%	Singapore 85%	Mexico 46%	Mexico 63%	Argentina 55%
Spain 93%	Argentina 88%	Taiwan 82%	Kazakhstan 45%	UK 59%	Taiwan 52%

Base: 4,581 N100 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

GRI: first, and foremost

GRI remains the most commonly used reporting standard globally with increased adoption across both the N100 and G250. It has longevity and reputation on its side: since 1997, GRI has remained the incumbent standard for non-financial reporting.

Today, more than two-thirds of the N100 use the GRI (68 percent) — although this is only a slight increase of 1 percentage point from 2020. The corresponding figure for the G250 is 78 percent — an increase of 5 percentage points in the past 2 years.

As shown on the following page, while high overall, there is some regional variability in the uptake of GRI, with 75 percent uptake in the Americas, 68 percent in both the Asia Pacific region and Europe, and 62 percent in the Middle East & Africa region.

Greatest growth since 2020:

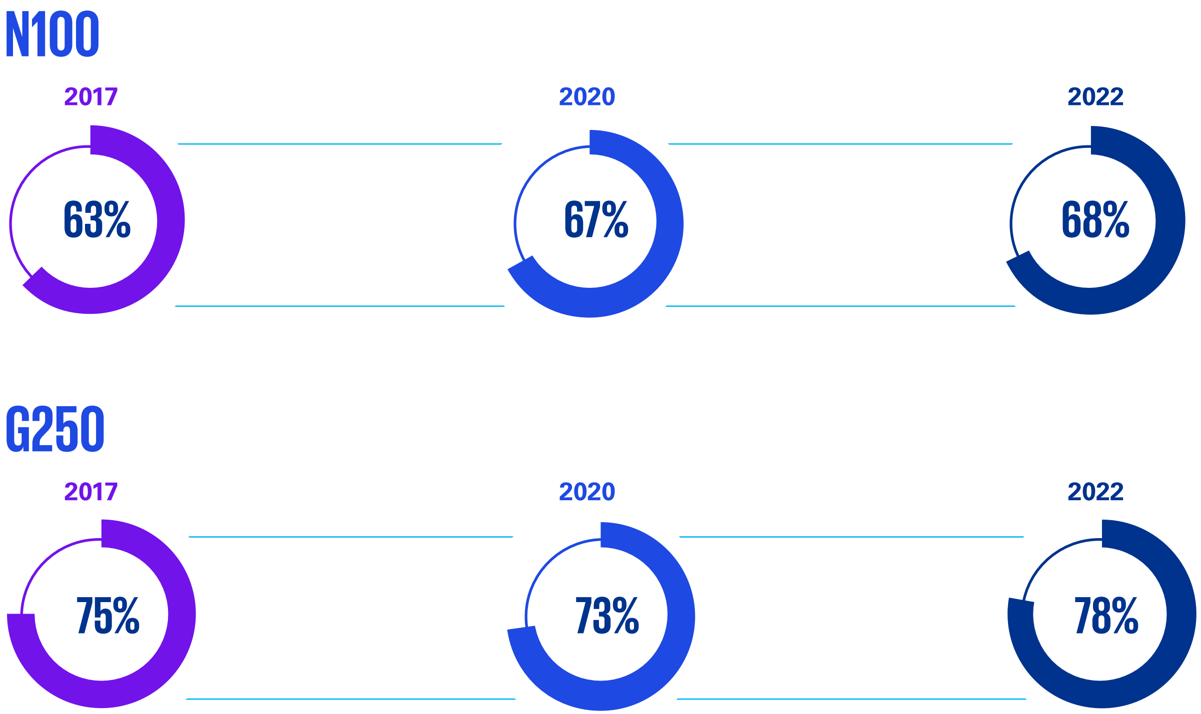
+29% Saudi Arabia

+20% Argentina

+21% United Arab Emirates

+20% India

Figure 9: Global GRI reporting rates (2017–2022)

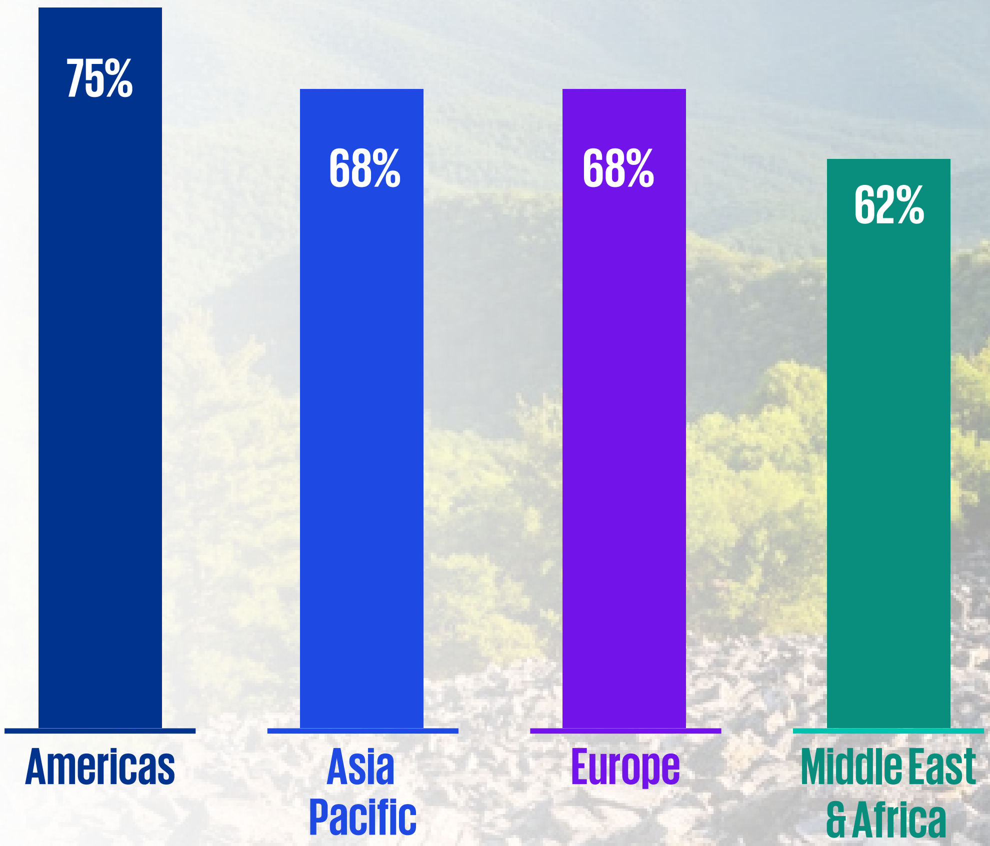


Base: 4,581 N100 and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 10: Regional GRI reporting rates (2022)

N100



Base: 4,581 N100 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

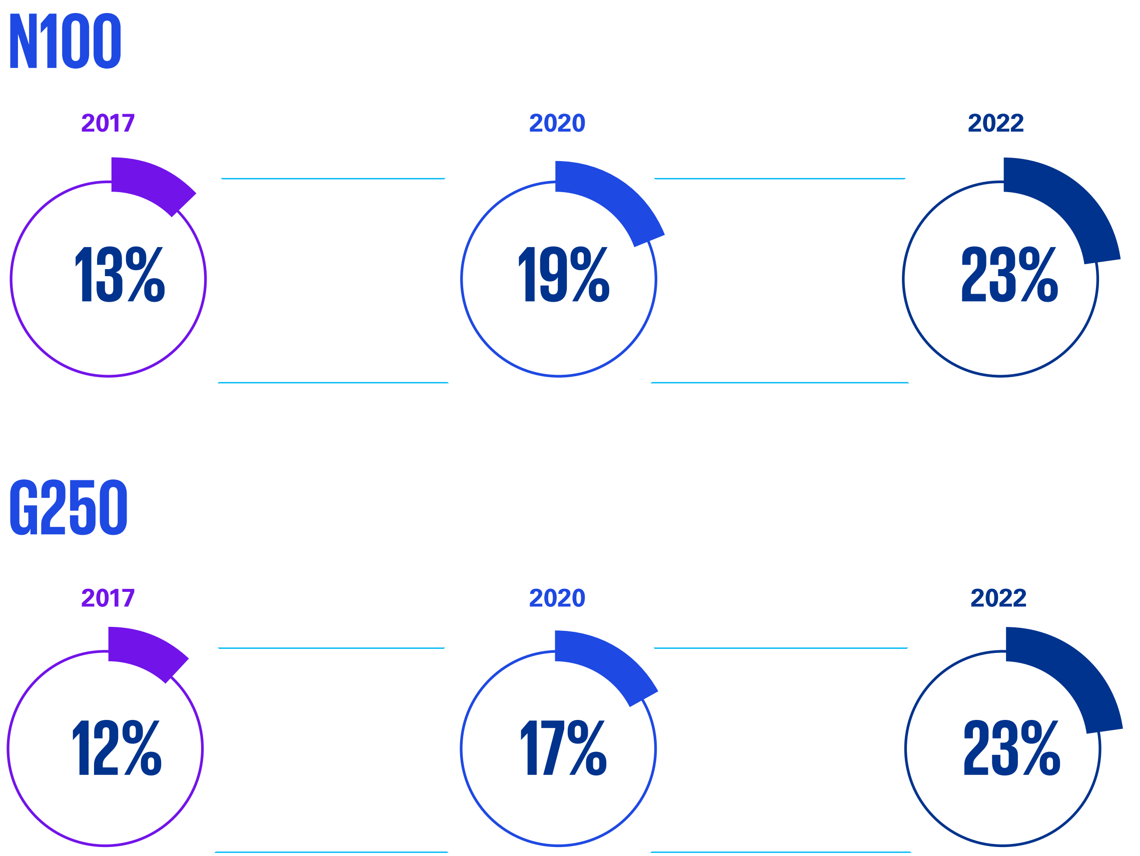
Stock exchange guidelines popular — and growing — across Asia Pacific, Middle East & Africa

Nearly one-quarter of both the N100 and G250 use their domestic stock exchange guidelines or standards. Adherence is particularly high among the N100 in the Middle East & Africa region (48 percent) and the Asia Pacific region (40 percent). The trend since 2017 shows that stock exchange guidelines or standards seem to be adopted as an alternative to GRI or SASB in particular regions.

All South African companies in the survey use the Johannesburg Stock Exchange 'Sustainability and Climate Disclosure Guidance', although reporting against it is not yet mandatory (the guidelines were finalized in mid-2022). Asia Pacific countries, territories and jurisdictions are among the top 5 adopters, globally: Malaysia (95 percent), India (89 percent), Singapore (85 percent) and Taiwan (82 percent) and all report against their respective stock exchange guidelines.

China stands out as the leader among the G250 with a reporting rate of 64 percent using stock exchange guidelines. While many of the remaining G250 countries do not currently have any local requirements, this is expected to change quickly: Japan's Stock Exchange published a document to support ESG disclosure in 2022, while the US SEC released proposals for consistent climate change disclosure this year, which will apply for all stock exchanges within the US.

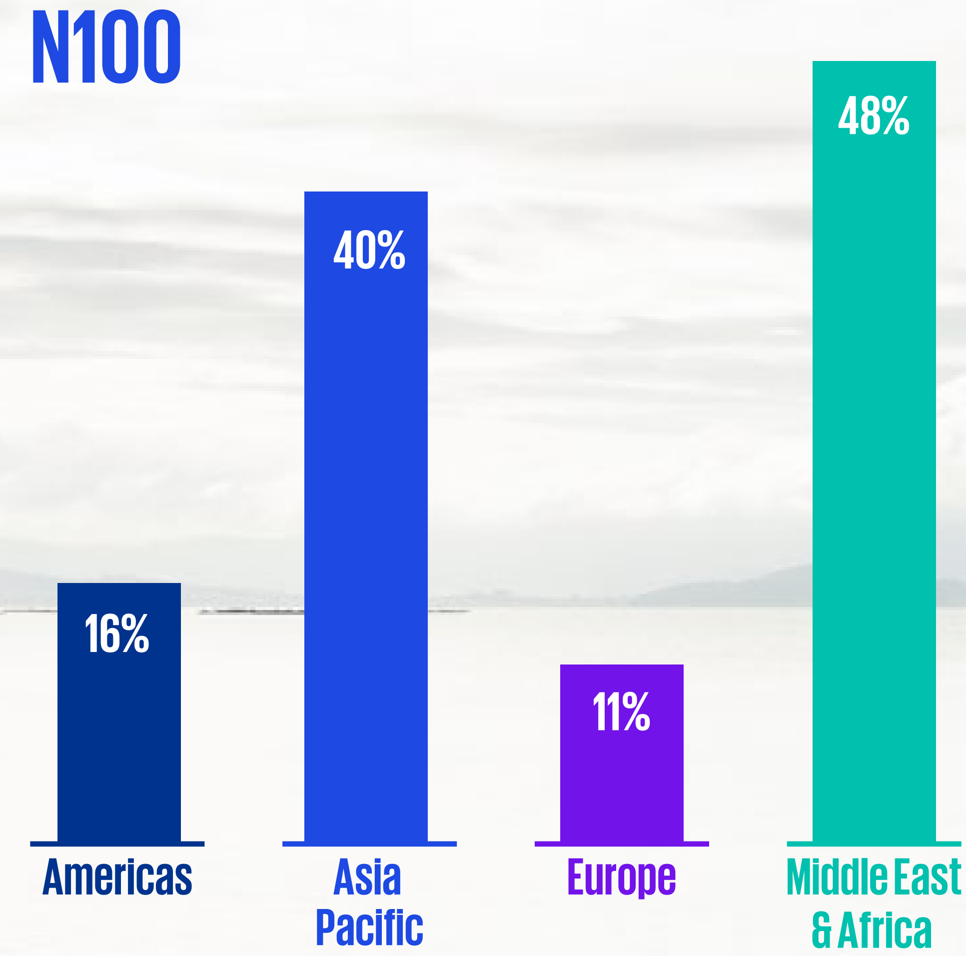
Figure 11: Global reporting rates on stock exchange guidelines (2017–2022)



Base: 4,581 N100 and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 12: Regional reporting rates on stock exchange guidelines (2022)



Base: 4,581 N100 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

The view from:

Finland: 87% companies reporting on GRI

Although there is no specific statutory requirement for ESG reporting apart from the EU regulations pertaining to sustainable finance, taxonomy regulation and NFRD, the vast majority of large Finnish companies disclose their ESG performance annually. This is predominantly driven by the expectations of the institutional investors, such as large pension insurance companies and established asset managers. The Finnish investment market has seen a continuous increase in approaches to responsible investing lately by integration of ESG into the investment decisions.

In 2022, 81 percent of N100 Finnish companies were found to be including sustainability information in annual financial reports with many companies applying the TCFD framework. While waiting for the CSRD to enter into force from 2024, there has been a gradual increase in the adoption of GRI standards as more companies are putting an effort to meet the changing expectations and investor expectations. Companies are also expected to incorporate ESG materiality into their risk management framework and set internal carbon targets.

The Finnish Corporate Governance Code 2020 is a collection of recommendations on good corporate governance for listed companies. It increases the transparency of corporate governance and the ability of shareholders and investors to evaluate the practices applied by companies. Going forward, the focus of companies is to take steps towards incorporating ESG into their overall business strategy, consider sustainability leadership or board representation, preparing for CSRD reporting and focus on conducting assurance of sustainability disclosures.

Italy: 90% of N100 companies reporting on GRI standards

There has been an uptrend in ESG reporting by companies as the Italian government approved the National Transition Plan (Piano per la Transizione Ecologica) in 2022. In line with the objectives and actions of the European Green Deal, and National Strategy for Circular Economy (Strategia per l'Economia Circolare), the plan aims to foster the transition of the industrial sector to net zero, by setting out key policy actions and strategy related to a circular economy.

GRI remains one of the most dominant standards used by Italian companies when reporting on their ESG performance. There has been an increase in the quality and number of companies seeking assurance for their sustainability reports based on the GRI guidelines. Many companies have introduced the ESG function into the company to assess and redesign the strategies from a sustainability perspective.

Furthermore, in alignment with the GRI standards, Italian companies are also focusing on material topics to better assess the risks and opportunities associated with the changing market trends and customer demands. In 2022, around 76 percent of the N100 companies identified material topics using the 'impact on the company and its stakeholders' concepts.

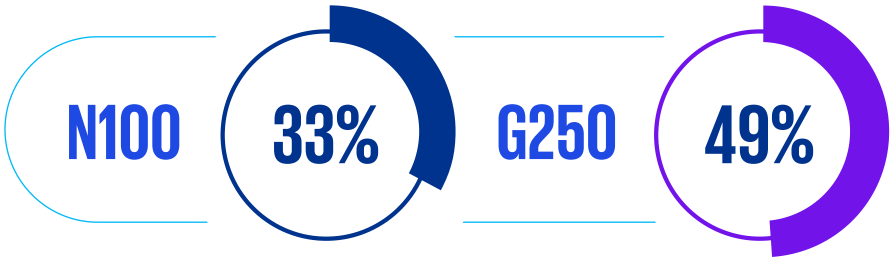
SASB gaining traction beyond the Americas

About SASB

The SASB standards were developed in 2011 to guide companies on investor-focused sustainability disclosure. In 2022, SASB was consolidated into the IFRS Foundation with the ambition to become the global standard-setter for sustainability disclosures for financial markets.

Currently, one-third of N100 companies and nearly half of the G250 report against SASB. Over half of companies in the Americas report against the SASB standards, primarily driven by companies in the US and Canada. There is increasing uptake of the standards outside of the Americas, with 35 percent adoption among Europe's N100. But they are less popular in other regions, with only 23 percent of the N100 in the Asia Pacific region and 18 percent of the N100 in the Middle East and Africa using SASB.

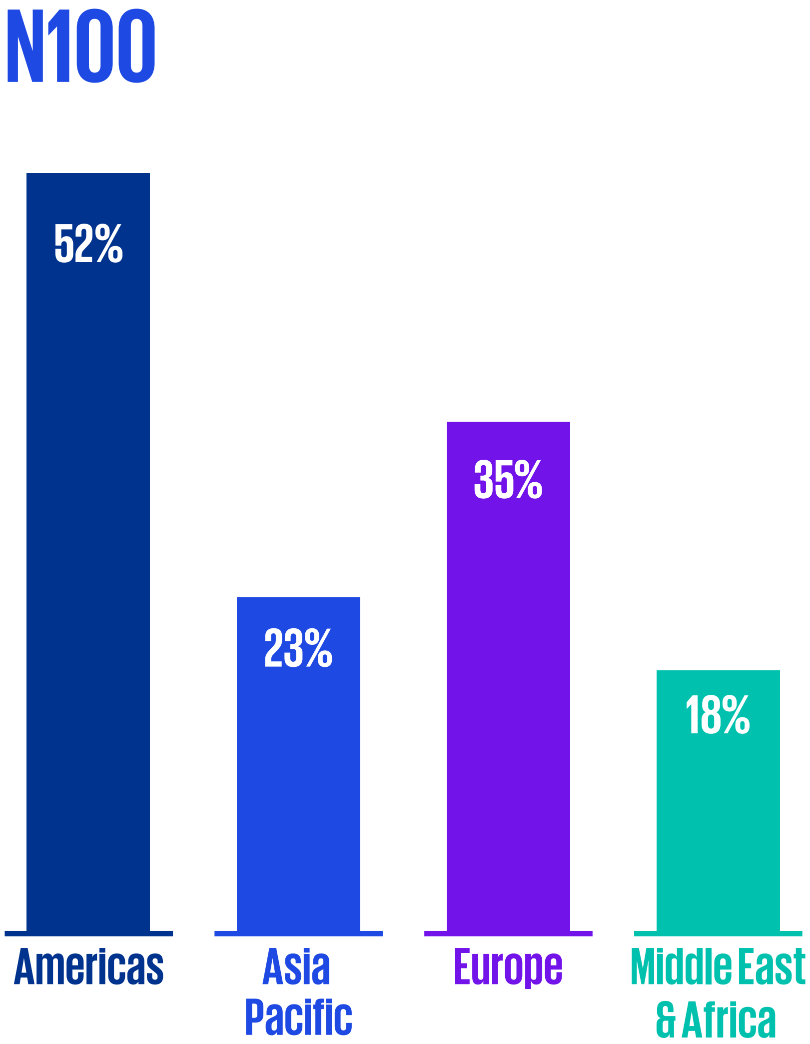
Figure 13: Global SASB reporting rates



Base: 4,581 N100 companies and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 14: Regional SASB reporting rates (2022)



Base: 4,581 N100 companies and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

The view from:

Germany : 77% of G250 companies reporting against SASB standards

Sustainable Finance gained unprecedented momentum in Germany due to the EU Action Plan on Financing Sustainable Growth and the European Green Deal for environmental transformation and modernization of economy and society. Since then, non-financial reporting is more dynamic than ever before.

The drive towards comparable ESG reporting within the European Union has become increasingly important. In Germany, the CSRD has accelerated sustainability reporting, which is reflected in the positive uptake of SASB reporting among both G250 companies in Germany and the N100 companies in Europe. Regulatory pressure is also bearing fruit in driving this adoption of international frameworks within Germany.

The CSRD aims for comparability and reliability. Comparability shall be achieved by new European Sustainability Reporting Standards which have to be applied by all companies and which consider existing frameworks like GRI or TCFD. Reliability will be achieved by an upcoming mandatory limited assurance obligation. Therefore, ESG reporting is a significant topic for all companies, and we encourage companies of all sizes to adopt such recognized standards in their reporting.

Poland : 74% SDG reporting

Due to the rising investor expectations and regulatory pressure by the European Union (EU), a reasonable increase has been witnessed in the sustainability reporting of Polish companies. As per KPMG's findings only 56 percent of N100 companies in Poland had reported their carbon targets with a mere 38 percent sustainability representation at leadership level.

In the recent years, there has been some significant administrative reforms in Poland to achieve the SDGs. On one hand, the country has adopted the National Environmental Policy 2030 administered by the Ministry of Environment (MoE) to address the overall environmental issues. While on the other hand, various ministries such as the Ministry of Climate, and the Ministry of Maritime Economy and Inland Navigation have been created to operate independently from the MoE to put greater emphasis on every aspect of the environment.

The country is also making marked progress in the financial sector with all major banks publicly declaring the introduction of sustainable finance products in their offerings.

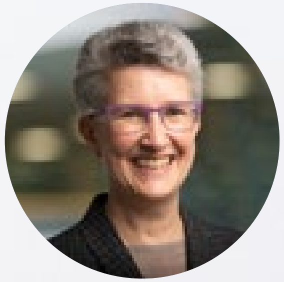
The path to sustainability is paved with high-quality data

Investors are calling for consistent, comparable and reliable sustainability disclosure. Why? Because they need it to price risk and allocate capital, just as they have always done with traditional financial disclosure. High-quality information is the fuel that capital markets run on.

But as investors are first to point out, if such information is material to them, isn't it material to the running of a business? Sustainability data that is consistent over time (so businesses can set targets and measure progress) and comparable between companies (enabling them to benchmark and compete) is as important to senior management and boards as it is to their shareholders. From executive remuneration to financing, from supply chain to M&A, reliable ESG data is essential to running a business today.

Finding consistency and comparability amid a patchwork of voluntary frameworks and standards has proven a major challenge. The new International Sustainability Standards Board (ISSB) under the IFRS Foundation, which now houses the SASB Standards and Integrated Reporting Framework, is answering that challenge by harmonizing and simplifying the landscape. The ISSB is building on the SASB Standards, TCFD recommendations, Climate Disclosure Standards Board guidance, and Integrated Reporting Framework to create a comprehensive global baseline of sustainability disclosure standards for the financial markets. Because sustainability issues that drive enterprise value are different from industry to industry, the ISSB is also leveraging the SASB Standards' industry-based standards development process.

