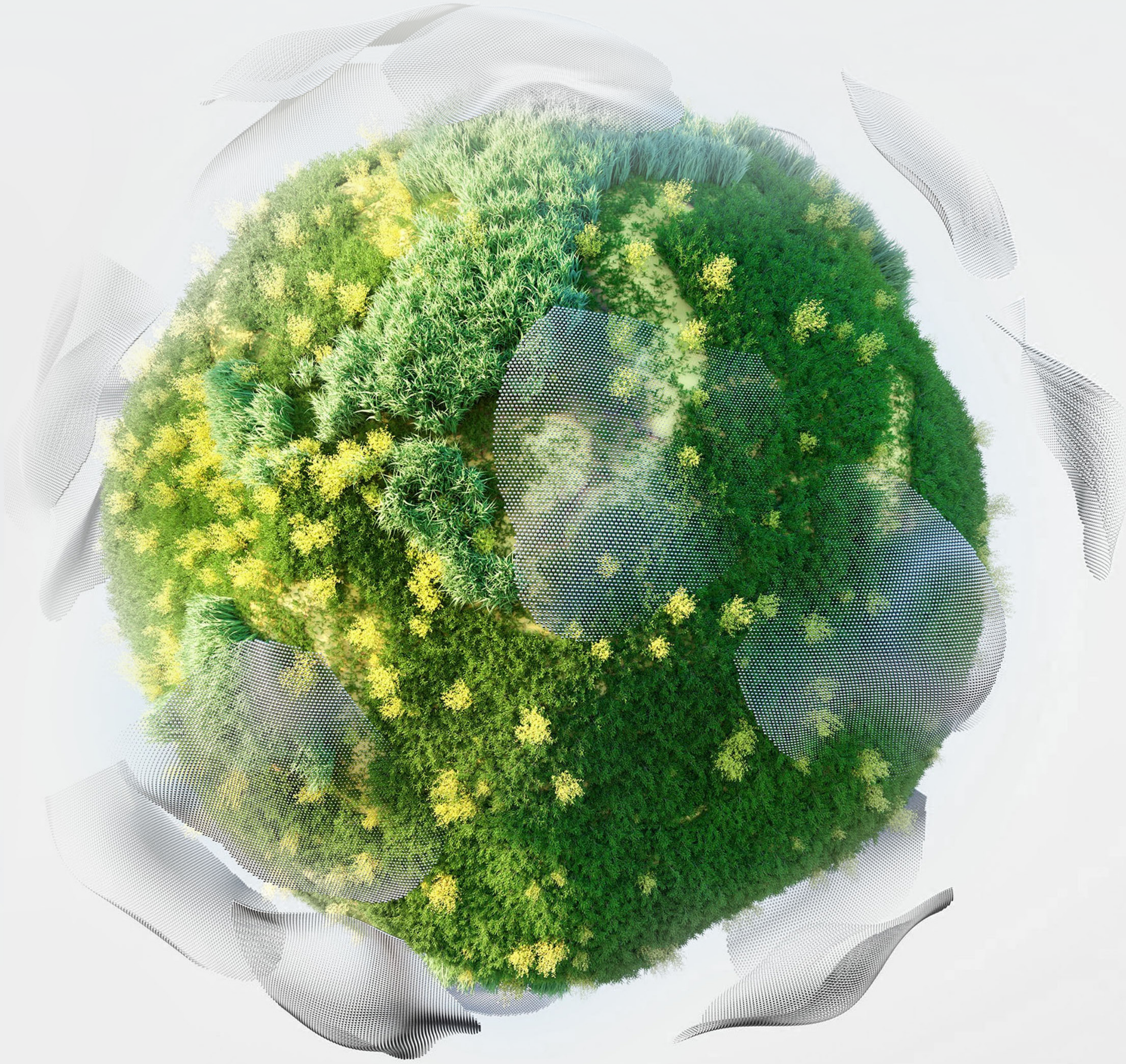
REPORT
JANUARY 2024

ESG GLOBAL

ENTERPRISE PULSE SURVEY 2023

KEY FINDINGS



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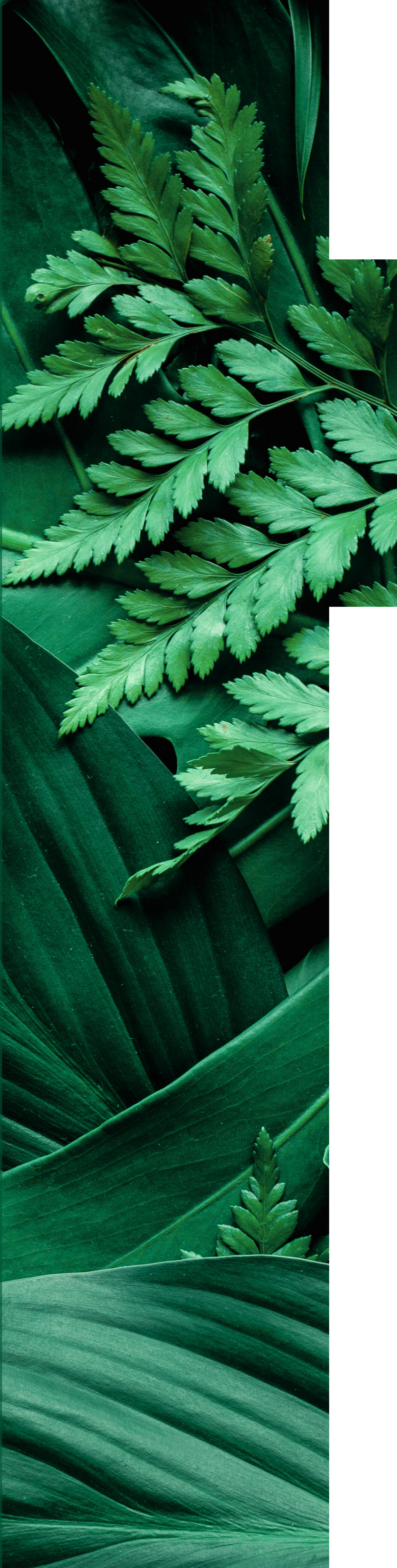


About the Survey

In September 2023, SGA conducted a global survey comprising 306 ESG professionals (130 in North America, 119 in Western Europe, and 57 in Asia). The respondents had to meet specific job profiles, industry, and revenue criteria to qualify for the survey. All the respondents were at the managerial level or above, representing a wide participation from Directors, VPs, or C-level executives globally.

