Addressing the Strategy Execution Gap in Sustainability Reporting

2024 ESG Organization Survey

February 2024
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Executive Summary
Addressing the Strategy Execution Gap in Sustainability Reporting

As global organizations face increasing regulatory pressure to disclose information about environmental, social and governance impacts, risks and opportunities, organizations are set to spend more on sustainability initiatives over the next three years. However, most organizations view this engagement not only as a compliance issue but also as a valuable tool for enhancing financial performance both now and in the future. Despite this realization, organizations are facing real challenges in delivering against this objective.

KPMG conducted a deep dive on where organizations are investing in the coming years with an eye towards maximizing financial value, while complying with disclosure requirements. Key findings include a focus on investing in new ESG talent, prioritizing sustainability data and analytics, managing supply chain, and completing an ESG risk assessment. Enhancing data management is seen as the top way to integrate sustainability goals with overall business objectives, but organizations still face challenges integrating a sustainability strategy into their broader business structure due to resourcing constraints and internal silos between departments.

"Timely and accurate reporting of sustainability information is key for businesses to make strategic business decisions and meet regulatory reporting guidelines, which lead to preservation and growth of financial value."

Maura Hodge  
ESG Audit Leader
Organizations are going to spend more on ESG in the next three years as reporting requirements ramp up. Today, most organizations have centralized their sustainability reporting approach, but rather than a focus solely on compliance, they see the biggest benefit of improved reporting capabilities as enhancing financial value.

Investment in ESG capabilities is top priority

90% Will increase their ESG investment in the next 3 years

Top areas of future investment are:
1. Dedicated ESG personnel (43%)
2. ESG-specific software (40%)
3. Employee training and education (38%)

There is a disconnect between perception and preparedness…

83% v. 47%

Many organizations believe they are ahead of peers regarding ESG reporting (83%), but almost half (47%) still use spreadsheets to manage their ESG data.

KPMG Insight

Regulatory reporting is driving the need for more transparency and accountability over ESG information. To meet accelerated reporting timelines, the sustainability reporting process must become more controlled and efficient, which is difficult to accomplish in spreadsheets.

Data management is critical to integrating sustainability goals with overall business objectives

Innovative tech is growing in popularity, as:

59% of leading organizations use advanced data systems for ESG reporting

58% of organizations plan to improve ESG data collection with artificial intelligence

45% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives

With access to better information, anticipate an increase in ESG integration across roles

83%

KPMG Insight

ESG data management software and advanced tech like AI enables organizations to efficiently track, analyze and report on ESG-related data, which is crucial for making informed decisions and meeting regulatory requirements.

KPMG Insight

Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Top challenges:
- Insufficient resources or capacity to collaborate effectively
- Internal silos and limited communication between departments
- Divergent priorities or goals across functions
- Difficulty measuring the return on investment
- Budget constraints or competing priorities

To combat this:

76% are planning to restructure teams to better align ESG goals with business strategy

71% of core ESG reporting activities are currently or are planned to be outsourced in the next 3 years

Defining clear roles and responsibilities, including identifying leaders and subject matter professionals, and deciding when to outsource or supplement existing resources is crucial for effective implementation and efficient reporting.

Source: ESG survey, Oct 2023
Respondents' Demographics
### Respondents’ demographics

**Region in which respondents’ organization is headquartered**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>61%</td>
</tr>
<tr>
<td>Canada / Mexico</td>
<td>12%</td>
</tr>
<tr>
<td>Europe</td>
<td>25%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>12%</td>
</tr>
<tr>
<td>South America</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Number of full-time employees in respondents’ organizations**

<table>
<thead>
<tr>
<th>Employee Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1,000</td>
<td>23%</td>
</tr>
<tr>
<td>1,000 to 4,999</td>
<td>38%</td>
</tr>
<tr>
<td>5,000 to 9,999</td>
<td>21%</td>
</tr>
<tr>
<td>10,000 to 19,999</td>
<td>5%</td>
</tr>
<tr>
<td>20,000 +</td>
<td>9%</td>
</tr>
</tbody>
</table>