Leading businesses will soon begin meeting investor calls for the new IFRS Sustainability Disclosure Standards, while many jurisdictions are preparing to adopt them to streamline sustainability disclosure for businesses large and small. By reducing the reporting burden and yielding consistent and comparable information, the ISSB is bringing sustainability information to the core of business and investor decision-making, driving long-term performance for both.



Janine Guillot
Special Advisor to the Chairman of the ISSB

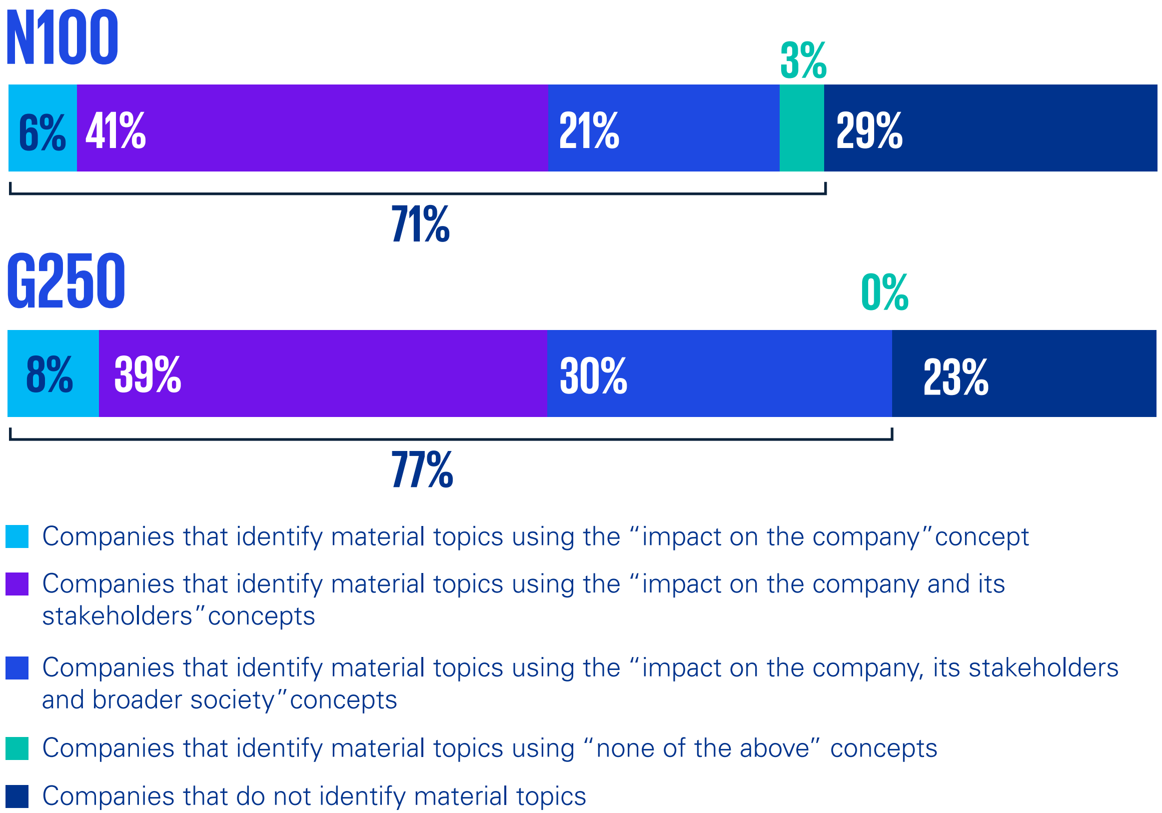
Most companies are using materiality assessments

Materiality is the cornerstone of reporting and a useful starting point for companies of all sizes. The materiality process assesses the impact that an ESG-related topic will have within a specific context. Around the world, a significant majority of reporting companies in both the N100 (71 percent) and G250 companies (77 percent) are performing materiality assessments.

KPMG professionals considered how companies assessed material topics: by their impact on the company, its stakeholders, and broader society. More companies in the G250 (39 percent) report on the three impacts, while less than one-third of companies in the N100 consider materiality in such a broad manner. It may be that G250 companies feel greater pressure from stakeholders to disclose their broader societal impacts.

As sustainability reporting evolves in the coming years from voluntary to mandatory, we expect to see an increase in the use of materiality assessments around the world.

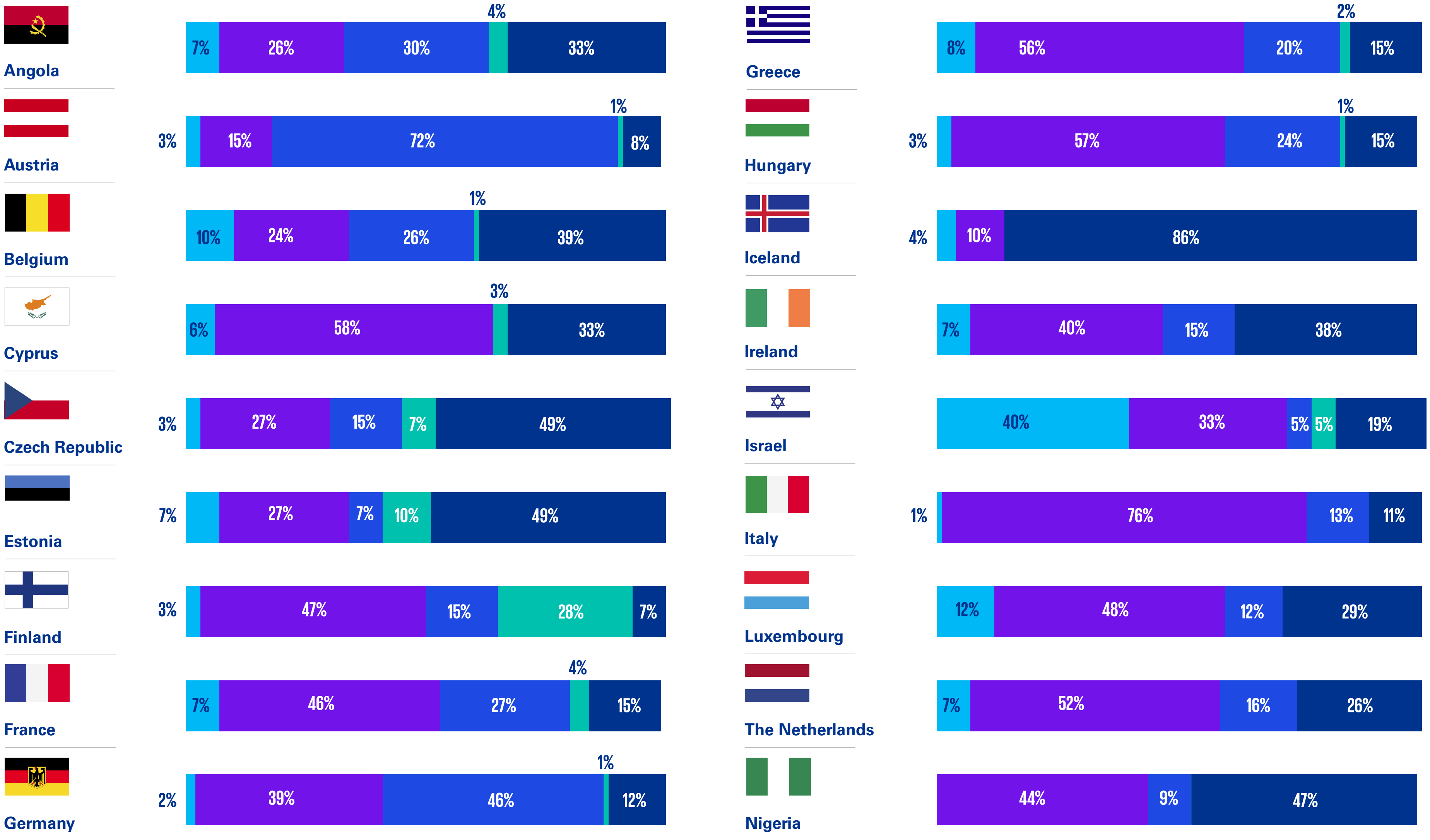
Figure 15: Material topic disclosure by materiality concept (2022)

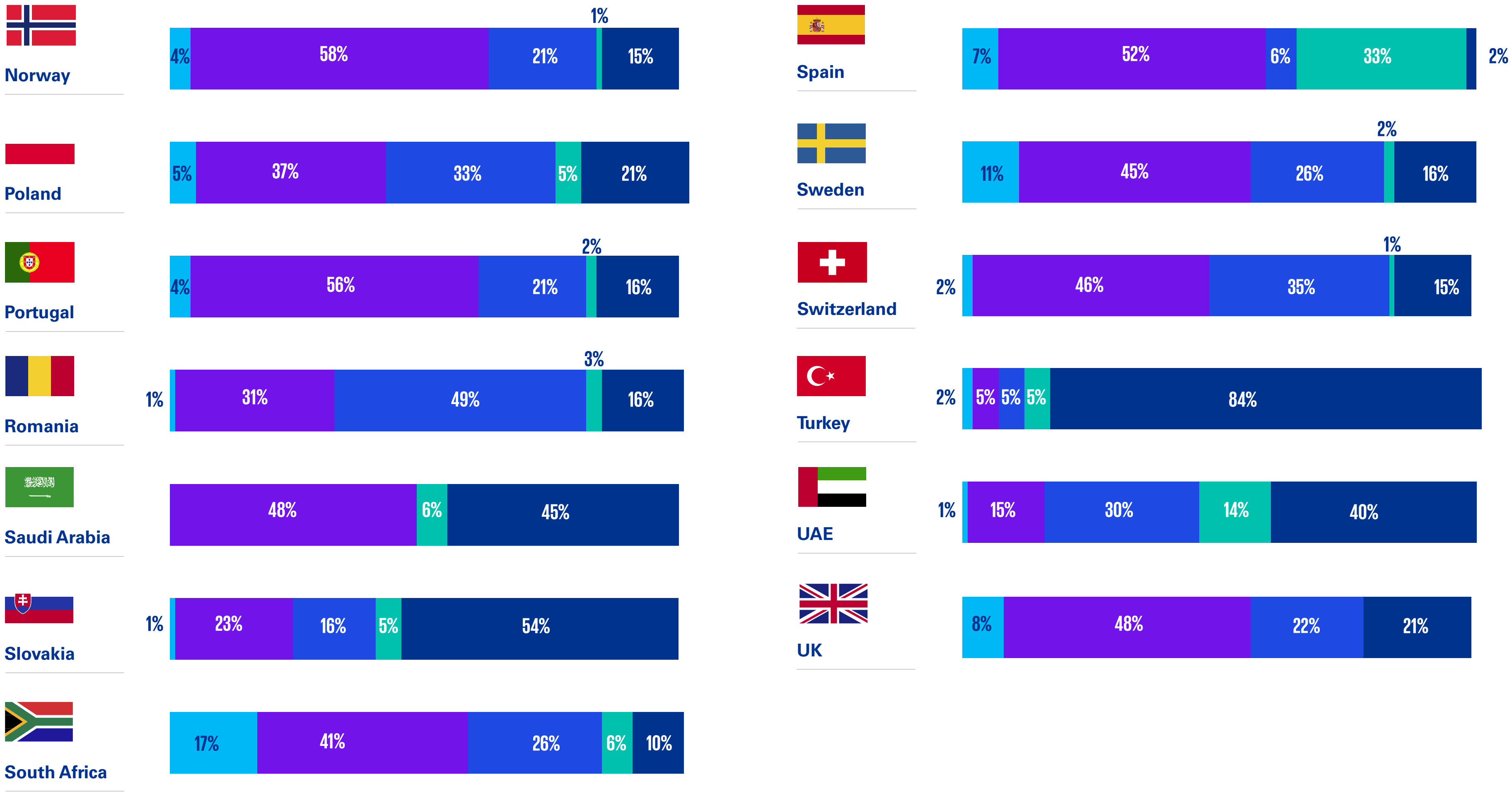


Base: 4,581 N100 and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 15A: EMA rates of material topic disclosure by materiality concept (2022)





- Companies that identify material topics using the "impact on the company" concept
- Companies that identify material topics using the "impact on the company and its stakeholders" concepts
- Companies that identify material topics using the "impact on the company, its stakeholders and broader society" concepts
- Companies that identify material topics using "none of the above" concepts
- Companies that do not identify material topics

Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

The view from:

Switzerland: 93% EMA reporting of carbon targets in 2022

In Switzerland, 82 percent of N100 largest Swiss companies have already established sustainability reporting which is slight increase from 2020. Switzerland is of the first countries which planned to achieve the Sustainable development goals (SDGs) by 2030. The country held an annual forum in Geneva in March 2023, to reaffirm its ambitious position to fulfil the 2030 agenda of achieving the SDGs. The Swiss Federal Council adopted the ordinance on climate disclosures in November 2022 which will be applicable from 1 January 2024 based on new rules on reporting obligations enabling better Swiss ESG reporting landscape and help companies fulfil the reporting requirements under TCFD.

It aims to work on three priority themes set by the Federal council i.e., sustainable consumption and production; climate, energy, and biodiversity; and equal opportunities and social cohesion. From 2024, large Swiss companies are obliged to report under CSRD requirements. Overall, we see an increasing commitment towards sustainable reporting by Swiss companies to enhance their ESG disclosures.

Assurance rates double among Chinese G250 companies but remain steady elsewhere

Independent external assurance of sustainability reporting information enhances the credibility of the reported information. Year 2020 marked the first time that close to half of the N100 invested in independent third-party assurance. In 2022, the assurance rate decreased among the N100, but further regulation could drive up these numbers in the coming years.

Following a decline in 2020, the G250 assurance rate increased in 2022, largely driven by trends in China. In the past 2 years, we see a significant increase in the levels of assurance among the largest Chinese companies in the G250 — doubling from 15 companies in 2020 to 30 companies in 2022. The actual rate of assurance in 2022 for the G250, including China's new entrants, increased from 62 percent in 2020 to 63 percent.

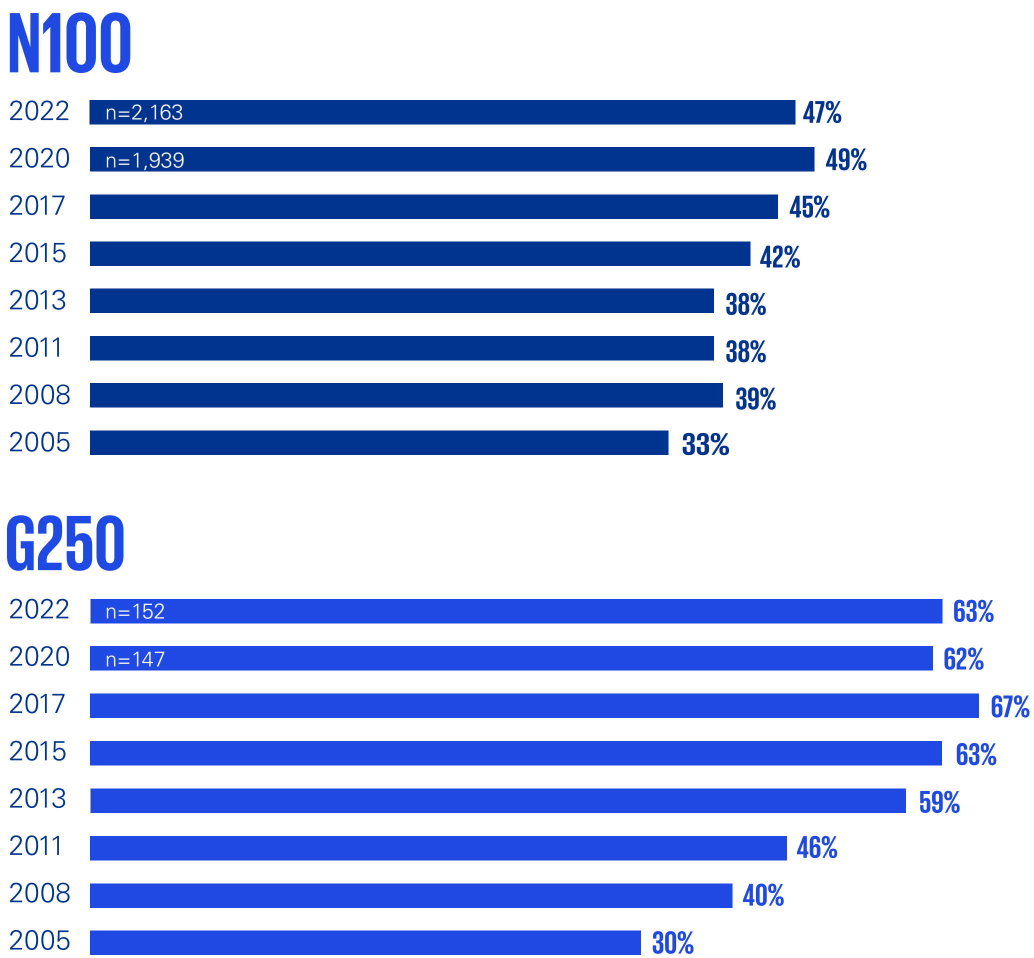
Greatest growth since 2020:

+15% China

+13% Portugal

+13% New Zealand

Figure 16: Global assurance rates (2005–2022)



Base: 4,581 N100 and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

The trends in levels of assurance across each region, while diverse, represent the different maturity levels of ESG Assurance in each region; while it might seem that the relative level of reasonable assurance is lower in Europe and the Asia Pacific region as compared to other regions, those percentages are more a function of the higher volume of overall ESG Assurance activities in those regions.

The increased activity in recent years results in more companies entering the assurance process, which generally starts with limited assurance. Over time, through the maturation of the markets and the advent of regulatory requirements, we would expect those percentages to migrate more towards reasonable assurance.

Mike Shannon
Head of Global ESG Assurance
KPMG International

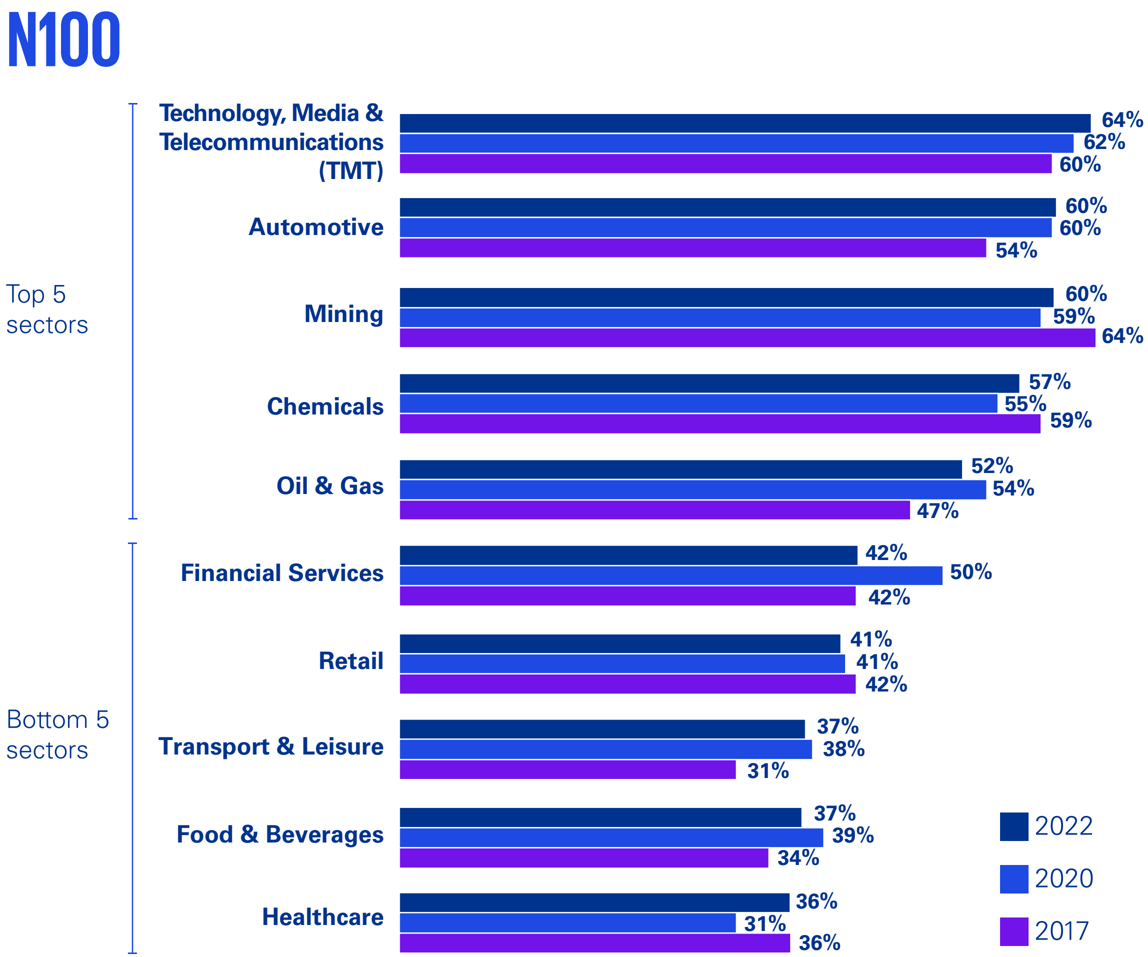
Figure 17: Top 10 countries, territories and jurisdictions by percentage of N100 companies seeking assurance on sustainability reporting (2022)

France	89%	Taiwan	86%
Spain	78%	Japan	75%
Germany	72%	Italy	71%
UK	69%	South Korea	66%
Thailand	61%	The Netherlands	57%

Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 18: Assurance rates by sector (2017–2022)



Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

About CSRD

In April 2021, the European Commission adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) to extend the existing non-financial reporting requirements in the EU significantly.

In July 2023, the European Commission published the final text of its first set of ESRSs. For the first wave of companies, disclosures will be required as early as the 2024 reporting period and it will also scope the non-EU headquarter companies having operations in EU. CSRD is currently the most advanced reporting across all frameworks.

The standards:

- extends the scope for mandatory non-financial reporting to all large companies and all companies listed on regulated markets (except listed micro-enterprises), which will increase the number of in-scope companies from around 10,000 to around 50,000.
- implements a mandatory report audit with limited assurance, whereas a shift towards reasonable assurance is already planned.
- introduces more detailed reporting requirements, included in the new mandatory European Sustainability Reporting Standards (ESRS) that is currently developed by the European Financial Reporting Advisory Group (EFRAG)
- requires companies to digitalize the reported information to make it machine readable and accessible through a single access point.

Large capital market-oriented companies will have to report on fiscal year 2024 with reports published in 2025. Additional large companies will have to report in the subsequent year (fiscal year 2025, in the report being published in 2026). have to report in the subsequent year (fiscal year 2025, in the report being published in 2026).

The view from KPMG's EMA ESG Hub

The CSRD will likely push non-financial reporting to the same level as financial reporting in the EU.

Regulators have recognized that finances need to be reallocated towards sustainable transformation if the EU is to achieve various ambitious objectives like reaching climate neutrality by 2050.

A consistent and coherent non-financial reporting is essential to enable investors to compare companies' sustainability. The EU will be implementing new mandatory standards, called the European Sustainability Reporting Standards (ESRS), to help achieve this goal. The initial sector-agnostic standards have already been published and work is underway on sector-specific standards.