The survey findings follow the regional segmentation mentioned below:

- North America (the US and Canada)
- Western Europe (the UK, France, Germany, and Switzerland)
- Asia (India and Singapore)

We surveyed only publicly traded enterprises. Based on the enterprise's size, we clubbed the survey findings into Tier I, Tier II, and Tier III segments:

- Tier 3 enterprises (having revenue: USD 150m to USD 249m)
- Tier 2 enterprises (having revenue: USD 250m to USD 999.9m)
- Tier 1 enterprises (having revenue: USD 1bn to USD 20bn+)

The job profiles of the respondents included the Head of Sustainability, ESG/Sustainability Manager/Director, Environmental Manager/Director, Social Responsibility Manager/Director, ESG Communications Manager, Responsible Investing Manager/Advisor, Chief Sustainability Officer (CSO), Sustainable Product Development Manager, Sustainable Reporting Manager, Head/VP of Responsible Investing, ESG Compliance Manager, Corporate Sustainability Lead, and Head of ESG Investing.

Industry sector coverage is limited to the following industries:

- Automotive
- Financial Services
- Manufacturing
- Retail
- Health and Lifesciences
- Oil & Gas
- Power & Utilities
- Technology
- Media & Entertainment
- Telecommunications
- Logistics & Transportation

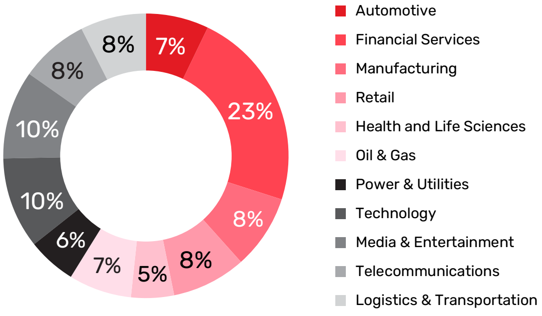
Regional Split

73%	68%	61%
North America	Western Europe	Rest of the World

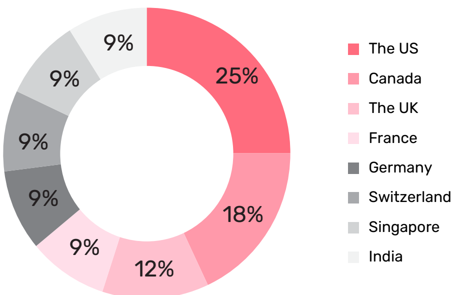
Enterprise Split

48%	36%	16%
Tier I	Tier II	Tier III

Industry Split



Country Split



Source: SG Analytics ESG Global Enterprise Pulse Survey 2023: Key Findings

Executive Summary

- A dynamic interplay of **'push and pull'** forces shapes the financial decision-making paradigm within the ever-evolving Environmental, Social, and Governance (ESG) landscape. Although ESG disclosures are not universally mandated, they are gaining increasing reliance from stakeholders, demanding consistency and decision-critical information. This shift toward ESG implementation across industries is driven by a synergistic combination of attributes. These include the increasing awareness of consumers and investor demand for sustainable business practices, the enhancement of a company's brand reputation and image, accessibility to ESG-compliant capital, cost savings, and evolving regulations.
- In the current landscape of ESG transformation, the SGA survey highlights that **75%** of publicly traded **companies worldwide perceive themselves as mature in ESG integration**, with **25%** in the early stages of ESG maturity. Western Europe leads in ESG maturity, propelled by heightened consumer awareness, investor demands, and stringent regulations. The cyclical pattern of regulations stimulating investor interest in ESG, coupled with consumer awareness and government support enhancing ESG performance, positions Western Europe at the forefront.
- Globally, the ESG reporting landscape demonstrates the adoption of a diverse framework reflecting a more holistic approach to ESG reporting. The survey points toward a clear preference for **SASB (75%)** and **GRI (67%)** frameworks in ESG reporting (when selected by respondents individually), prioritizing sector-specific standards and comprehensive reporting. **UN SDGs follow at 49%**, often used alongside SASB and GRI. This dominance emphasizes sector-specific sustainability and thorough stakeholder engagement in reporting. Having said this, ESG reporting still faces challenges like varying guidelines, undefined terms, and integrating complex data. Ambiguity persists in identifying stakeholders and formalizing data collection.
- Amid these challenges, the global ESG reporting landscape is progressing positively, timed alongside heightened scrutiny of corporate ESG disclosures due to upcoming sustainability regulations. The shift toward mandatory reporting, aligning with structured procedures, indicates corporate readiness for the evolving ESG landscape. Globally, **88% of corporates categorized themselves as fully prepared for future ESG disclosures** emphasizing on the adoption of diverse approaches to evolve **ESG reporting practices**, **promote transparency** and **accountability**, **incorporate feedback** and **input** from stakeholders, **monitor and evaluate** the **impact of ESG initiatives**.

What does the survey highlight?

