Addressing the Strategy Execution Gap in Sustainability Reporting

2024 Sustainability Organization Survey

February 2024
Contents

1 Executive summary 03
2 Respondents’ demographics 06
3 Key Insights 09
4 Sector Insights 21
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 sustainability talent, prioritizing sustainability data and analytics, managing supply chain, and completing an sustainability 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
Sustainability Reporting and Assurance Leader

Findings
Executive Summary

Organizations are going to spend more on sustainability 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.

Rapid investment in sustainability 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.

Data management is critical to integrate 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

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

KPMG Insight

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

KPMG Insight

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

KPMG Insight

Defining clear roles and responsibilities, including identifying leaders and subject matter experts, and deciding when to outsource or supplement existing resources is crucial for effective implementation and efficient reporting.
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>South America / Canada / Mexico</td>
<td>12%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>6%</td>
</tr>
<tr>
<td>Europe</td>
<td>25%</td>
</tr>
<tr>
<td>USA</td>
<td>61%</td>
</tr>
</tbody>
</table>

### Ownership structure and revenue

#### Type of organization

- **Private**: 52%
- **Publicly traded**: 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%

### Organization structure

#### Number of full-time employees in respondents' organizations

<table>
<thead>
<tr>
<th>Number of Employees</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>9%</td>
</tr>
<tr>
<td>20,000 +</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Sustainability Organization Survey, Oct 2023
Respondents’ demographics

**Function/business division that respondents represent**

<table>
<thead>
<tr>
<th>Division</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax, Research &amp; Development, Strategy</td>
<td>1%</td>
</tr>
<tr>
<td>Legal and Risk</td>
<td>2%</td>
</tr>
<tr>
<td>Procurement and Supply Chain</td>
<td>4%</td>
</tr>
<tr>
<td>Marketing and Communications</td>
<td>4%</td>
</tr>
<tr>
<td>Investment management</td>
<td>5%</td>
</tr>
<tr>
<td>Finance and accounting</td>
<td>6%</td>
</tr>
<tr>
<td>Sales</td>
<td>6%</td>
</tr>
<tr>
<td>Customer Service</td>
<td>7%</td>
</tr>
<tr>
<td>HR</td>
<td>7%</td>
</tr>
<tr>
<td>Executive leadership</td>
<td>7%</td>
</tr>
<tr>
<td>IT</td>
<td>10%</td>
</tr>
<tr>
<td>Operations</td>
<td>14%</td>
</tr>
<tr>
<td>Environmental, Social Governance (ESG) / Corporate Social Responsibility (CSR)</td>
<td>25%</td>
</tr>
</tbody>
</table>

**Respondents’ level in the organization**

- **Board members**
  - Fully responsible for ESG reporting: 31%
- **C-level executives**
  - Fully responsible for ESG reporting: 34%
- **Senior management (e.g., Business Unit Head, VP)**
  - Fully responsible for ESG reporting: 37%
- **Mid management (e.g., Manager)**
  - Fully responsible for ESG reporting: 23%

**Degree in which respondent is involved in development and operations of ESG reporting**

- **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: Sustainability Organization Survey, Oct 2023
Total (N) of US and Global Respondents: 550
03

Key Insights
Rapid investment in sustainability capabilities is a top priority

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

Change in investment in ESG reporting in the next 3 years

- Increase: 90%
- No change: 7%
- Slight decrease: 2%
- Unsure: 1%

Significant areas of investment by ESG 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.
Rapid investment in sustainability capabilities is top priority

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

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

- We are significantly ahead of our industry peers: 30%
- We are moderately ahead of our industry peers: 53%
- We are at par of our industry peers: 15%
- We are almost at par with our industry peers: 3%

**Type of ESG data management system used**

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

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

Most organizations plan on enhancing their sustainability data collection and management systems because the use of advanced software, automation and AI/ML tools can significantly improve sustainability reporting efficiencies.