**Ownership structure and revenue**

- **Type of organization**
  - Publicly traded: 52%
  - Private: 45%
  - Other: 3%

- **Annual revenue of the organization for the last fiscal year**
  - US$500M - US$1B: 34%
  - US$1B - US$5B: 39%
  - US$5B - US$10B: 21%
  - US$10B+: 6%

Source: ESG survey, Oct 2023
Respondents’ demographics

- Function/business division that respondents represent:
  - Tax, Research & Development, Strategy: 1%
  - Legal and Risk: 2%
  - Procurement and Supply Chain: 4%
  - Marketing and Communications: 4%
  - Investment management: 5%
  - Finance and accounting: 6%
  - Sales: 6%
  - Customer Service: 7%
  - HR: 7%
  - Executive leadership: 7%
  - IT: 10%
  - Operations: 14%
  - Environmental, Social Governance (ESG) / Corporate Social Responsibility (CSR): 25%

- Respondents’ level in the organization:
  - Board members: 5%
  - C-level executives: 23%
  - Senior management (e.g., Business Unit Head, VP): 37%
  - Mid management (e.g., Manager): 34%

- Role in the organization:
  - Not at all involved: 4%
  - Slightly involved: 11%
  - Moderately involved: 24%
  - Highly involved: 30%
  - Fully responsible for ESG reporting: 31%

- Industry representation:
  - Approximately equal distribution across the following sectors:
    - Consumer & Retail
    - Education
    - Energy & Natural Resources: Chemicals
    - Energy & Natural Resources: Oil & Gas
    - Energy & Natural Resources: Power & Utilities
    - Financial Services: Asset Management
    - Financial Services: Banking & Capital Markets
    - Financial Services: Insurance
    - Government
    - Healthcare
    - Industrial Manufacturing
    - Life Sciences
    - Not-for-profit
    - Technology
    - Telecommunication & Media
    - Transportation

Note(s): (a) No representation was available for Junior management, Entry Level or similar, Self-employed and Not sure / cannot share
Source: ESG survey, Oct 2023
Total (N) of US and Global Respondents: 550
Key Insights
Investment in ESG capabilities is top priority

With impending regulatory reporting requirements, organizations are increasing investments in many areas of the sustainability reporting process.

Change in investment in sustainability reporting in the next 3 years

- **Increase**: 90%
- **No change**: 2%
- **Slight decrease**: 7%
- **Unsure**: 0%

Significant areas of investment by sustainability reporting activity

- **Dedicated ESG personnel**: 43%
- **ESG specific software**: 40%
- **Employee training and education**: 38%
- **Data collection and management tools**: 37%
- **Compliance and regulatory support**: 36%
- **External consulting or advisory services**: 32%
- **ESG technology innovation**: 31%
- **External audit and assurance services**: 16%
- **Industry association memberships**: 6%

Note(s): Sums are greater than 100% where questions were multi-select.
Investment in ESG capabilities is top priority

Many organizations believe they are ahead of peers regarding sustainability reporting but almost half still use spreadsheets to manage their ESG data.

**Level of transparency in sustainability reporting compared to industry peers**

<table>
<thead>
<tr>
<th>Level of Transparency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are significantly ahead of our industry peers</td>
<td>30%</td>
</tr>
<tr>
<td>We are moderately ahead of our industry peers</td>
<td>53%</td>
</tr>
<tr>
<td>We are at par of our industry peers</td>
<td>15%</td>
</tr>
<tr>
<td>We are almost at par with our industry peers</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Type of ESG data management system used**

- Spreadsheets: 47%
- Enterprise Resource Planning (ERP) systems with ESG modules: 38%
- Specialized ESG software solutions: 37%
- In-house/custom-built ESG data management system: 33%
- Environmental management Information Systems (EMIS): 30%
- Project management platforms with ESG components: 27%
- Sustainability reporting platforms: 26%
- Integrated ESG and finance reporting tools: 23%
- Enterprise Performance Management (EPM) software: 11%

Note(s): Sums are greater than 100% where questions were multi-select.
Data management is critical to integrating sustainability goals with overall business objectives

Most organizations plan on enhancing their ESG data collection and management systems because the use of advanced software, automation and artificial intelligence (AI) or machine learning (ML) tools can significantly improve sustainability reporting efficiencies.