88%

of **global publicly traded companies are highly prepared for future ESG reporting** and disclosure requirements, as 90% of North American corporates show highest preparedness

69%

of **corporates globally are committed to integrating ESG factors**, driven by their recognition of ESG's impact on long-term sustainability, while 57% of corporates have a dedicated team for ESG reporting

What does the survey highlight? continued

79%

of **Tier I publicly traded companies lead** the **ESG maturity levels**

75%

of **global corporates employ independent assurance**, with 23% occasionally considering their services, hinting toward its increasing popularity

71%

of **global corporates consider the potential financial risks and opportunities associated with ESG factors** in their decision-making processes

60%

of **publicly traded corporates globally are integrating ESG** effectively into their overall business strategy

47%

of the **global publicly traded companies use SASB and GRI frameworks together** for ESG reporting, emphasizing sector-specific standards and comprehensive reporting

25%

of **global publicly traded companies exhibit less ESG maturity**

Thus, the evolving ESG landscape highlights progress amid challenges. It emphasizes the growing importance of transparent, accountable reporting aligned with sustainability demands. Additionally, stakeholders must collaborate to tackle challenges, standardize practices, and innovate data management. By promoting adaptability and continuous improvement, ESG reporting can effectively drive global sustainable business practices.

SECTION 1

ESG at the Epicenter of Strategic Priorities and Goals

ESG integration across global sustainable business practices

- Globally, **ESG integration** has evolved into a common practice for numerous companies, demonstrating steady growth over the last decade. According to the SGA survey, significant publicly traded companies worldwide have been progressively enhancing the integration of ESG principles into their business practices.
- A closer look at the regions reflects an optimistic and encouraging picture toward ESG integration, with figures standing at North America at 73%, Western Europe at 68%, and Asia at 61%.

Publicly traded company's commitment to ESG integration by region

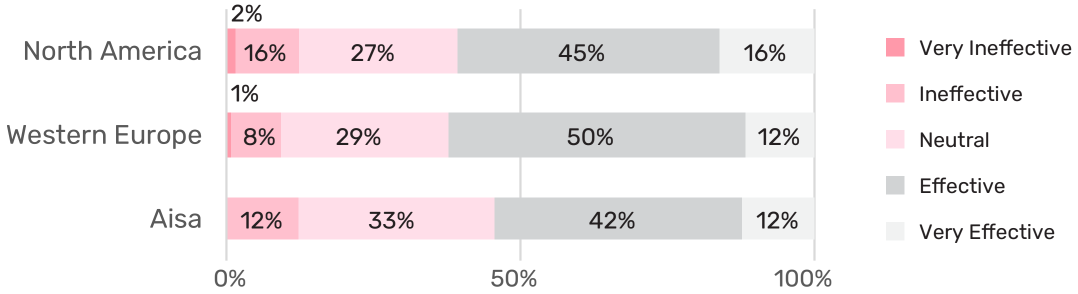
73%	68%	61%
North America	Western Europe	Asia

- Even though there is not a single mandate within **the US and Canada** that requires all corporates to integrate ESG into business operations, still companies are voluntarily embracing ESG integration. This is because of several initiatives and regulations like the SEC, state and local regulations, and investor pressure that are pushing corporates in this direction. To be specific, the SEC proposed rules that would require publicly traded companies to voluntarily disclose their ESG practices and risks. Alternatively, **several Western European countries have mandated businesses to integrate ESG into their business operations**. Some regulatory bodies/laws like the Duty of Vigilance Law, German Supply Chain Due Diligence Act, Non-financial Reporting Directive (NFRD), Corporate Sustainability Reporting Directive (CSRD), and French Energy Transition Law (LTECV), require corporates to report ESG performance. In Asia (India and Singapore), publicly listed entities must integrate responsible business conduct into their operations. Some Asian regulatory bodies are SEBI, NGRBC, BSE, The Monetary Authority of Singapore (MAS), and Singapore's Green Finance initiatives.

Overall, incorporating ESG principles has emerged as a fundamental aspect of sustainable business practices globally, propelled by a blend of upcoming regulatory measures, investor expectations, and consumer choices. The pressure on publicly traded companies to be more transparent about their ESG performance is only expected to increase, driven by regulatory activities and the growing demand from other stakeholders.

> **"On a global scale, nearly two-thirds of respondents (69%) rated their company's commitment to ESG integration, as significantly committed, indicating a growing commitment across organizations."**

Region: Companies Effectively Integrating ESG Goals



Publicly traded companies' effectiveness in integrating ESG goals and targets into their overall business strategy

- 60% of respondents globally rated integrating ESG goals and targets into their overall business strategy as effective or very effective.
- Respondents ranked publicly traded companies in Western Europe (62%) as the most effective in integrating ESG goals into their business strategies, followed by North America (61%).
- The survey identified North America and Asia as the regions where companies face the most significant challenges in effectively incorporating ESG goals into their business practices, with 16% and 12% of respondents ranking these regions as ineffective, respectively.

SECTION 2

Current Engagement & Adoption Curve

Insights into global ESG transformation and Western Europe's leading role

The global corporate ESG landscape is undergoing significant transformation with the growing demand for ESG compliance. SGA survey found that most publicly traded companies (75%) globally consider themselves mature and are paving a path for seamless ESG integration into their overall business strategy. Approximately 25% of the publicly traded companies are at the early or developing stage of ESG maturity.

Western Europe displays a relatively higher maturity level propelled by greater consumer awareness of ESG issues, stronger investors' demand for ESG investments, and stringent regulations. These factors create a cyclic view wherein stringent regulations lead to increased investor demand for ESG investments, whereas increasing consumer awareness and supportive government further strengthen ESG performance. This indicates that Western Europe is likely to continue to lead the way in ESG maturity.