The scope and complexity of the ESRS is unprecedented. With the deadline for first reporting fast approaching, companies should start preparing themselves in a holistic way.

Understanding and adapting to CSRD is a major task. Even those companies that have previously been commended for their sustainability reporting may find that their current disclosure practices fall well short of the new requirements across multiple sectors and countries.

With requirements for clear ESG ambitions, strategies, policies, and measures, and more than a hundred metrics and targets, the volume and breadth of reporting requirements will expand several-fold across E, S and G:

Environment: The current environmental reporting only covers climate-related aspects measured by a few KPIs. In CSRD, they need to report groupwide on environmental issues like pollution, water and marine resources, biodiversity and resource use and the circular economy — if analysis shows these to be material. Moreover, this should include the value chain both upstream and downstream.

Social: The CSRD has more specific reporting requirements for a business's social aspects, including its own workforce, workers in the value chain, affected communities and consumers and end users.

Governance: The companies are obliged to disclose more information about their business conduct practices. Few organizations are set up to manage and track these additional requirements across their entire enterprise.

Jan-Hendrik Gändiger
Global lead for ESG reporting
KPMG International

Reporting on climate risk and carbon reduction

Carbon reduction targets 47
TCFD adoption 55

Early adoption, steadily rising

Within 2 years of the establishment of Financial Stability Board's TCFD, more than half of all companies in the N100 and the G250 have disclosed their climate targets. This trend has continued: among the N100, reporting has increased by 6 percentage points from 2020 to 71 percent, while the G250 moved up 4 percentage points to 80 percent.

On a country basis, the strongest carbon target reporters were the United Kingdom (96 percent), Japan (95 percent) and Germany (94 percent). Regionally, Europe, Americas and the Asia Pacific region are strong reporters (with rates of 80 percent, 74 percent and 62 percent, respectively), while companies in the Middle East and Africa have not kept pace (with a rate of 54 percent).

Greatest growth since 2020:

+30% Germany

+27% Pakistan

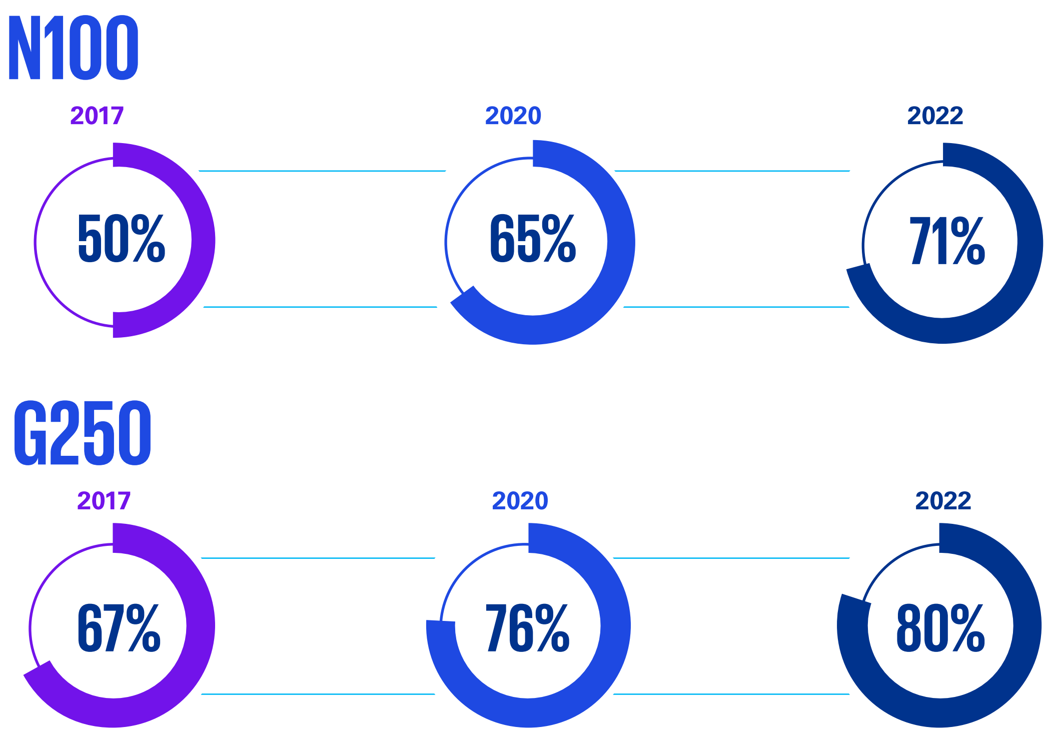
+23% Iceland

+23% Canada

+21% Ireland

+21% Belgium

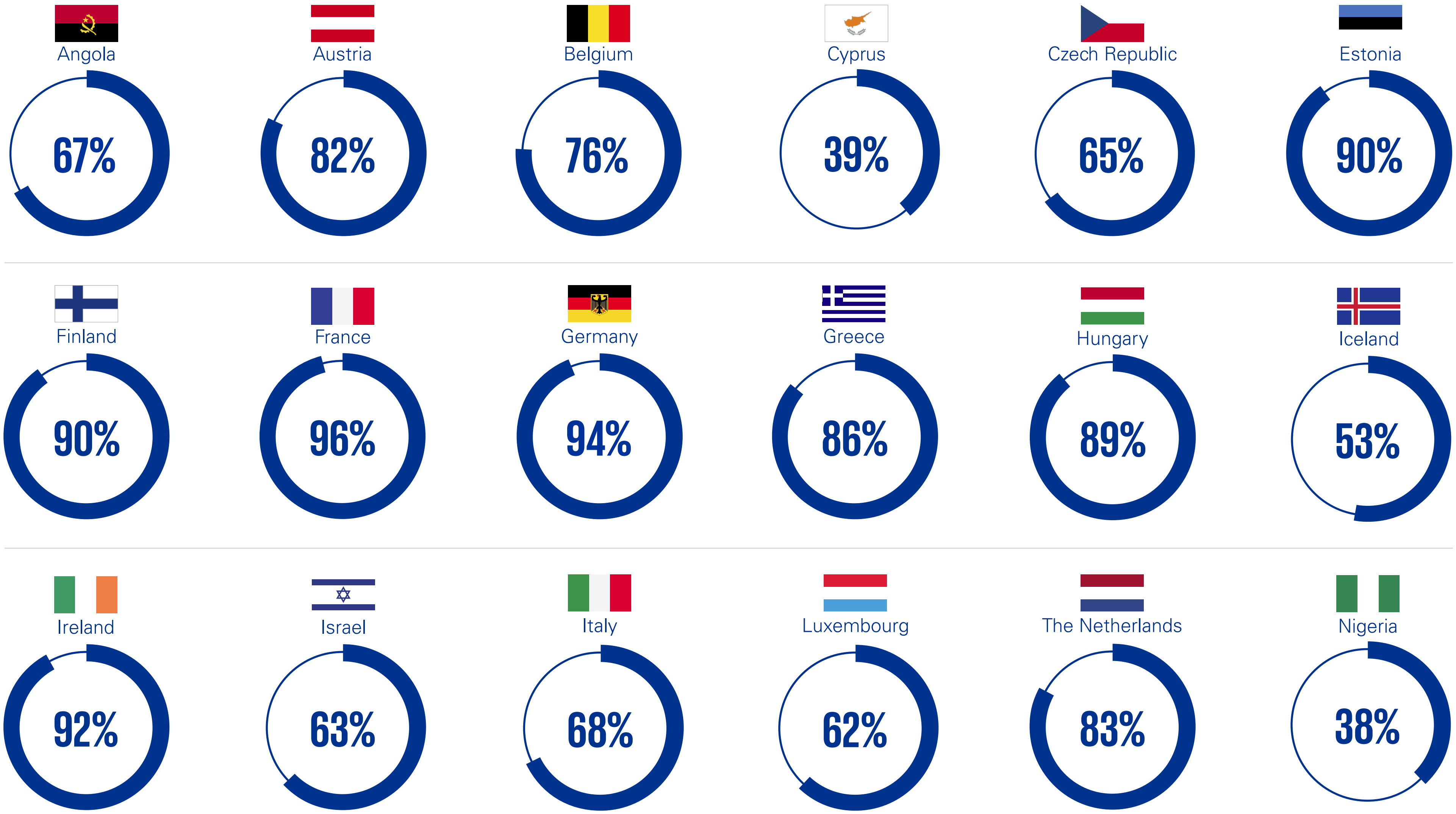
Figure 19: Global reporting of carbon targets (2017–2022)

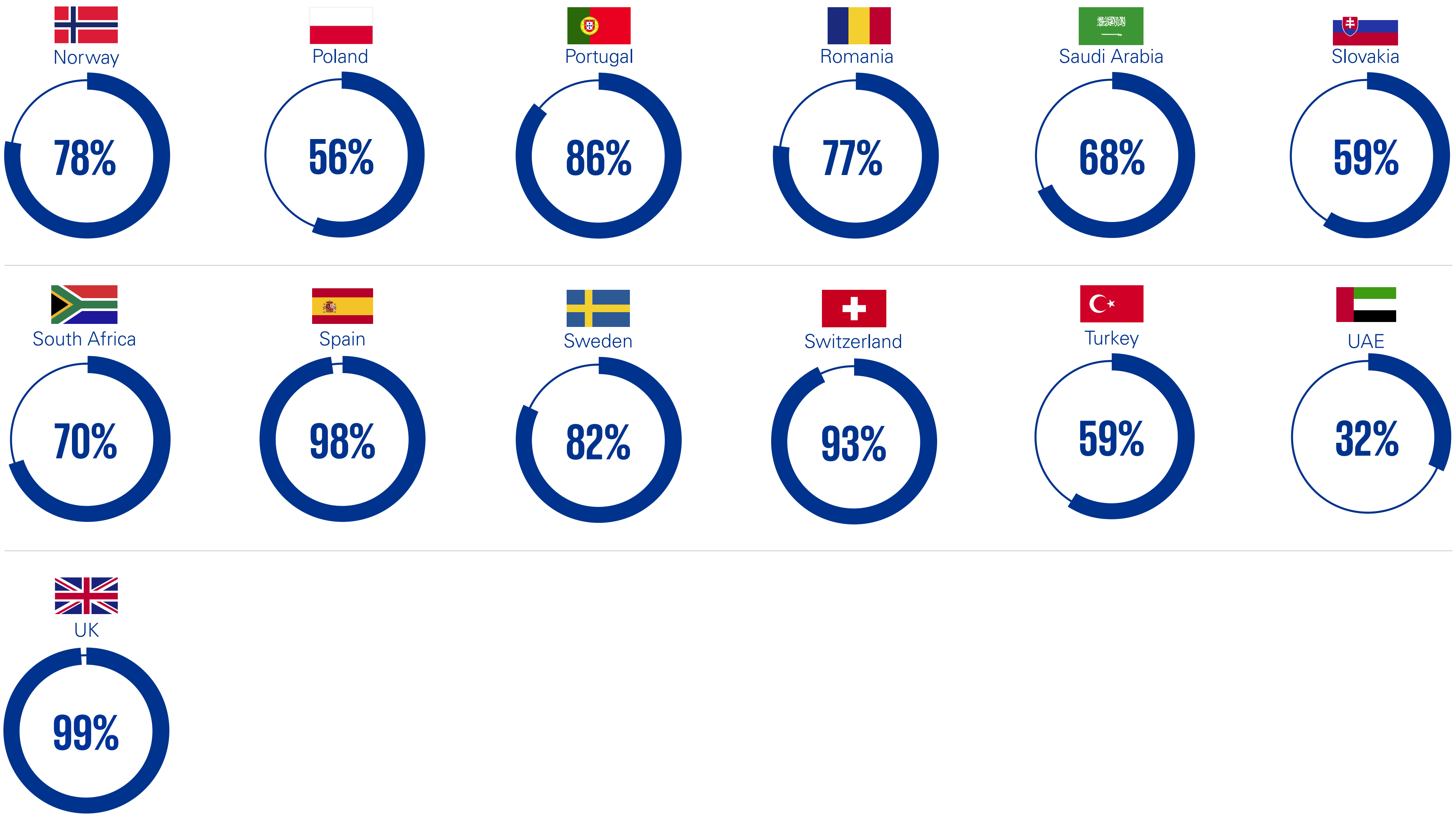


Base: 4,581 N100 companies and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 19A: EMA reporting of carbon targets (2022)





Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

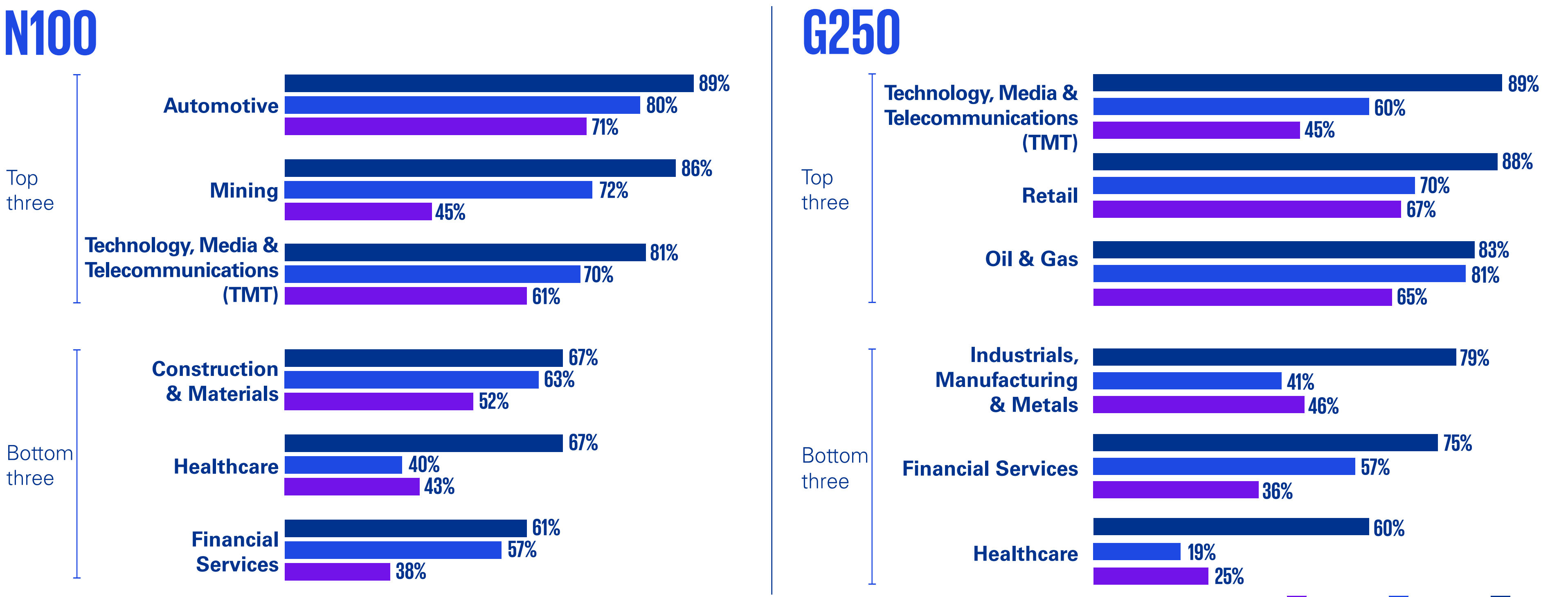
Heavy industries and TMT soar; Healthcare and Financial Services lag

After persistent pressure from stakeholders to disclose their climate targets, resource-intensive sectors have emerged as leaders in this space, with 7 of the top 10 positions within the N100 in 2022 held by these sectors. Leading reporters include automotive (89 percent) and mining (86 percent).

Equally encouraging is the noticeable growth in the technology, media and telecommunications sector, taking top spot in sector disclosure within the G250 (89 percent). TMT ranks third in the N100 (81 percent).

Although making some gains, the research shows that the healthcare and financial services sectors — in both the N100 and the G250 — continue to show opportunities for improvement, with consistent ranking in the bottom three, as presented in 2017.

Figure 20: Reporting of carbon targets by sector (2017–2022)



Base: 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

We've been surveying global mining executives for more than a decade and this is the first year that ESG and Climate Risk is ranked as the most critical risk facing mining companies. However, the narrative quickly moves to the opportunities that this presents.

Right now, the world is decarbonizing, and supply chains are straining to meet rising demand for energy transition infrastructure, all built with the metals and commodities that miners produce. Increasingly, the mining industry finds itself in the spotlight and is challenged to quickly deliver materials in a way that is acceptable to more stakeholders.

Success means that miners must excel at involving traditional owners and communities, preserve heritage and biodiversity, and manage water and the environment while developing long life sustainable and resilient operations. The mining companies that promote regular, high-quality engagement, are transparent in their reporting, and openly hold themselves accountable to the highest ESG standards may or will likely succeed in attracting and retaining capital and talent. The rewards for these companies and their stakeholders will be significant.

Trevor Hart
Head of Global Mining
KPMG International

The results of this survey are not surprising given the current state of the healthcare sector. Around the world, healthcare systems and organizations in most jurisdictions are dealing with crises related to service access and demand, workforce shortages and staff burnout. Disclosing climate targets may seem like a lower priority to healthcare leaders who are struggling to find enough staff to deliver essential services to their communities. While juggling these challenges, the first leaders in the sector are waking up to the fact that healthcare's carbon footprint is a big problem and are starting to take cautious steps towards climate action and responsibility.

Dr. Anna van Poucke
Head of Global Healthcare
KPMG International

The view from:

France : 92% report on carbon targets in 2022

France continues to be one of the leading countries on sustainability disclosures as it is among the top 10 countries for N100 companies including sustainability information in annual financial reports, seeking assurance on sustainability reporting, reporting under TCFD and sustainability representation at leadership level. French companies have gone beyond the scope of NFRD requirements, disclosing additional risks and ESG issues such as sustainable food and diet, animal welfare, circular economy, and biodiversity. France is also among the top 5 countries reporting on Environmental risks.

The French disclosure regulations such as Déclaration de Performance Extra Financière (DPEF) and Duty of Care 'Devoir de Vigilance' law requires large companies to report on various ESG issues such as prevention of human rights violation and environmental abuse. The duty of case law also obligates the large companies towards adherence to a standard of reasonable care to avoid any harm to the environment and the society.

The primary focus of French companies is towards reducing their carbon footprint and geared towards setting up strategies and net zero commitments. Among the N100 companies, almost 92 percent are reporting on carbon targets. Internal carbon pricing is also gaining momentum as these companies are considering the same into their sustainability plans.

France showed strong support for the UN's 17 Sustainable Development Goals aimed at eradicating poverty, inequalities, and protecting the planet. French companies largely comply with the principle of equal pay for equal work thus providing the same remuneration to employees performing the same work irrespective of gender.

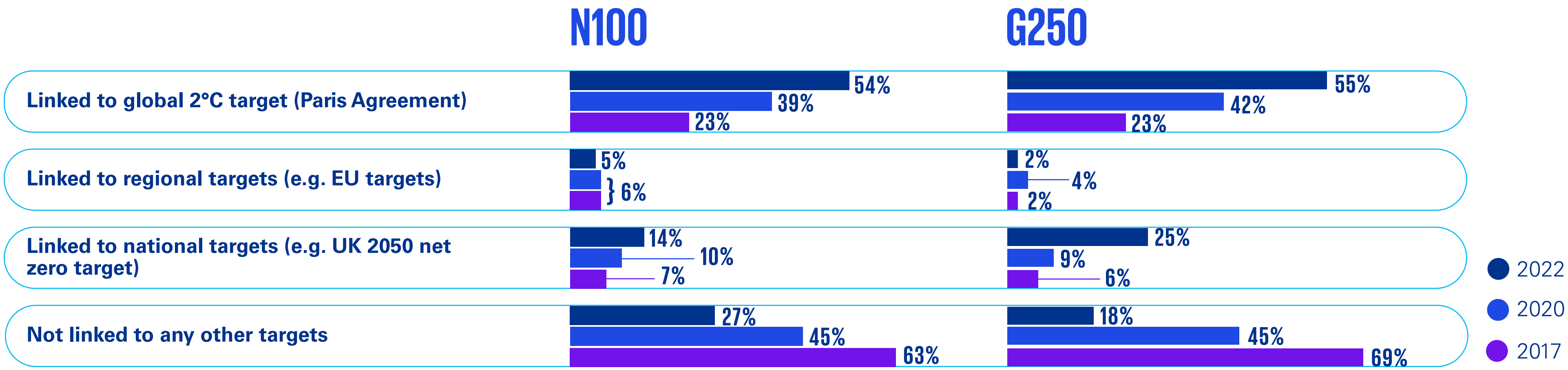
Links to external climate targets show promise

Businesses are increasingly recognizing that they have a role to play in helping to achieve global, regional and national climate targets. Even though nearly one-fifth of G250 companies do not disclose any links to external reference points, the evidence shows that the majority of companies do link their carbon reduction targets to external targets set by governments and others. We see a marked increase in this business practice since 2017 with 71 percent of the N100 and 80 percent of the G250 linking their carbon targets to broader climate goals.

The majority of companies link their targets to the 2˚C scenario set by the Paris Agreement — that is, to limit global warming to 2˚C above pre-industrial levels. There was a marked increase in G250 companies referencing the Paris targets between 2020 and 2022, rising from 42 percent to 55 percent.

Notably, for the first time in the history of the survey, KPMG professionals reviewed how companies intend to achieve their carbon reduction targets — either through emissions reduction, carbon credits, or both. It is reassuring that the majority of companies recognize that they must reduce their own emissions rather than rely solely on carbon credits (as shown on the next page).

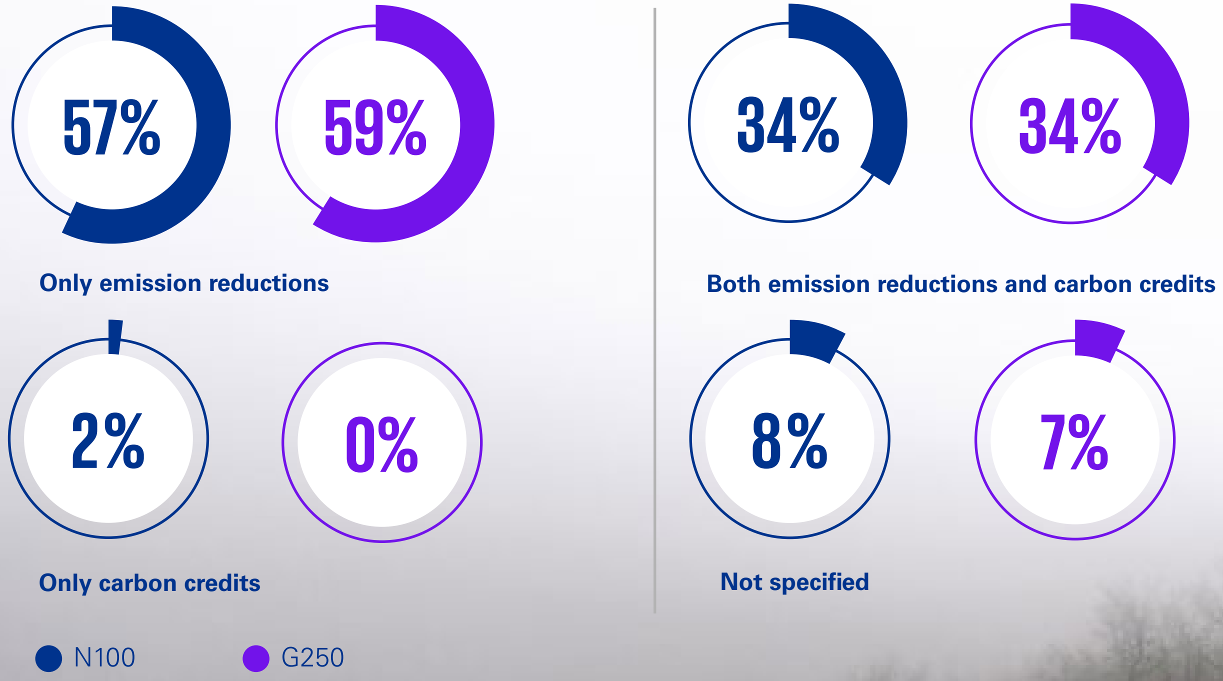
Figure 21: Linking of corporate carbon reduction targets to external climate goals (2017–2022)



Base: 3,266 N100 companies and 191 G250 companies that report carbon reduction targets

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 22: How companies intend to reach their carbon reduction targets (2022)



Base: 3,266 N100 companies and 191 G250 companies that report on carbon reduction targets

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Marked increase in TCFD adoption

The survey results show a notable increase among companies in adopting the TCFD recommendations over recent years. Specifically, one-third of the N100 now report using the TCFD recommendations (34 percent) — nearly doubling the 2020 figure, and almost two-thirds of the G250 (61 percent) observe the TCFD — an increase of 24 percent from 2020.