Measures being undertaken to be perceivably ahead of others in maintaining transparent sustainability reporting:

- Utilizing advanced data systems for efficient and accurate ESG reporting: 59%
- Providing employee and management training to enhance ESG reporting quality: 49%
- Benchmarking ESG disclosures against industry best practices and peers: 45%
- Allocating resources for continuous improvements and strategic development in ESG reporting: 44%
- Engaging with stakeholders to align ESG disclosure with their expectations: 40%
- Seeking third-party assurance to enhance credibility and transparency: 18%
- Collaborating with industry groups to adopt standardized ESG reporting frameworks: 15%

Upcoming enhancements to ESG data collection and management systems in the next 3 years:

- Improving data analysis and consolidation using AI/ML: 58%
- Streamlining data validation and accuracy checks: 49%
- Automating data collection and reporting processes: 46%
- Adopting more advanced data management systems/software: 45%
- No planned enhancements: 5%

Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023
Data management is critical to integrating sustainability goals with overall business objectives

ESG data management, along with other improvements, help to integrate sustainability within overall business strategy.

How to enhance integration of sustainable goals with overall business objectives

- Conducting regular ESG performance reviews and updates (35%)
- Expanding collaboration between departments on ESG-related activities (32%)
- Incorporating ESG considerations into product/service offerings (30%)
- Increasing senior leadership focus on ESG (27%)
- Setting ESG-related KPIs or targets for departments (25%)
- Providing regular employee training on ESG topics (22%)
- Establishing cross-functional ESG committees (18%)
- Creating ESG-focused roles or teams within the organization (17%)
- Implementing ESG-centric policies and procedures (15%)
- Collaborating with external partners on ESG initiatives (7%)

Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023

“Our ESG Organization Survey underscores the critical role of data in driving sustainability objectives forward and seamlessly integrating these into the overall business strategy.”

Rob Fisher
ESG Leader
Data management is critical to integrating sustainability goals with overall business objectives

Incorporating ESG considerations into all job functions will contribute to the development of the most valuable skills of the future

Integration of ESG responsibilities within non-ESG roles in the next 3 years

<table>
<thead>
<tr>
<th>Integration Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>24%</td>
</tr>
<tr>
<td>Moderate</td>
<td>59%</td>
</tr>
<tr>
<td>Minimal change</td>
<td>13%</td>
</tr>
<tr>
<td>Unsure/can't disclose</td>
<td>3%</td>
</tr>
<tr>
<td>Reduction</td>
<td>1%</td>
</tr>
</tbody>
</table>

Most valuable ESG skills and capabilities in the coming years

<table>
<thead>
<tr>
<th>Skill/Capability</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG data analytics and insights generation</td>
<td>47%</td>
</tr>
<tr>
<td>Supply chain sustainability management</td>
<td>40%</td>
</tr>
<tr>
<td>ESG risk assessment and management</td>
<td>38%</td>
</tr>
<tr>
<td>Carbon emissions management and reporting</td>
<td>37%</td>
</tr>
<tr>
<td>Expertise in ESG regulatory compliance</td>
<td>33%</td>
</tr>
<tr>
<td>Corporate social responsibility program development</td>
<td>23%</td>
</tr>
</tbody>
</table>
Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Capacity constraints and difficulty measuring ROI on ESG are the top two challenges organizations are facing.

