



KPMG U.S. Sustainability and Financial Value Survey:

Businesses report sustainability delivers value in many ways, but hurdles remain

Survey Report

September 2023



Executive summary

KPMG U.S. 2023 Sustainability Survey

Summary of survey results

KPMG U.S. 2023 sustainability survey reveals that business leaders are increasingly focusing on leveraging their sustainability strategies to maximize value.

Despite economic uncertainty, 55% of respondents indicated that their organization scaled up their sustainability efforts this year, while only 26% scaled back.

The survey found that 66% of larger firms (10k+ employees) are better aligning their business and environmental goals compared to five years ago.

Sustainability engagement and financial Value

Business leaders report that sustainability engagement is adding financial value across a host of areas, with 43% of business leaders at larger firms reporting that sustainability is improving financial performance compared to just 6% reporting it reduced financial performance.

M&A efficacy, access to new capital, and customer loyalty are the top areas where leaders believe sustainability engagement adds significant financial value. In the longer term, organizations are expecting sustainability to drive value across more areas, especially in improving resilience and attracting new customers with premium pricing.

Businesses feeling pressure

Eight in ten businesses say they are feeling at least some pressure from supply chain partners, employees, investors, customers, and regulators to be more transparent about their environmental and sustainability efforts.

Time pressure, lack of resources, and reporting requirements

Time constraints (51%) and regulatory uncertainty (44%) were cited as the biggest challenges to implementing sustainability strategies and meeting reporting requirements.

Still, 53% are at least somewhat confident in meeting U.S. reporting requirements.

Almost half (46%) of companies have slowed down or stopped sustainability reporting as they await the U.S. Securities and Exchange Commission's final rule on climate-related reporting expected in October.

Summary of findings

1

Business leaders are optimistic about the financial value of sustainability today and in the coming years, especially in the largest firms.

2

Recession fears created an opportunity for many to differentiate, an opportunity that persists as ~25% of leaders report a compliance-only mindset.

3

Supply chain partners are the new “tip-of-the-spear,” edging out institutional investors and employees.

4

Time pressure and a lack of resources, including talent, are hampering efforts to implement sustainability strategies and meet reporting requirements.

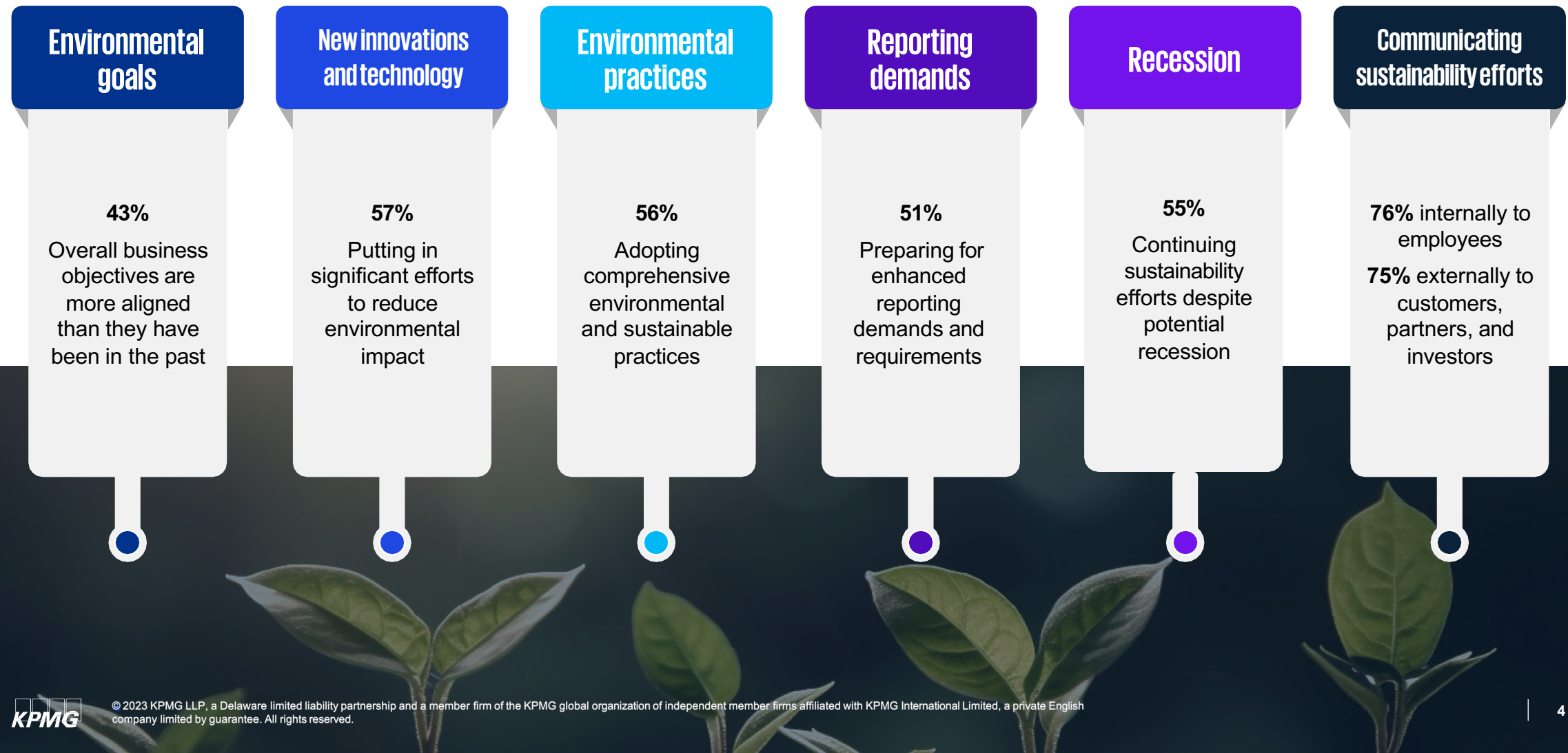
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Over 50% of businesses are at least somewhat confident in meeting reporting requirements in the U.S. and elsewhere. Only 29% are “very confident.”

6

While there’s excitement about and engagement with generative AI, many businesses believe it is still too early to tell if it will be truly transformative for sustainability.

1. Businesses are advancing environmental and sustainability approaches.



Business leaders – especially at larger firms – report that Sustainability is improving financial performance, with most scaling programs despite recession fears this year

Impact of Sustainability Programs on Financial Performance

Please rate the impact of your company’s ESG programs on your financial performance. Select one.



