KPMG ESG Assurance Maturity Index 2025

Maintaining momentum

Foreword

Welcome to the third edition of the KPMG ESG Assurance Maturity Index. Since the inception of this series in 2023, significant developments have unfolded, transforming the sustainability landscape in meaningful ways.

The world is evolving rapidly and so are expectations around sustainability. What was once viewed primarily as a compliance exercise has become a strategic imperative. ESG assurance is no longer just about meeting regulatory thresholds; it is about building trust, unlocking value and demonstrating resilience in an era that demands transparency and accountability.

This year's KPMG ESG Assurance Maturity Index captures a pivotal moment. As regulatory frameworks such as the Corporate Sustainability Reporting Directive (CSRD) and the IFRS® Sustainability Disclosure Standards gain traction, organizations are being called to act, not merely react.

The data reveals that while some sectors are advancing with confidence, others are still navigating early stages. Yet across the board, the message is clear: ESG assurance is not a destination, it is a journey that demands courage, clarity and commitment.

The potential benefits and pressures of sustainability assurance are increasingly evident. Respondents report or anticipate a range of positive outcomes — from enhanced shareholder value and cost efficiencies to reputational gains and improved profitability.

Among the first-wave of companies reporting under the CSRD in our survey, 60 percent expect to gain market share or expand their client base and more than half anticipate increased profits. At the same time, our research shows that pressure for sustainability assurance is intensifying across a broader spectrum of stakeholders. It has evolved well beyond a regulatory compliance issue.

At KPMG, we view sustainability as a catalyst for innovation and long-term value creation. The Leaders featured in this year's Index are not simply checking boxes, they are embedding ESG into the core of their strategy, culture and operations. They are leveraging assurance to drive better decisions, strengthen stakeholder confidence and future-proof their organizations.

We seek to innovate with purpose, designing assurance models that are as dynamic and multidimensional as the sustainability challenges they address. We are proud to support a broad spectrum of organizations, including many early CSRD reporters. KPMG firms stand ready to support audited-entities in realizing the full benefits of ESG assurance, as sustainability reporting becomes as integral to corporate life as financial reporting.

This report serves as both a mirror and a map. It reflects where organizations stand today and offers a path forward. Whether you are just beginning or well along your journey, we hope the insights within help you move with purpose, act with integrity and lead with impact.

Scott Flynn
Global Head of Audit
KPMG International

Mike Shannon
Global Head of ESG Assurance
KPMG International

Neil Morris
Global Head of ESG Assurance Methodology
KPMG International

Methodology: About the Index

KPMG surveyed 1,320 senior executives and board members with ESG reporting and assurance knowledge across industries and regions, with a mean revenue of US$16.8 billion. Of these, 314 companies identified that they reported and obtained assurance over their sustainability disclosures in accordance with the Corporate Sustainability Reporting Directive (CSRD) for financial years beginning on or after January 1, 2024 (Wave 1). We also expanded the sample size to include respondents from Africa, Mexico and the Middle East to ensure representation from across each continent.

The KPMG ESG Assurance Maturity Index is composed of five pillars designed to help companies measure progress in each of these areas: (1) governance, (2) skills, (3) data management, (4) digital technology, and (5) value chain.

Each pillar is supported by one or more questions from the survey. The scores from each question within a pillar were averaged to arrive at the overall score for the pillar.

The pillar scores were then weighted as follows:

Governance	0.25
Skills	0.25
Data management	0.25
Digital technology	0.15
Value chain	0.10

The Index, measured on a basis of 0–100, examines the progress companies have made in these areas to gauge the relative maturity of a company's ESG reporting program in order to assess its readiness for third-party assurance. Based on their rankings, companies are classified as Leaders (the top 25th percentile), Advancers (the next 50th percentile) and Beginners (the bottom 25th percentile).

Research was conducted between April–May 2025.

Contents

Executive summary

Average maturity index score by stage

46.77
All

65.21
Leader

45.73
Advancer

30.54
Beginner

Areas of moderate to extensive board responsibility

Technologies with the largest 3-year usage growth by Leaders

Technology	2025 usage	% point increase
Cloud	**83%**	**+25**
ESG Data Dashboards	**53%**	**+27**
ESG Platform	**50%**	**+30**
Data Lakes/Data Centers	**38%**	**+22**
Traditional AI	**65%**	**+16**
Generative AI	**16%**	**+16**

Despite regulatory ambiguity, **74%** of companies have indicated that their sustainability reporting plans under the CSRD remain unchanged — signaling strong market-driven momentum.

Top five benefits expected from ESG assurance — Wave 1 CSRD companies

Approach with intention:

Acceleration in ESG reporting and assurance should be purposeful. Leading organizations are advancing not just to meet regulatory demands, rather with the aim of creating long-term value and strengthening stakeholder trust through thoughtful, proportionate action.

ESG Assurance: Mixed progress on the journey

Amid geopolitical headwinds and a shifting regulatory agenda, this year's Index shows an overall readiness score of respondents across categories has dipped marginally, from 47.7 to 46.9.

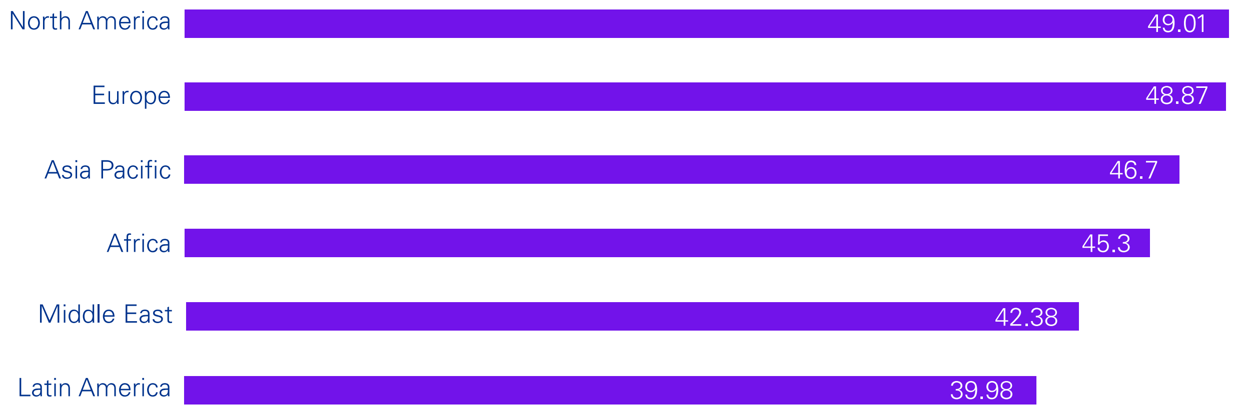
Even now — two years since KPMG's initial survey — 76 percent of businesses remain in the early or mid stages of ESG maturity.

Leading cohorts moving forward

Nevertheless, some organizations are moving ahead, and a number of trends are discernible. In terms of geographies, North American businesses remain in first position with an average maturity score of 49.0. However, spurred by CSRD, companies in Europe have narrowed the gap from last year with an average score of 48.9. Companies in Latin America and Middle East are in the earliest stages of maturity.

As expected, the larger the company, the more prepared they are for independent assurance. Organizations with revenue in excess of US$10 billion have an average score of 52.8, considerably greater than businesses with revenue under US$1 billion where the average is just 40.4.