These figures reflect a growing trend among countries and companies to make TCFD-aligned climate reporting mandatory. In 2021, the G7 nations agreed to mandate TCFD-aligned climate-related financial reporting. New Zealand was the first country to mandate disclosure among its largest companies in the financial sector (from 2023). The Task Force stated in 2021 that more than 2,600 organizations across 89 countries, territories and jurisdictions use the recommendations.

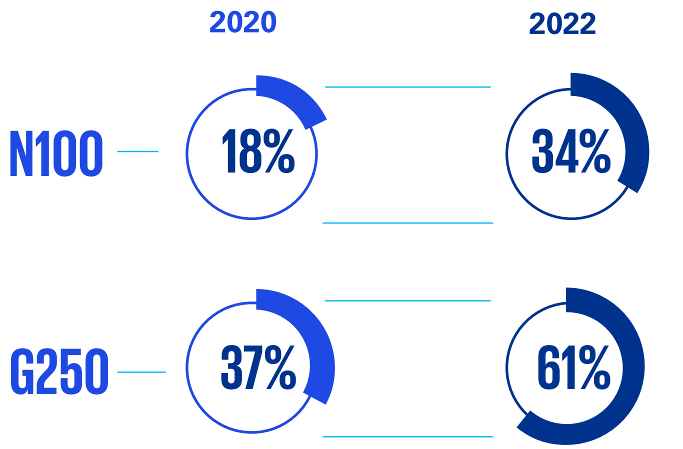
About TCFD

The TCFD was established in 2015 by the Financial Stability Board to respond to the threat of climate change to the stability of the global financial system.

The purpose of the Task Force aims to improve corporate reporting on climate-related risks and enable financial stakeholders — investors, lenders, and insurers — to factor climate-related risks into their decisions.

The Task Force includes companies and financial stakeholders, and published its recommendations in 2017. KPMG was one of the first members of the TCFD, and continues to advise member firms' clients on the adoption of TCFD recommendations.

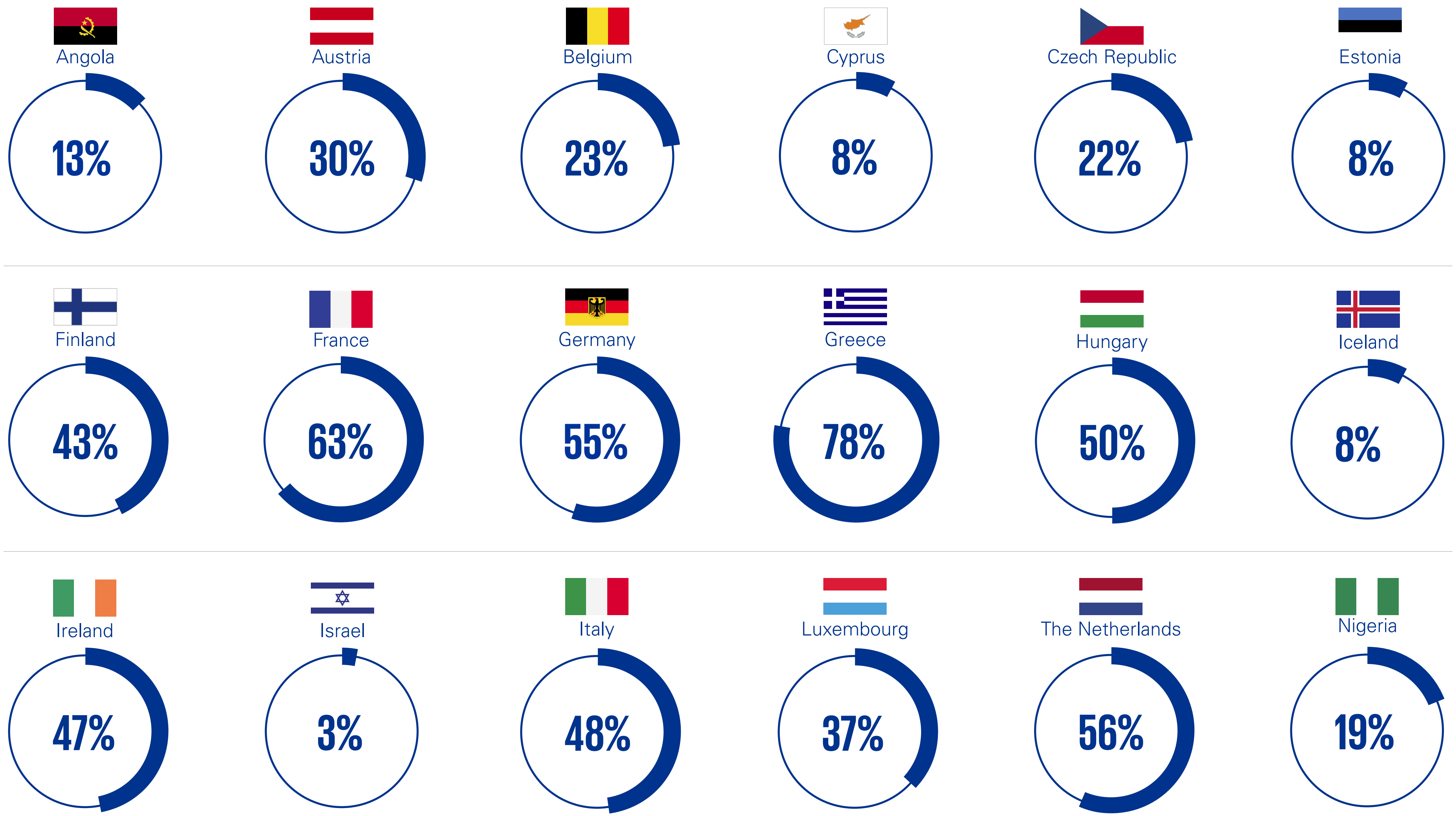
Figure 23: Global TCFD adoption (2020–2022)

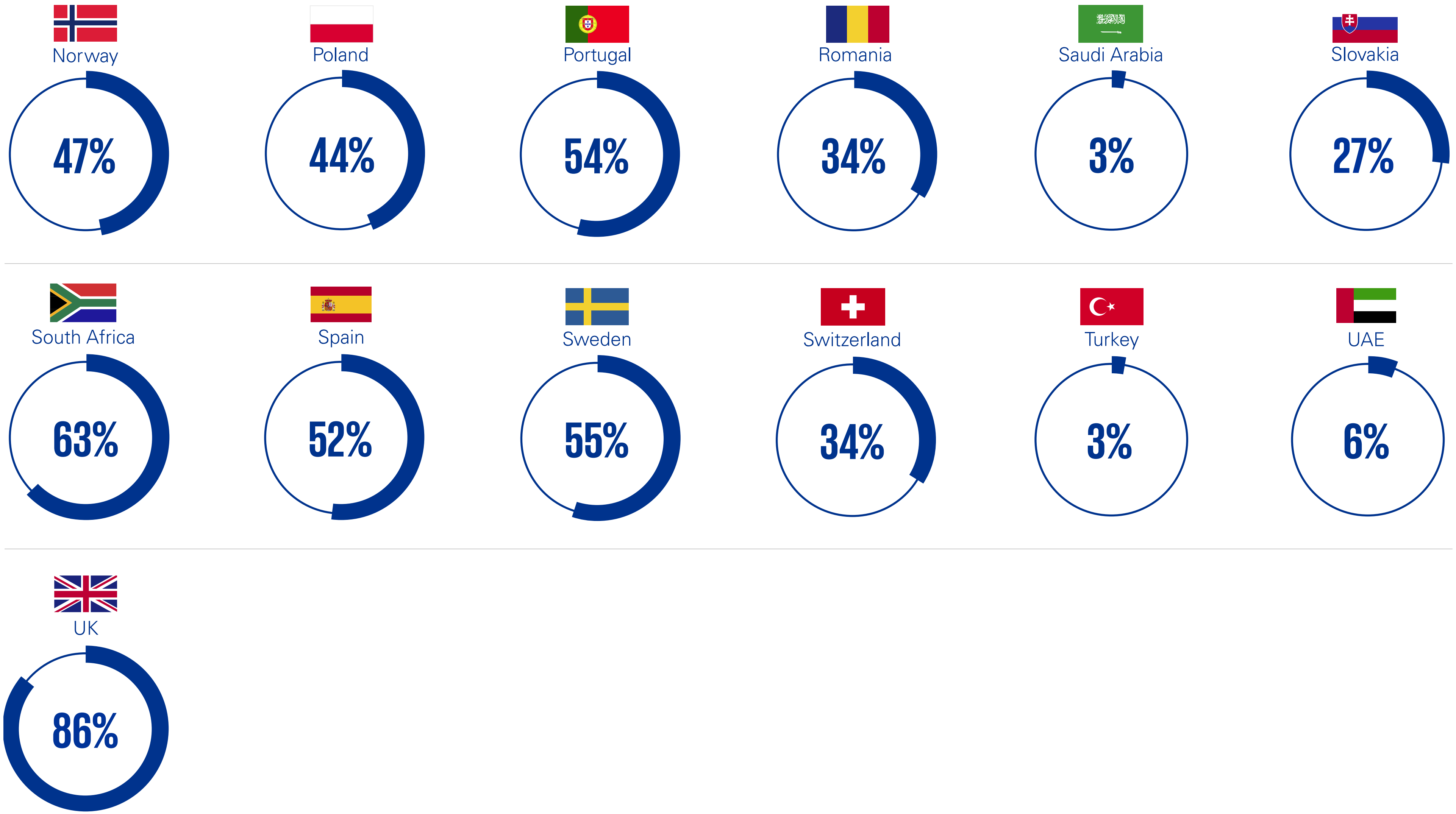


Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 23A: EMA TCFD adoption (2022)





Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

Strength in numbers

Although initially targeted at the financial sector, TCFD adoption has seen strong growth across all sectors, particularly among consumer-based sectors and heavy industries in both the N100 and the G250.

TCFD adoption within the N100 is led by the automotive (60 percent), mining (50 percent) and TMT (45 percent) sectors. Still today, just one-third of the financial services sector uses the standard.

When we look at the G250, the financial services sector shows greater participation (70 percent). TMT leads the G250 (75 percent), while the retail sector ranks third (71 percent).

As ESG disclosures continue to gain momentum in capital markets, clear and consistent climate reporting will become essential for companies in all sectors. While growth in TCFD adoption has been strong, there is clearly room for improvement in this area.

Figure 24: TCFD adoption by sector (2020–2022)

N100

Sector	2020	2022
Automotive	32%	60%
Utilities	20%	38%
Retail	7%	27%
Mining	29%	50%
Financial Services	25%	34%
Healthcare	7%	27%
Technology, Media & Telecommunications (TMT)	20%	45%
Forestry & Paper	11%	33%
Construction & Materials	12%	26%
Chemicals	23%	39%
Industrials, Manufacturing & Metals	16%	31%
Food & Beverages	11%	26%
Oil & Gas	31%	41%
Personal & Household Goods	12%	31%
Transport & Leisure	7%	23%

Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

“As countries make ambitious commitments to address the pressing challenge of climate change and sustainability more broadly, there are tremendous opportunities to redirect private capital to climate and sustainable finance. Many firms are committing to ambitious decarbonization goals and pathways, while capital markets and financial institutions are setting reporting KPIs for sustainability-linked bonds and loans. In the last year, we have witnessed significant progress in addressing the ESG reporting ‘alphabet soup’ with the formation of the International Sustainability Standards Board (ISSB) that seeks to provide the foundation to move toward mandatory climate and sustainability disclosure. This is expected to bring much-needed consistency, reliability and comparability of ESG-related data and disclosure, while preventing greenwashing.

We expect increasing pressure to move beyond GHG emission measures to other areas — such as climate adaptation, biodiversity, human rights, and inclusion — and across a broad range of sustainable finance instruments. We also see emerging trends in sustainability reporting focused on the material dependencies of firms on nature and society and how to value and report on it alongside financial returns. The challenge in emerging markets centers on the limited capacity for data collection, analysis and assurance, while demands are increasing — even on smaller firms. If the momentum is going to be successful in improving the impact of firms on the environment and society, then more needs to be done to support firms in the detailed work necessary to provide accurate, reliable data for reports that are also useful for business decision-making.”

The views and opinions expressed herein are those of the individuals and do not necessarily represent the views and opinions of the International Finance Corporation World Bank Group.

Elizabeth M White
Lead Sustainability in Development Impact Management
International Finance Corporation
World Bank Group

Martine Valcin
Global Manager, Corporate Governance and ESG Advisory, Knowledge and Learning
International Finance Corporation
World Bank Group

The view from:

Greece: 78% TCFD adoption

Investors and capital markets are embracing the integration of ESG into the business processes and corporate reporting for the listed companies. The Athens Stock Exchange (ASE) joined the Sustainable Stock Exchange (SSE) initiative in 2018 by making a voluntary public commitment to promote improved ESG disclosure and performance among listed companies. In 2022, the ASE reviewed and updated the ESG reporting guide to align with the standards and regulations such as SFDR, Taxonomy, GRI Standards 2021, TCFD, HCG Code 2021 etc. in order to improve the level of preparedness of Greek companies to meet the market and regulatory driven demands.

The sustainability reporting has grown in recent years as the large companies are now adopting to the changing investor focus and aligning their strategy in line with the TCFD framework. Greece is the second largest country in the EMA region to adopt TCFD with 78 percent of the N100 companies already reporting under it. Greek companies are required to report on the climate related risks and to disclose internal carbon targets, owing to which almost 86 percent of N100 companies have reported their carbon targets in 2022. We are expecting an increase in the number of Greek companies reporting under TCFD as the upcoming CSRD disclosure requirements integrates with TCFD.

The view from:

KPMG's Global Decarbonization Hub

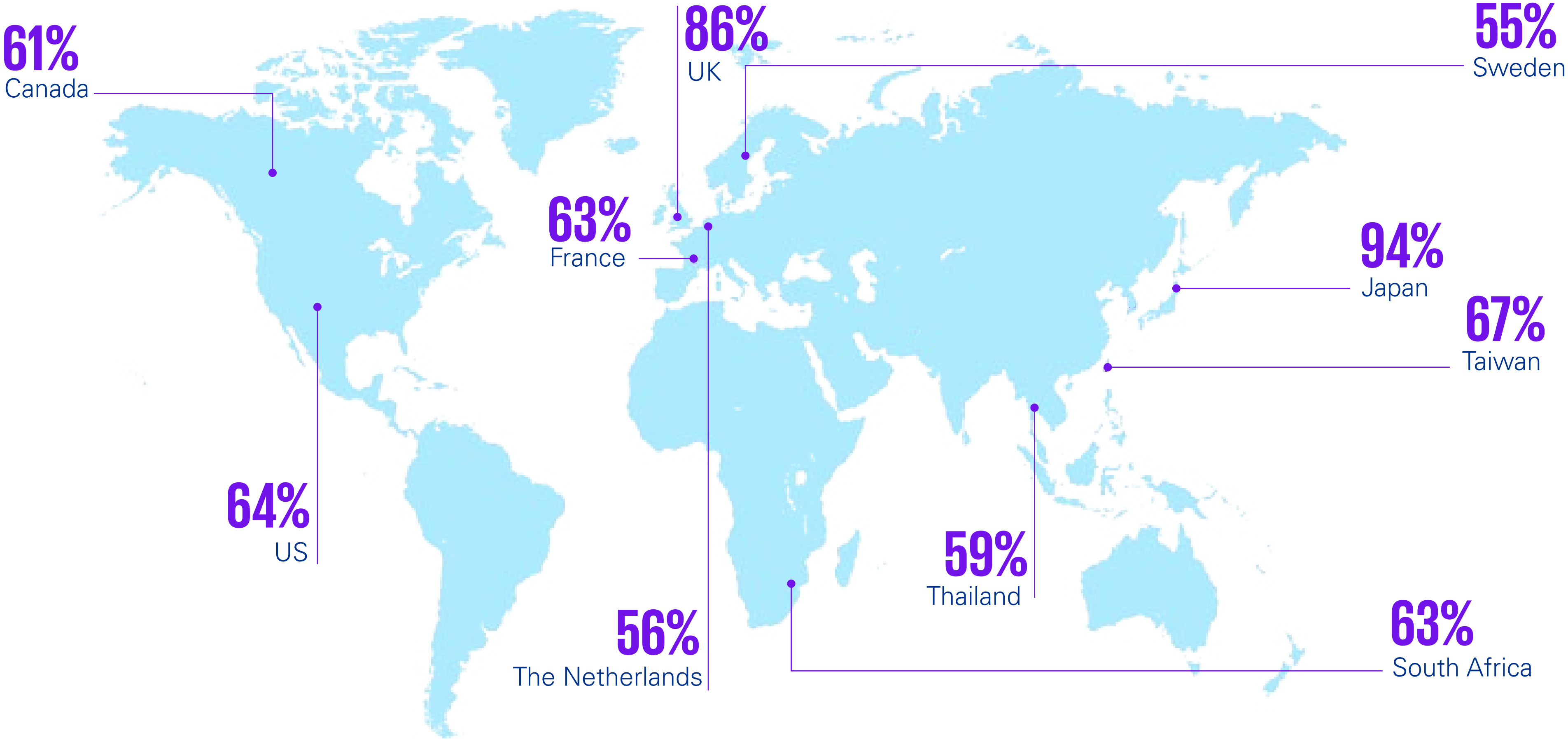
Mike Hayes
Climate Change and Decarbonization Leader,
Head of Global Renewable Energy
KPMG International

It is not a particularly surprising result that the number of companies that are reporting their exposure to climate risks in line with the TCFD recommendations has increased significantly from 2015 to 2022. The reality is that companies have become better informed about the fact that the physical and transition risks of climate change represent a very real financial risk, which impacts the value of assets on the balance sheet (and ultimately could impact on corporate valuations). In recent months, the reality of physical climate risk has become very obvious due to various extreme weather events. However, transition risk is also a reality — for example, there could be a considerable impact from the EU Carbon Border Adjustment mechanism on some sectors.

This trend is no longer only due to a regulatory requirement to report under TCFD even though regulation has definitely helped to drive increased adoption. There are other factors at play also. Investors have increasingly become concerned about exposure to climate risk in their investee companies and are insisting that these companies disclose their exposure to climate risk, including quantifying the different risks involved under different scenarios. These investors fully recognize that climate risk is about valuation and the specter of stranded assets is a very real concern.

Lastly, we should not forget that TCFD is also about opportunities. Those companies who grasp the reality of what a low carbon economy looks like and start developing their goods and services to meet the needs of customers in this new economy can create value.

Figure 25: Top 10 countries, territories and jurisdictions by percentage of N100 companies reporting in line with TCFD recommendations (2022)



Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Reporting the risk from biodiversity loss

Less than half of the companies reviewed currently recognize biodiversity loss as a risk to their business

2020 was the first year that the KPMG global survey explored how companies report on the risks they face from the loss of nature and biodiversity. Over the past two years, the recognition of this risk has become more urgent and pronounced with biodiversity and nature risks impacting businesses and their supply chains. Acknowledgement of this risk is the first step for companies to address the critical issue of increasing biodiversity and nature loss.

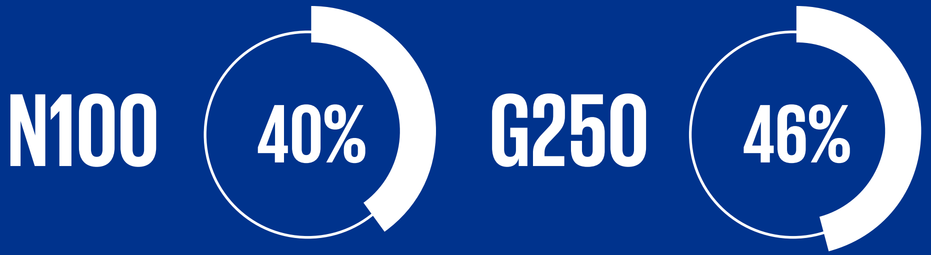
2 years ago, KPMG professionals reported disclosure among companies from sectors considered at high or medium risk from biodiversity loss.[1] In 2022, this group was extended to cover a view of biodiversity risk across all sectors.

Looking at high and medium risk sectors, reporting on biodiversity has increased across both the N100 and G250 since 2020: nearly a quarter more of the N100 now report (reaching 46 percent), and a further one-fifth of the G250 now report on biodiversity risks (49 percent in total).

However, the review of the full group of companies across all sectors showed that less than half of companies currently recognize the loss of biodiversity or nature as a risk to their business: the N100 at 40 percent and the G250 at 46 percent.

This remains an area where reporting requires rapid development, as strengthening biodiversity and nature has an impact on mitigating climate change. The introduction of new standards, such as the TNFD and CSRD, are likely to drive improvements in disclosure.

Figure 26: Global biodiversity reporting rates (2022)



Base: 4,581 N100 companies and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

[1] ACTIAM, ASN Bank, CDC Biodiversité (2018) Common ground in biodiversity footprint methodologies for the financial sector http://www.mission-economie-biodiversite.com/publication/1833

The speed and scale of biodiversity loss is the highest in history.

This year is a pivotal year for nature with international efforts to halt and reverse biodiversity loss intensifying with COP15 agreement expected on a new ambitious Global Biodiversity Framework.

Nature is following into the footsteps of climate. The Taskforce on Nature-related Financial Disclosures (TNFD) is also bringing nature-related risks and opportunities into sharper focus for financial services and corporates. The TNFD has sought to maximize the consistency and language of its approach with existing climate-related disclosure recommendations from its counterpart the Task Force on Climate-related Financial Disclosures (TCFD) and align with the emerging global baseline for sustainability reporting currently in development by the International Sustainability Standards Board.

The building of bridges between the effective climate and nature disclosures will help those already disclosing on climate to better manage and adapt to those risks and opportunities, and vice versa. We expect the need for more organizations to better understand, manage and disclose their exposure to nature-related risks and take action to build resilience to accelerate significantly.