Challenges that impede cross-functional collaboration on sustainability matters:

- Insufficient resources or capacity to collaborate effectively: 44%
- Internal silos and limited communication between departments: 41%
- Divergent priorities or goals across functions: 30%
- Lack of clear ESG leadership or strategy: 27%
- Limited understanding or buy-in for ESG initiatives among some departments: 19%
- Competing time and resource demands: 15%

Top challenges in allocating adequate financial resources for ESG activities:

- Insufficient understanding of ESG value drivers: 14%
- Lack of industry benchmarks or best practices: 15%
- Lack of clear ESG strategy or priorities: 15%
- Limited support from senior management or board: 15%
- Budget constraints or competing priorities: 19%
- Difficulty measuring the return on investment (ROI) for ESG: 21%

Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023
Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Sustainability strategy and reporting efforts need to be aligned, therefore organizations are restructuring to achieve this coordination.

Organizational restructuring to better align sustainability goals with overall business strategy in the coming years:

- Yes, definitely - we are planning for a major restructuring to align ESG goals with business strategy: 43%
- Yes, somewhat - minor adjustments or adaptations in our organization are expected: 33%
- Maybe - it depends on changes in ESG regulations and market demands: 17%
- No, not at all - our current organizational structure already aligns ESG goals with business strategy: 5%
- Unsure - we have not discussed organizational restructuring related to ESG alignment at this time: 3%

Alignment between sustainability goals and overall business strategy:

- Mostly aligned: 54%
- Fully aligned: 25%
- Partially aligned: 18%
- Minimally aligned: 3%
- Not aligned: 1%
Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Teams are optimizing their employee mix by outsourcing the majority of sustainability reporting processes and using the reporting data gained to identify risks and opportunities for business growth.

Outsourcing mix for sustainability reporting processes

<table>
<thead>
<tr>
<th>Process</th>
<th>Currently outsourced</th>
<th>Planning to outsource in the next 3 years</th>
<th>No plan to outsource</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability data collection and management</td>
<td>40%</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>ESG report preparation and writing</td>
<td>33%</td>
<td>41%</td>
<td>27%</td>
</tr>
<tr>
<td>Regulatory compliance and disclosure support</td>
<td>37%</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>ESG data analysis and performance benchmarking</td>
<td>36%</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>Stakeholder engagement and communication</td>
<td>28%</td>
<td>39%</td>
<td>33%</td>
</tr>
<tr>
<td>Development of sustainability strategy, goals, and policies</td>
<td>33%</td>
<td>34%</td>
<td>33%</td>
</tr>
<tr>
<td>ESG-related risk assessment and mitigation</td>
<td>31%</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Integration of ESG factors into investment and decision-making processes</td>
<td>32%</td>
<td>37%</td>
<td>31%</td>
</tr>
<tr>
<td>Training and capacity building for staff on ESG issues</td>
<td>32%</td>
<td>41%</td>
<td>27%</td>
</tr>
<tr>
<td>Monitoring and evaluation of ESG initiative impacts and outcomes</td>
<td>35%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>ESG data management and software solutions</td>
<td>35%</td>
<td>39%</td>
<td>26%</td>
</tr>
</tbody>
</table>

ESG insights from reporting data is used to support broader organization objectives or strategy by...

<table>
<thead>
<tr>
<th>Objective</th>
<th>% of ESG reporting activities currently or planned to be outsourced in the next 3 years on Executive Summary slide is calculated by taking the total average of “currently outsourced” and “planning to outsource in the next 3 years”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying risks and opportunities for business growth</td>
<td>43%</td>
</tr>
<tr>
<td>Developing new products or services with a sustainability focus</td>
<td>39%</td>
</tr>
<tr>
<td>Guiding resource allocation and capital investments in sustainable projects</td>
<td>37%</td>
</tr>
<tr>
<td>Enhancing brand reputation and market positioning</td>
<td>37%</td>
</tr>
<tr>
<td>Informing strategic planning and decision-making</td>
<td>33%</td>
</tr>
<tr>
<td>Setting and tracking internal performance targets</td>
<td>31%</td>
</tr>
<tr>
<td>Fostering innovation in processes and technologies</td>
<td>27%</td>
</tr>
<tr>
<td>Strengthening customer, investor, and stakeholder relations</td>
<td>26%</td>
</tr>
<tr>
<td>Ensuring compliance with regulatory requirements</td>
<td>23%</td>
</tr>
<tr>
<td>Driving operational efficiency and cost reduction</td>
<td>22%</td>
</tr>
<tr>
<td>Supporting employee engagement and talent attraction efforts</td>
<td>22%</td>
</tr>
<tr>
<td>Benchmarking against industry competitors and best practices</td>
<td>12%</td>
</tr>
</tbody>
</table>

Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023
Energy, Natural Resources, and Chemicals Results

“The energy sector faces unique ESG challenges due to its reliance on natural resources, complex regulatory environment, and stakeholder expectations. This requires unique solutions and organizational structure that Energy, Natural Resources, and Chemicals (ENRC) organizations will increasingly have to focus on to manage the energy transition and build trust with their stakeholders and regulators.”

Investment in ESG capabilities is top priority

91% Will increase their ESG investment in the next 3 years

Top areas of future investment are:
1. Dedicated ESG personnel
2. ESG-specific software
3. Compliance and regulatory support

There is a disconnect between perception and preparedness…

90% v. 43%

Many organizations believe they are ahead of peers regarding ESG reporting (90%), but almost half still use spreadsheets to manage their ESG data (43%)

Data management is critical to integrate sustainability goals with overall business objectives

70% of leading organizations use advanced data systems for ESG reporting

68% of organizations plan to improve ESG data collection with artificial intelligence

49% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives

With access to better information, anticipate an increase in ESG integration across roles

92%

What does this mean for ENRC?

ENRC organizations focus heavily on compliance, regulatory support, and emissions reporting due to the nature of their business. In addition to upskilling sustainability reporting abilities, the sector is also investing in capabilities that will support the energy transition.

ENRC organizations are leading in their use of advanced data systems for ESG reporting and plan to further improve data collection with AI. Given ENRC’s focus on regulatory compliance, ongoing investment in advanced technology will be essential for accurate reporting.

ENRC organizations are highly focused on integrating sustainability principles across various roles in their organizations and determining the correct outsourcing mix, as they are facing especially strong internal silos and limited communication between departments.

Top challenges:

53% Insufficient resources and capacity

46% Internal silos

To combat this:

82% are planning to restructure teams to better align ESG goals with business strategy

80% of core ESG reporting activities are currently or are planning to be outsourced in the next 3 years

Source: ESG survey, Oct 2023

Steve Estes
ESG ENRC Lead

Steve Estes
ESG ENRC Lead

Key sector specific insight

53%

Insufficient resources and capacity

46%

Internal silos

82%

Restructure teams to better align ESG goals with business strategy

80%

Outsource core ESG reporting activities in the next 3 years

See improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives
Financial Services Results

Bryce Wagner
ESG FS Lead

“Financial services (FS) organizations are placing an emphasis on improving data management and related operations, enhancing their reporting and decision-making capabilities. The internal organization of ESG professionals across lines of business, overall capacity of qualified professionals and upskilling is another focus to support achieving sustainability goals.”

Investment in ESG capabilities is top priority

91% Will increase their ESG investment in the next 3 years

Top areas of future investment are:
1. Data collection and management tools
2. ESG-specific software
3. Dedicated ESG personnel

There is a disconnect between perception and preparedness…

88% v. 49%

Many organizations believe they are ahead of peers regarding ESG reporting (88%), but almost half still use spreadsheets to manage their ESG data (49%)

Data management is critical to integrate sustainability goals with overall business objectives

Innovative tech is growing in popularity, as:

73% of leading organizations use advanced data systems for ESG reporting

62% of organizations plan to improve ESG data collection with artificial intelligence

51% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives

With access to better information, anticipate an increase in ESG integration across roles

86%

Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Top challenges:

45% Insufficient resources and capacity

39% Internal silos

To combat this:

79% are planning to restructure teams to better align ESG goals with business strategy

73% of core ESG reporting activities are currently or are planning to be outsourced in the next 3 years

What does this mean for Financial Services?