Maturity score by headquarters region



Average maturity index score by revenue

40.44 Less than US$1B

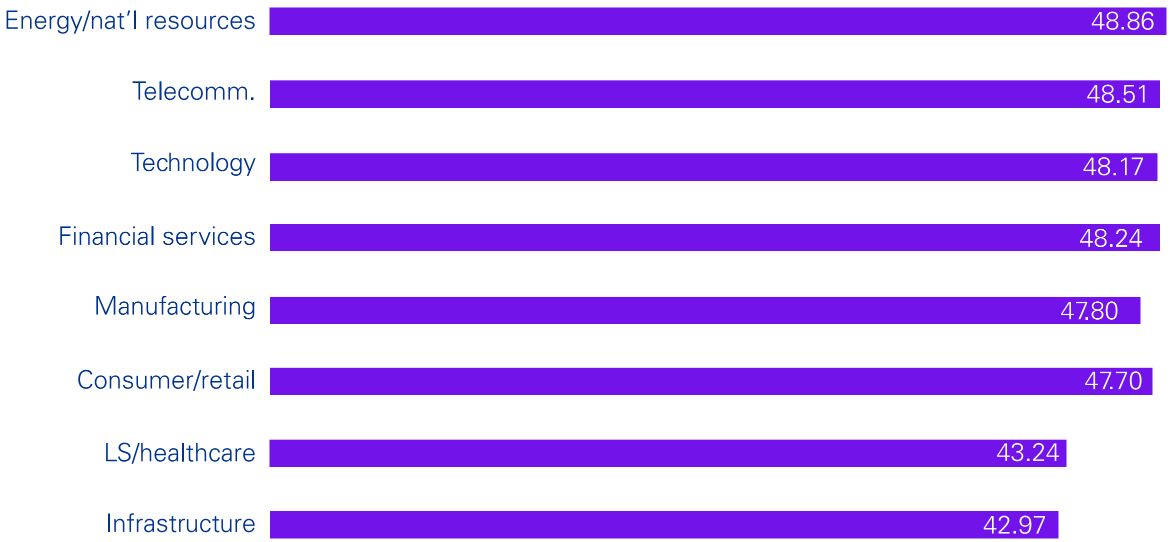
42.13 US$1B to US$5B

48.29 US$5B to US$10B

52.80 More than US$10B

There have been some changes by sector. Last year, financial services businesses were out in front, but this year there has been more of a convergence. Energy and natural resources companies lead the way but there is very little between them and other sectors — telecoms, technology, financial services, manufacturing and consumer/retail. As in 2024, life sciences/healthcare and infrastructure are still lagging.

Average maturity index score by industry



Overall, Leaders are significantly ahead, with their maturity score sitting at 65.2 (which is a slight drop from 67.0 in 2024). Their score is appreciably greater than that of the middle Advancer category (45.7) — and more than double that of Beginners (30.5). The gap has not narrowed since last year, indicating that organizations earlier in the journey have not yet made the foundational 'quick wins' that would move them up the maturity scale.

Average maturity index score by stage

46.77
All

65.21
Leader

45.73
Advancer

30.54
Beginner

Regulatory picture remains complex

If progress in elevating levels of maturity across the respondent base has been modest, the chief reasons behind this are the complexity of the reporting requirements exacerbated by the unclear regulatory picture. These are the two preeminent barriers cited by survey respondents (51 percent and 49 percent respectively) — with both jumping significantly from 2024 (41 percent in both cases).

Indeed, it is notable that Leaders see these factors as a bigger barrier than companies earlier in the journey. Fifty-nine percent of Leaders cite unclear, evolving regulations as a barrier vs 45 percent of Beginners. This underlines the reality that, even as ESG reporting and assurance maturity grows, the task nevertheless becomes proportionately harder due to the complexities of the requirements that must be fulfilled and shifts in the regulatory landscape.

> **We encounter challenges in complying with emerging global standards while actively monitoring regulatory shifts and collaborating to drive progress.”**
>
> Senior Executive
> UK consumer/retail company

As a result, many companies appear to grapple with advancing their ESG reporting and assurance approaches.

In addition to a complex regulatory environment, a key barrier is securing leadership buy-in and sustained investment, particularly in the absence of immediate regulatory pressure which can lead to resource redeployment. While acceleration is clearly needed, it must be intentional and proportionate. Organizations should focus on ensuring efforts are guided not just by compliance, but by a broader ambition to create long-term value and build stakeholder trust.

Other challenges, which still loom despite steps to overcome them, include inadequate supplier ESG performance (47 percent, up from 43 percent last year) and inadequate access to data (46 percent, significantly up from 33 percent last year).

Growing challenges in preparing for ESG assurance

	2025	2024
Complexity of reporting requirements	51%	41%
Unclear, evolving regulations	49%	41%
Inadequate supplier ESG performance	47%	43%
Inadequate access to data	46%	33%
Insufficient IT and digital solutions	38%	35%
Cost of compliance and available funding	33%	31%

Progress on establishing reporting policies

Over the past year, those survey respondents in the planning or beginning stage of establishing reporting policies have increased from 38 percent to 45 percent, while those in mid or full-implementation have fallen from 62 percent to 55 percent. Still, a cohort of companies have begun complying with CSRD, with the share of respondents having completed implementation increasing from 18 percent to 21 percent.

> **“The complexity of data handling and different ESG regimes has been a challenge, so we need to invest in better talent and tools to manage data inputs, standardize reporting processes, and monitor performance more effectively.”**
>
> Senior Executive
> Japanese technology company

Firms making modest progress in operationalizing ESG targets

KPMG’s research shows that, over the past two years, many companies have made little progress in operationalizing ESG targets so that they can be achieved.

Most are still in the middle two stages of this process. Fewer than half have established ESG targets that are cascaded across key operational functions and actively monitored for progress. Only a small percentage take a step further and added incentives. However, the largest companies, those with revenue exceeding US$10B, are doing somewhat better, with 57 percent saying their ESG targets are operationalized and monitored.

> **“The overall lack of progress in operationalizing targets is worrying. It is important that ESG goals drive true strategic change in the way that businesses operate, rather than just becoming a framework for reporting.”**
>
> **Carlos Fernández**
> ESG Assurance Leader
> KPMG in Mexico

Key takeaways:

Prioritize foundational maturity: Seventy-six percent of companies remain in early or mid-stages of ESG assurance maturity. Clients should focus on building strong governance, data, and skills foundations to move up the maturity curve.

Size and geography matter: Larger companies and those in North America and Europe are leading. Smaller firms should consider tailored strategies to overcome resource constraints and regulatory complexity.

Approach with intention: Acceleration in ESG reporting and assurance must be purposeful. Leading organizations are advancing not just to meet regulatory demands, but to create long-term value and strengthen stakeholder trust through thoughtful, proportionate action.

Lessons emerging from CSRD implementation

As standards evolve and regulatory requirements shift, companies should seek to determine whether to proactively advance their ESG initiatives or risk falling behind by delaying action.

One area of continued uncertainty is the timing and scope of the European Union's CSRD. The Omnibus package of proposals introduced by the European Commission in early 2025 and currently under legislative scrutiny, aims to simplify and streamline ESG reporting. If enacted, it would significantly narrow the CSRD's scope — limiting mandatory sustainability reporting to only the largest companies. Parallel work to revise the European Sustainability Reporting Standards (ESRS) is expected to significantly reduce the number of disclosures that companies will need to eventually report, e.g. prioritizing quantitative datapoints over narrative text and clearly distinguishing between mandatory and voluntary data requirements. For companies that are not yet required to report, initial application has been delayed by two years.