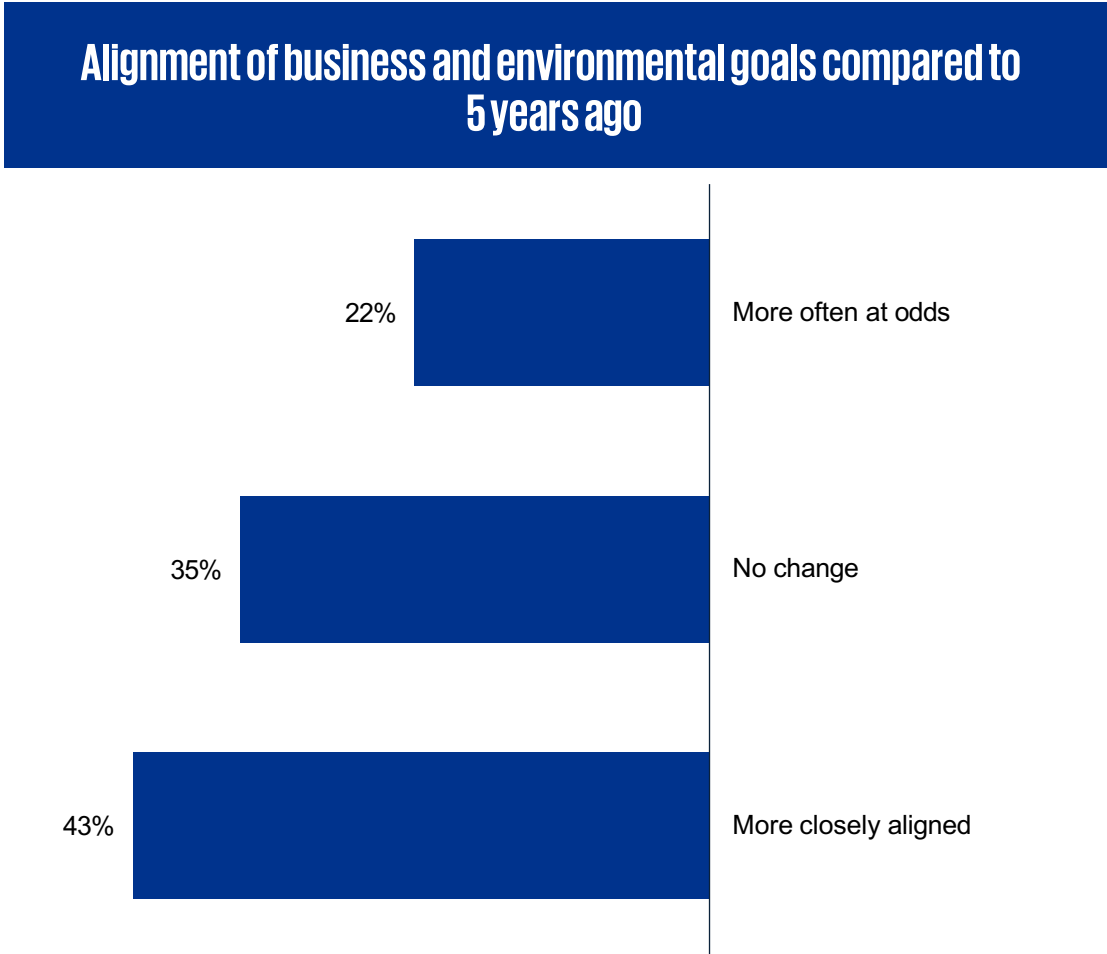


Rob Fisher
KPMG U.S. Sustainability Leader

“ To truly be sustainable, sustainability programs must be aligned with the business strategy, well-executed, and measured. The fact is there are many levers by which sustainability can add financial value, but that also requires deep enterprise-wide engagement to maximize the potential and gain a competitive edge throughout the transition to a low-carbon economy. ”

Please rate the impact of your company's ESG programs on your financial performance: Significantly improves, improves, reduces, significantly reduces, neutral/negligible, too soon to tell/we have yet to measure

Compared to 5 years ago, the largest firms are better aligning their business and environmental goals

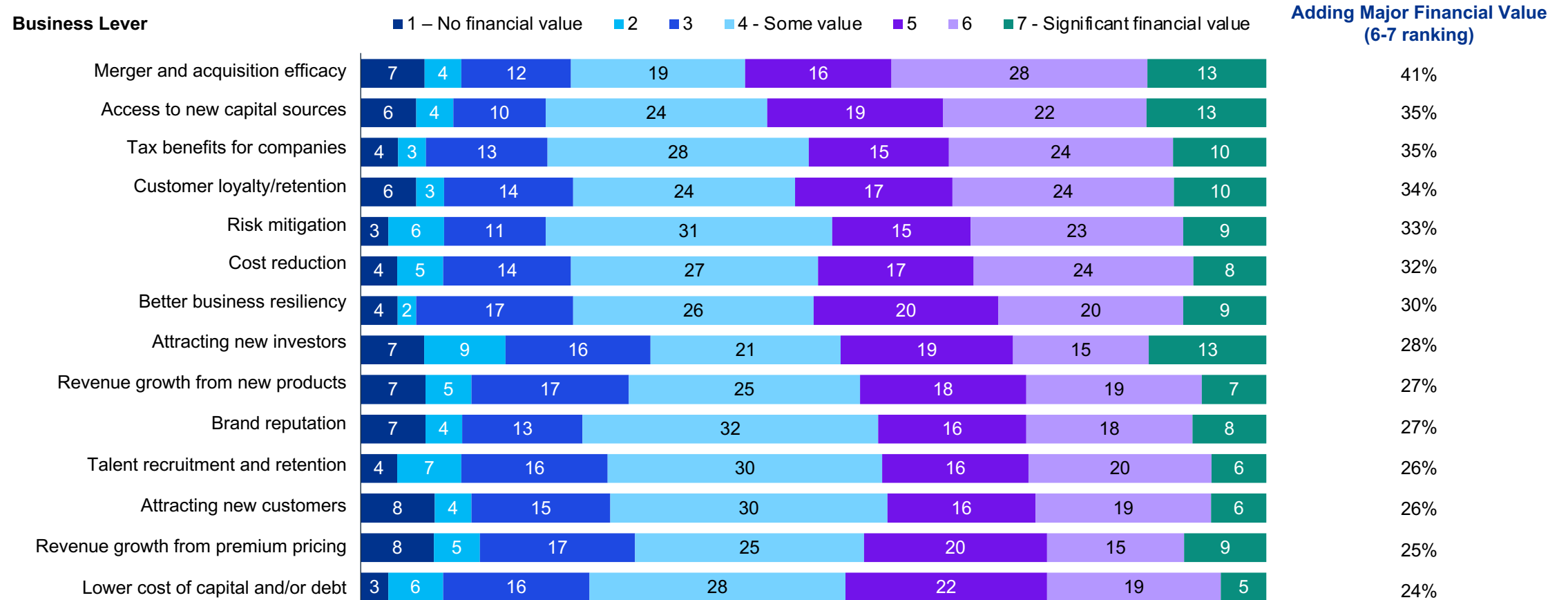


Employee size			
	500-5K	5K-10K	10K+
More often at odds	25%	20%	20%
No change	41%	37%	14%
More closely aligned	35%	43%	66%

Compared to five years ago, are your business objectives and environmental goals at odds, more closely aligned or they haven't changed.

Today, business leaders report sustainability engagement is adding financial value across a host of areas, with M&A efficacy, access to new capital, and tax benefits leading the way