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

- Utilizing advanced data systems for efficient and accurate ESG reporting: 59%
- Improving data analysis/consolidation using AI/ML: 55%
- Providing employee and management training to enhance ESG reporting quality: 49%
- Streamlining data validation and accuracy checks: 47%
- Benchmarking ESG disclosures against industry best practices and peers: 45%
- Automating data collection and reporting processes: 46%
- Allocating resources for continuous improvements and strategic development in ESG reporting: 44%
- Adopting more advanced data management systems/software: 45%
- Engaging with stakeholders to align ESG disclosure with their expectations: 40%
- No planned enhancements: 5%
- Seeking third-party assurance to enhance credibility and transparency: 18%
- Collaborating with industry groups to adopt standardized ESG reporting frameworks: 15%

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

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
Data management is critical to integrate sustainability goals with overall business objectives

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

How to enhance integration of ESG goals with overall business objectives

- Improving ESG data management and reporting capabilities: 45%
- 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 KPTs 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): Sum does not add up to 100% as it is a multi-select question
Source(s): Sustainability Organization Survey, Oct 2023

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

Rob Fisher
Sustainability Leader

Sustainability data management, along with other improvements help to integrate sustainability within overall business strategy.
Data management is critical to integrate sustainability goals with overall business objectives

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

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

- Significant increase in ESG integration across roles: 24%
- Moderate increase in ESG integration across roles: 59%
- Minimal change in ESG integration across roles: 13%
- Unsure/can’t disclose: 3%
- Reduction in ESG integration across roles: 1%

Most valuable ESG skills and capabilities in the coming years:

- ESG data analytics and insights generation: 47%
- Supply chain sustainability management: 40%
- ESG risk assessment and management: 38%
- Carbon emissions management and reporting: 37%
- Expertise in ESG regulatory compliance: 33%
- Corporate social responsibility program development: 23%

Note(s): Sum does not add up to 100% as it is a multi-select question.
Structural challenges hinder ability to integrate sustainability strategy into broader business goals

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

### Challenges that impede cross-functional collaboration on ESG matters

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient resources or capacity to collaborate effectively</td>
<td>44%</td>
</tr>
<tr>
<td>Internal silos and limited communication between departments</td>
<td>41%</td>
</tr>
<tr>
<td>Divergent priorities or goals across functions</td>
<td>30%</td>
</tr>
<tr>
<td>Lack of clear ESG leadership or strategy</td>
<td>27%</td>
</tr>
<tr>
<td>Limited understanding or buy-in for ESG initiatives among some departments</td>
<td>19%</td>
</tr>
<tr>
<td>Competing time and resource demands</td>
<td>15%</td>
</tr>
</tbody>
</table>

### Top challenges in allocating adequate financial resources for ESG activities

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient understanding of ESG value drivers</td>
<td>14%</td>
</tr>
<tr>
<td>Lack of industry benchmarks or best practices</td>
<td>15%</td>
</tr>
<tr>
<td>Lack of clear ESG strategy or priorities</td>
<td>15%</td>
</tr>
<tr>
<td>Limited support from senior management or board</td>
<td>15%</td>
</tr>
<tr>
<td>Budget constraints or competing priorities</td>
<td>19%</td>
</tr>
<tr>
<td>Difficulty measuring the return on investment (ROI) for ESG</td>
<td>21%</td>
</tr>
</tbody>
</table>

Note(s): Sums are greater than 100% where questions were multi-select
Source(s): Sustainability Organization Survey, Oct 2023
Structural challenges hinder ability to integrate 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 ESG goals with overall business strategy in the coming years

| Source(s): Sustainability Organization Survey, Oct 2023 |

- **Yes, definitely** – we are planning for a major restructuring to align ESG goals with business strategy: 33%
- **Yes, somewhat** - minor adjustments or adaptations in our organization are expected: 43%
- **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%

Challenges that impede cross-functional collaboration on ESG matters

- **Mostly aligned**: 54%
- **Fully aligned**: 25%
- **Partially aligned**: 18%
- **Minimally aligned**: 3%
- **Not aligned**: 1%
Data management is critical to integrate sustainability goals with overall business objectives

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 ESG 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 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>39%</td>
<td>33%</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>31%</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>41%</td>
<td>27%</td>
<td>35%</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 company objectives or strategy by...

<table>
<thead>
<tr>
<th>Insight</th>
<th>Currently used</th>
<th>Planning for future</th>
<th>No plan for future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying risks and opportunities for business growth</td>
<td>43%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Developing new products or services with a sustainability focus</td>
<td>37%</td>
<td>37%</td>
<td>33%</td>
</tr>
<tr>
<td>Guiding resource allocation and capital investments in sustainable projects</td>
<td>33%</td>
<td>31%</td>
<td>27%</td>
</tr>
<tr>
<td>Enhancing brand reputation and market positioning</td>
<td>26%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>Enabling strategic planning and decision-making</td>
<td>22%</td>
<td>22%</td>
<td>12%</td>
</tr>
</tbody>
</table>
“The energy sector faces unique sustainability challenges due to its reliance on natural resources, complex regulatory environment, and stakeholder expectations. This requires unique solutions and organizational structure that ENRC companies will increasingly have to focus on to manage the energy transition and build trust with their stakeholders and regulators.”