Despite the regulatory ambiguity, 74 percent of companies have indicated that their sustainability reporting plans under the CSRD remain unchanged. Of those, nearly 41 percent are also staying the course with their preparations for assurance — signaling strong market-driven momentum.

And while timelines may shift, investor scrutiny and stakeholder demand for transparency are only intensifying. Staying the course on independent assurance not only safeguards the significant investments already made but also reinforces credibility and leadership in sustainability.

By preserving momentum, companies not only can help ensure readiness for future mandates but also position themselves to enhance stakeholder confidence.

74%

of companies surveyed said their sustainability reporting plans under the CSRD remain unchanged — signaling strong market-driven momentum.

Impact of Omnibus proposals on companies reporting under CSRD

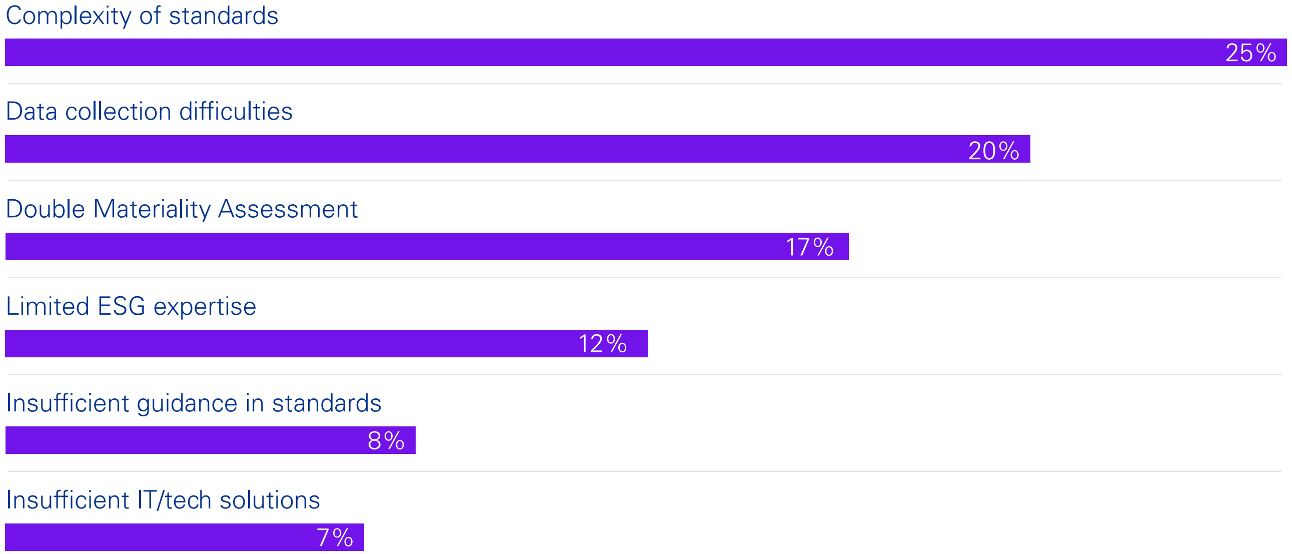
	CSRD
The Omnibus proposals will not impact our plans; we are staying the course with our ESG reporting and assurance initiatives.	41%
The Omnibus proposals will not impact our plans for ESG reporting; however, we will delay obtaining formal assurance until required.	33%
We will delay our plans in line with the EU Omnibus proposals and only report and obtain assurance when required.	26%

Compliance challenges

The complexity of ESRS, coupled with the challenges of data collection, has emerged as the most significant hurdle for those Wave 1 companies surveyed. Organizations face major obstacles in accessing reliable data from suppliers and partners, ensuring data availability and quality, and maintaining consistency across reporting processes.

A key driver of these challenges is the substantial increase in the number and scope of metrics mandated by ESRS — many of which organizations had not previously tracked — adding considerable complexity to the reporting process. This complexity is further compounded by the Double Materiality Assessment (DMA) required, which obliges companies to evaluate both financial and impact materiality. While this concept is not entirely new, the DMA has replaced previously discretionary approaches with a standardized, rigorous methodology, and has significantly increased board and audit committee oversight.(See page 26 for more analysis around metrics.)

Most significant challenge in preparing first CSRD sustainability statement



"Year one was a very new experience for reporters, which created a degree of flying in the dark with little historic comparable data to benchmark against. But I believe that it will get easier in future years — and there are signs that it is helping deliver on the CSRD's underlying policy objectives."

Patricia Reverter
ESG Assurance Leader
KPMG in Spain

Preparing for ESG reporting and assurance under CSRD is a lengthy process

Responses from Wave 1 reporters of ESRS under the CSRD indicate that preparation is time-intensive, highlighting the intricacy of complying with the CSRD.

The majority of companies took over a year to adequately prepare their ESRS disclosures to a level suitable for independent assurance. This is particularly the case for bigger companies with more complex disclosures. These findings underscore the rationale behind the Omnibus package of proposals to delay and simplify the reporting requirements.

Responses also show that the process requires coordination with a range of key stakeholders. Nearly all companies (88 percent) engaged their external assurance providers during the process. All involved their audit committees, but a little over half only involved them to a moderate extent. All companies engaged their boards of directors during the process — most often on a quarterly basis. Larger firms engaged more than others with the audit committee, while smaller companies (who may have a smaller or less active audit committee) are most likely to engage monthly with their boards.

Five key lessons from the first wave of ESRS reporters

01 Start early

For most businesses, more than a year was needed to get ready for ESRS reporting and assurance.

02 Secure senior-level engagement

Among Leader companies in general, boards are more engaged. A senior sponsor at board level has the agency to bring business functions together to collaborate in the necessary way.

03 Be prepared to capture new metrics and KPIs

Companies have needed to widen the scope of what they capture, including substances of concern, sites near bio-diverse critical areas, gender pay gaps and supplier terms of payment, to name but a few.

04 Don't look at it as just an exercise in regulatory compliance

Increasing numbers of stakeholders are looking for robust sustainability reporting and independent, third-party assurance. Use CSRD and other reporting frameworks such as the IFRS Sustainability Disclosure Standards as an opportunity to inform and engage with key stakeholders including investors.

05 Focus on leveraging the many benefits that reporting and assurance brings

The first Wave of companies reporting ESRSs are anticipating greater market share, improved profitability, stronger reputation, decreased costs, and greater shareholder value.

Foreword
Methodology: About the Index
Executive summary
ESG Assurance: Mixed progress on the journey
Lessons emerging from CSRD implementation
CSRD delivering tangible benefits
Global reporting moving at pace
Beyond regulation: ESG assurance matters to a wide range of stakeholders
Taking heart from signs of progress
Learning from the Leaders: A call to action
How KPMG firms can help

A nuanced picture on assurance

While shifts in the regulatory landscape have introduced some uncertainty around future ESG assurance requirements, what has been made clear is that, under the EU's Omnibus package of proposals, limited assurance will remain the standard. This certainty offers companies a practical and achievable path to building trust in their sustainability disclosures.

Looking across all survey respondents (i.e. not only CSRD Wave 1 reporters), this year 65 percent of firms obtained limited and/or reasonable assurance over ***some*** of their ESG disclosures vs. 50 percent of firms last year.

It's important to note that companies may collect a range of sustainability data beyond current regulatory mandates to prepare for future reporting and assurance requirements. This data may also support internal goals such as driving operational improvements, fostering innovation, and aligning company culture with ESG objectives.