Financial Impact on Business Areas from Sustainability Efforts Today

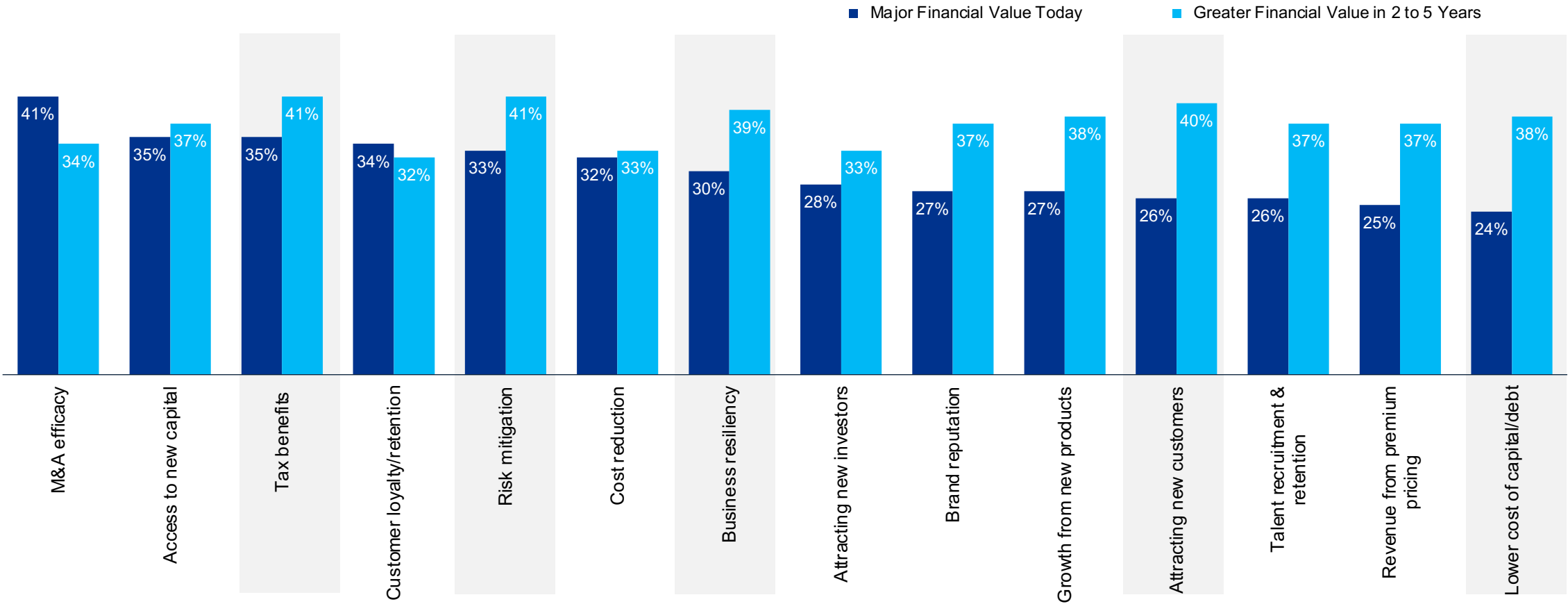


How much financial value do you believe your company is realizing today from its environmental and ESG efforts in each of the following areas?

Note: %s may not add up due to rounding

In the longer term, organizations are bullish on sustainability driving value across more areas, especially in improving resilience and attracting new customers with premium pricing

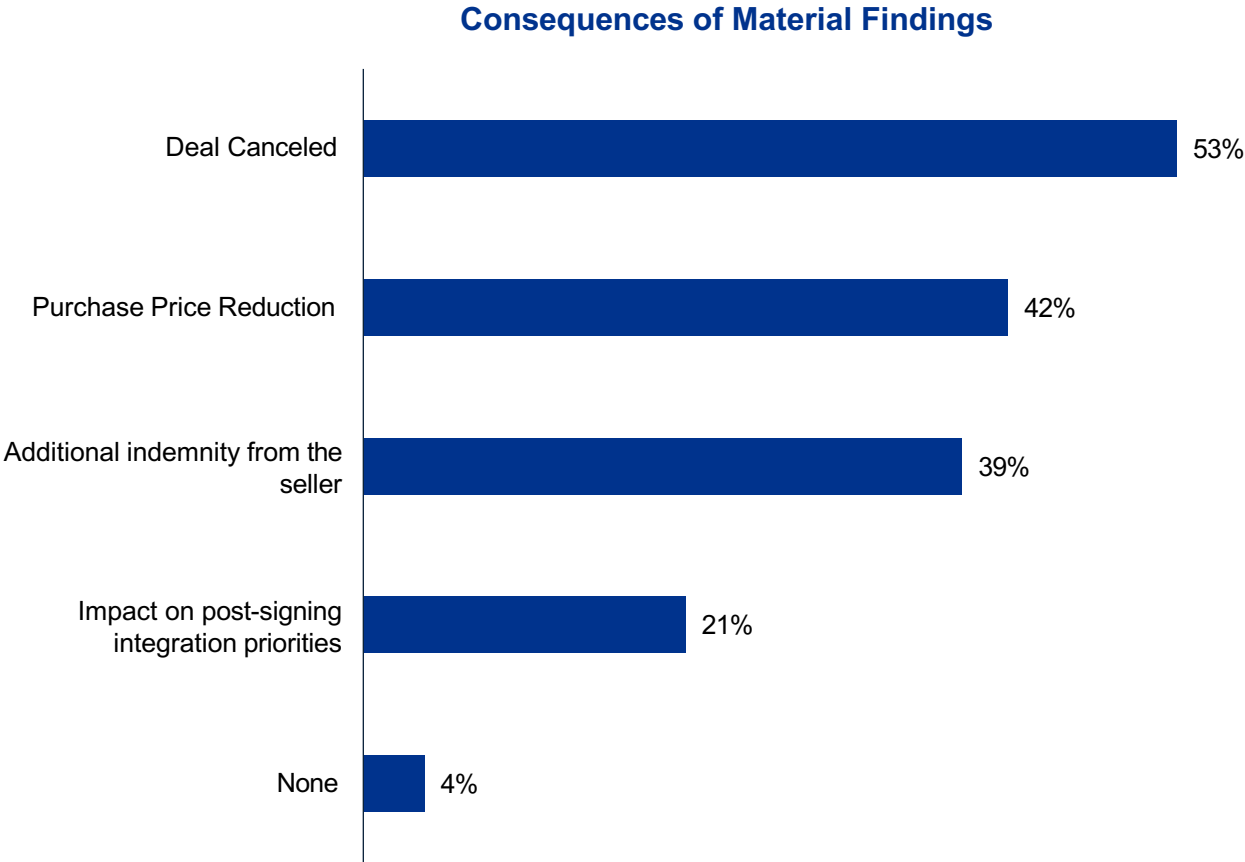
Financial Impact on Business Areas from Sustainability Efforts Today vs the Next 2 to 5 Years



How much financial value do you believe your company is realizing today from its environmental and ESG efforts in each of the following areas?
How much financial value do you believe your company will realize in the next 2 to 5 years with its environmental and ESG efforts in each of the following areas?

Spotlight: Prior KPMG research found that material findings from sustainability due diligence led to deal cancellations and price reductions

59% of corporate investors surveyed had deals canceled due to a material finding



Clare Lunn

KPMG U.S. Sustainability Advisory Leader

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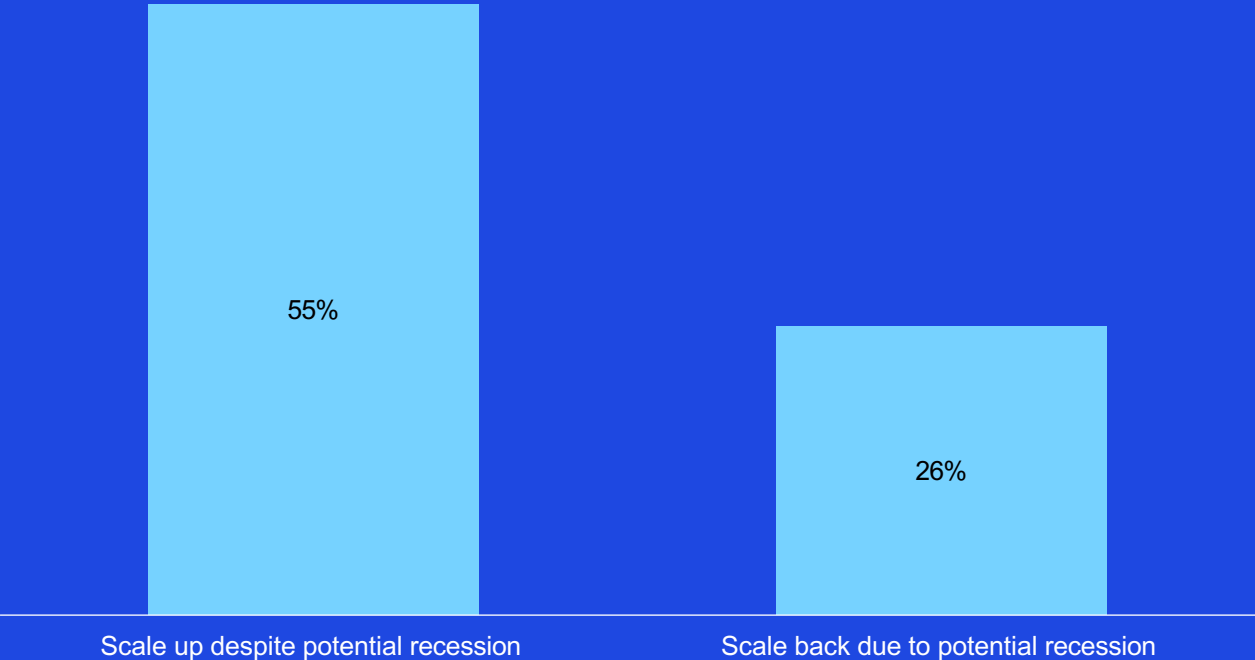
The growing body of KPMG research leaves no room for speculation: Material sustainability due diligence findings wield the power to shape deal outcomes, prompting cancellations and price adjustments. This underscores the need for astute sustainability evaluation in today’s business environment.