FS organizations are increasingly prioritizing the adoption of advanced data collection tools to replace the use of error-prone spreadsheets and enhance decision-making capabilities.

Many FS organizations recognize the value in adopting advanced ESG data systems, particularly when addressing the complexities of scope 3 reporting and disclosures related to new data for sustainability matters beyond just climate change.

FS organizations, like many others, are facing challenges when it comes to resourcing and acquiring ESG talent. As a strategic response, they are currently or are planning to outsource certain core ESG reporting activities.

Source: ESG survey, Oct 2023

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Industrial Manufacturing Results

Josh Hesterman
ESG IM Lead

"Industrial manufacturing (IM) organizations are significantly increasing their ESG investment and continue to put in place plans to ramp up data collection, management, and advanced analytics. However, they still face a fundamental issue in carefully balancing measurable ESG impacts with financial return."

Investment in ESG capabilities is top priority

94% Will increase their ESG investment in the next 3 years

Top areas of future investment are:
1. Dedicated ESG personnel
2. Data collection and management tools
3. Employee training and education

There is a disconnect between perception and preparedness...

86% v. 49%

Many organizations believe they are ahead of peers regarding ESG reporting (86%), but almost half still use spreadsheets to manage their ESG data (49%)

Data management is critical to integrate sustainability goals with overall business objectives

Innovative tech is growing in popularity, as:

43% of leading organizations use advanced data systems for ESG reporting

52% of organizations plan to improve ESG data collection with artificial intelligence

52% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives

With access to better information, anticipate an increase in ESG integration across roles

75%

What does this mean for IM?

IM organizations are increasingly prioritizing the adoption of advanced data collection tools to replace the use of error-prone spreadsheets and enhance decision-making capabilities.

Despite the growing importance of sustainability reporting, many IM organizations are lagging in their adoption of advanced ESG data systems that can provide insightful analytics and support more comprehensive reporting.

IM organizations are facing divergent priorities or goals with respect to sustainability possibly because implementing ESG measures can be costly and may require significant change to their organizations and supply chains.

Source: ESG survey, Oct 2023

Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Top challenges:

43% Divergent priorities or goals

38% Internal silos

To combat this:

80% are planning to restructure teams to better align ESG goals with business strategy

72% of core ESG reporting activities are currently or are planning to be outsourced in the next 3 years
Investment in ESG capabilities is top priority

94% Will increase their ESG investment in the next 3 years

Top areas of future investment are:
1. Data collection and management tools
2. ESG-specific software
3. Employee training and education

There is a disconnect between perception and preparedness...

78% v. 38%

Many organizations believe they are ahead of peers regarding ESG reporting (78%), but some still use spreadsheets to manage their ESG data (38%)

Data management is critical to integrate sustainability goals with overall business objectives

Innovative tech is growing in popularity, as:

71% of leading organizations use advanced data systems for ESG reporting

51% of organizations plan to improve ESG data collection with artificial intelligence

42% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives

With access to better information, anticipate an increase in ESG integration across roles

74%

What does this mean for TMT?

TMT organizations are increasingly prioritizing the adoption of advanced data collection tools to efficiently track ESG data.

Unsurprisingly, TMT organizations outpace the market in adopting advanced data systems for sustainability reporting, given the sector’s emphasis on innovative solutions.

TMT organizations are focused on integrating sustainability principles across various roles in their organizations, as many are facing internal silos and limited communication between departments.

Source: ESG survey, Oct 2023

Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

Top challenges:

46% Internal silos
35% Divergent priorities or goals

To combat this:

65% are planning to restructure teams to better align ESG goals with business strategy

72% of core ESG reporting activities are currently or are planning to be outsourced in the next 3 years
“Consumer & Retail (C&R) organizations are increasing their investment in ESG initiatives, recognizing the importance of sustainable business practices as key drivers of long-term business success. However, many organizations are still lagging in utilizing advanced data analytics tools, which may limit their ability to effectively manage and improve their sustainability performance over time.”