As investors increasingly rely on a combination of financial and sustainability statements to assess a company's value, it's no surprise that nearly 80 percent of respondents who obtained assurance on their sustainability disclosures did so through an audit firm. Subject to local country laws, the CSRD permits EU Member States to decide whether sustainability assurance must be conducted by the statutory financial auditor or an independent assurance provider.

Emerging practice on ESG reporting formats

How are businesses reporting their sustainability data? The data shows that a narrow majority of all companies surveyed (51 percent) report their ESG data as part of their annual report. Within this, 32 percent report in a separate ESG section of the annual report, while 19 percent integrate ESG strategy and metrics into their annual reports and explain how ESG affects enterprise value. At the time the survey was conducted, not all participating EU Member States had transposed the CSRD into national law. Nevertheless, 54 percent of ESRS reporters still chose to publish their ESG disclosures within the annual report.

Given this shift toward integrated reporting, it makes practical and strategic sense to engage a single firm for both the financial audit and sustainability assurance. A unified provider brings a comprehensive understanding of the systems, controls, and governance that support both financial and non-financial disclosures — often built on the same ERP platforms. This continuity not only helps ensure internal consistency across reporting but also reduces duplication of effort, minimizes the risk of overlooking critical linkages, and streamlines communication. The result is a more efficient, cohesive, and reliable assurance process that supports the evolving expectations of regulators and investors alike.

"Assurance remains a critical component in validating the integrity of organizations' sustainability efforts, enhancing both transparency and credibility to the market. Over two-thirds of companies surveyed are obtaining limited and/or reasonable assurance over at least some disclosures, while only 2 percent report not getting external assurance at all."

Michael Shannon
Global Head of ESG Assurance
KPMG International

How companies report ESG data

	All	Other	CSRD Wave 1
In a separate ESG or sustainability report released after or on the same day as the annual report.	49%	50%	46%
In a specific ESG or sustainability section of the annual report that includes financial information and addresses material ESG matters but does not specify the connection to reported strategy, risk, business performance, and outlook.	32%	33%	31%
In an integrated annual report that discloses detailed ESG strategy aligned with performance metrics in material ESG matters impacting enterprise value and linked to supplementary information included elsewhere.	19%	17%	23%

The research shows that a narrow majority of firms

51%

report their ESG data as part of their annual report.

“When it comes to CSRD, there is a lot of discussion about what preferred practice reporting looks like and how best to tell your story. As the EU works to simplify ESRS requirements, Wave 1 companies may likely find year two easier — with more time to focus on how they present their information. Feedback from investors should also help shape what good reporting looks like.”

Danielle Landesz-Campen
Head of ESG Assurance
KPMG in the Netherlands

Key takeaways:

Start early and engage broadly: Preparing for CSRD assurance takes over a year and requires deep coordination across audit committees, boards, and your external assurance provider. Companies likely to still be in scope should begin now, even amid regulatory uncertainty.

Treat CSRD as a strategic opportunity: Rather than viewing it as a compliance burden, use CSRD to engage stakeholders, improve data quality, and drive internal alignment on ESG priorities.

CSRD delivering tangible benefits

As would be expected, the first wave of ESRS reporters have made more progress than those that are not subject to CSRD (with respective Index scores of 53.7 vs 44.6). It is likely that the companies that are part of this initial group will pull further ahead of their peers having established stronger data and reporting systems, built greater stakeholder trust, and strengthened their market position through enhanced transparency and demonstrated accountability.

“At this stage, knowledge is the key differentiator. Many Wave 2 organizations underestimate the complexity of what lies ahead. With only two years to build teams, data infrastructure, and technology, and assurance readiness taking up to 18 months, that window may close faster than expected.”

Sophie Sotil-Forgues
ESG Assurance Leader
KPMG in France

KPMG’s analysis of responses from the first wave of ESRS reporters reveals that companies are experiencing or anticipating a wide range of benefits as a result. We’re seeing widespread engagement from senior leadership, with the vast majority of companies actively mobilizing their top teams. A reflection of the strategic imperative shaping how organizations operate and communicate their impact.

CSRD mobilizes top management

81% are responsible for reviewing ESG reporting, vs 71% of others

76% are responsible for monitoring ESG performance, vs 67% of others

74% are responsible for taking ESG actions, vs 70% of others

63% of boards meet at least quarterly to discuss ESG matters, vs 49% of others

CSRD focuses key operations

66% have established teams skilled in managing ESG performance indicators and disclosures, vs 49% of others

52% place broad requirements on suppliers, vs 48% of others

CSRD increases environmental and DEI monitoring

79% monitor greenhouse gas emissions (Scope 1 and 2), vs 72% of others

61% monitor workforce diversity and inclusion, vs 54% of others

53% monitor the impact of climate-related risks, vs 43% of others

51% monitor health and safety performance, vs 41% of others

Reporting and assurance boosts business performance

According to KPMG's research, organizations that engage in ESG reporting, whether to meet regulatory requirements or on a voluntary basis, and obtain third-party assurance for their disclosures, often realize tangible benefits. These include enhanced stakeholder trust, improved data quality, and stronger internal alignment around sustainability objectives.

Notably, companies reporting under ESRS anticipate even greater returns on their efforts compared to their peers. These organizations expect to gain market share, improve profitability, strengthen their reputations, reduce costs, and enhance shareholder value.

The perceived benefits of ESG reporting and assurance extend beyond early adopters, such as CSRD Wave 1 reporters. KPMG's findings indicate that the further an organization progresses on its ESG journey, the more benefits it expects to realize. On average, Leaders — those more advanced in ESG reporting — anticipate approximately eight distinct benefits from having their disclosures assured, compared to 6.5 for Beginners. Leaders are also nearly twice as likely to identify reduced business risk as a key advantage and are significantly more optimistic about financial gains, including increased shareholder value, improved profitability, and better investment and asset optimization.

Top five benefits expected from ESG assurance — Wave 1 CSRD vs. peers

	Wave 1 CSRD	Others
Greater market share/expanded client base	60%	50%
Improved profitability	54%	42%
Stronger reputation	52%	47%
Greater shareholder value/attracting investors	49%	42%
Decreased costs	49%	39%

"Companies are increasingly recognizing the value of transparent sustainability reporting, especially when supported by third-party assurance. In Saudi Arabia, some organizations have noted that clear, robust disclosures have contributed to favorable outcomes — such securing attractive private placement pricing or improved MSCI ESG ratings."

Mohammed Saad Hasheem
ESG Assurance Leader
KPMG in Saudi Arabia

Key takeaways:

ESG maturity drives business value: Companies complying with CSRD report stronger stakeholder trust, improved profitability, and increased market share. Clients should view ESG assurance as a lever for competitive advantage.

Invest now to stay ahead: Early adopters are pulling ahead. Companies not yet subject to CSRD should use the current window to invest in systems, skills, and data readiness.

Global reporting moving at pace

IFRS Sustainability Disclosure Standards coming into view

As of June 2025, the global momentum behind the adoption of the IFRS® Sustainability Disclosure Standards continues to accelerate, with 36 jurisdictions[1] either having adopted, actively using, or finalizing their approach to integrating the standards into their regulatory frameworks.[2] Among these, 17 jurisdictions have completed or made substantial progress on their adoption strategies,[3] with locations such as Australia, Brazil, Hong Kong (SAR), China and Japan leading. Others are opting for climate-only or partial adoption models. Canada, for instance, is developing a national baseline that aligns functionally with the IFRS® Sustainability Disclosure Standards framework.