”

2. Fears of a recession created an opportunity to differentiate through sustainability engagement, an opportunity that persists today

In 2022, our CEO Outlook found that while 70% of leaders believed sustainability had positive impacts on financial performance, 59% were planning to pause or reconsider their organization’s ESG efforts.

We revisited this question this summer



Rob Fisher
KPMG U.S. Sustainability Leader

“ This past year was a classic moment in having to balance short-term uncertainty with long-term goals. Businesses that recognize they need to make investments today will be in a better position to capitalize on those investments, attracting new investors and customers while improving their resilience over the long term. ”

Responses about company initiatives and perspectives reveal different sustainability mindsets across businesses, creating opportunities for leaders to unlock value

Sustainability Leaders

Leaders are transforming their organizations through sustainability-focused leadership roles, technologies and product strategies:

- 35%** Purchased renewable energy or started providing more climate-friendly products or services
- 33%** Created senior positions to drive environmental goals
- 29%** Made investments in sustainability reporting technology

Sustainability Pace-Keepers

Over half of companies are putting significant effort toward scaling up their environmental and sustainability practices, including:

- 57%** Incorporating innovations and technologies to reduce environmental impact
- 56%** Adopting comprehensive environmental and sustainability practices
- 51%** Scaling up on environmental and sustainability efforts in preparation for enhanced reporting demands/requirements

Sustainability Compliance-Focused

Compliance-focused companies are taking a wait-and-see approach as sustainability rules and regulations move toward finalization:

- 28%** Only doing the minimum to comply with government regulations
- 18%** Only responding to pressure from stakeholders such as investors and customers

3. Businesses are feeling pressure from multiple stakeholders to provide more sustainability transparency while dealing with resource challenges.

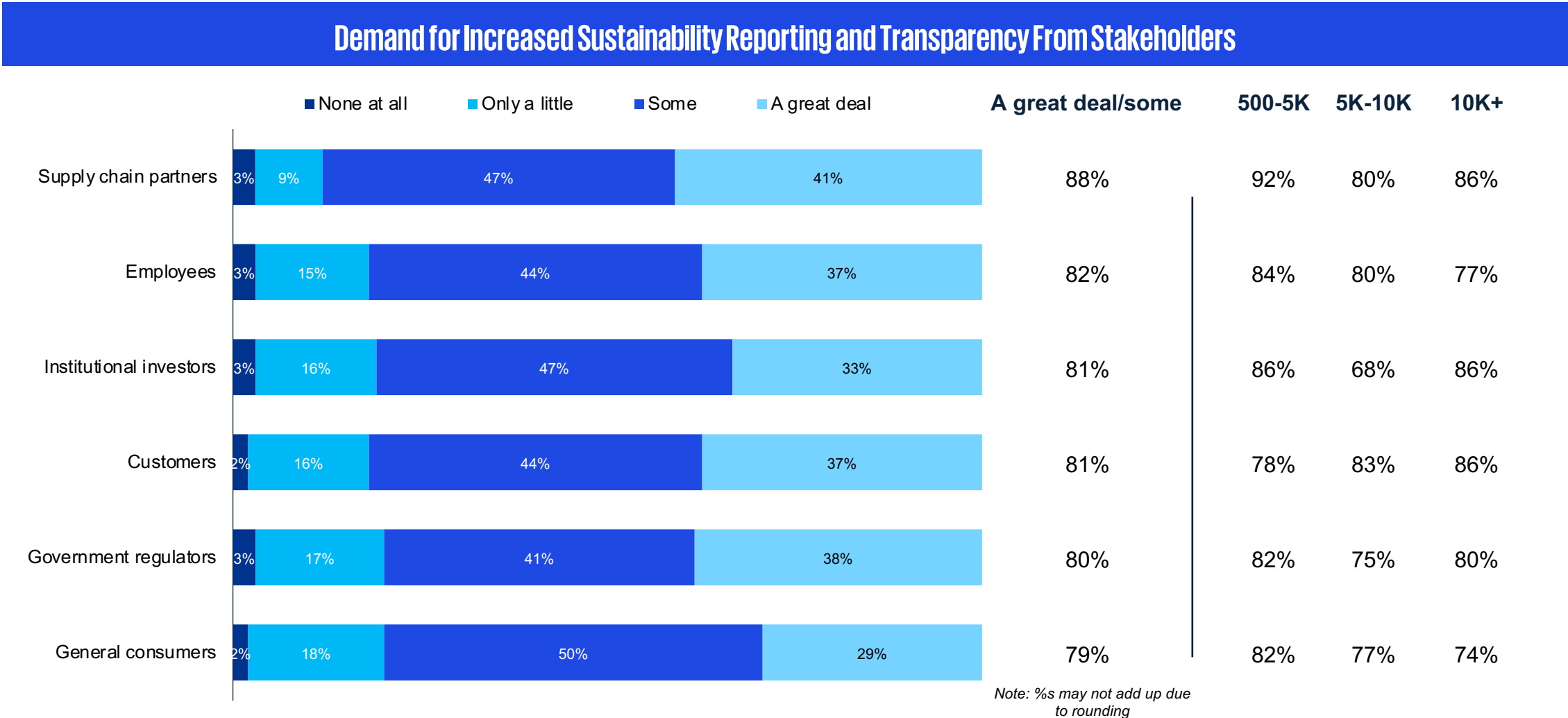


8 in 10 businesses

say they are feeling at least some pressure from supply chain partners, employees, investors, customers and regulators to be more transparent about their environmental and sustainability efforts.

“ Sustainability is too often discussed as a compliance exercise, but businesses continue to report that pressure for engagement comes from not just government regulators, but also investors and customers. Today, supply chain leads the way, meaning both public and private companies must think critically about their strategy. ”

Companies are feeling pressure from multiple stakeholders especially supply chain partners to increase their sustainability reporting and transparency



4. Time pressure and a lack of resources are hampering efforts to implement sustainability strategies and meet reporting requirements.