Carolin Leeshaa
Natural Capital & Biodiversity Global Lead
KPMG International and TNFD Taskforce Member

About TNFD

Human societies are reliant on nature for food and materials for economic activities, as well as for services such as carbon sequestration and water cleaning.[1] The World Economic Forum estimates that up to $44 trillion of economic value generation — up to half the world's output — is moderately or highly dependent on nature and its services.[2]

The Taskforce for Nature-related Disclosures (TNFD) is a market-led, open innovation approach that encourages market participants to support the development of a risk management and disclosure framework for organizations to report and act on evolving nature-related risks.

[1] UN Sustainable Development Goals, Goal 15: Biodiversity, forests, desertification

[2] World Economic Forum, Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy 2020

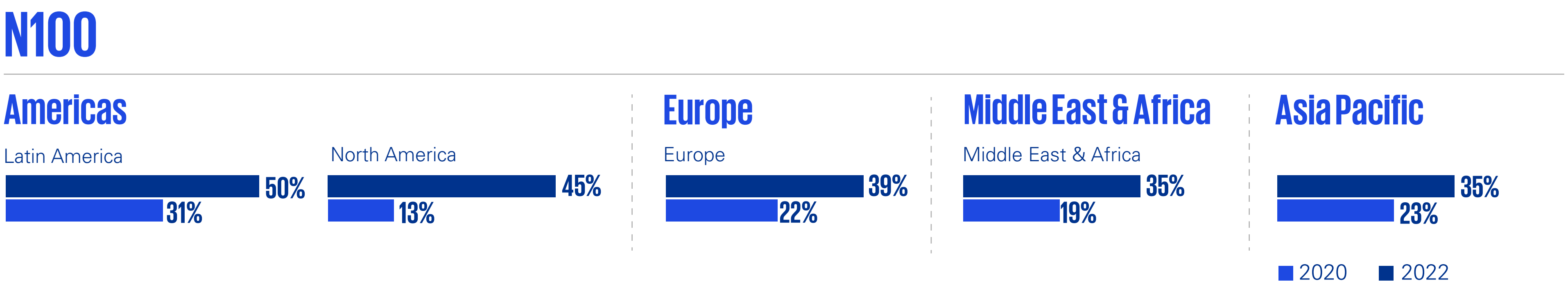
Latin America continues its regional leadership in biodiversity reporting

At the regional level, Latin America still dominates in biodiversity reporting with both Brazil and Peru among the top 10 reporters. The region includes some of the most biodiverse areas on the planet but is suffering from massive biodiversity loss due to mining, land use changes, and deforestation. Currently, half of Latin American companies in the N100 report on biodiversity risks.

In Europe, just over one-third (39 percent) of N100 companies are reporting, while the North American rate is at 45 percent. Given the recent attention on nature and biodiversity, including a mobilization by the finance sector to support nature-based solutions (launched at COP 26 in 2021), we anticipate that this number will increase in the coming years.

The top four N100 reporters are the UK (77 percent), Thailand (68 percent), South Africa (68 percent) and Japan (64 percent).

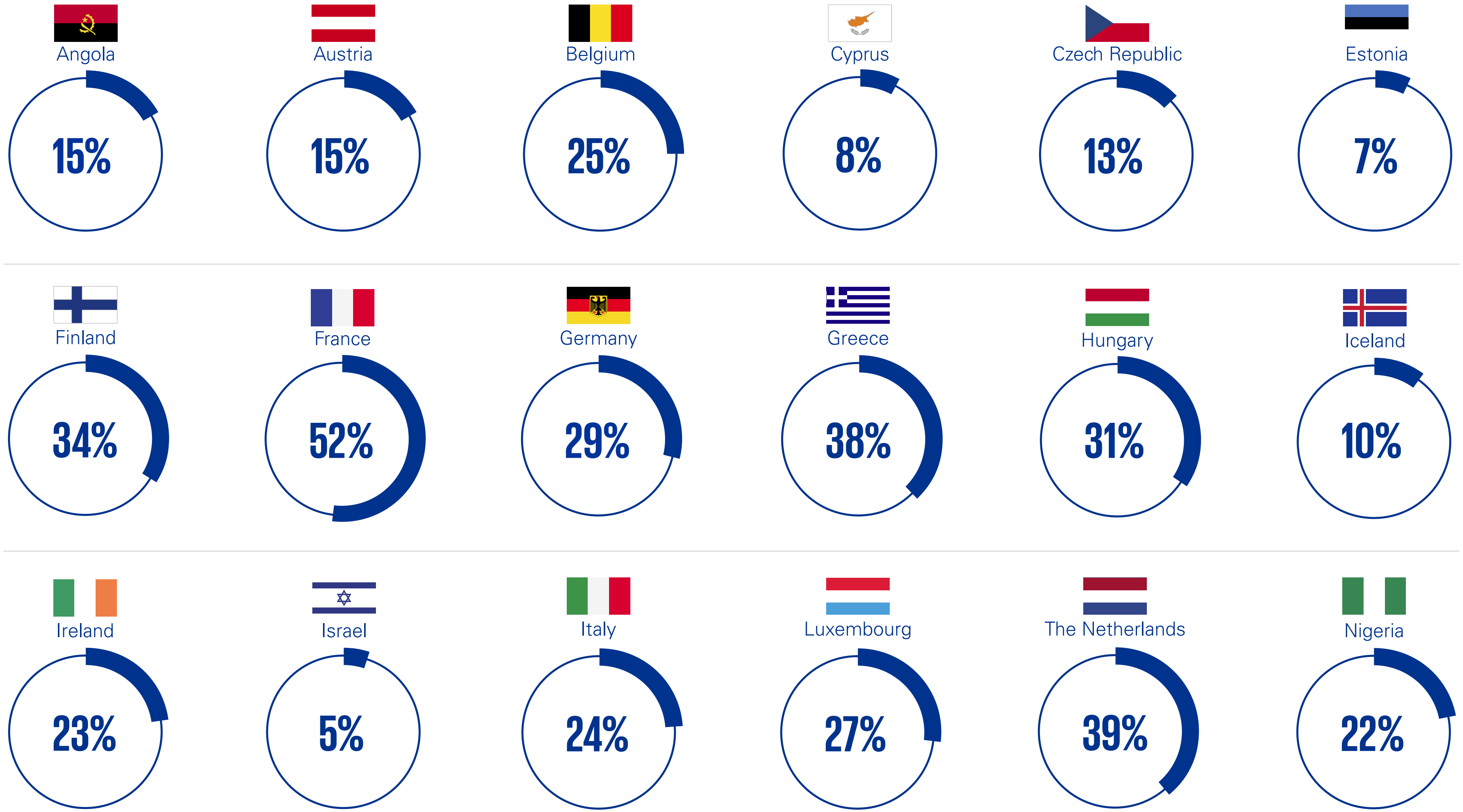
Figure 27: Biodiversity reporting rates (2020–2022)

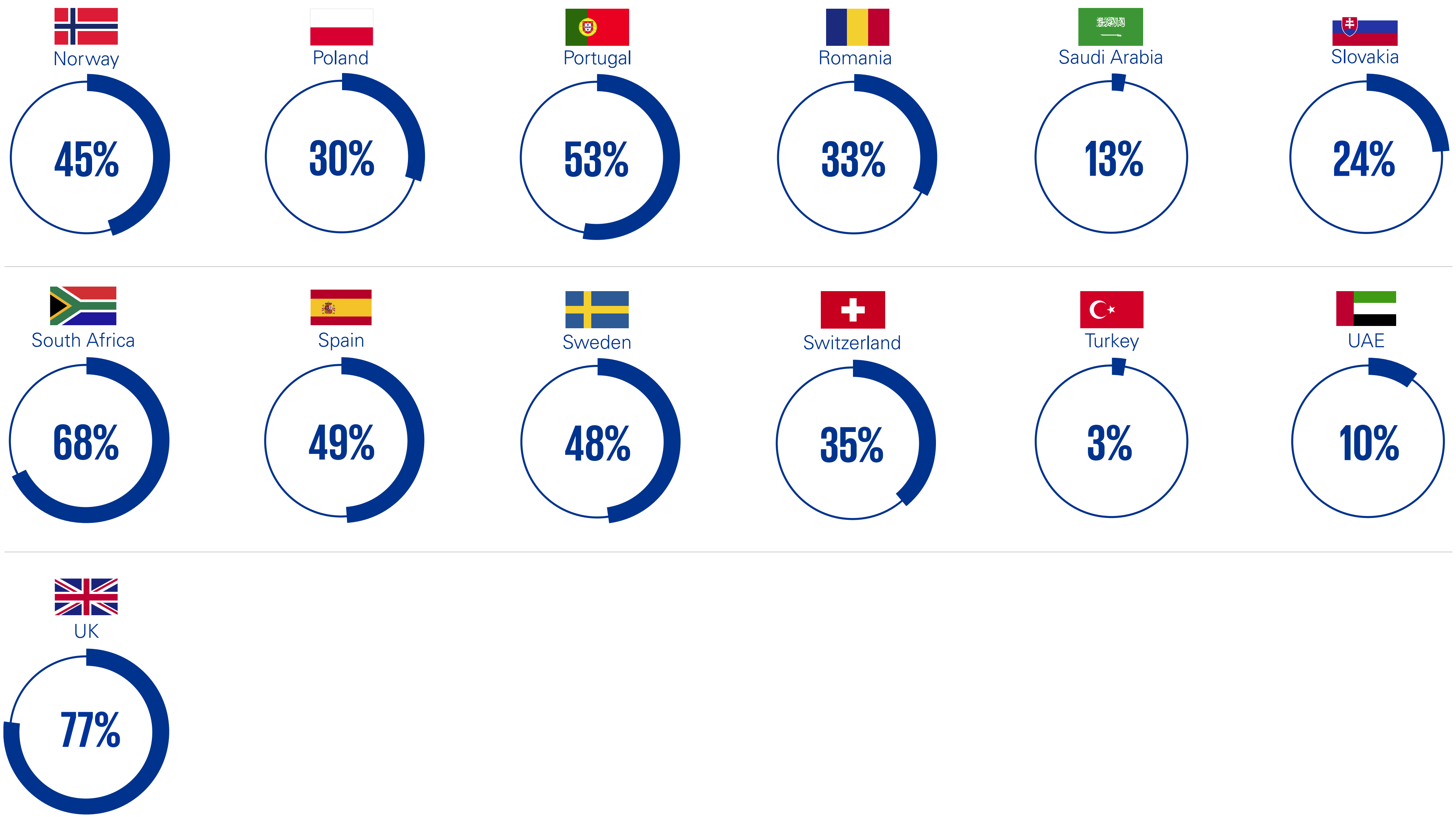


Base: 4,581 N100 companies that report on sustainability or ESG matters; 2020 data includes only sectors considered to be high or medium risk

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 27A: EMA biodiversity reporting rates (2022)





Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

Biodiversity is a focus for most sectors, even ones considered lower risk

A positive trend is that more and varied sectors are now reporting on and recognizing their impact on biodiversity loss. In 2020, companies from the extractive industries were more inclined to report the loss of biodiversity. In 2022, there has been notable growth across a broader range of sectors, particularly in the technology, media and telecommunications sector, and the automotive sector.

In the G250, the oil & gas sector stands out with 65 percent reporting on biodiversity, followed by the retail sector at 59 percent.

Figure 28: Biodiversity reporting rates by sector (2020–2022)

N100

Sector	2020	2022
Mining	40%	79%
Utilities	28%	51%
Retail	20%	39%
TMT	-	30%
Forestry & Paper	31%	76%
Chemicals	29%	50%
Automotive	-	39%
Financial Services	15%	29%
Oil & Gas	36%	57%
Industrials, Manufacturing & Metals	25%	40%
Construction & Materials	14%	38%
Healthcare	11%	17%
Food & Beverages	25%	56%
Personal & Household Goods	30%	39%
Transport & Leisure	-	34%
Other	9%	27%

G250

Sector	2020	2022
Oil & Gas	37%	65%
Industrials, Manufacturing & Metals	29%	58%
Financial Services	9%	41%
Healthcare	20%	20%
Retail	20%	59%
TMT	-	44%
Automotive	-	33%

“-” means this industry was not included in the 2020 analysis as it is considered low risk from a biodiversity perspective.

Base: 4,581 N100 companies and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

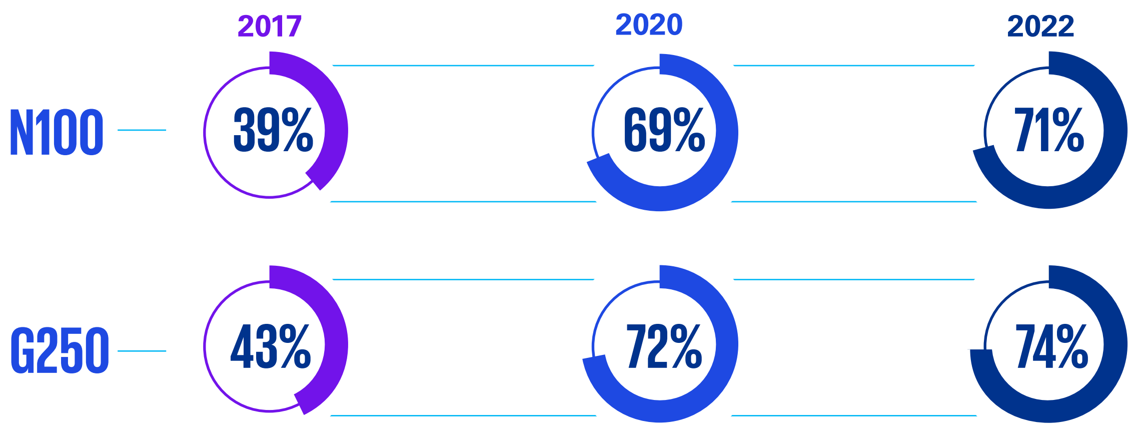
Reporting on the UN Sustainable Development Goals (SDG)

Most companies report against the SDGs

The KPMG Survey has tracked business adoption of the 17 UN SDGs since their launch in 2015. The SDGs have resonated strongly with business with large leaps in reporting against them between 2017 and 2020.

And yet, we have seen only incremental growth in adoption over the past 2 years. The data shows a 2 percent increase of the N100 (to 71 percent) and a 2 percent increase in the G250, where three-quarters of the G250 now report against the SDGs.

Figure 29: Global SDG reporting rates (2017–2022)



Base: 4,581 N100 and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

About the UN SDGs

The 17 SDGs were introduced by the United Nations as a blueprint to achieve a better and more sustainable future for all by addressing global challenges including poverty, inequality, climate change, environmental degradation, peace, and justice. Companies find the SDGs helpful to align their sustainability initiatives with their contribution to solving the world's biggest problems.

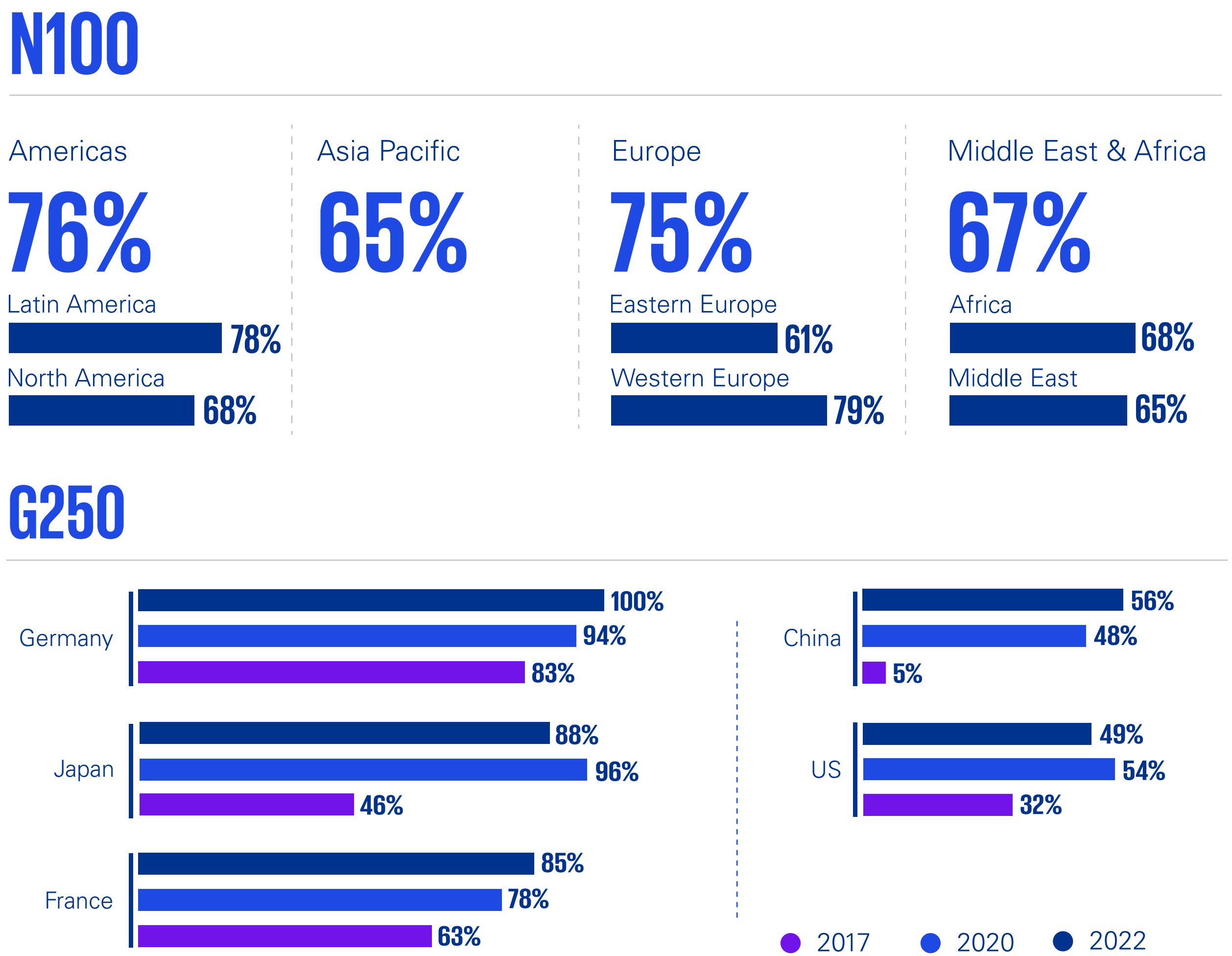
Asia Pacific, Latin America remain SDG reporting leaders

In 2022, we see 12 countries, territories and jurisdictions in which 75 percent or more of the top 100 companies reference SDGs in their sustainability reporting. Four of those are in the Asia Pacific region. Thailand led with 93 percent of companies identifying specific SDGs that were most relevant to business.

Even though this strong geographical spread suggests that the SDGs are fully embedded around the world, reporting rates in Eastern Europe (61 percent) and the Middle East (65 percent) can still improve.

In the G250, 100 percent of German companies reference the SDGs. Also impressive is the increasing references to SDGs among Chinese companies, going from 5 percent of companies in 2017 to 56 percent in 2022.

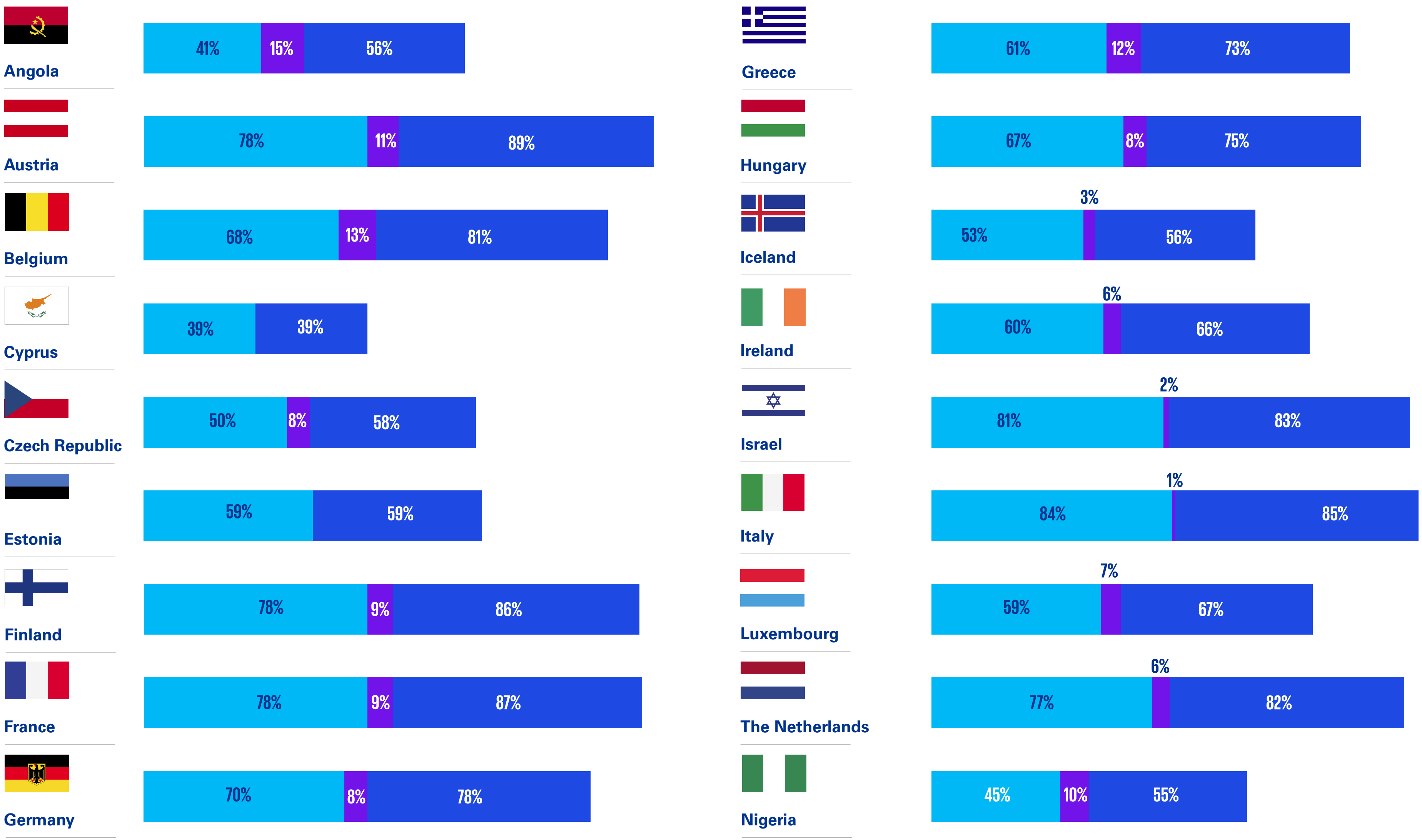
Figure 30: Global SDG reporting rates (2017–2022)

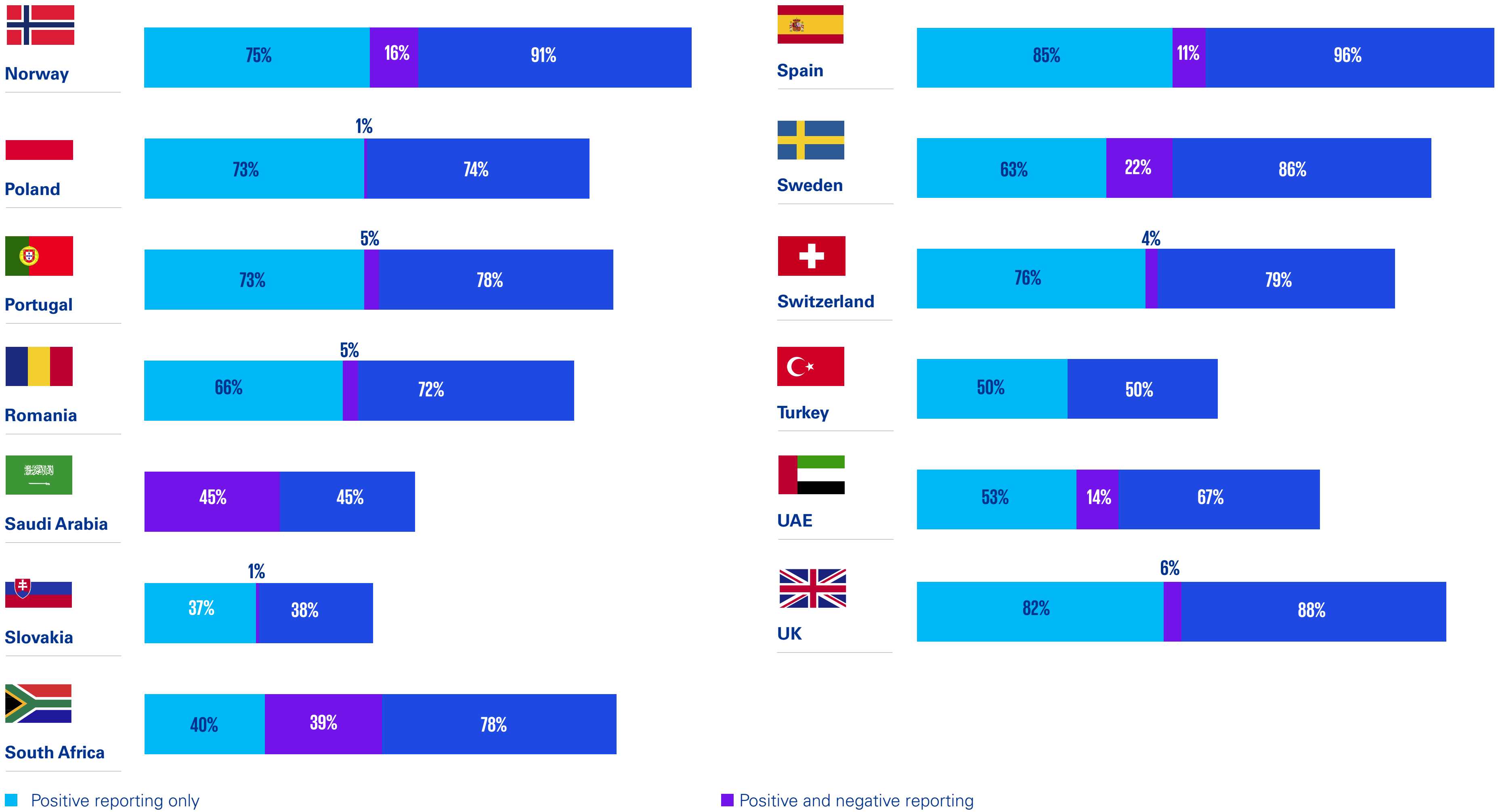


Base: 4,581 N100 and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 30A: EMA SDG reporting rates (2022)





Base: 1,100 N100 companies

Source: Asia Pacific edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

Strong uptake of SDGs across all sectors

Sector reporting remains strong across both the N100 and the G250.