**Investment in ESG capabilities is top priority**

97% Will increase their ESG investment in the next 3 years

Top areas of future investment are:
1. Dedicated ESG personnel
2. Employee training and education
3. Compliance and regulatory support

There is a disconnect between perception and preparedness…

78% v. 61%

Many organizations believe they are ahead of peers regarding ESG reporting (78%), but more than half still use spreadsheets to manage their ESG data (61%)

**Data management is critical to integrate sustainability goals with overall business objectives**

Innovative tech is growing in popularity, as:
- 43% of leading organizations use advanced data systems for ESG reporting
- 50% of organizations plan to improve ESG data collection with artificial intelligence
- 44% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives

With access to better information,
- 81% anticipate an increase in ESG integration across roles

**Structural challenges hinder ability to integrate a sustainability strategy into broader business goals**

Top challenges:
- 42% Internal silos
- 36% Insufficient resources or capacity

To combat this:
- 78% are planning to restructure teams to better align ESG goals with business strategy
- 69% of core ESG reporting activities are currently or are planning to be outsourced in the next 3 years

**What does this mean for C&R?**

Close to 100% of C&R organizations will increase their investment in ESG in the coming years and are focusing on compliance and regulatory support.

C&R organizations must invest in advanced data systems to manage product level ESG data and improve reporting efficiency. This is important to procure responsibly and measure scope 3 emissions across value chains.

C&R organizations are realigning departments to better integrate sustainability goals with overall business strategy. Additionally, C&R organizations are looking to determine the correct outsourcing mix for sustainability reporting activities to meet regulatory demands.

Source: ESG survey, Oct 2023
“Healthcare and life sciences (HCLS) organizations are increasingly investing in ESG initiatives and technology to advance sustainability and responsible governance. However, HCLS organizations face unique challenges in scaling innovative technologies and combating resource constraints.”

### Investment in ESG capabilities is top priority

84% Will increase their ESG investment in the next 3 years

<table>
<thead>
<tr>
<th>Top areas of future investment are:</th>
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</thead>
<tbody>
<tr>
<td>1. External consulting or advisory services</td>
</tr>
<tr>
<td>2. Data collection and management tools</td>
</tr>
<tr>
<td>3. Employee training and education</td>
</tr>
</tbody>
</table>

There is a disconnect between perception and preparedness...

78% v. 37% Many organizations believe they are ahead of peers regarding ESG reporting (78%), but some still use spreadsheets to manage their ESG data (37%)

### Data management is critical to integrate sustainability goals with overall business objectives

- **Innovative tech is growing in popularity,** as:
  - 58% of leading organizations use advanced data systems for ESG reporting
  - 63% of organizations plan to improve ESG data collection with artificial intelligence
  - 37% see improving data management and reporting capabilities as helpful in integrating ESG goals with business objectives
- With access to better information, anticipate an increase in ESG integration across roles

### Structural challenges hinder ability to integrate a sustainability strategy into broader business goals

<table>
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<tr>
<th>Top challenges:</th>
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</thead>
<tbody>
<tr>
<td>49% Insufficient resources and capacity</td>
</tr>
<tr>
<td>36% Internal silos</td>
</tr>
</tbody>
</table>

To combat this:

- 78% are planning to restructure teams to better align ESG goals with business strategy
- 66% of core ESG reporting activities are currently or are planning to be outsourced in the next 3 years

### What does this mean for HCLS?

- **HCLS organizations are planning to increase spending on external consulting or advisory services to leverage professional advice and guidance to navigate complex ESG challenges.**
- **HCLS organizations recognize the importance of building a sustainable future and anticipate integrating ESG factors across roles to further expand impact.**
- **Operating in a highly regulated market, HCLS organizations are struggling to overcome resourcing and ESG talent constraints, prompting them to make future investments in ESG education, restructure teams, and explore opportunities to outsource reporting activities.**

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*Source: ESG survey, Oct 2023*