Rapid investment in sustainability 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

Innovative tech is growing in popularity, as:

27% of leading organizations use advanced data systems for ESG reporting

56% of organizations plan to improve ESG data collection with artificial intelligence

49% see better ESG data management and reporting as crucial to integrating ESG goals with business objectives

With access to better information, 92% anticipate an increase in ESG integration across roles

Top challenges:

53% Insufficient resources and capacity

46% Internal silos

To combat this:

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

80% or more of all ESG reporting activities are planned to be outsourced in the next 3 years

What does this mean for ENRC (Energy, Natural Resources and Chemicals)?

ENRC companies focus heavily on compliance, regulatory support, and emissions reporting due to the nature of their business.

Compared to the broader market, ENRC companies are generally behind in terms of plans to use advanced data systems for sustainability reporting. Knowing that ENRC focuses on regulatory compliance, investment in advanced data systems and accurate reporting is key.

ENRC companies 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.
“Financial services organizations are placing a great emphasis on improving data management and processes to enhance decision-making and reduce operational inefficiencies. They also have strategic goals to improve their sustainability capabilities and adopt artificial intelligence technologies to improve risk management, customer experience, and operational efficiencies.”

### Rapid Investment in Sustainability Capabilities is Top Priority

<table>
<thead>
<tr>
<th>91%</th>
<th>Will increase their ESG investment in the next 3 years</th>
</tr>
</thead>
</table>

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...

<table>
<thead>
<tr>
<th>88% vs. 49%</th>
</tr>
</thead>
</table>

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:**
  - 16% of leading organizations use advanced data systems for ESG reporting
  - 59% of organizations plan to improve ESG data collection with artificial intelligence
  - 51% see better ESG data management and reporting as crucial to integrating ESG goals with business objectives

With access to better information, 86% anticipate an increase in ESG integration across roles.

### Structural Challenges Hinder Ability to Integrate Sustainability Strategy into Broader Business Goals

- **Top challenges:**
  - 45% Insufficient resources and capacity
  - 39% Internal silos

To combat this:
- 79% will restructure teams to better align ESG goals with business strategy
- 73% or more of all ESG reporting activities are planned to be outsourced in the next 3 years

### What does this mean for Financial Services?

- **Financial services 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 financial services organizations are lagging in their adoption of advanced sustainability data systems that can provide insightful analytics and support more comprehensive reporting.**

- **Financial Services organizations are highly focused on integrating sustainability principles across various roles in their organizations, as they are facing internal silos and limited communication between departments.**
“Industrial manufacturing organizations are significantly increasing their sustainability investment and plan to ramp up data collection and management tools and advanced technology. However, they still face divergent priorities and goals due to stakeholder pressures and internal challenges to balance sustainability concerns with financial performance.”

Rapid investment in sustainability 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:

13% of leading organizations use advanced data systems for ESG reporting

46% of organizations plan to improve ESG data collection with artificial intelligence

52% see better ESG data management and reporting as crucial to integrating ESG goals with business objectives

With access to better information, 75% anticipate an increase in ESG integration across roles

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

Top challenges:

43% Divergent priorities or goals

38% Internal silos

To combat this:

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

72% or more of all ESG reporting activities are planned to be outsourced in the next 3 years

What does this mean for IM?

Industrial Manufacturing 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 industrial manufacturing organizations are lagging in their adoption of advanced sustainability data systems that can provide insightful analytics and support more comprehensive reporting.

Industrial manufacturing organizations are facing divergent priorities or goals with respect to sustainability possibly because implementing sustainability measures can be costly and may require significant change to their organizations and supply chains.
Rapid investment in sustainability 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. Dedicated ESG personnel

There is a disconnect between perception and preparedness…

78% v. 38%

Many organizations believe they are ahead of peers regarding ESG reporting (78%), but almost half 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:

- 17% of leading organizations use advanced data systems for ESG reporting
- 46% of organizations plan to improve ESG data collection with artificial intelligence
- 42% see better ESG data management and reporting as crucial to integrating ESG goals with business objectives

With access to better information,

- 74% anticipate an increase in ESG integration across roles

What does this mean for TMT?

Industrial Manufacturing organizations are increasingly prioritizing the adoption of advanced data collection tools to efficiently track sustainability data.