In jurisdictions such as Australia, where reporting is now mandated, increasing director and senior management engagement can be seen with companies devoting more resources to sustainability reporting and maturing their systems solutions. The knowledge that disclosures will be subject to external assurance is also adding weight. Key challenges include quantifying the financial impacts of climate risk as well as aligning reporting with already-published climate transition plans. Businesses are also recognizing the benefits, including the positive commercial and reputational impacts that robust sustainability reporting can have. The discipline required is also bringing functional departments together in a more collaborative approach, helping break down corporate silos.

Raising the bar on sustainability assurance

As jurisdictions advance their alignment with the IFRS Sustainability Disclosure Standards, attention is also turning to the assurance frameworks that will underpin the credibility of sustainability disclosures. The International Auditing and Assurance Standards Board (IAASB) has responded with the introduction of ISSA 5000, its first dedicated sustainability assurance standard. Designed to address the unique challenges of sustainability reporting, ISSA 5000 introduces more specific requirements for evaluating forward-looking information, materiality, and value chain data. The new standard is profession-agnostic and scalable across both limited and reasonable assurance engagements, offering a unified global baseline for assurance providers. Its implementation is expected to drive greater consistency and comparability in sustainability assurance practices, reinforcing stakeholder confidence and supporting the broader shift toward high-quality, decision-useful ESG reporting.

> **“With mandated reporting now in effect or coming soon in jurisdictions like Australia and Japan, companies are elevating sustainability to the boardroom — investing in systems, embracing assurance, and discovering that robust reporting not only meets regulatory demands but also drives collaboration and commercial value.”**
>
> **Sakurako Ohtsuki**
> ESG Assurance Leader
> KPMG in Japan

1 ISSB sustainability standards to be adopted in 36 jurisdictions, Institute of Sustainability Studies, 16 June 2025

2 IFRS Foundation publishes jurisdictional profiles providing transparency and evidencing progress towards adoption of ISSB Standards — https://www.ifrs.org/news-and-events/news/2025/06/ifrs-foundation-publishes-jurisdictional-profiles-issb-standards/

3 Use of IFRS sustainability Disclosure Standards by jurisdiction — https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/use-by-jurisdiction/

Beyond regulation: ESG assurance matters to a wide range of stakeholders

Despite the regulatory headwinds, pressure from regulators continues to increase around the world, remaining the dominant driver for external assurance over ESG disclosures. It is not just about the IFRS Sustainability Disclosure Standards and ESRS; over the past two years, other regulations that mandate assurance have been introduced, such as climate reporting laws in California and the UK.

Since 2023, firms have faced growing pressure from a broad range of stakeholders, with the most significant increase coming from the financial markets. Institutional and individual investors, along with asset managers, are increasingly integrating ESG criteria into their investment strategies and companies with strong sustainability commitments are benefiting from lower capital costs. While still small, the ESG push from local communities has accelerated more than sixfold since 2023.

In fact, 99 percent of companies surveyed report that they are seeing some level of pressure from stakeholders — on average from at least three groups other than regulators.

Stakeholder pressures by year

	2025	2024	2023
Regulators	69%	70%	64%
Audit committee	57%	N/A	N/A
Investors/shareholders	53%	53%	46%
Financial markets	52%	48%	37%
External activists	51%	N/A	N/A
Suppliers	34%	34%	29%
Local communities	26%	9%	3%

Percent (%) — biggest increases from 2023–2025

For audit committees, sustainability reporting is no longer just a matter of compliance — it's a matter of risk oversight. In a world where climate and ESG-related risks can materially impact financial performance, ensuring the integrity and assurance of sustainability data is essential. By pushing for stronger ESG reporting, audit committees are protecting the organization from reputational regulatory, and financial exposure."

Farah Bundeali
ESG Assurance Leader
KPMG in Canada

The pressures vary considerably by region. Regulators are a major force in ASPAC and Europe, while external activists and local communities play a bigger role in Africa.

As has been seen with CSRD Wave 1 reporters, getting ready for ESG reporting and assurance is a lengthy process — there is no time to waste, regardless of any regulatory hiatus while requirements are clarified.

“Despite ongoing regulatory and political headwinds, the business community continues to advance ESG reporting and assurance initiatives. This momentum reflects growing recognition that robust sustainability practices can deliver tangible value across multiple dimensions.”

Corinne Dougherty
ESG Assurance Leader
KPMG US

“The regulatory certainty that has been established in Australia around reporting under the IFRS® Sustainability Disclosure Standards requirements has given businesses the confidence to invest in their technology and data governance. There appears to be an increasing shift to automation of processes, more gathering of real-time data, and more integration with supplier and/or customer systems. AI is beginning to be used for ESG data analysis, although it’s still early days — but there’s little doubt that this should be expected to grow in the years ahead.”

Daniel Camilleri
ESG Assurance Leader
KPMG Australia

Key takeaways:

Stakeholder pressure is intensifying: ESG assurance is no longer just about regulation. Investors, financial markets, and even local communities are demanding transparency. Companies should prepare for multi-stakeholder scrutiny.

Broaden your ESG lens: Companies should align ESG reporting with investor expectations and market trends, not just regulatory timelines.

Taking heart from signs of progress

While the evolving regulatory landscape has contributed to a more measured pace of advancement, KPMG's research uncovers signs of real progress among Leaders that others can take encouragement and motivation from.

Companies are capturing and reporting the most material metrics

KPMG professionals asked respondents to provide insights on 21 sustainability metrics that organization commonly track and disclose. The average number that companies capture has increased from 7.6 to 9.7 since 2023, with the biggest increases in social value KPIs, for which the percentage has more than tripled, followed by net promoter score (NPS), health and safety, Scope 3 emissions, and the use of ethical suppliers.

Companies have also started reporting more metrics externally — the average number has increased from 3.4 to 5.5 since 2023. The reported metrics with the biggest increases include cybersecurity, health and safety performance, NPS, greenhouse gases, and social value KPIs.

While expanding data collection may be necessary in some cases as companies' sustainability reporting practices mature, it's important not to lose sight of the fact that the real value lies in focusing on high-quality, decision-relevant indicators. Precision matters more than volume when it comes to driving meaningful outcomes.

Key metrics captured internally and reported externally by year

	Captured			Reported		
	2025	2024	2023	2025	2024	2023
Cybersecurity (number of incidents and breaches)	75%	67%	60%	43%	28%	20%
GHG emissions (Scope 1 and 2)	73%	68%	55%	51%	50%	39%
Brand/reputation/trust indices or KPIs	61%	55%	58%	34%	26%	22%
Waste	62%	58%	54%	39%	40%	38%
Customer net promoter score (NPS)	56%	47%	28%	38%	31%	19%
Employee retention	56%	39%	45%	26%	15%	12%
Workforce diversity and inclusion	55%	48%	46%	25%	26%	20%
GHG emissions (Scope 3)	54%	51%	36%	39%	35%	24%
Water usage	49%	41%	36%	31%	26%	21%
Carbon offsets	47%	52%	45%	34%	34%	26%
Impact of climate-related risks (TCFD)	45%	52%	47%	35%	32%	22%
Health and safety performance (LTIFR, TRIFR, etc.)	44%	43%	25%	32%	27%	13%
Employee engagement and/or employee NPS	41%	48%	43%	22%	30%	16%
Social value KPIs (SROI)	38%	26%	11%	21%	14%	5%
Compliance breaches by type	37%	44%	31%	11%	13%	7%
Ethical suppliers (percentage of procurement)	35%	29%	19%	9%	9%	2%
Percentage of suppliers with carbon reduction targets or goals	35%	40%	21%	13%	21%	8%
Pay equity	32%	41%	41%	13%	14%	10%
Number of complaints	29%	30%	27%	9%	10%	9%
Whistle-blower statistics	28%	28%	18%	10%	12%	5%
Nature loss	22%	24%	15%	13%	8%	5%
Average number of metrics out of 21 listed	9.7	9.3	7.6	5.5	5.0	3.4

Percent (%) — biggest increases from 2023–2025

As would be expected, the CSRD has been a significant driver in capturing and reporting a wider number of metrics.