Figure 31: SDG reporting rates among G250 companies by sector (2017–2022)

G250

Sector	2017	2020	2022
TMT	35%	77%	86%
Automotive	38%	80%	83%
Oil & Gas	39%	78%	83%
Retail	23%	75%	76%
Financial Services	24%	73%	70%
Healthcare	14%	56%	67%
Industrials, Manufacturing & Metals	24%	46%	63%

Base: 240 G250 companies that report on sustainability or ESG matters

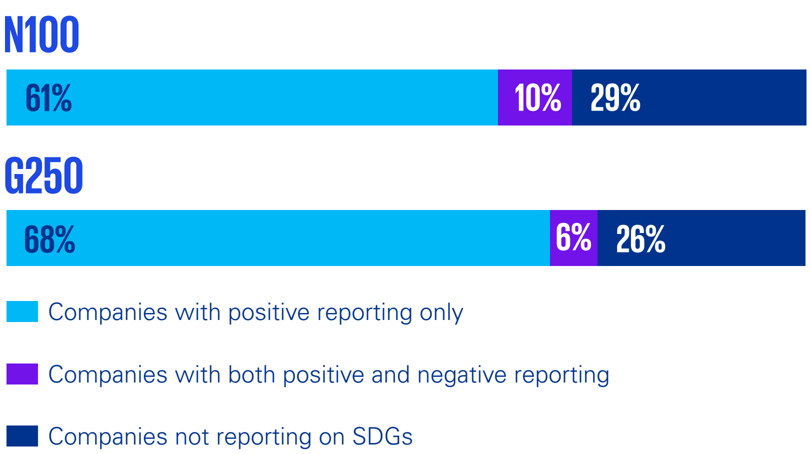
Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Room for improvement on balanced SDG reporting

KPMG professionals assessed whether companies offer balanced reporting about their SDGs impacts. In both the N100 and the G250, the vast majority of companies communicate only the positive impacts they have on SDGs, with only one-tenth of N100 companies and one-third of G250 companies considering both positive and negative impacts on SDGs.

The research also showed that more companies are reporting against specific 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. Few companies prioritize the following three SDGs that relate to 2: Zero Hunger; 14: Life below Water; and 15: Life on Land.

Figure 32: SDG reporting by nature of reporting (2022)



Base: 4,581 N100 companies and 240 G250 companies that report on sustainability or ESG matters

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 33: Frequency of prioritized SDGs (2022)

Base: 3,275 N100 companies identify specific SDGs they consider the most relevant for their business

> **"SDG reporting is important for business. By disclosing both positive and negative impacts on the SDGs, a company can increase transparency with its stakeholders, including its workforce."**

Richard Threlfall
Head of Global Infrastructure, Government and Healthcare, KPMG International

ESG

Comparison of ESG reporting 77
Environmental reporting 78
Social reporting 80
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ESG & corporate leadership 90

Companies increasingly acknowledging ESG issues as risk areas

The concept of ESG was first introduced by the United Nations in its 2006 publication *Principles for Responsible Investing*, but has become more prevalent in recent years, with an increasing number of companies using ESG as the anchor for their sustainability reporting. For the first time in 2022, KPMG professionals analyzed the inclusion of E, S and G factors in sustainability reporting. We found that the E in ESG (defined as climate change for the purposes of this survey) is highlighted far more often than the S and G, with a handful of countries, territories and jurisdictions leading the charge in this form of reporting, mostly as a result of domestic legislation.

Figure 34: Global reporting rates of E, S and G risks (2022)

Environmental concerns are highlighted most often, especially among the G250

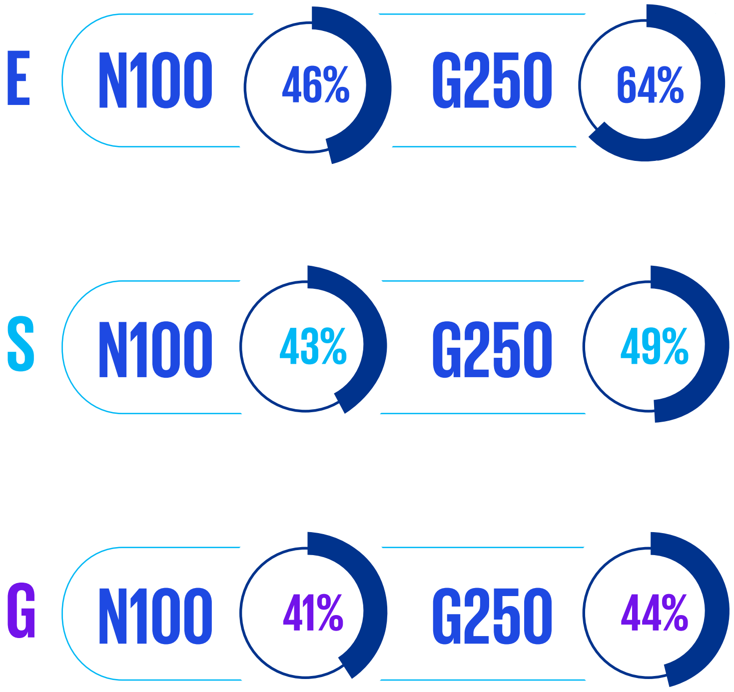


Figure 35: Top five countries, territories and jurisdictions by percentage of N100 companies reporting on E, S and G risks (2022)

The UK and South Africa lead in all three areas.

E		S		G	
United Kingdom	94%	United Kingdom	95%	United Kingdom	95%
South Africa	92%	South Africa	92%	South Africa	91%
Japan	90%	France	81%	Japan	87%
Spain	88%	Japan	80%	Thailand	84%
France	81%	Sweden	77%	Sweden	76%

Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Climate change is a business risk

The acknowledgement among companies that climate change is a risk to the business has improved markedly since 2017, but its growth does not reflect the urgency spelled out by the IPCC's 'Code Red' report in 2021, that called for urgent action to mitigate climate change.

In the past 5 years, the share of G250 companies reporting on environmental issues as a risk to the business has increased from 48 percent in 2017 to 64 percent in 2022, and the N100 from 28 percent to 46 percent.

Only 13 percent of the G250 adopt a leading practice of modeling the potential impacts of climate change using scenario analysis.Yet, most reporting is narrative-led versus publishing quantitative or financial data regarding impacts. For example, 37 percent of the N100 use a narrative approach versus 3 percent disclosing financial data on climate change risks.

Figure 36: Global reporting on environmental risks (2017–2022)

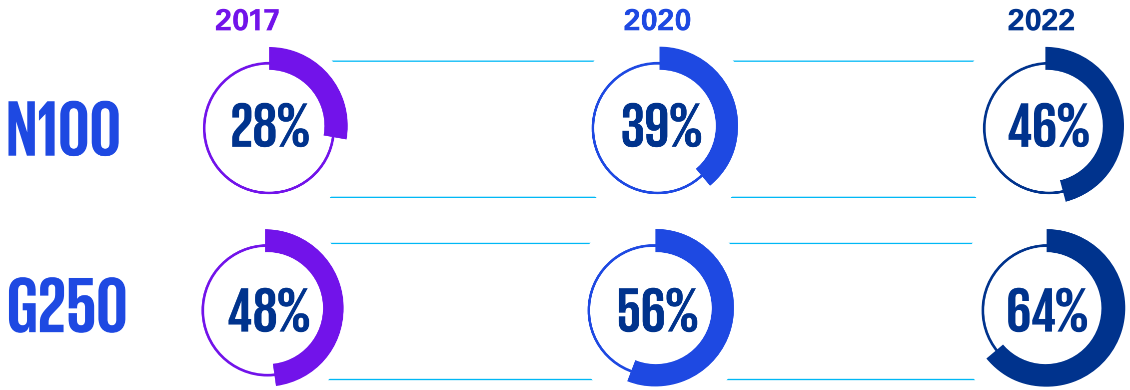
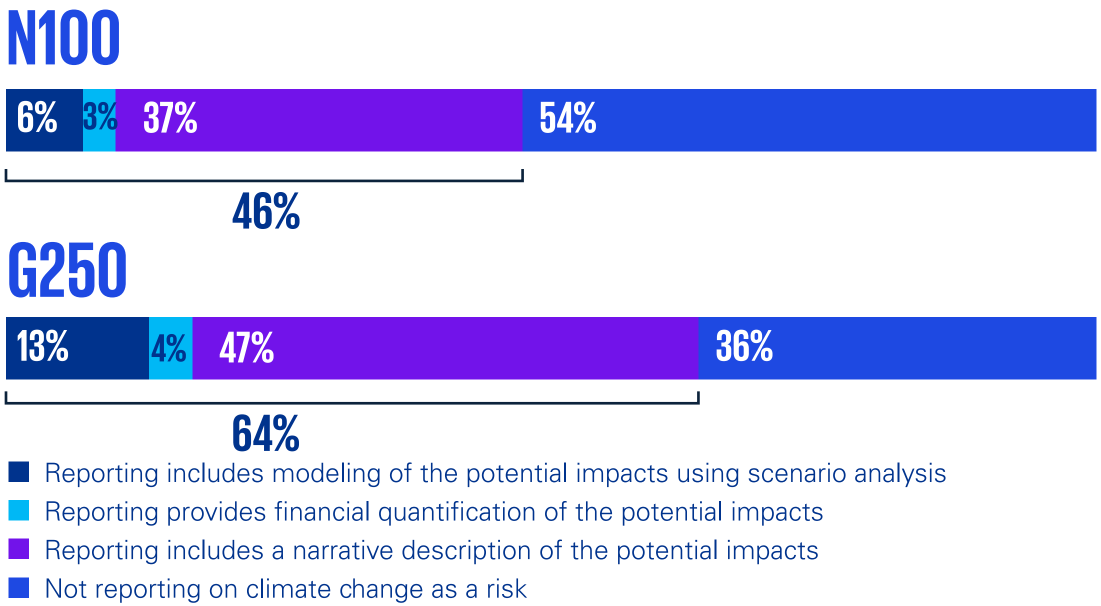


Figure 37: Nature of environmental risk reporting (2022)



Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

The view from:

Norway : 78% of N100 companies reporting on carbon targets

Norway has focused on the natural resource and climate change mitigation as their primary targets in the field of Sustainability. It has taken great actions towards contributing to the SDGs after adopting them in 2015. 90 percent of N100 companies reported on sustainability in 2022. The country has been working consistently on the environmental risks reporting category which is aligned with their SDG objectives as well. Due to its geographical location, the country enjoys very good air and water quality. To add to that, the availability of hydropower resources, investments on technological development and innovation has transitioned the country towards adopting low carbon energy with a healthier and sustainable lifestyle.

Apart from the adoption of the Sustainable Finance Act on the back of EU taxonomy regulations, a new act called "The Transparency Act" was enforced in 2022 for companies to perform risk-based assessments to reiterate how businesses and their supply chains impact the human rights and labor rights of their own workforce. This act aims to focus on social sustainability in the value chain and makes Norwegian corporates well prepared for the EU's Corporate Sustainability Due Diligence Directive (CSDDD). Additionally, Norway is close to incorporating the EU's CSRD into Norwegian law and especially large corporates are well underway to prepare for compliance to the new regulations and to initiate their transition plans.

The social element of ESG

The social element of ESG is now becoming a focus for companies. However, the shift to addressing social issues has yet to be translated into a comprehensive set of disclosures.

Currently, almost half of the G250 (49 percent) acknowledge social elements as a risk to their business. A smaller share of N100 companies (43 percent) address social risks. The elements cover areas such as community engagement, safety and labor issues, which are key risk areas for most companies. Companies also prefer to use a narrative description to describe social impacts rather than provide quantified data.

Figure 38: Social risk reporting among N100 companies by region (2022)

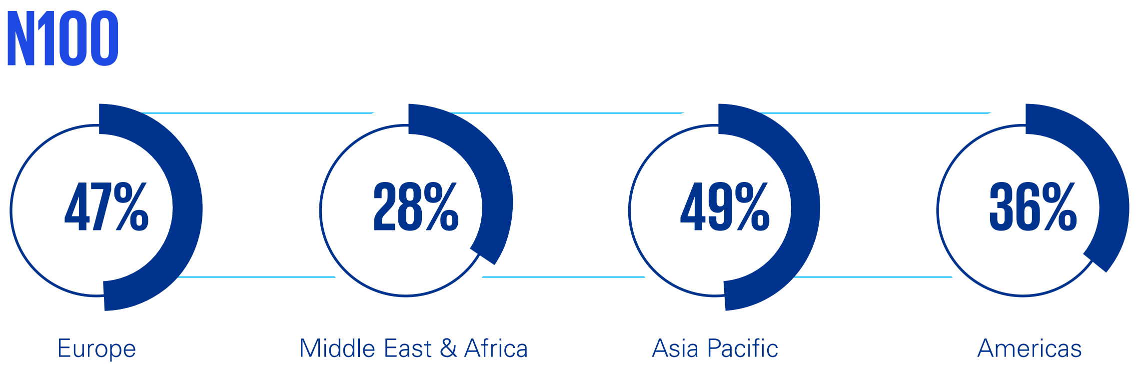
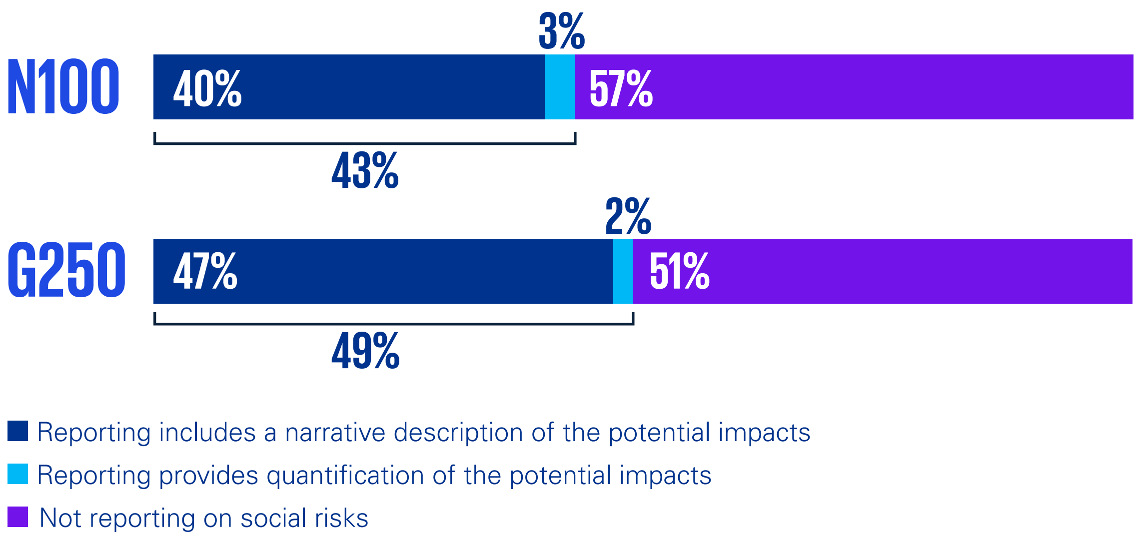


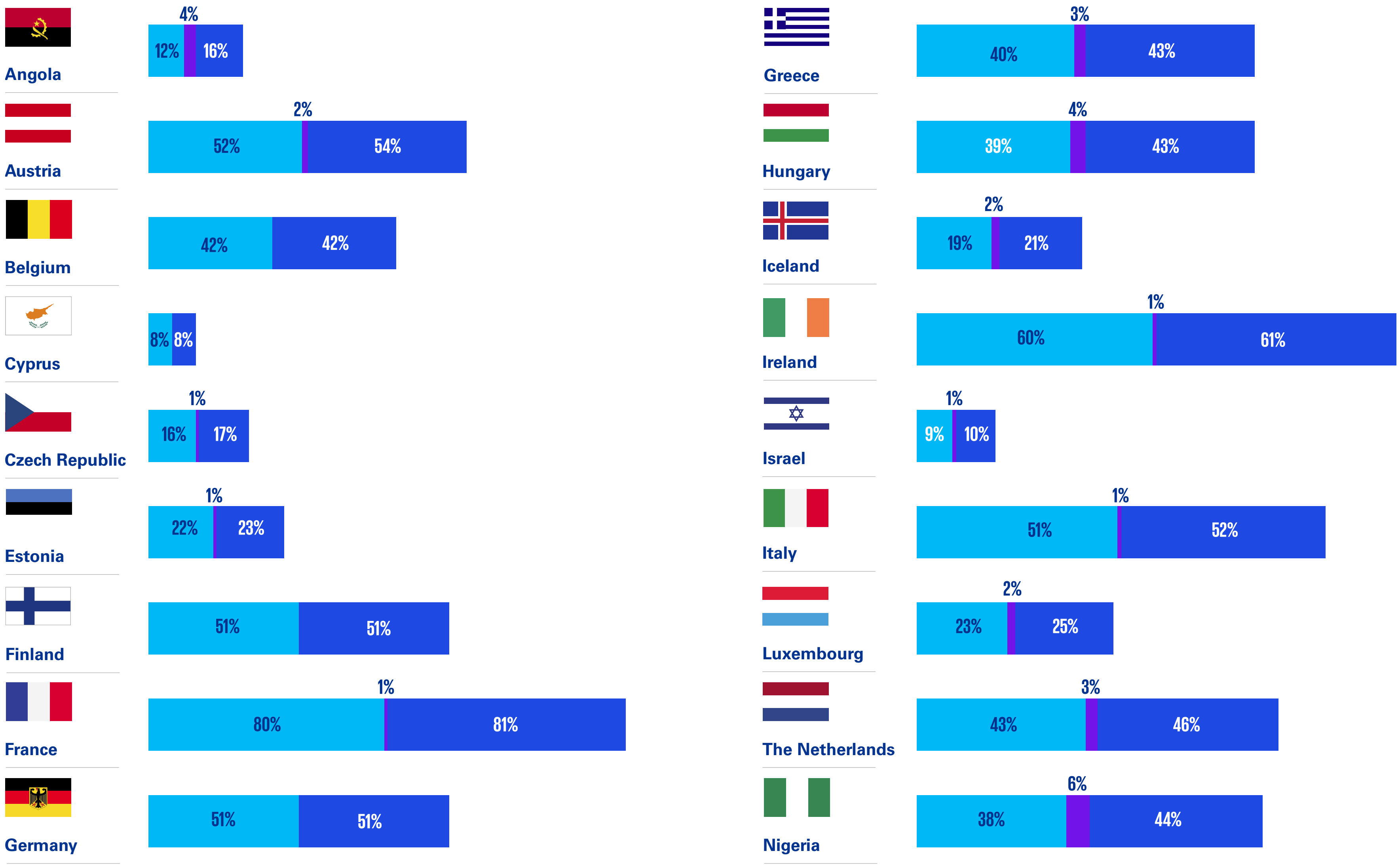
Figure 39: Nature of social risk reporting (2022)

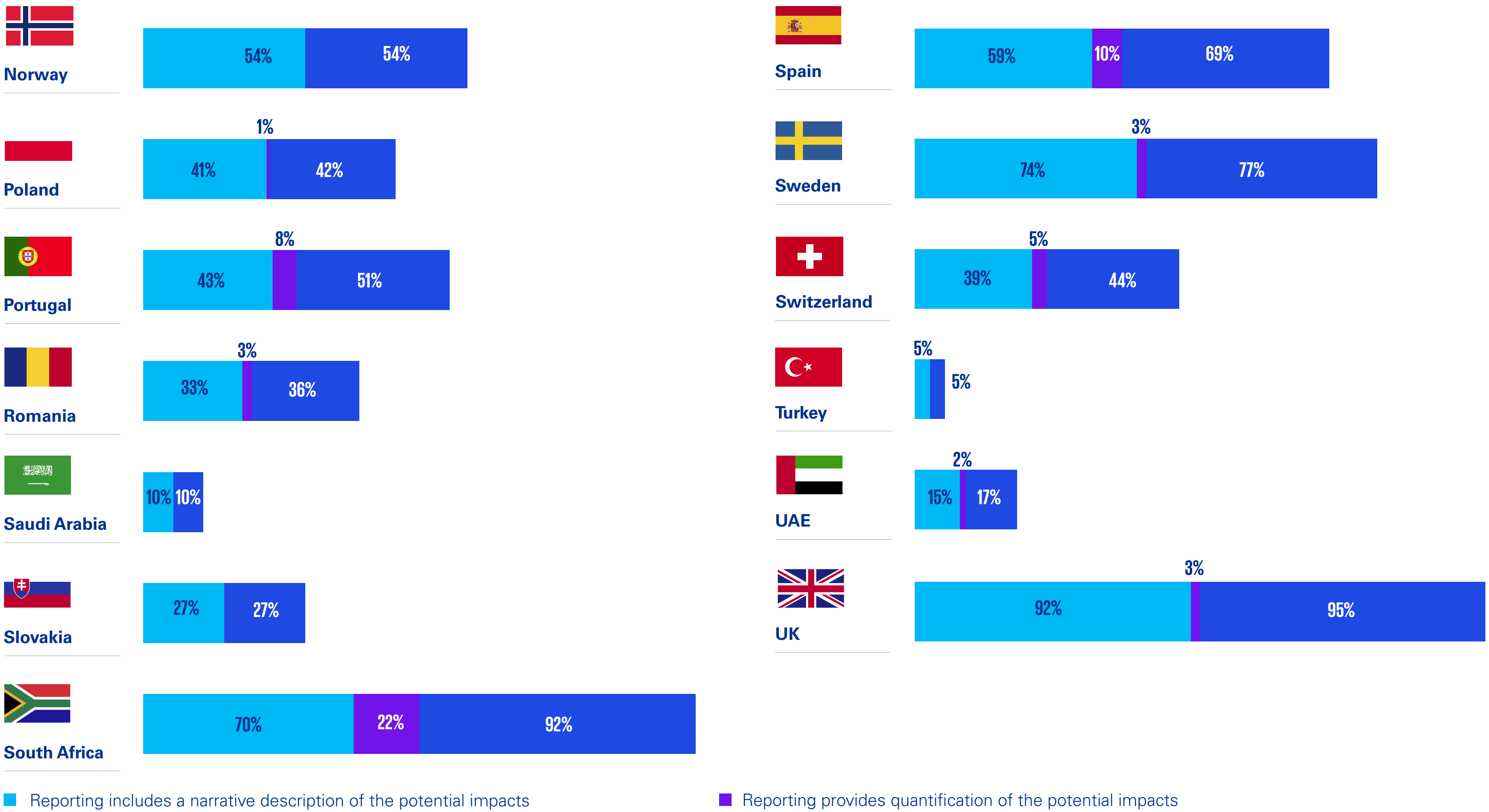


Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 38A: EMA rates of social risk reporting among N100 companies (2022)





Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

The view from:

Belgium: 84% Sustainability reporting in 2022

Sustainability reporting is growing steadily among Belgium's top companies. However, more focus on sustainability is necessary — especially compared to the reporting rate of the largest 250 global companies (G250), which is 96 percent — considering all large Public Interest Entities and large undertakings will need to report on their sustainability performance following the upcoming Corporate Sustainability Reporting Directive (CSRD) entering into force in the current and next year. Meanwhile, there is a steady and consistent increase in reporting from the Belgian N100. The reporting rate of Belgian N100 companies rose in the period 2020-2022 from 72 percent to 84 percent of the companies reporting on sustainability. Although a significant part of the Belgian N100 companies make use of the Global Reporting Initiative (GRI) Standards to communicate about their sustainability performance, reporting standards application can still be improved significantly. ESG is, however, increasingly being appreciated as one of the biggest value-creation opportunities and industry shifts in Belgium.