Top outcomes cited by businesses include:



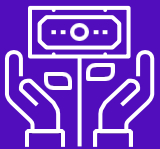
Finding the right talent to work on **sustainability goals and strategies**



Balancing sustainability goals with other business priorities



Not keeping up with **competitors' sustainability efforts**

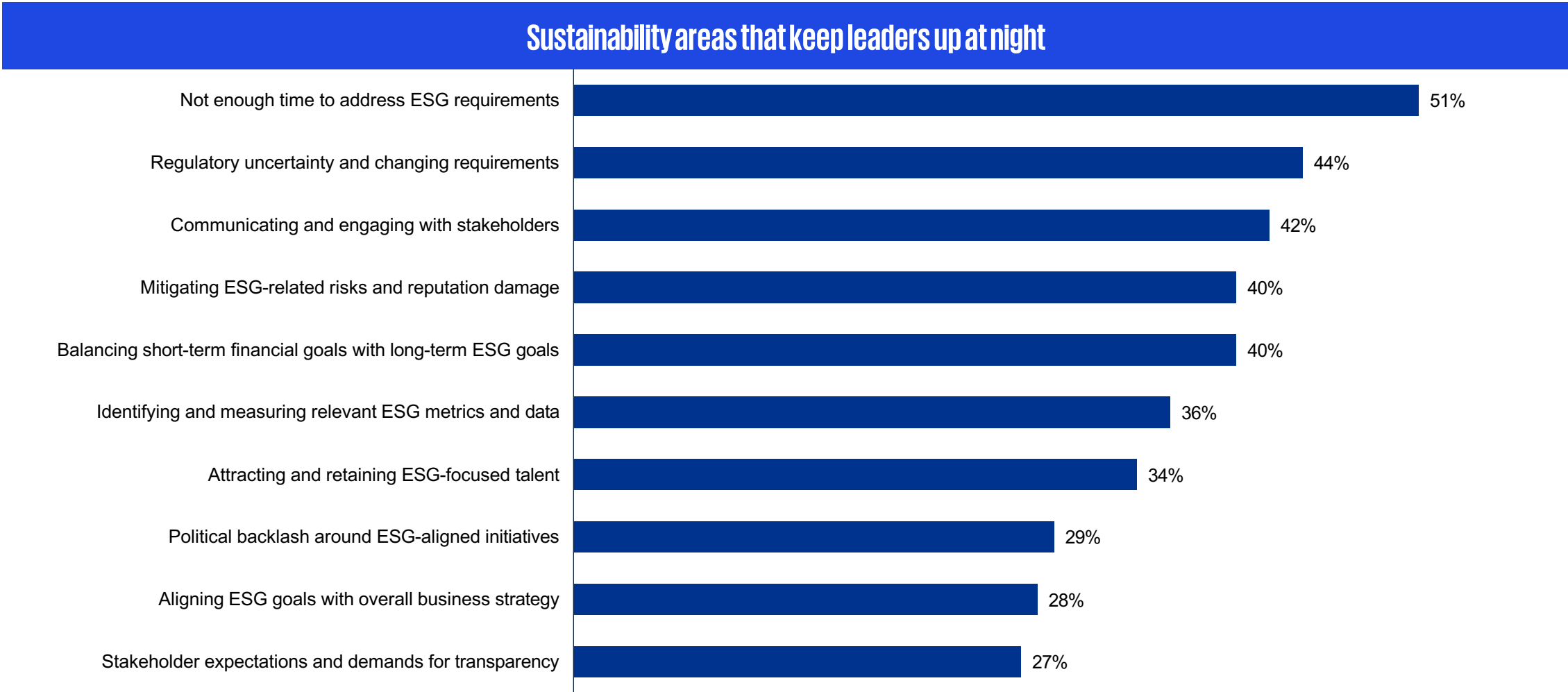


High cost of resource and talent to manage reporting across different jurisdictions



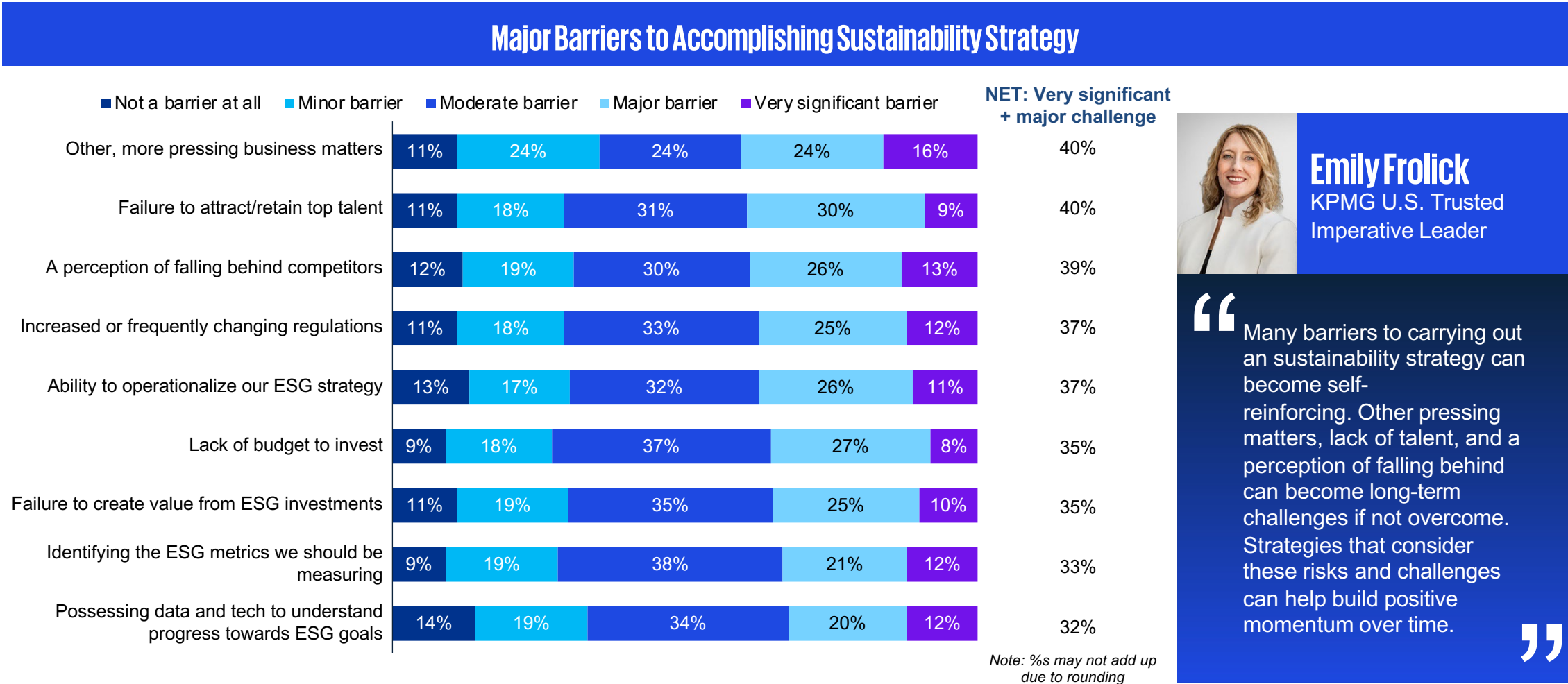
Having adequate time to make **necessary business transformation** to address sustainability regulatory requirements

Time constraints, regulatory uncertainty and stakeholder engagement are keeping business leaders up at night



What keeps you up at night when it comes to ESG challenges?