On average, companies report over half of the metrics they capture. It will be interesting to see whether, over time this changes as under both ESRS and IFRS® Sustainability Disclosure Standards, disclosures are guided by materiality assessments.

“With regards to the CSRD, even Leaders have had to capture and report many metrics that they may not have been capturing before. Examples include substances of concern, sites near biodiversity-sensitive areas, gender pay gaps and supplier terms of payment, to name but a few. This may have been behind some of the concerns about the complexity of the CSRD regulations, but mature companies have been able to manage this and put themselves in a leader position.”

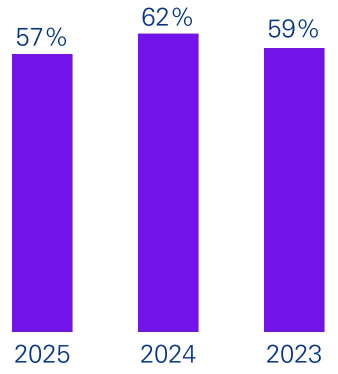
Oliver Geier
Head of ESG Assurance, EMA region and Partner
KPMG in Germany

Companies are adopting new technologies for reporting

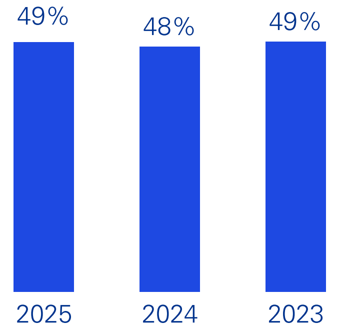
Over the past two years, many companies have increased their use of the latest technologies to manage non-financial data. The fastest growth has been in the use of cloud, data lakes and AI — both traditional and advanced forms, such as generative and agentic AI. Specialized ESG data dashboards and platforms have also grown in use.

However, with regulations in flux, many organizations are staying in a holding pattern when it comes to implementing digital systems for calculating and consolidating non-financial information. The story is similar for integrating non-financial data systems with their financial reporting systems.

Mid to complete implementation of digital systems for analyzing and consolidating ESG data



Mid to complete implementation of integrating ESG data system with financial reporting systems



Quality checking has improved

Over the past two years, companies have improved their quality-checking procedures across the board. Checking and testing by staff members, line managers, and responsible managers have all jumped significantly — in some instances by three times or more. In addition, the percentage of firms surveyed that are applying more sophisticated procedures, such as management or internal audit testing of sustainability data accuracy and processes and controls, has also almost tripled.

Survey results found that larger companies are more likely to include a disclosure committee or compliance review in quality checking procedures.

Managing and structuring ESG data is a key challenge, and we are addressing it through an automation-focused ESG platform."

Senior Executive
French technology company

Quality checking procedures

	2025	2024	2023	Level of increase
The staff member preparing the ESG information is required to ensure its accuracy.	10%	12%	3%	3.3x
The line manager of that staff member is required to check its accuracy and sign off before reporting.	33%	39%	18%	1.9x
The manager responsible for the report performs quality checks over the consolidated ESG data.	68%	69%	23%	3.0x
There is management or internal audit testing of the accuracy of the ESG data.	59%	52%	22%	2.7x
There is management or internal audit testing of the processes and controls underpinning ESG data.	39%	36%	15%	2.7x
There is a disclosure committee or legal/compliance review of all ESG disclosures prior to publishing.	33%	39%	19%	1.9x

ESG data is increasingly being integrated into formal control environments, moving away from the informal and often fragmented approaches of the past. This marks a material shift with companies clearly stepping up efforts to ensure data quality."

Patrick Chu
ESG Assurance Leader
KPMG China

Firms advance slightly in skills and training

Many companies have made some progress over the past two years in establishing a team with the requisite skills to manage ESG performance indicators and disclosures. More than half of firms in 2025 report mid or full implementation, compared to 44 percent in 2023.

Larger firms, with greater resources and under stronger pressures from regulators and stakeholders, are much more likely to have made headway in establishing ESG teams than smaller firms.

In terms of training, KPMG's research finds that most companies provide annual or optional ESG training. Larger companies are more likely than others to make at least parts of ESG training mandatory.

Frequency of sustainability training at companies based on revenue size

	> US$25 billion	< US$25 billion
Ad hoc (as issues arise)	**1%**	**3%**
Annually (update and refresher)	**30%**	**37%**
Optional ESG training regularly through year	**22%**	**30%**
Optional and mandatory ESG training regularly through year	**29%**	**20%**
Mandatory ESG training with knowledge checks regularly through year	**18%**	**10%**

"The skills gap highlights why the EU's Omnibus 'stop-the-clock' provision — delaying CSRD Wave 2 implementation by two years — is not only reasonable but necessary. Many small and mid-sized companies currently lack the expertise to meet the reporting demands, and without this pause, the quality of information would be affected."

Neil Morris
Global Head of Assurance and ESG Methodology
KPMG International

Companies taking a pragmatic approach to strengthening supplier processes and requirements

The percentage of companies putting processes in place with suppliers to support ESG reporting and assurance efforts has grown over the last two years. In fact, the percentage asking for suppliers to provide certain ESG data, and those using contractual levers, have both more than doubled since 2023. Over that period, the share of companies that integrate screening into supplier onboarding and request that suppliers obtain assurance over their ESG data has also grown.

However, many metrics have remained essentially static, partly because of potential regulatory changes in this area. The EU Omnibus package of proposals, if passed, would limit the requirements and reporting that companies could impose on their suppliers by introducing a value chain cap.

ESG supplier requirements by year

	2025	2024	2023
We have not set ESG requirements for our suppliers.	2%	2%	2%
We have set basic requirements, such as on bribery and corruption, which have been integrated into contracts and other legal documents.	40%	36%	42%
We have set a broad set of requirements, which have been integrated into contracts and other legal documents and monitored for adherence.	49%	46%	44%
We have a robust, product specific set of requirements integrated in all operational processes, specified in contracts and monitored for adherence.	9%	16%	12%

"We have a problem with delayed ESG data from suppliers, and we are fixing it by tightening protocols and introducing ESG dashboards."

Chief Risk Officer
US technology company

52%

of CSRD Wave 1 companies place broad requirements on suppliers.

Key takeaways:

Metrics and tech adoption are rising: Companies are capturing and reporting more ESG metrics, and increasing use of AI, cloud, and ESG dashboards. Clients should invest in digital tools to streamline ESG data management.

Quality control is improving: Enhanced internal controls and audit processes are becoming standard. Clients should embed ESG data into their broader control environment to ensure credibility.