There have been marked improvements in companies reporting on carbon reduction targets, but actions are still too slow in other key areas, with only 25 percent of Belgian N100 companies recognizing biodiversity loss as a risk. Growing stakeholder pressure is making ESG central to management discussions across all sectors. Along with this, many Belgium companies are increasingly committing to SBTi targets and catching up with the European average.

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.

Luxembourg: 69% Sustainability reporting in 2022

Luxembourg , being an OECD member has actively worked on sustainable development goals (SDGs) focusing on transition towards an inclusive and carbon-neutral economy (SDG 8) and tackling global challenge of climate change (SDG 13). The sustainability reporting of companies reached at 69 percent in 2022 in the country which is a progressive sign compared to the previous years' data. In addition, companies have been working on social and governance issues, including gender and racial diversity on boards, requiring them to adopt policies, and enhanced disclosure with respect to ESG matters to meet the stakeholder's interest. In the area of sustainable finance, despite the economic uncertainties and market turbulence in 2022, ESG funds in the country reached EUR 2.8tn in assets in June 2023 i.e., more companies are joining the force to incorporate the ESG metrics and sustainability frameworks aligned with financial reporting of its entities. Moreover, 57 percent of the Luxembourg-based management companies, banks, and insurance companies fulfilled the SFDR's obligation on Principal Adverse Impacts (PAIs) on sustainability factors. On the environmental front, 62 percent of companies have reported the carbon targets data in 2022.

The view from:

South Africa: 96% Sustainability reporting in 2022

South Africa has been a consistent performer with more than 95 percent of N100 companies disclosing sustainability information in their annual reports ensuring better policy implementation and regulations in place. As per the KPMG 2022 survey, the companies have been voluntarily proactive adhering to the Johannesburg Stock Exchange (JSE) 'Sustainability and Climate Disclosure Guidance' with 100 percent companies reporting on sustainability in line with the JSE guidelines. The nation is among the top five countries by percentage of N100 companies reporting on sustainability related risk in all three areas- Environmental, Social and Governance. However, much work needs to be done to improve the sustainability representation at leadership level from a mere 36 percent.

With the recent launch of ISSB standards; the regulators, consultants and auditors are sensing opportunities to broaden the sustainability reporting landscape in South Africa and have increased the frequency of roadshows and round table discussions across key cities in the country. These have culminated into committees that will look into the regulatory framework for sustainability reporting in South Africa.

To add to that, the implementation of the National Development Plan (NDP) which prioritizes the elimination of poverty and reduction of inequality has played a pivotal role in progressing the country towards being an inclusive economy by 2030, in line with the SDGs.

Spain: 95% Sustainability reporting in 2022

Spain has been working on a number of ESG regulations under the EU proposal. Companies have been required to produce ESG reports since a law came into effect in 2018. That law also required the information to be verified by a third party. Large Spanish companies have traditionally been very aware of the importance of ESG issues, as proven by their overrepresentation in some ESG indices. With an adoption rate of 93 percent by N100 companies, Spain is among the top 5 countries in the world in terms of reporting against GRI standards. Spain ranks first in the PPA (purchase power agreement) Index and 8th rank worldwide in renewable energy country attractiveness index 2022.

UK: 95% of N100 companies reporting on social risks

UK companies are raising the bar on ESG transparency. The survey results demonstrate that sustainability is critical to risk management, resilience and indeed value creation, with sustainability matters firmly on the agenda for UK boards and executive leadership teams. Appointing a dedicated member of the board and leadership team for sustainability matters is a critical step in providing senior authority, accountability and oversight to implement and embed company wide sustainability commitments and targets.

UK companies lead the way globally on reporting about environmental, social and governance issues. We have seen clients continue to build momentum on climate-related disclosures, with the TCFD recommendations being required for the past two years. Many are already reporting about biodiversity. They are diving deeper into managing social topics such as diversity and inclusion, employee wellbeing, responsible supply chain management, human rights, and social impact. The UK has a reputation for strong corporate governance and this is expected to build with the forthcoming changes to the UK Corporate Governance Code. The UK's strong focus on governance, and the need to build trust, is also evident in the proportion of UK companies seeking assurance on sustainability reporting.

We anticipate further reporting on social factors in the coming years as businesses continue to navigate changing consumer preferences for sustainable products and services, respond to social movements, and navigate their role in the just transition towards a green economy. The anticipated introduction of the IFRS Sustainability Disclosure Standards in the UK will enhance sustainability reporting and deliver transparent and trustworthy information about sustainability to the capital markets and beyond.

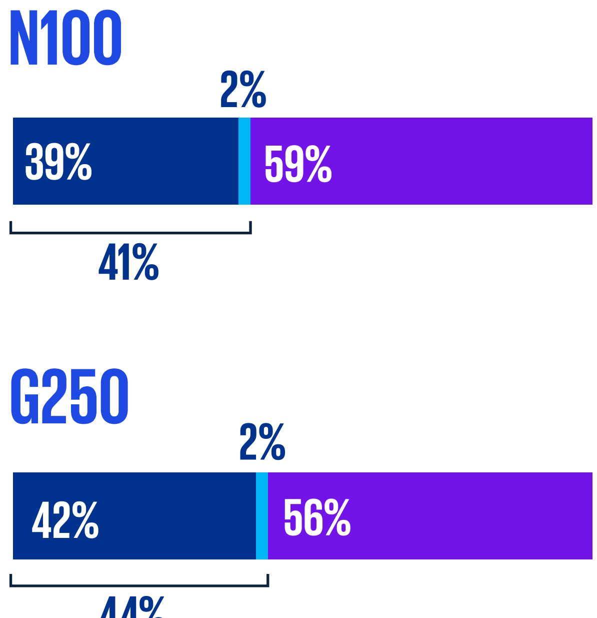
Less than half of companies disclose their governance risks

Governance risks are reported risks that may impact on compliance or the integrity of the business, such as bribery and anti-corruption, anti-competitive behavior or political contributions. For the first time in the survey, KPMG professionals reviewed whether a company's report acknowledged governance elements as a risk to the business.

Only 41 percent of companies in the N100 and 44 percent of companies in the G250 acknowledge governance elements as a risk to their business. This is surprising given the increasing global focus on government relations (such as lobbying and corruption), as well as the growing calls for tax transparency and related disclosures.

Like the environmental and social risk disclosures, the research shows that companies prefer to use narrative descriptions to convey the potential impacts of the risks, rather than quantify such risks. Only 2 percent of companies in both the N100 and G250 provided quantification of the impacts.

Figure 40: Nature of governance risk reporting (2022)



- Reporting includes a narrative description of the potential impacts
- Reporting provides quantification of the potential impacts
- Not reporting on governance risks

Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

At the regional level, among the N100, Africa, Western Europe, and the Asia Pacific region have the highest level of disclosure at 49 percent across all three regions. Only a third of companies are disclosing risks in the Americas: North America (37 percent) and Latin America (33 percent). The Middle East region lags with just a 13 percent rate of disclosure.

In the G250, Japan and Germany have high levels of disclosure: 92 percent.

Figure 41: Governance risks reporting by region (2022)

N100

Americas	Asia Pacific	Europe	Middle East & Africa
33%	49%	45%	28%
Latin America 33%		Eastern Europe 30%	Africa 49%
North America 37%		Western Europe 49%	Middle East 13%

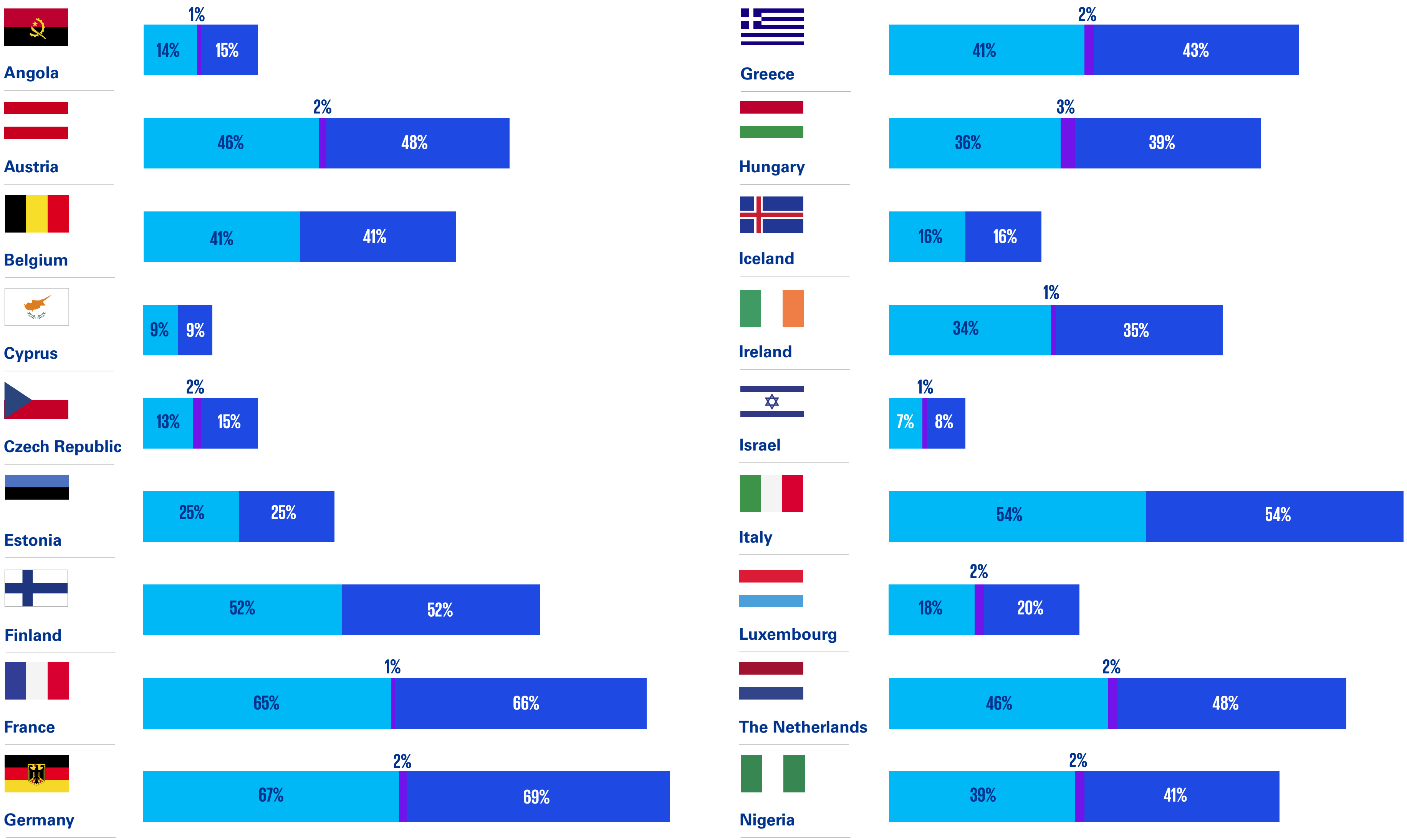
G250

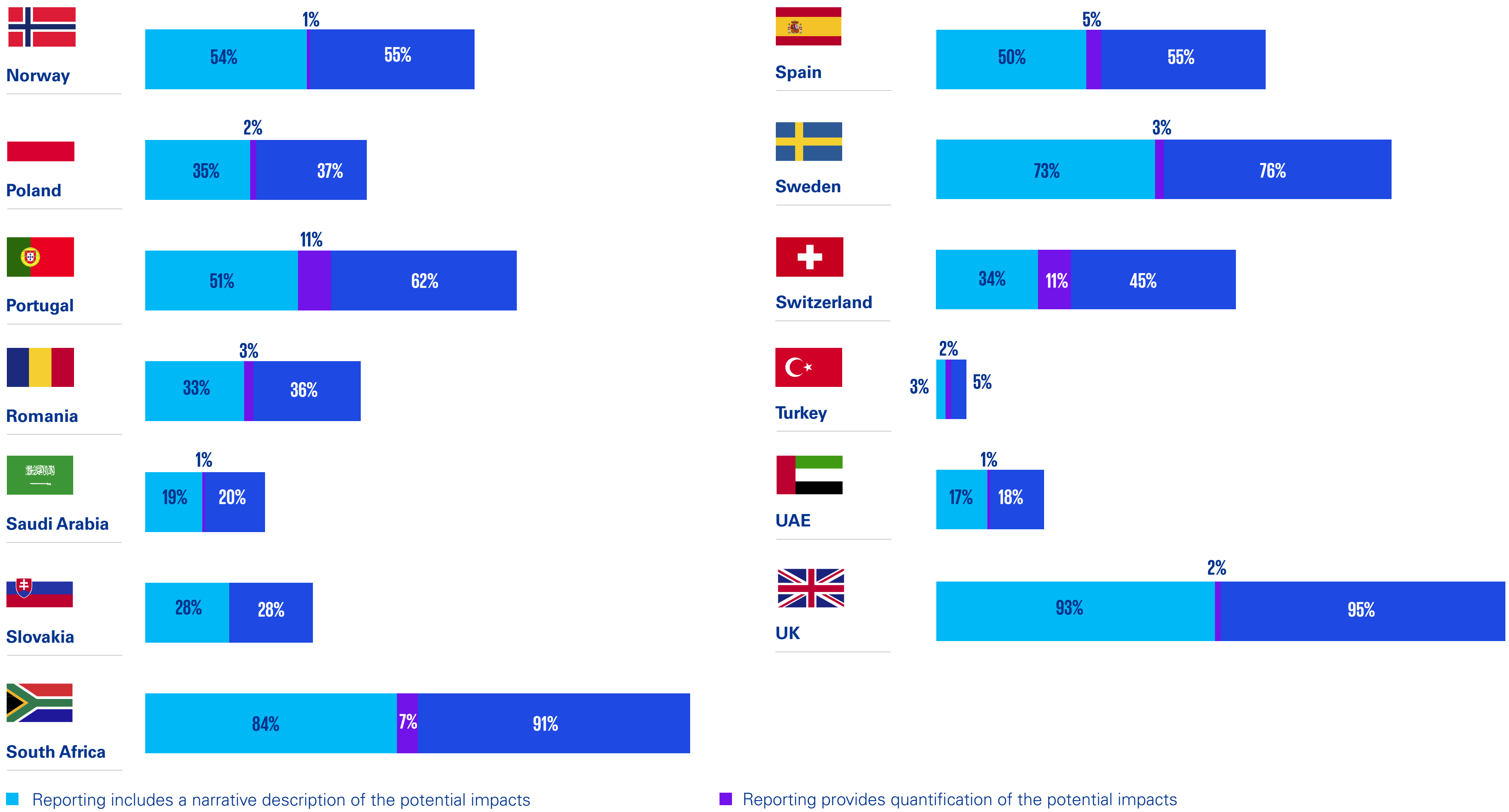
Japan	Germany	France	China	US
92%	92%	77%	31%	3%

Base: 5,800 N100 companies and 250 G250 companies; only the largest five countries in the G250 are shown in this figure

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 41A: EMA rates of governance risks reporting (2022)





Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

Tax transparency is a key component of the G in ESG and has been part of the public discourse in one form or another for many years. One of the earliest and most easily identified catalysts for bringing tax transparency to the main stage has been country-by-country reporting, but the list of mandatory and voluntary initiatives around tax disclosures has been growing. Various stakeholder groups consider tax as an important part of ESG and having a sustainable, transparent approach to tax are key in today's world. It is important that companies take the first steps to think about what tax transparency looks like for their organization as we expect this to be an important area of governance disclosure in the years to come.

Loek Helderman
Global Tax Lead, KPMG International

Leadership-level representation for sustainability not yet prevalent

Also for the first time, the survey reviewed whether sustainability was represented at the Board level by having a dedicated member or leadership team responsible for sustainability matters.

This level of representation can help, bringing sustainability closer to business operations, and creating greater accountability. A dedicated member of the leadership team can also be indicative of how mature the company is with respect to its ESG journey.

The practice is not yet prevalent. Currently, just over one-third (34 percent) of the N100 companies and less than half (45 percent) of G250 companies have leadership-level representation.

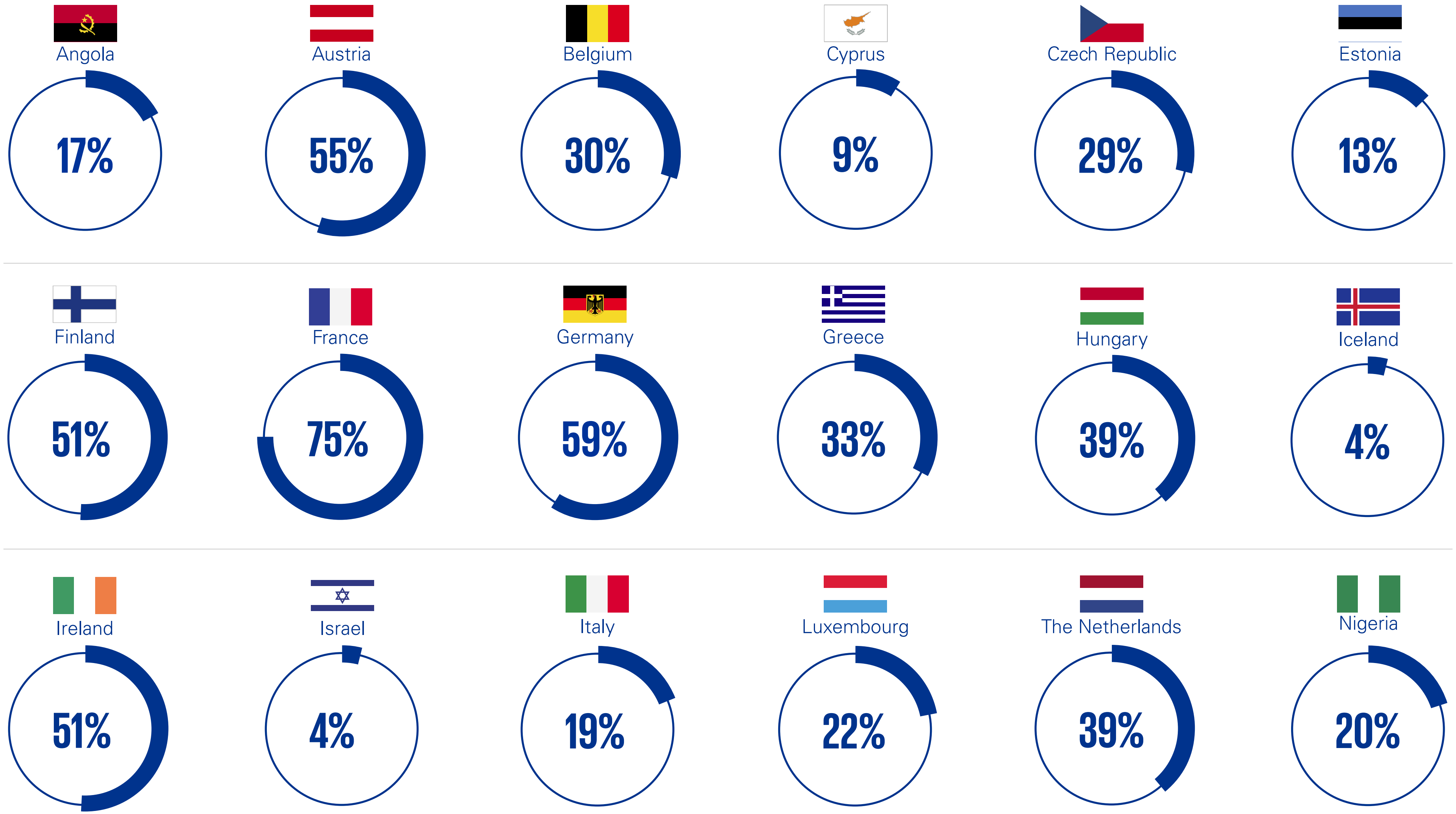
The UK stands out as a leader (83 percent), jointly followed by Taiwan and France (75 percent), and South Korea (73 percent).