Effectively delivering sustainability strategy requires facing numerous barriers, creating long-term risks for companies



5. 53% of businesses are at least somewhat confident in their ability to meet future environmental and sustainability reporting requirements in the United States



Only a quarter of companies feel confident that they can meet future sustainability reporting requirements across US, EU and other international jurisdictions



Almost half (46%) of companies have slowed down or stopped sustainability reporting because of delays with US SEC final climate reporting rules



Two-thirds (67%) of businesses say that they will be required to report in 3 to 4 jurisdictions



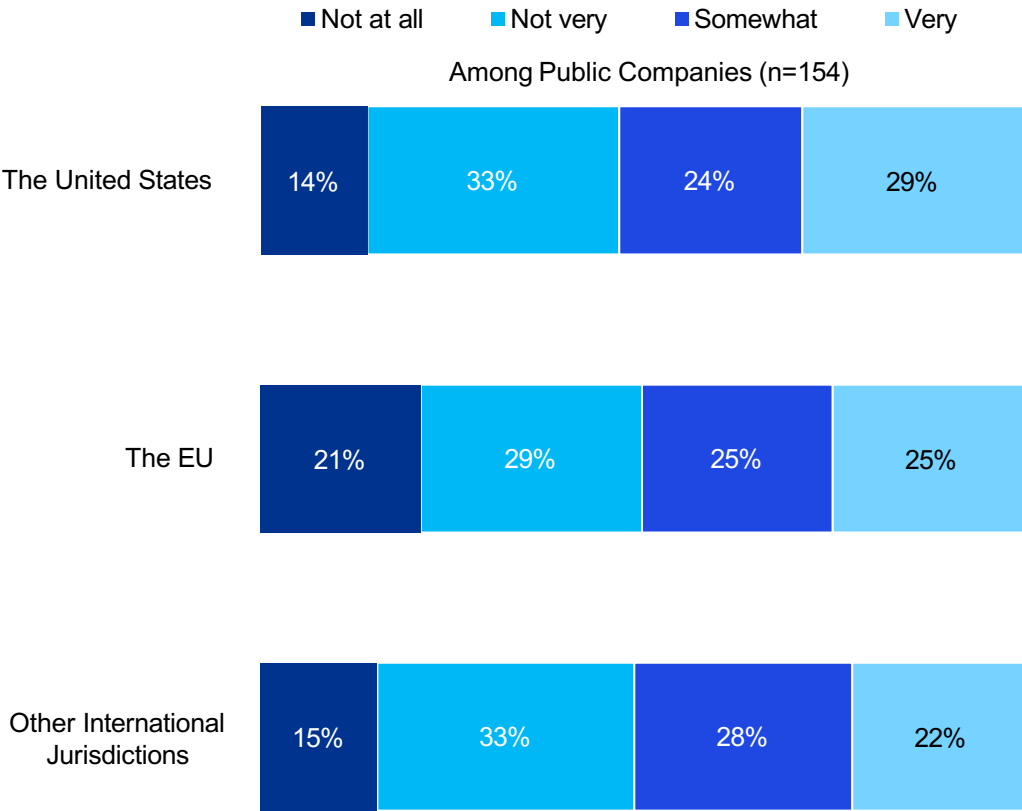
Maura Hodge

Sustainability Reporting and Assurance Leader

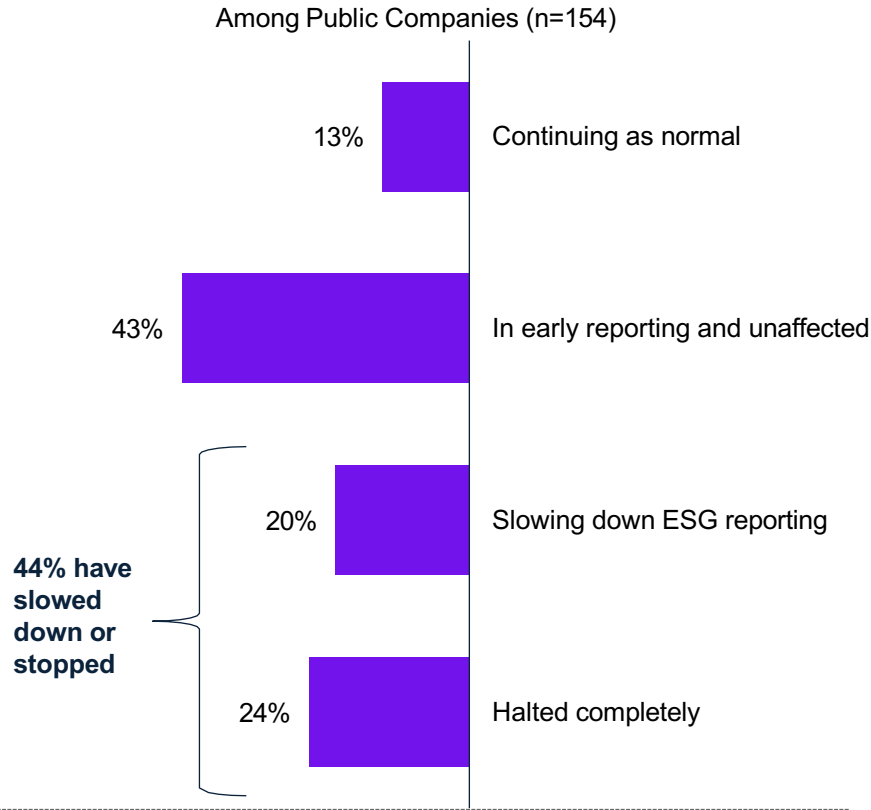
“ For many companies, sustainability reporting requirements are already here even as we await the SEC’s final rule. While convergence has begun, organizations will undoubtedly struggle to navigate the web of global requirements as we determine the interoperability of the standards. The very cautious confidence among companies on reporting underscores the urgency to align one’s reporting approach with business strategy today. ”

Only a quarter of companies feel “very confident” meeting future sustainability reporting requirements across the U.S., EU, and other international jurisdictions

Confidence in Meeting Future Sustainability Reporting Requirements in Jurisdictions



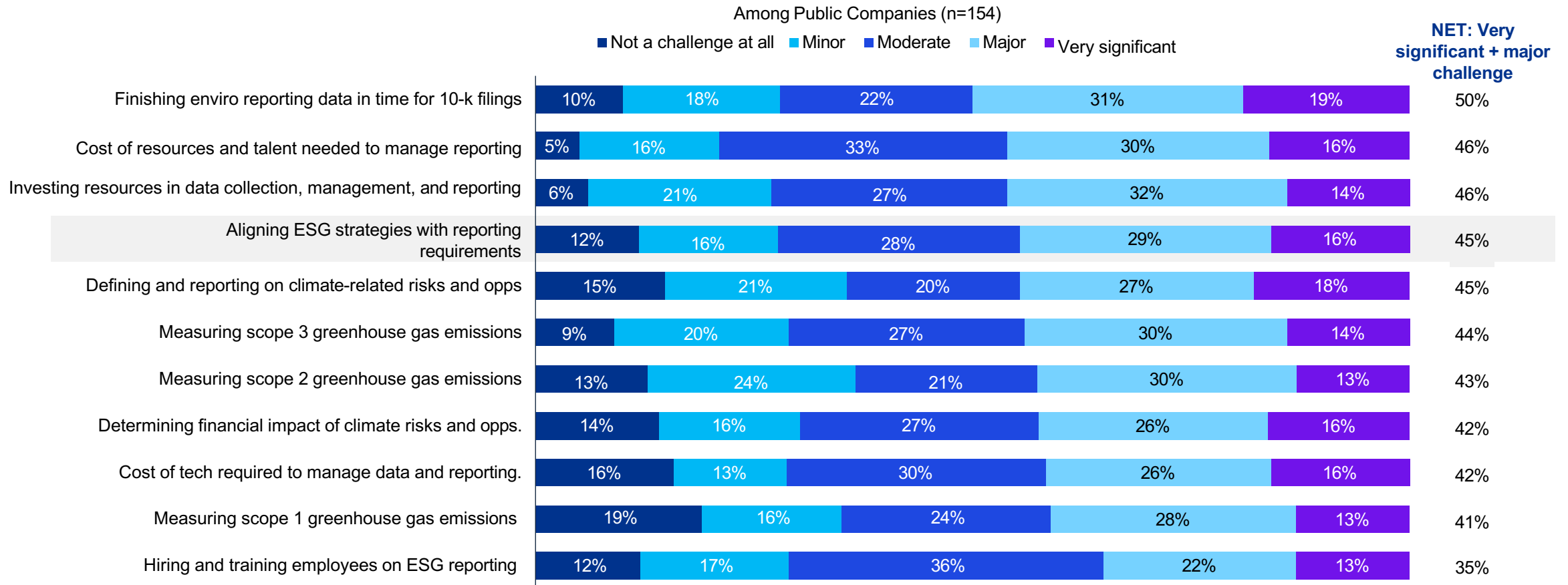
Has SEC Climate Rule’s Uncertainty Slowed Down ESG Reporting?