Compared to the market, TMT organizations are behind in using advanced data systems for sustainability reporting, but action is being taken quickly as investment in sustainability reporting is increasing in coming years.

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.

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

Top challenges:
- 46% Internal silos
- 35% Divergent priorities or goals

To combat this:
- 65% will restructure teams to better align ESG goals with business strategy
- 72% or more of all ESG reporting activities are planned to be outsourced in the next 3 years

Marcus Leach
Sustainability TMT Lead

“TMT organizations are focused on strengthening their sustainability data collection and management capabilities to better measure and report their sustainability performance. Sustainability integration across roles is another key area TMT organizations are implementing to combat divergent priorities or goals across teams.”
**Consumer and Retail Results**

*C&R organizations are increasing their investment in sustainability initiatives, recognizing the importance of sustainable business practices as key drivers of long-term business success. However, many companies are still lagging in utilizing advanced data analytics tools, which may limit their ability to effectively manage and improve their sustainability performance over time.*

### Rapid investment in sustainability capabilities is top priority

<table>
<thead>
<tr>
<th><strong>97%</strong></th>
<th>Will increase their ESG investment in the next 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top areas of future investment are:</td>
<td></td>
</tr>
<tr>
<td>1. Dedicated ESG personnel</td>
<td></td>
</tr>
<tr>
<td>2. Employee training and education</td>
<td></td>
</tr>
<tr>
<td>3. Compliance and regulatory support</td>
<td></td>
</tr>
<tr>
<td>There is a disconnect between perception and preparedness…</td>
<td></td>
</tr>
<tr>
<td><strong>78%</strong> v. <strong>61%</strong></td>
<td></td>
</tr>
<tr>
<td>Many organizations believe they are ahead of peers regarding ESG reporting (78%), but almost half still use spreadsheets to manage their ESG data (61%)</td>
<td></td>
</tr>
</tbody>
</table>

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

- Innovative tech is growing in popularity, as:  
  - **8%** of leading organizations use advanced data systems for ESG reporting  
  - **50%** of organizations plan to improve ESG data collection with artificial intelligence  
  - **44%** see better ESG data management and reporting as crucial to 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 sustainability strategy into broader business goals

- Top challenges:  
  - **42%** Internal silos  
  - **36%** Insufficient resources or capacity  
- To combat this:  
  - **78%** will restructure teams to better align ESG goals with business strategy  
  - **69%** or more of all ESG reporting activities are planned 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 sustainability in the coming years and are focusing on compliance and regulatory support.
- C&R organizations are significantly lagging in utilizing advanced data systems for sustainability reporting.
- C&R organizations are realigning departments to better integrate sustainability goals with overall business strategy.

---

Julia Wilson  
Sustainability C&R Lead

---

Key sector specific insight

- **42%** Internal silos
- **36%** Insufficient resources or capacity
- **78%** will restructure teams to better align ESG goals with business strategy
- **69%** or more of all ESG reporting activities are planned to be outsourced in the next 3 years
“Healthcare and life sciences organizations are increasingly investing in sustainability initiatives and technology to advance sustainability and responsible governance. However, HCLS organizations face unique challenges in scaling innovative technologies and combating resource constraints.”

**Rapid investment in sustainability capabilities is top priority**

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

Top areas of future investment are:
1. External consulting or advisory services
2. Data collection and management tools
3. Employee training and education

There is a disconnect between perception and preparedness…

78% v. 37%

Many organizations believe they are ahead of peers regarding ESG reporting (78%), but almost half 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:

- 19% of leading organizations use advanced data systems for ESG reporting
- 55% of organizations plan to improve ESG data collection with artificial intelligence
- 37% see better ESG data management and reporting as crucial to integrating ESG goals with business objectives

With access to better information, 84% anticipate an increase in ESG integration across roles

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

Top challenges:

- 49% Insufficient resources and capacity
- 36% Internal silos

To combat this:

- 78% will restructure teams to better align ESG goals with business strategy
- 66% or more of all ESG reporting activities are planned to be outsourced in the next 3 years

**HCLS organizations are facing capacity constraints with respect to sustainability and are looking to restructure teams to combat this.**

**What does this mean for HCLS?**

HCLS organizations are planning to significantly increase spending on external consulting or advisory services to leverage expert advice and guidance to navigate complex sustainability challenges.

Compared to the market, HCLS organizations are behind in implementing advanced data systems for sustainability reporting and are less likely to equate sustainability data management and reporting with overall business strategy.

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

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

MADE in KPMG DAS-2024-14338