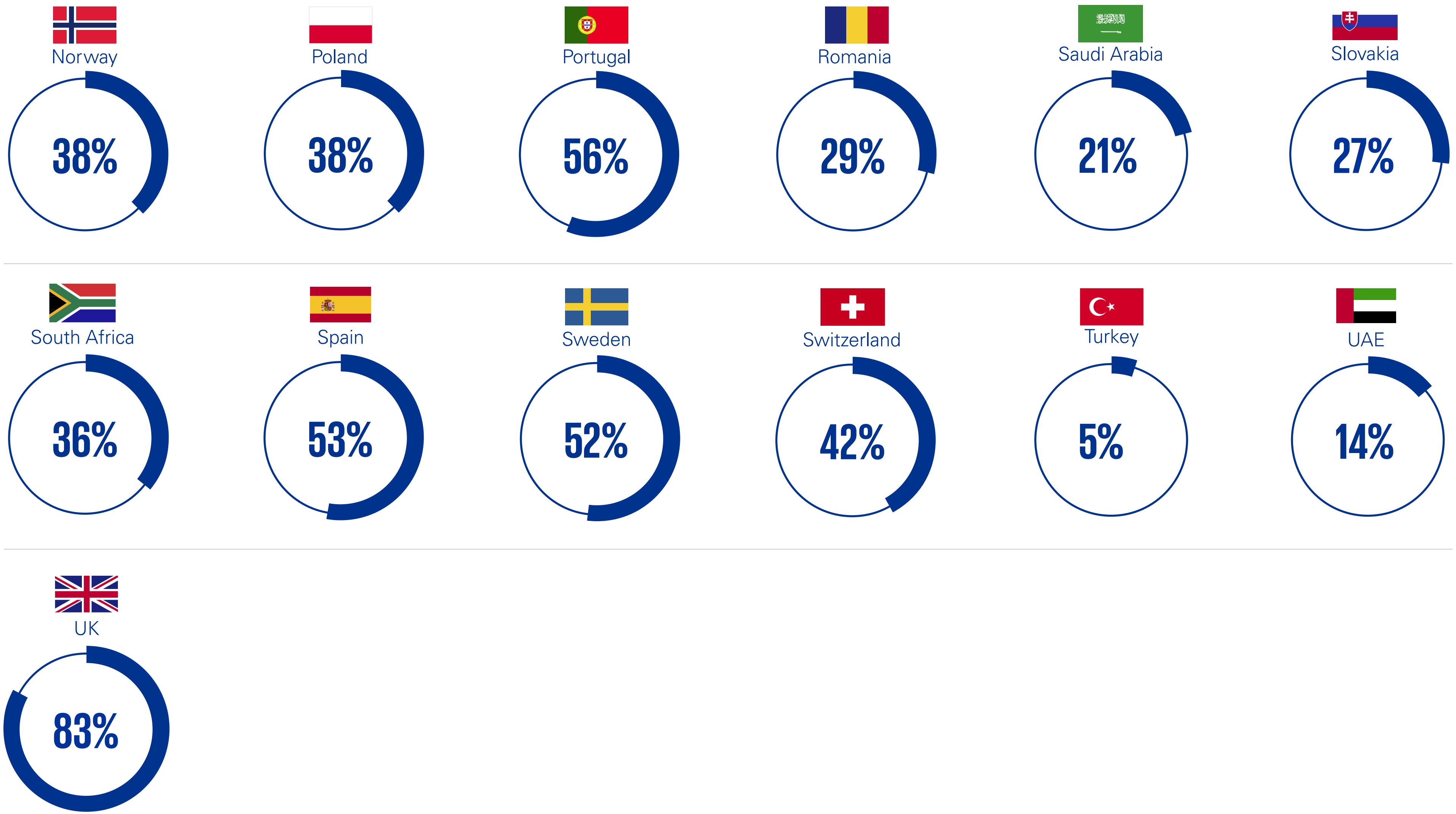
Figure 42: Global rates of sustainability representation at leadership level (2022)

Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

Figure 42A: EMA rates of sustainability representation at leadership level (2022)





Base: 1,100 N100 companies

Source: Asia Pacifc edition: KPMG Survey of Sustainability Reporting 2022, KPMG Asia Pacifc, February 2023

Figure 43: Top 10 countries, territories and jurisdictions by percentage of N100 companies with sustainability representation at leadership level (2022)

1	83%	UK
2	75%	Taiwan
3	75%	France
4	73%	South Korea
5	65%	Philippines
6	59%	Germany
7	59%	India
8	58%	Thailand
9	58%	Japan
10	56%	Portugal

Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

The view from:

Austria : 55% of sustainability representation at leadership level

The ESG reporting of Austrian companies has improved in terms of the depth and quality of disclosures. Many companies consider sustainability as an important topic during leadership discussions. Some of the leading companies in Austria have a dedicated leader or a steering committee responsible for the sustainability performance of the company, while more companies are inclined towards considering a board position dedicated for a sustainability leader or expert. This would in turn help Austrian companies become more resilient with the changing customer and shareholder preferences.

Austrian companies are also at the forefront of achieving the country's net zero ambitions with as many as 82 percent of the N100 companies reporting their carbon targets in 2022 along with implementing a robust ESG strategy.

Compensation can help meet targets. Are companies leveraging it?

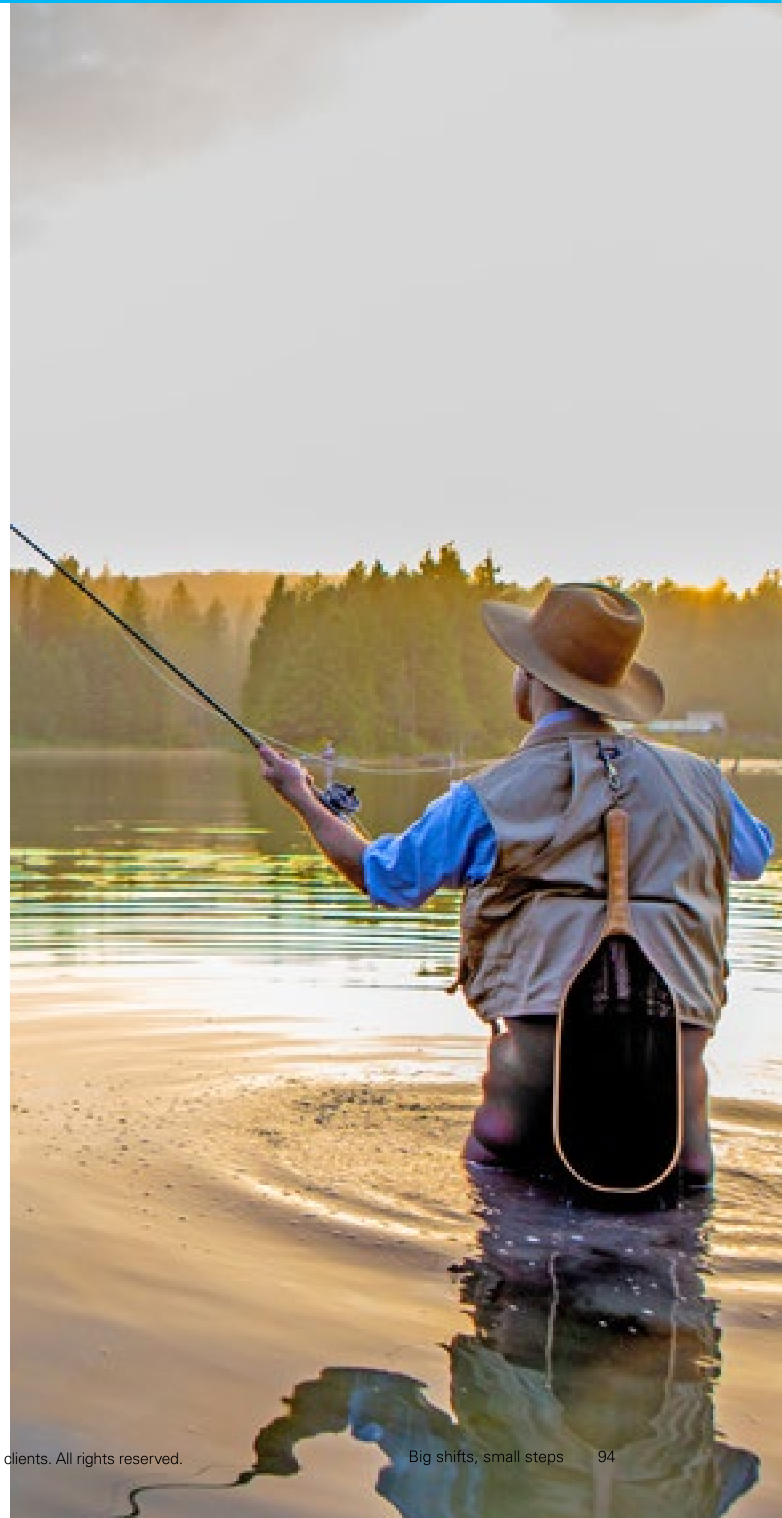
Sustainability-linked compensation at leadership levels can improve performance in areas such as meeting climate goals and increasing diversity. The inclusion of sustainability targets and metrics into compensation also sends a signal to investors and other stakeholders that the company's leadership is serious about sustainability.

KPMG professionals researched whether companies include sustainability-linked compensation for their Board or leadership. So far, 40 percent of G250 companies use it. This is a positive indicator, as practices within the G250 tend to filter into the N100. Currently, less than one-quarter of N100 companies compensate their leaders based on attainment of sustainability-based goals (24 percent).

Figure 44: Global rates of sustainability-based compensation at leadership level (2022)

Base: 5,800 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022



Methodology

Professionals across 58 KPMG member firms performed in-depth research for this survey. They reviewed annual financial (or integrated) reporting and sustainability reporting by the largest 100 companies, by revenue, in their own countries, territories and jurisdictions.

With data from 5,800 companies, this survey is the most comprehensive in the series, which has run since 1993.

The sources used by KPMG researchers included reports published between 1 July 2021 and 30 June 2022. If a company did not report during this period, reporting from 2020 was reviewed. However, no reports issued earlier than 1 July 2020 were reviewed.

The survey findings are based on analysis of publicly available information only and no information was submitted directly by companies to KPMG firms.

The survey refers to two research samples:

The N100

The largest 100 companies in each of 58 countries, territories and jurisdictions: 5,800 companies in total

Professionals at KPMG firms identified the N100 in their country, territory or jurisdiction.

These are the top 100 companies based on a recognized national source or, where a ranking was not available or was incomplete, by market capitalization or a similar measure.

All company ownership structures were included in the research: publicly listed and state, private and family-owned.

The G250

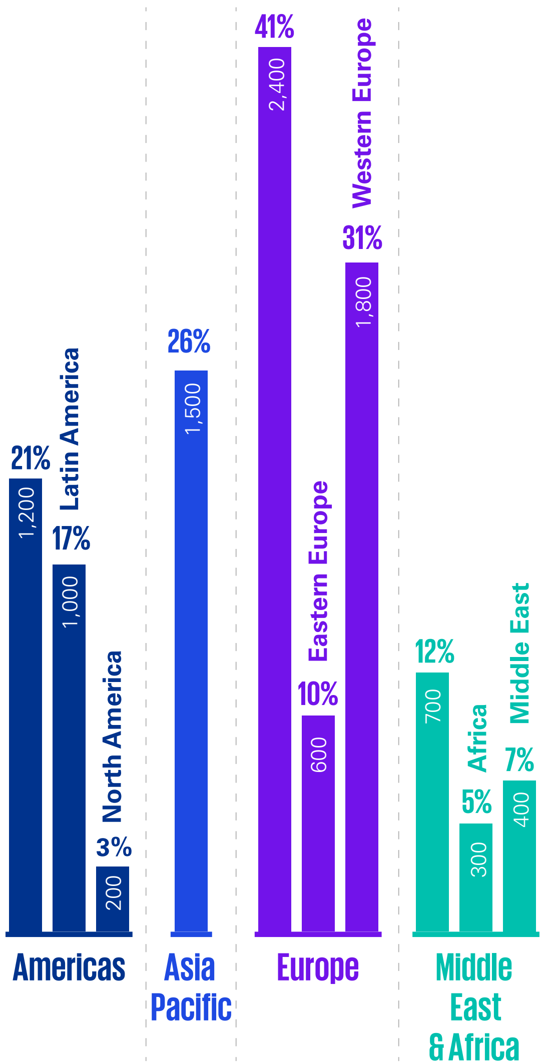
The largest 250 companies in the world

The G250 sample comprises the top 250 companies by revenue based on the *2021 Fortune 500* ranking. Most G250 companies were also included in the N100 research sample, although 11 companies were not, because they are headquartered in countries, territories and jurisdictions not covered in the N100 sample.

N100 research sample: National Breakdown

Angola	Iceland	Romania
Argentina	India	Saudi Arabia
Australia	Ireland	Singapore
Austria	Israel	Slovakia
Belgium	Italy	South Africa
Brazil	Japan	South Korea
Canada	Kazakhstan	Spain
Chile	Luxembourg	Sri Lanka
China	Malaysia	Sweden
Colombia	Mexico	Switzerland
Costa Rica	Netherlands	Taiwan
Cyprus	New Zealand	Thailand
Czech Republic	Nigeria	Turkey
Estonia	Norway	UAE
Finland	Pakistan	UK
France	Panama	US
Germany	Peru	Uruguay
Greece	Philippines	Venezuela
Hungary	Poland	Vietnam
	Portugal	

N100 research sample: Regional Breakdown

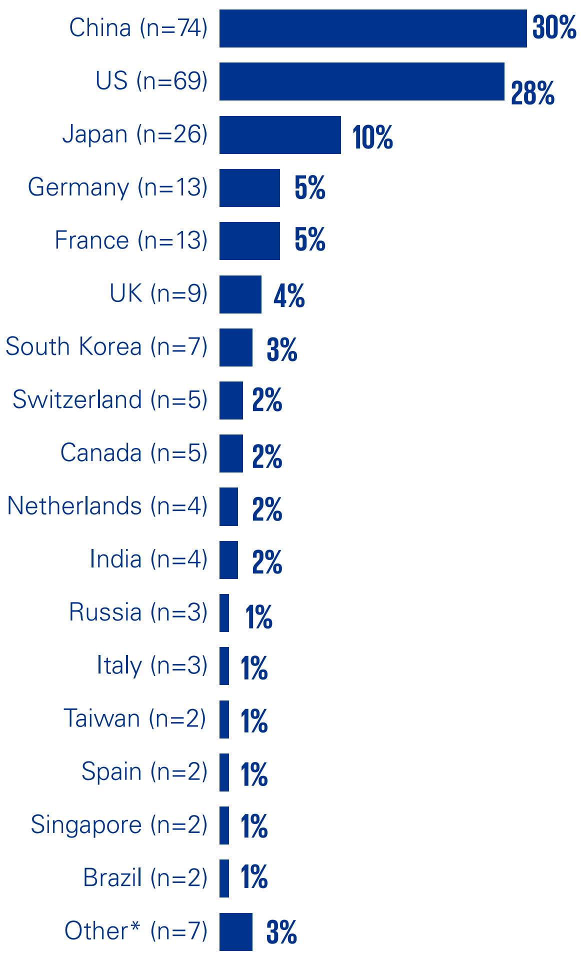


N100 research sample: Sectorial Breakdown

- 20% Financial Services
- 10% Retail
- 10% Industrials, Manufacturing & Metals
- 10% Technology, Media & Telecommunications (TMT)
- 9% Food & Beverages
- 6% Automotive
- 5% Transport & Leisure
- 5% Utilities
- 5% Oil & Gas
- 5% Construction & Materials
- 4% Healthcare
- 3% Chemicals
- 3% Personal & Household Goods
- 2% Mining
- 1% Forestry & Paper
- 2% Other

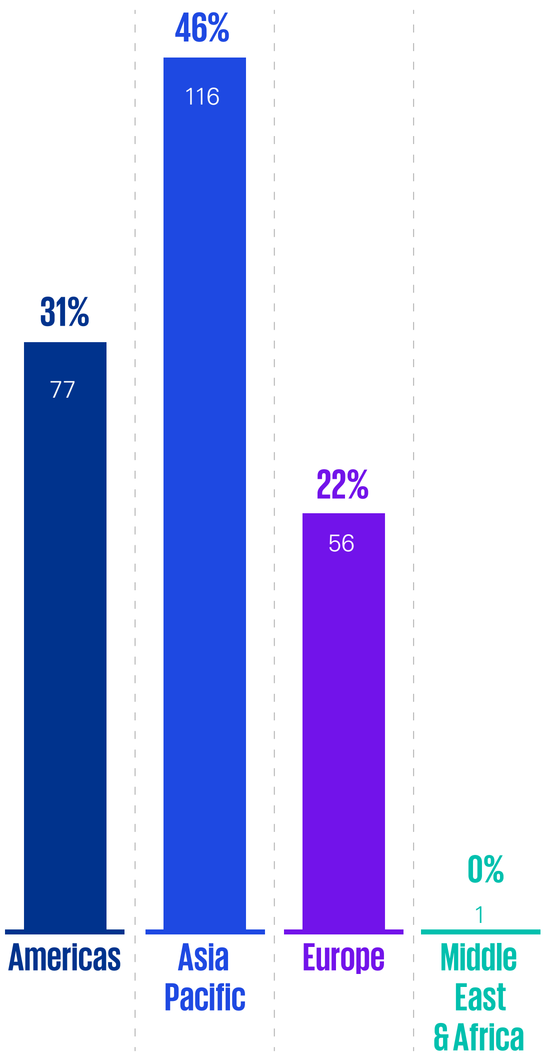
Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

G250 research sample: National Breakdown

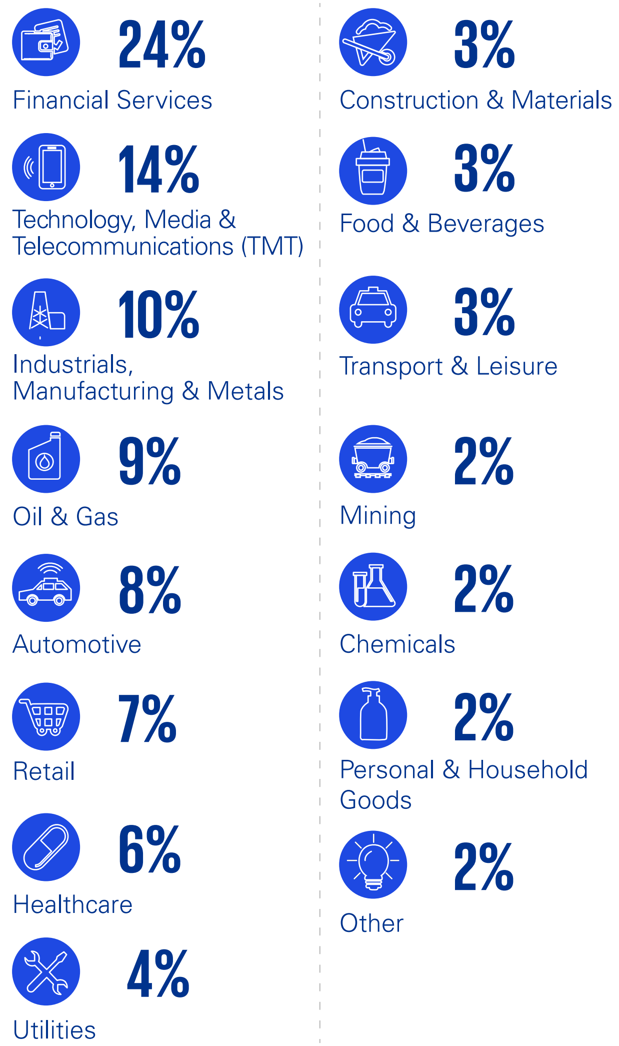


Other: Thailand (1), Saudi Arabia (1), Norway (1), Mexico (1), Luxembourg (1), Finland (1) and Belgium (1)

G250 research sample: Regional Breakdown



G250 research sample: Sectorial Breakdown



Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

How we can help

What should you include in your ESG disclosures?

Sustainability reporting is a rapidly evolving field with a variety of reporting frameworks, with some overlapping requirements but no global consistency. The range of ESG metrics and disclosure frameworks used is vast and varies by sector, size and complexity, as well as location. Your performance is being ranked by many different indices, scorers and benchmarks. How do you articulate clearly what you're doing in key ESG areas?

How we support your ESG reporting

KPMG firms are at the forefront of sustainability reporting, helping our clients develop responsible and sustainable strategies, business models, operations and investments. We combine ESG know-how with technical accounting and reporting expertise. And we have experience supporting listed and private businesses, across all sectors and at all levels of maturity. There are tangible ways businesses can invest in sustainability reporting:

- Understand what your stakeholders expect you to report on, and help you articulate your ESG performance clearly.
- Create effective corporate ESG reporting. We can provide training to your team and undertake materiality assessments or benchmarking. We also support content identification and development, providing advice on data requirements and the best reporting structure, as well as undertaking compliance reviews.
- Align your ESG reporting with key mandatory and voluntary reporting frameworks. These could include the GRI Standards, SASB, and the EU's CSRD.
- Improve the quality and efficiency of ESG non-financial reporting. We help you identify data requirements, prepare methodology statements and review existing reporting processes to assess assurance readiness.
- Understand the impact of climate change on financial statement disclosures. We can help you review ESG disclosures for compliance with existing reporting requirements and benchmark against good practice.

An increasing number of today's investors take non-financial data just as seriously as financial data. They believe that those companies that measure and report ESG risks are also likely to be managing these risks better and delivering greater long-term value.

KPMG firms know the power of ESG to transform your business. KPMG ESG Advisory can show you how to enhance trust, mitigate risk and unlock new value as you build a sustainable future.

Read more

KPMG 2022 CEO Outlook
Growth strategies in turbulent times

Net Zero Readiness Index 2021

The time has come
The KPMG Survey of Sustainability Reporting 2020

Appendix

National rates of sustainability reporting 2022

Country	2020	2022
Angola	30%	27%
Argentina	88%	67%
Australia	92%	89%
Austria	74%	72%
Belgium	72%	84%
Brazil	85%	86%
Canada	92%	94%
Chile	-%	74%
China	78%	89%
Colombia	83%	83%
Costa Rica	56%	65%
Cyprus	23%	36%
Czech Republic	66%	74%
Estonia	-%	41%
Finland	90%	94%
France	97%	95%
Germany	92%	100%
Greece	59%	66%
Hungary	83%	79%
Iceland	52%	91%
India	98%	88%
Ireland	88%	95%
Israel	-%	43%
Italy	86%	94%
Japan	100%	100%
Kazakhstan	59%	64%
Luxembourg	65%	69%
Malaysia	99%	99%
Mexico	100%	84%
Netherlands	88%	90%
New Zealand	69%	80%
Nigeria	85%	78%
Norway	77%	91%
Pakistan	90%	91%
Panama	60%	71%
Peru	81%	85%
Philippines	-%	87%
Poland	77%	82%
Portugal	72%	85%
Romania	66%	74%
Saudi Arabia	36%	31%
Singapore	81%	100%
Slovakia	76%	81%
South Africa	96%	96%
South Korea	78%	99%
Spain	98%	95%
Sri Lanka	66%	76%
Sweden	98%	98%
Switzerland	80%	82%
Taiwan	93%	94%
Thailand	84%	97%
Turkey	56%	44%
UAE	51%	73%
UK	94%	99%
Uruguay	-%	57%
US	98%	100%
Venezuela	-%	16%
Vietnam	-%	87%

Base: 5,800 N100 companies

Source: KPMG Survey of Sustainability Reporting 2022, KPMG International, September 2022

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Emese Gazsó
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