How confident are you in your company's ability to meet future environmental and ESG reporting requirements in...

While resourcing, costs, and timing pose challenges to meeting sustainability reporting requirements, aligning sustainability strategy with reporting requirements is a major hurdle

Major Challenges to Meeting Sustainability Reporting Requirements Across Jurisdictions



Note: %s may not add up due to rounding

Please rate the following potential challenges to your company's preparedness to meet proposed environmental reporting requirements across multiple, international jurisdictions.

6. Using Generative AI to achieve sustainability goals is still in the early stages, and for many it is too early to tell if it will transform sustainability approaches



Three-quarters (**77%**) are still determining if Generative AI will have a transformative role in helping them reach their sustainability goals – only a fifth (**18%**) are more definitive that Generative AI will be transformational.



At this point, just over half (**52%**) expect Generative AI to help them achieve sustainability goals through reducing operational inefficiencies, waste, etc.



Tegan Keele

KPMG U.S. Climate and Technology Leader

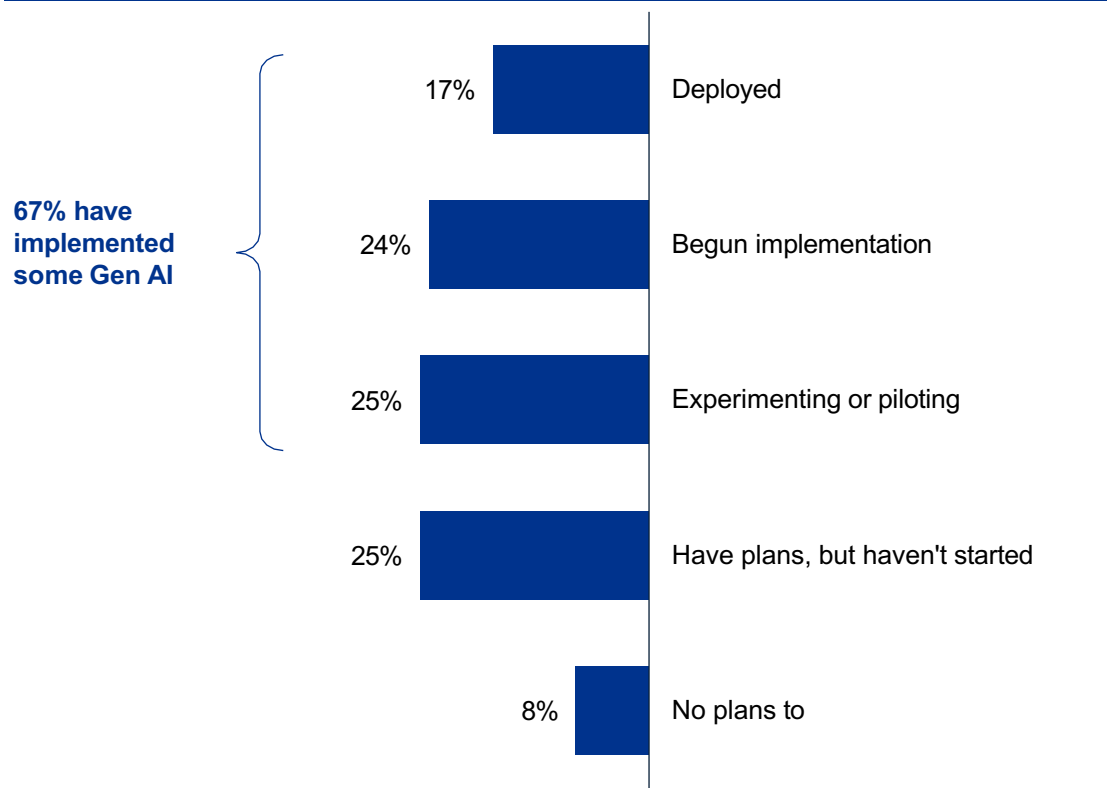
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Gen AI has transformative potential, and companies exploring this technology in their sustainability strategy are on the right track. To fully realize the benefits of Gen AI, a strong foundation of reliable data is crucial. By pairing data and technology strategies, companies can unlock the full potential of Gen AI and gain a competitive advantage.

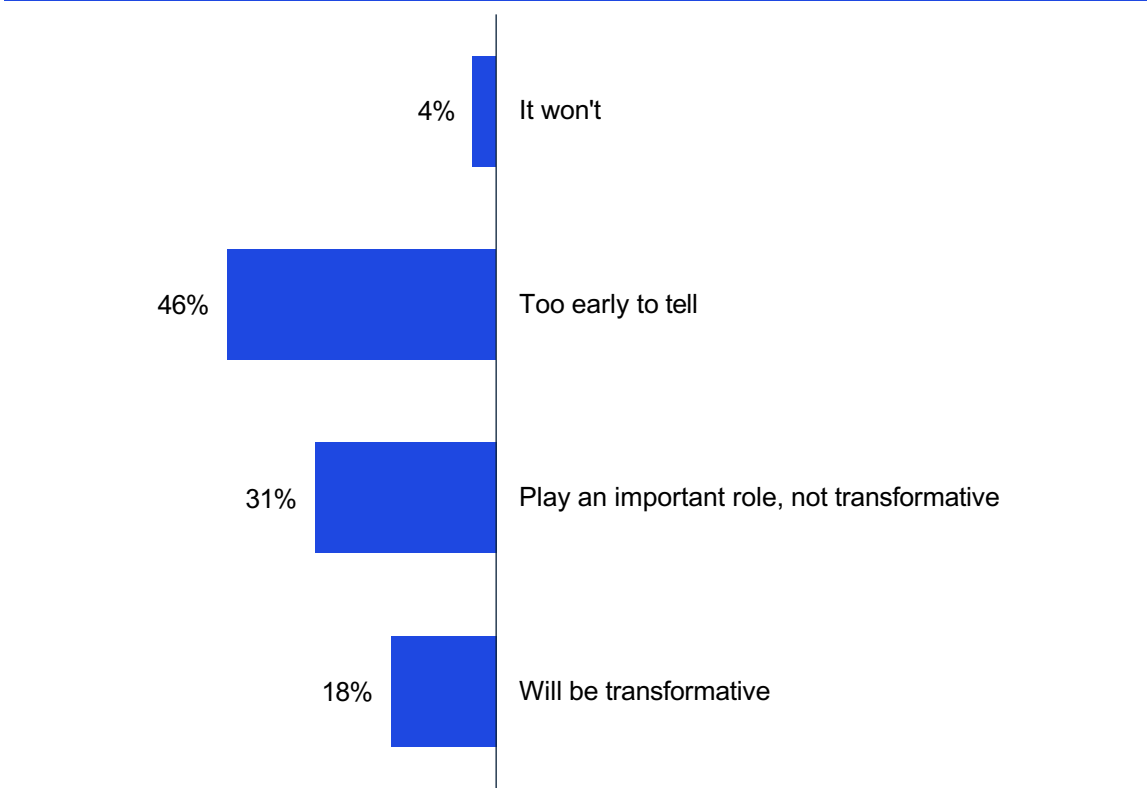
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Almost all business leaders report they have plans to implement or already have implemented Gen AI to meet sustainability goals despite believing that its ultimate impact on sustainability remains unclear