Learning from the Leaders: A call to action

With ESG reporting and assurance requirements set to spread ever more widely around the world, and for some companies via more than one regulatory regime, businesses that have made limited progress to date should be seeking to accelerate over the coming years.

Looking at the evidence from our survey Leaders, and taking the five pillars of maturity as a framework, the following lessons are key:

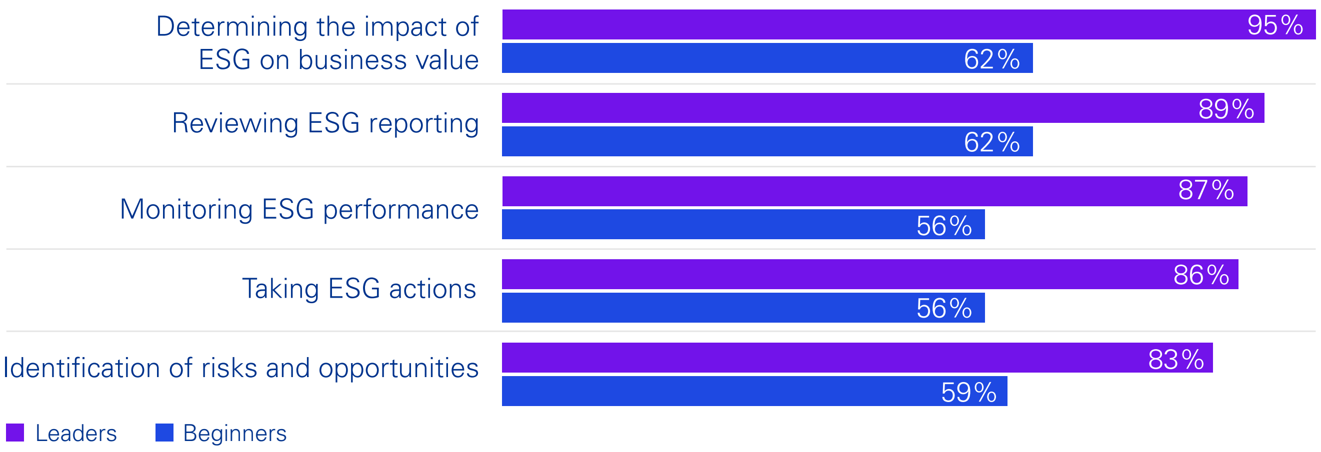
1 Governance

Over the last year, the boards among Leaders have taken on more responsibilities in three key areas of oversight: monitoring ESG performance, reviewing ESG reporting, and determining the impact of ESG on business value. Nearly all boards in Leader companies play at least a moderate role in determining the impact of ESG on business value. Two-thirds of boards among Leaders meet at least quarterly to discuss ESG matters, compared to less than half for Beginners.

Questions to consider:

- Is your board sufficiently engaged and involved with the ESG agenda?
- Are Board Members helping to inform the ESG reporting and assurance approach?

Areas of moderate to extensive board responsibility



Sustainability reporting rules can not only enhance the transparency and robustness of reporting and assurance, they can also drive greater engagement from management boards, reinforcing their accountability in advancing and creating long-term value from environmental, social, and governance objectives."

George Richards
ESG Assurance Leader
KPMG in the UK

It is difficult to analyze large data sets. To overcome this, we are implementing AI and machine learning for better results."

Chief Risk Officer
Chinese manufacturer

2 Skills

Leaders have made progress on establishing a team with requisite skills and training to manage their ESG disclosures. Thirty-seven percent of Leaders have completed establishing a team with the requisite skills, compared to just 19 percent last year. Only 13 percent of Beginners are at mid-implementation, and 2 percent are at full implementation. Sixty-eight percent of Leaders conduct some level of mandatory training for their employees on ESG matters, compared to only 8 percent of Beginners. In addition, 57 percent of Leaders engage a combination of internal staff and external bodies to conduct their training vs. approximately a quarter of Beginners.

Questions to consider:

- Do you have a clear ESG training approach?
- Are you mandating training on key ESG topics for staff?

The lack of ESG skills within our organization is a major hurdle which we are addressing through upskilling, recruitment, and setting up an ESG Center of Excellence."

Board Member
Canadian energy company

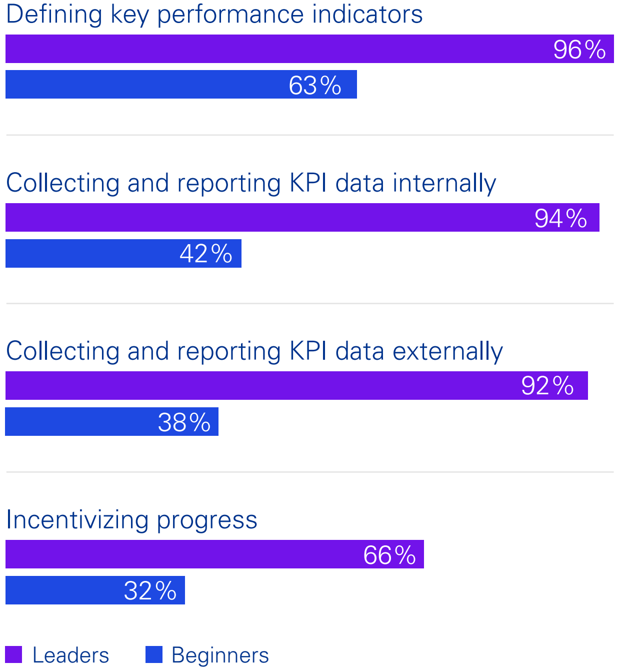
3 Data management

Leaders have powered ahead in several key data management areas. Nearly all (96 percent) of Leaders have made moderate or significant progress in defining ESG KPIs and collecting and reporting that data internally (94 percent). They have also made headway in collecting and reporting data externally: 92 percent report moderate or significant progress in this area, up from 88 percent last year. But at the same time, Leaders have taken a step back in incentivizing progress as they think through their ESG approaches. Leaders are 4.2 times as likely as Beginners to be using an integrated governance, risk and compliance (GRC) system to capture and manage ESG performance data. This is helping Leaders to proactively identify and mitigate ESG risks, ensure compliance with relevant standards and regulatory requirements, strengthen credibility, and streamline ESG data collection and reporting.

Questions to consider:

- Are you managing your data at a granular level across key technology platforms?
- Can you monitor ESG performance through a centralized GRC system?

Moderate or major progress defining and managing ESG metrics



4 Digital technologies

Leaders continue to embrace digital technologies to improve ESG data management. About half say that digital tools are key to achieving their ESG assurance. To that end, Leaders are ramping up their adoption of a range of digital technologies. They have adopted an average of 5.5 digital tools (out of 15 we asked about), compared to 4.4 for Beginners. Leaders are well ahead of Beginners in using other advanced technology solutions, such as cybersecurity tools, data lakes, and cloud. While generative and agentic AI are still in their early days, about two-thirds of Leaders are leveraging traditional AI to improve ESG compliance, moderately more than Beginners (57 percent).

More broadly, over the past three years, companies have significantly increased their use of AI and emerging technologies to collect, manage, store and analyze their non-financial data. This trend reflects a growing need to extract insights from vast and complex datasets, which traditional tools struggle to handle efficiently.

Questions to consider:

- Are you leveraging digital technologies for improved data management?
- Is your organization investing in, or exploring, Generative AI-enabled solutions and tools?