Maturity Level: Global and Regional Publicly Traded Companies

Early or developing maturity stage

Global	North America	Western Europe	Asia
25%	28%	19%	61%

Established maturity

Global	North America	Western Europe	Asia
38%	39%	39%	32%

Advanced maturity

Global	North America	Western Europe	Asia
34%	31%	36%	35%

Leading in maturity

Global	North America	Western Europe	Asia
4%	2%	5%	4%

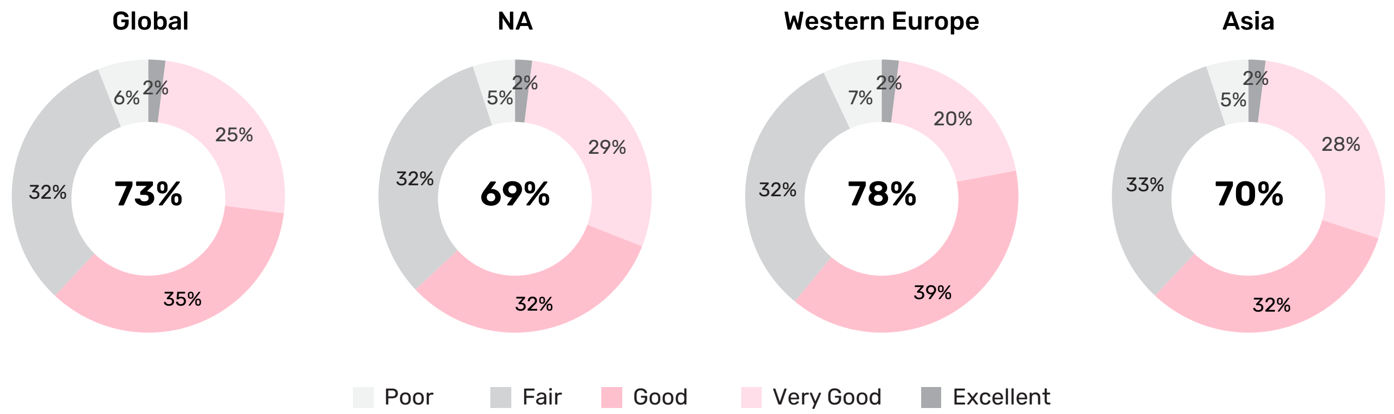
Overall maturity levels

Global	North America	Western Europe	Asia
75%	72%	81%	80%

75%

of the global publicly traded companies surveyed are **leading the way in ESG maturity**, and 60% of them effectively integrate ESG goals and targets into their business strategy

Rating success in integrating ESG principles into business operations



Western Europe's top spot in ESG maturity is reflected in employees consistently rating their companies highly for the successful integration of ESG principles in day-to-day operations. This notable achievement sets the global benchmark for seamless ESG integration and highlights Europe's pivotal role in promoting sustainable business practices, influencing publicly traded companies worldwide to embrace thoughtful and sustainable approaches to their business operations.

Maturity Score by Company Size

Overall maturity levels

79%	72%	72%
Tier I	Tier II	Tier III

Integration of ESG goals

64%	58%	54%
Tier I	Tier II	Tier III

Definitions: Tier I ($1Bn–$20+Bn; Tier 2 ($250Mn–$999.9Mn; Tier 3 ($150Mn–$249Mn)

Additionally, the maturity level of companies is directly proportional to the revenue it generates. Larger companies (Tier I - $1Bn to $20Bn+) showcase higher maturity levels compared to Tier II and III companies. A similar trend is reflected in the effectiveness of integrating ESG goals into the overall business strategy. Tier I companies have 64% effectively integrated ESG goals into their overall business strategy.

Tier I publicly traded companies' modes to ensure accuracy and completeness of the ESG disclosures

30% Internal review processes

26% Use of reliable data sources

25% Independent audits and verifications

19% Regular data quality checks

Furthermore, Tier I publicly traded companies lead ESG maturity levels by integrating ESG goals into their overall business strategy and demonstrating unwavering commitment toward accurate and comprehensive ESG disclosures. They adopt rigorous approaches: (i) internal review processes, (ii) using reliable data sources to ensure accuracy, and (iii) independent audits and verifications to ensure accuracy, setting standards for reliability in the corporate ESG disclosure landscape.

> **"Overall, Tier 1 and 2 corporates are pumped up and gearing up for upcoming mandatory ESG disclosure policies. This momentum might give rise to the 'fear of missing out' (FOMO) effect, urging Tier 3 corporates, especially from Asia, to swiftly brace for these impending mandatory ESG disclosure policies. Furthermore, the current policies'relaxations offer Tier 3 corporates a window to synchronize their operations gradually and prepare for the future."**

SECTION 3

Current Operational Status Quo (1/2)

The corporate ESG landscape has been evolving slowly and steadily over the last few decades. Nowadays, sustainability reporting has become standard practice. The journey has been rewarding since corporates achieved significant reporting milestones.

SASB and GRI frameworks are the most popular ESG reporting frameworks globally

SGA's survey assessed five ESG reporting frameworks: Sustainability Accounting Standards Board (**SASB**), Global Reporting Initiative (**GRI**), United Nations Sustainable Development Goals (**UN SDGs**), Carbon Disclosure Project (**CDP**), and Task Force on Climate-related Financial Disclosures (**TCFD**).

The survey highlights a strong preference for **SASB (75%)** and **GRI (67%)** frameworks in **ESG reporting**, emphasizing **sector-specific standards and comprehensive reporting**, respectively. UN SDGs follow at 49% because it is mostly used with SASB and GRI. The dominant use of SASB and GRI underscores a dual focus on sector-specific sustainability and comprehensive stakeholder engagement in reporting.