Status of Implementing Gen AI to Meet Sustainability Goals



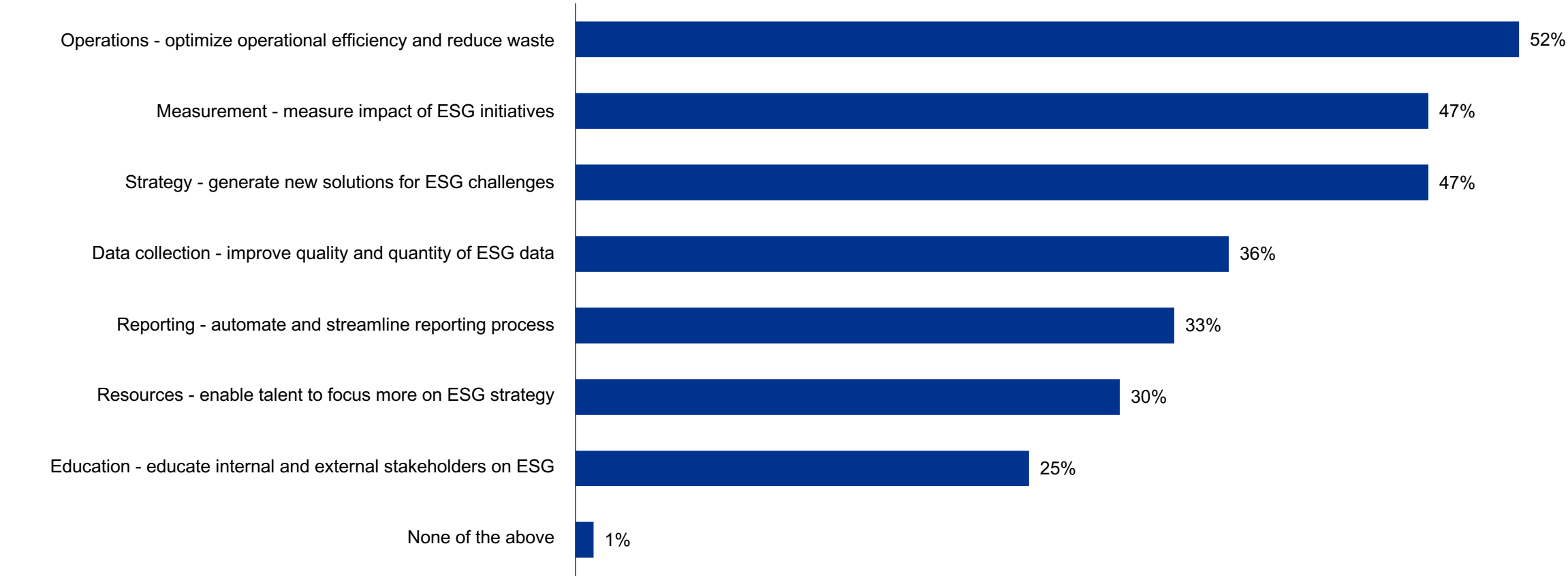
Will GenAI be Transformative in Helping Reach Sustainability Goals?



Which of the following best describes your organization's current status regarding implementing Generative AI to help you carry out your ESG goals? Based on what you have done so far with Generative AI, do you believe that Generative AI will be transformative in helping you address your ESG goals?

Most expect that Generative AI will help companies achieve sustainability goals by reducing operational inefficiencies, waste, etc.

Areas Where GenAI Will Have the Greatest Impact on Sustainability Goals



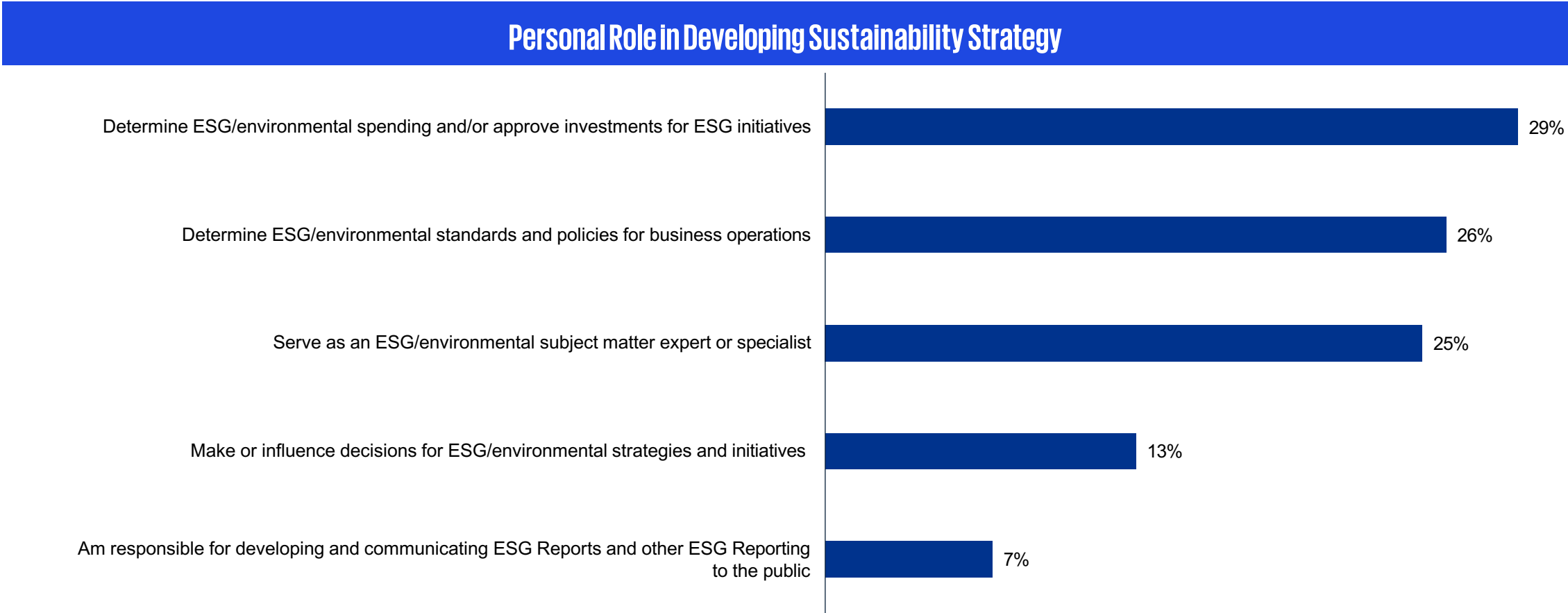
Where can Generative AI have the greatest impact on meeting your company's ESG goals?

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Appendix

Survey audience

We surveyed 201 business leaders (VPs, SVPs, presidents, C-suite executives and board members) at companies with more than \$1B in revenue across industries, all responsible for aspects of their companies’ sustainability strategy. Among the companies, 77% are publicly traded, 92% are headquartered in North America, and 67% will report on sustainability in 3 or 4 jurisdictions. 99% of survey respondents have worked at their company for more than 10 years.



S13. Which of the following best describes your role in your company’s ESG strategy? Select one.



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