Technologies with the largest 3-year usage growth by Leaders

Technology	2025 usage	2023 usage	% point increase
Cloud	83%	58%	+25
ESG data dashboards	53%	26%	+27
ESG platform	50%	20%	+30
Data lakes/Data centers	38%	16%	+22
Generative AI	16%	0%	+16
Traditional AI	65%	49%	+16
IOT	63%	60%	+3

Leaders capture more metrics and are significantly ahead in four areas:

1. Climate-related risks, core to environmental sustainability.
2. Compliance breaches by type, such as data privacy or anti-corruption, which support risk mitigation strategies and overall accountability.
3. Health and safety performance, vital for protecting a company's greatest asset: its people.
4. Greenhouse gas emissions (Scope 3), a more complete measure of an organization's carbon footprint.

5 Value chain

Implementing robust ESG reporting and process requirements on suppliers is an important dimension in ESG maturity. However, perhaps because of regulatory uncertainties, this is an area where many businesses have pressed the pause button for now. While 79 percent of Leaders still impose robust requirements, this has fallen from 93 percent in 2024. Most Beginners impose just basic requirements on suppliers, although the percentage stipulating robust requirements has jumped from 14 percent in 2024 to 24 percent today. Among Leaders, while slightly more are requesting that suppliers report certain ESG information, the number of firms that request that suppliers provide ESG data feeds, integrate ESG screening into the onboarding process, ensure key suppliers support their ESG strategy, request that suppliers obtain ESG assurance over its data, and use contractual levers to lift ESG performance is essentially unchanged from last year.

Questions to consider:

- Are you engaging with suppliers around your ESG requirements and making them clear?
- Do you have a pathway for raising the bar in terms of suppliers' ESG compliance and performance?

“

We now know where Beginners should invest. Continue supporting your team and growing their skills, create an ESG platform, manage your data better, engage with your boards more frequently. It is not just a regulatory question — there are other stakeholders in your universe that want this too, so keep the momentum going.”

Sebastian Soares
ESG Assurance Leader
KPMG in Brazil

Making progress in your journey

Wherever your business is in the world, some form of ESG reporting and assurance requirements are likely to be coming soon. Getting prepared can take a significant amount of work and time. Starting on the journey, and maintaining momentum once begun, is therefore essential.

For those in the early stages, a materiality assessment is a good place to start, helping you identify relevant sustainability metrics and begin to form a strategy. Getting ready for ESG assurance is another key piece of the puzzle. This means having suitable criteria for your disclosures and having sufficient evidence in terms of data that is of appropriate quality to allow your auditor or assurance provider to form an assurance conclusion. The KPMG Ready for Assurance service can help you navigate the complexities of this, while the KPMG ESG Assurance Maturity Benchmarking tool can help you better understand your readiness in comparison with your peers.

Get in touch

KPMG International

Mike Shannon
E: mshannon@kpmg.com

Neil Morris
E: neil.morris@kpmg.co.za

Meredith Evans
E: mlevans@kpmg.ca

Americas
John Depman
E: jdepman@kpmg.com

Asia Pacific
Nicola Buddee
E: nbuddee1@kpmg.com.au

Europe, Middle East, Africa
Oliver Geier
E: ogeier@kpmg.com

Susanna Di Feliciantonio
E: sdifeliciantonio@kpmg.com

Australia
Daniel Camilleri
E: dcamilleri@kpmg.com.au

Brazil
Sebastian Soares
E: ssoares@kpmg.com.br

Canada
Farah Bundeali
E: fbundeali@kpmg.ca

China
Patrick Chu
E: patrick.chu@kpmg.com

France
Sophie Sotil Forgues
E: ssotil@kpmg.fr

Germany
Oliver Geier
E: ogeier@kpmg.com

Japan
Sakurako Ohtsuki
E: sakurako.ohtsuki@jp.kpmg.za

Mexico
Carlos Fernández
E: cfernandez4@kpmg.com.mx

Saudi Arabia
Mohammed Saad Hasheem
E: mhasheem@kpmg.com

The Netherlands
Danielle Landesz Campen
E: landeszcampen.danielle@kpmg.nl

United Kingdom
George Richards
E: george.richards@kpmg.co.uk

United States
Corinne Dougherty
E: cdougherty@kpmg.com

Spain
Patricia Reverter
E: preverter@kpmg.es

How KPMG firms can help

KPMG Ready for Assurance

KPMG Ready for Assurance service can help you determine whether your organization has the necessary preconditions for ESG assurance, to help assure ESG information in the future. These measurements need to be clear and specific enough, and whether the evidence is available and supports the criteria expected to be used to measure it.

KPMG Ready for Assurance service can help assess whether your business is ready for full ESG assurance: it is the first step in your ESG assurance journey. It is also a service that can be performed on new information that is added to your disclosures and as your ESG agenda and strategies mature.

Is your business ready for ESG Assurance?

The ESG agenda is rapidly moving forward, with new rules coming into force that oblige companies to report on their ESG risks, opportunities, and performance. To make this reporting credible, disclosures will require independent third-party assurance. To help companies prepare, we developed the KPMG ESG Assurance Maturity Index Benchmarking tool, which measures a company's progress in five areas: governance, skills, data management, digital technology, and value chain.

Global Corporate Reporting Institute

The KPMG Global Corporate Reporting Institute pages bring together key KPMG resources on financial reporting and sustainability reporting. They deliver insights, high-level guidance and detailed analysis, designed to help you prepare clear and connected reporting.

KPMG Survey of Sustainability Reporting 2024

Sustainability reporting has become part of business as usual for almost all of the world's largest 250 companies, and a large majority of the top 100 companies in each country, territory or jurisdiction. The last two years have seen significant increases in the proportion of companies publishing carbon-reduction targets. The proportion of companies reporting on biodiversity remains lower but has similarly increased since 2022. The survey finds growth in practices that will soon be mandatory in some jurisdictions, including the EU's CSRD. The report includes insights from KPMG member firms and draws on the experience of KPMG subject matter specialists worldwide.

Authors

Mike Shannon
Global Head of ESG Assurance
KPMG International

Mike is KPMG's Global Head of ESG Assurance, a role he has held since January 2022. As part of the Global Audit Leadership Team, he leads the firm's efforts to embed ESG assurance into KPMG's global audit strategy — reflecting the organization's commitment to integrating ESG across its services.

Before taking on this global role, Mike was based in the U.S., where he led the Chemicals and Performance Technologies practice and served as the U.S. Audit Sector Leader. He brings deep experience working with multinational clients, particularly in the petrochemicals industry, where he is recognized as one of KPMG's most seasoned audit partners.

Neil Morris
Global Head of ESG Assurance Methodology
KPMG International

Neil is a Chartered Accountant with 25 years of experience at KPMG, having worked in both South Africa and the United Kingdom. Since August 2021, he has held the position of Global Head of Assurance and ESG Methodology at KPMG. Neil has been actively involved in sustainability assurance since 2010, when he was appointed as the Head of the Climate Change and Sustainability practice in South Africa. In 2017, he took on the role of Head of Audit Risk Management for KPMG South Africa, while continuing to deliver sustainability assurance engagements.

In January 2023, Neil was appointed to the International Audit and Assurance Standards Board (IAASB) and is a member of the IAASB Sustainability Assurance Task Force responsible for the drafting of the International Standard on Sustainability Assurance (ISSA) 5000.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com

Designed by Evalueserve.

Publication name: KPMG ESG Assurance Maturity Index 2025
Publication number: 139457-G
Publication date: July 2025