Tier I publicly traded companies' modes to ensure accuracy and completeness of the ESG disclosures

75%
Sustainability Accounting Standards Board (SASB)

67%
Global Reporting Initiative (GRI)

49%
United Nations Sustainable Development Goals (UN SDGs)

36%
Carbon Disclosure Project (CDP),

31%
Task Force on Climate-related Financial Disclosures (TCFD)

Note: This is a multi-select question. The percentages represent the occurrence of selecting SASB alone at 75% and selecting GRI alone at 67%., similarly for others

The number of companies using the **SASB standards increased by over 400%** between 2020 and 2023. **More than 3,000 companies now use the SASB standards**, according to the IFRS Foundation.

In the last 23 years, the **GRI standards** have evolved into the world's most extensively utilized and globally acknowledged instrument for corporate transparency. **Over 10,000 companies worldwide use** the GRI standards to communicate their impacts.

Definitions:

Sustainability Accounting Standards Board (SASB): SASB standards are sector-specific, focusing on financially material sustainability information.

Global Reporting Initiative (GRI): GRI provides comprehensive guidance for sustainability reporting, emphasizing stakeholder engagement and materiality.

United Nations Sustainable Development Goals (UN SDGs): These goals are a global call to action to end poverty, protect the planet, and ensure prosperity for all.

Carbon Disclosure Project (CDP): CDP gathers environmental data from companies globally, enabling transparent reporting on climate-related issues.

Task Force on Climate-related Financial Disclosures (TCFD): TCFD provides a framework for disclosing climate-related risks and opportunities.

Global multi-preference	SASB	GRI	UN SDGs	CDP	TCFD
0.3%	✓	✓	✓	✓	✓
7%	✓	✓	✓	✓	
28%	✓	✓	✓		
47%	✓	✓			
75%	✓				

Adoption of diverse approaches reflecting a more holistic approach in ESG reporting

Corporates are employing multiple frameworks for reporting, demonstrating their commitment to ESG reporting and accountability. It also underscores their dedication to comprehensive sustainability practices. This suggests that companies have a meticulous understanding of diverse metrics and standards used within the ESG landscape. As shown in the table above, 47% of respondents leverage SASB and GRI reporting frameworks.

ESG framework adoption trends: SASB and GRI lead, UN SDGs follow, while TCFD and CDP gain ground among Tier 1 companies

Tier 1 and 2 publicly traded companies are at the forefront regarding multiple frameworks adoption, including SASB, GRI, TCFD, CDP, and UN SDGs. Among these, SASB and GRI are the most widely implemented frameworks.

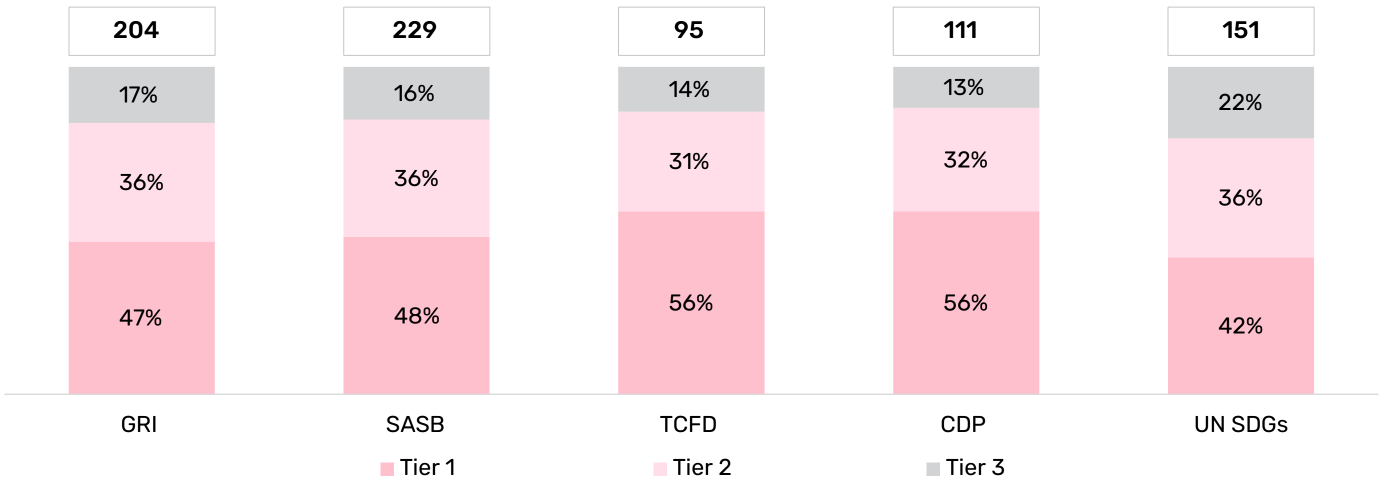
Adopting standardized globally acclaimed frameworks, such as SASB and GRI, enables companies to address stringent scrutiny from investors and stakeholders regarding ESG practices. Additionally, UN SDGs are mostly preferred in conjunction with SASB and GRI. Specifically, corporates adopting SASB and GRI commonly incorporate UN SDGs, enabling them to align their ESG strategies with broader global goals.

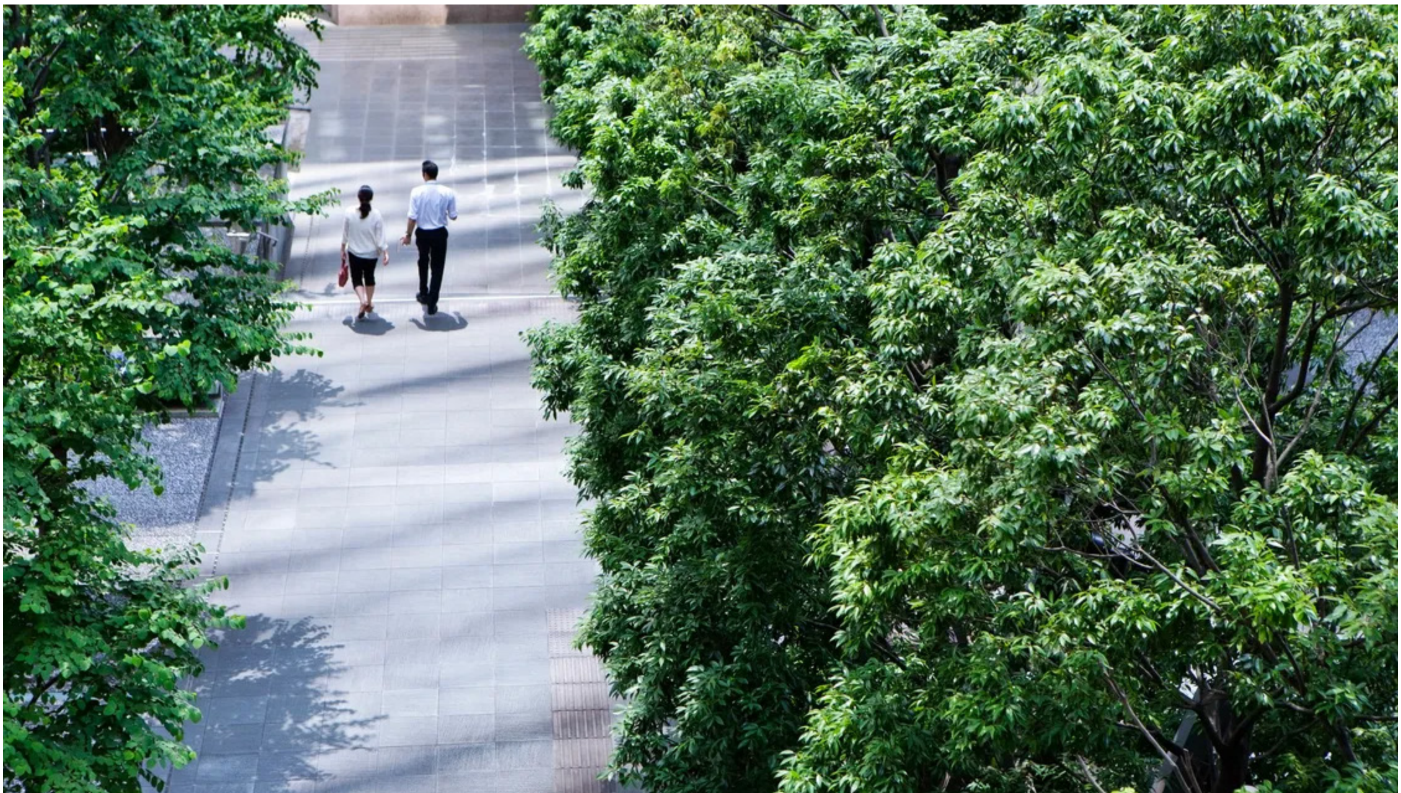
UN SDGs envelop a wide range of sustainability topics, such as poverty, hunger, climate change, and gender quality. So, adopting this framework hints toward a company's intentions to take a holistic approach to sustainability.

TCFD and CDP specifically focus on climate-related concerns and are relatively newer frameworks. However, this has limited their adoption globally, especially in complex and globalized industries. These frameworks were created in response to the growing concern about climate change and the potential financial risks that it poses to businesses. Tier 1 companies lead in adopting TCFD and CDP for ESG reporting.

TCFD focuses on climate-related financial risks and opportunities. CDP focuses on climate change, water security, deforestation, and supply chain greenhouse gas emissions.

Global Tier I, II, and III publicly traded companies – Reporting framework adoption*





SECTION 4

Current Challenges

ESG integration progress continues with the existing ESG reporting realities in the corporate landscape

Even though ESG reporting is at the epicenter of corporate strategy and corporates consider themselves mature in ESG reporting, complex challenges persist in the overall ESG landscape. ESG reporting is a daunting task with huge data gathering/metric requirements. The biggest challenge, most frequently talked about, in the ESG landscape is the lack of data quality and reliability and varied data sources.

The major challenges existing in the ESG landscape are:

The lack of a **single regulatory framework**, although various guidelines exist

The lack of **consensus on terminology and definitions** due to regional nuances and differences

Understanding, managing, and **quantifying** ESG risks

Integration of financial and non-financial data and the need for **digital transformation and complex ESG data management**

Ambiguity around identifying key stakeholders involved in ESG reporting within an organization, **leading to the lack of formal data collection process**

SECTION 5

Future Roadmap

Mapping the future with the evolving ESG reporting landscape and industry roadmaps for preparedness

Despite the existing challenges, the global ESG reporting landscape is evolving for good. The timing is critical because corporate ESG disclosure activities are set to be highly scrutinized under new sustainability reporting regulations. It is expected to move from voluntary to mandatory reporting and will be further aligned with structured reporting procedures. Thus, corporates must be well prepared for the future transformation of the ESG landscape.

Corporates' preparedness for future ESG reporting and disclosure requirements

Less prepared (2 and 3 rating)

Global	North America	Western Europe	Asia
12%	10%	18%	5%

Highly prepared (4 and above rating)

Global	North America	Western Europe	Asia
88%	90%	82%	95%

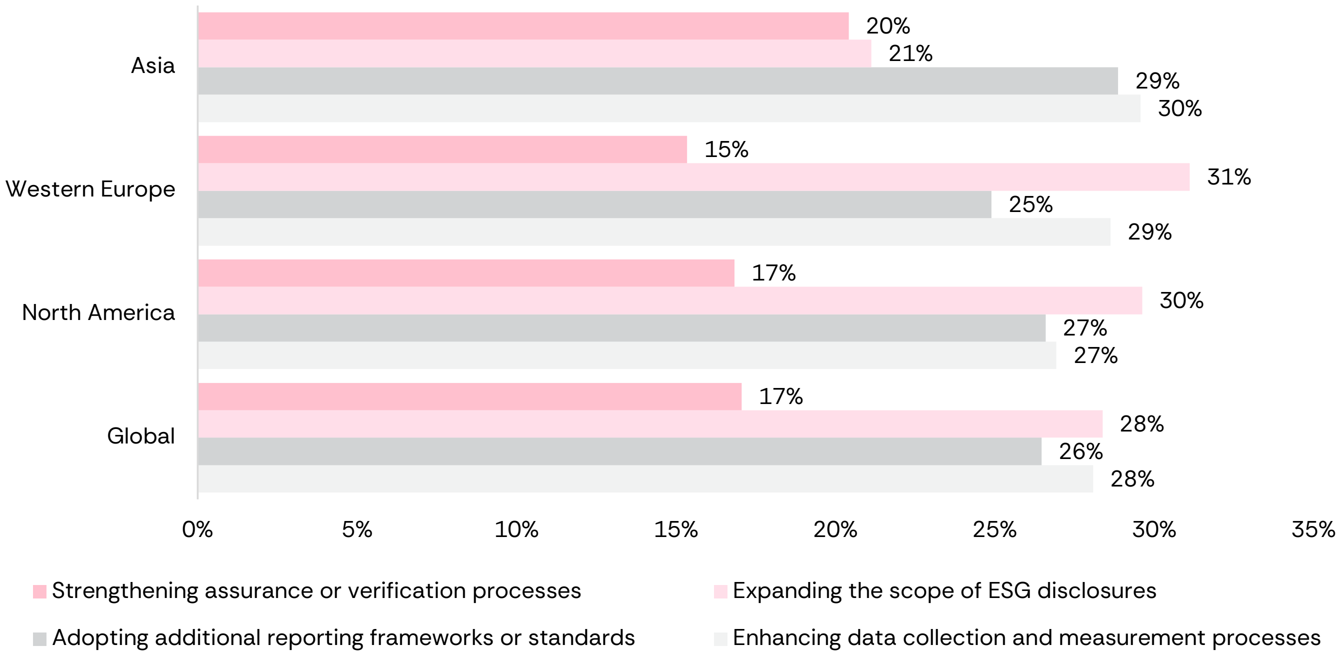
Embracing diversity in ESG reporting for enhanced sustainability communication and preparedness

Acknowledging the ESG reporting achievements to date, corporates have positively embraced a culture of continuous development and are actively pursuing avenues to further refine and enhance ESG reporting practices. Furthermore, the evolving ESG landscape is gravitating toward defined structures, strengthening assurance processes, and accurate data-gathering mechanisms. These proactive measures will emphasize over commitment to sustainable practice and hold the potential to drive corporates through future milestones and align seamlessly with the emerging ESG standards. Additionally, as corporates continue to move forward toward greater transparency, it will boost their resilience to meet the evolving demands of responsible practices.

Globally, corporates employ the below 4 attributes as steps to ensure preparedness for the future:

#1. Methods leveraged by corporates to evolve ESG reporting practices

Corporates' preparedness for future ESG reporting and disclosure requirements



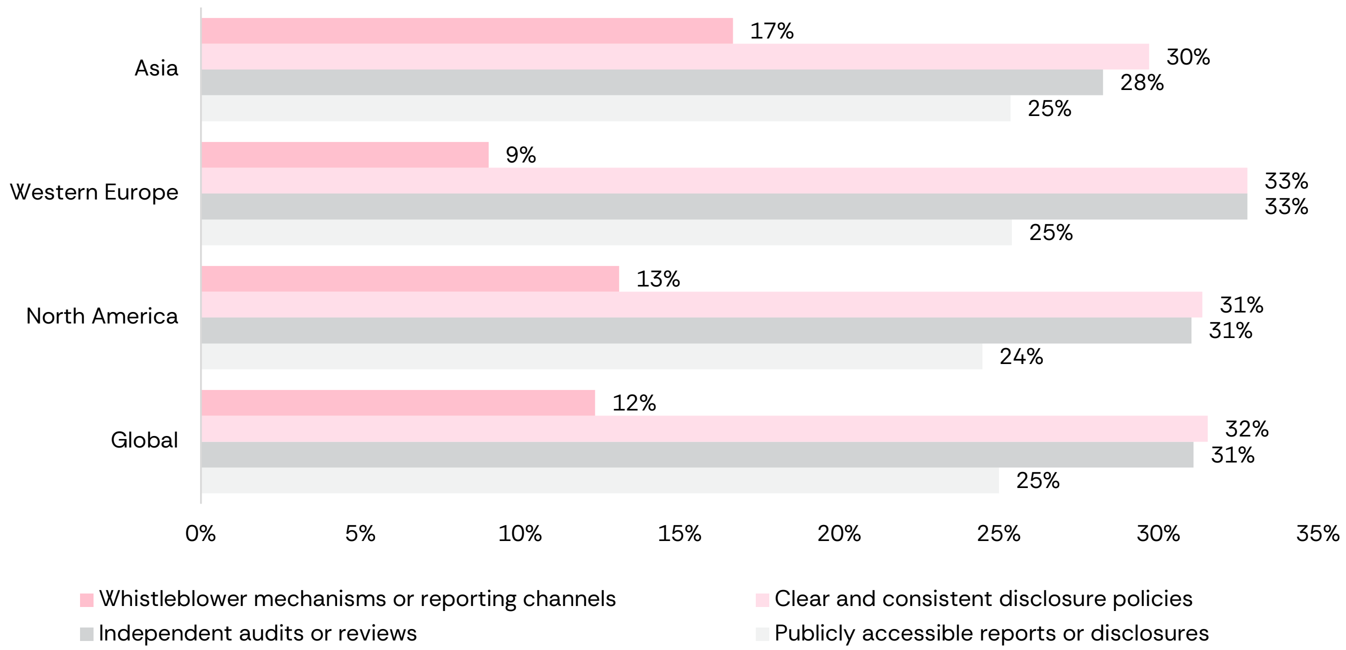
Adoption of diverse approaches for ESG reporting evolution

Global mode preference	Enhancing data collection and measurement processes	Adopting additional reporting frameworks or standards	Expanding the scope of ESG disclosures	Strengthening assurance or verification processes
11%	✓	✓	✓	✓
18%	✓	✓	✓	
34%	✓	✓	✓	
62%	✓			

- **Multiple methods** are embraced as a **practice to evolve ESG reporting** practices.
- Globally, publicly traded companies plan to evolve their ESG reporting in the future by expanding the scope of **ESG disclosures** (28%) and enhancing **data collection** and **measurement processes** (28%).
- **Strengthening assurance** or **verification processes** is preferred **more in Asia** (20%) compared to its global peers.

#2. Promote transparency and accountability in its ESG reporting and disclosures

Region: Promote transparency and accountability in its ESG reporting and disclosures



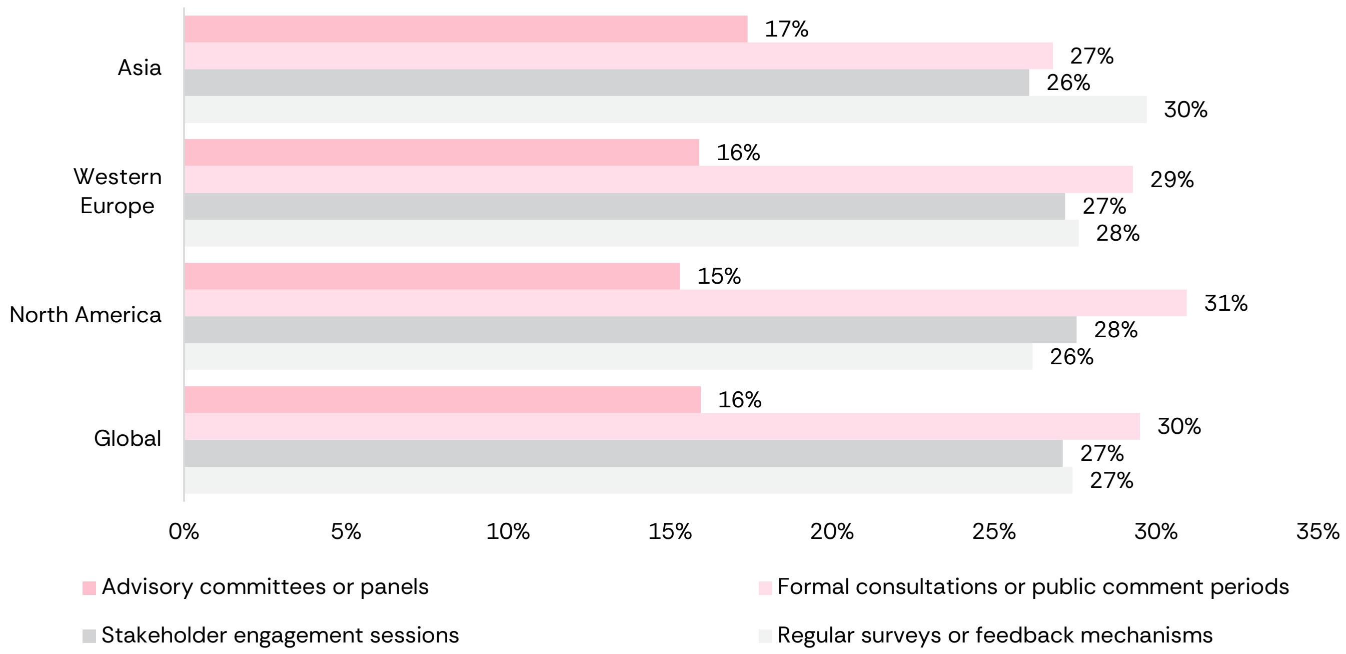
Adoption of diverse approaches promotes transparency and accountability in ESG reporting

Global mode preference	Publicly accessible reports or disclosures	Independent audits or reviews	Clear and consistent disclosure policies	Whistleblower mechanisms or reporting channels
8%	✓	✓	✓	✓
18%	✓	✓	✓	
40%	✓	✓	✓	
64%	✓			

- Globally, corporates embrace **multiple approaches** to promote transparency and accountability in ESG reporting.
- Globally, most organizations focus on **clear and consistent disclosure policies (32%)** and **independent audits (31%)** for promoting transparency and accountability in ESG reporting. The adoption of **whistleblower mechanisms** has been **comparatively lower (12%).**
- A **similar trend** is observed **across all regions**.
- The highest adoption of whistleblower mechanisms is noticed in **Asia (17%).**

#3. Feedback and input incorporation from stakeholders into ESG reporting and disclosures

Region: Feedback and input incorporation from stakeholders into ESG reporting and disclosures



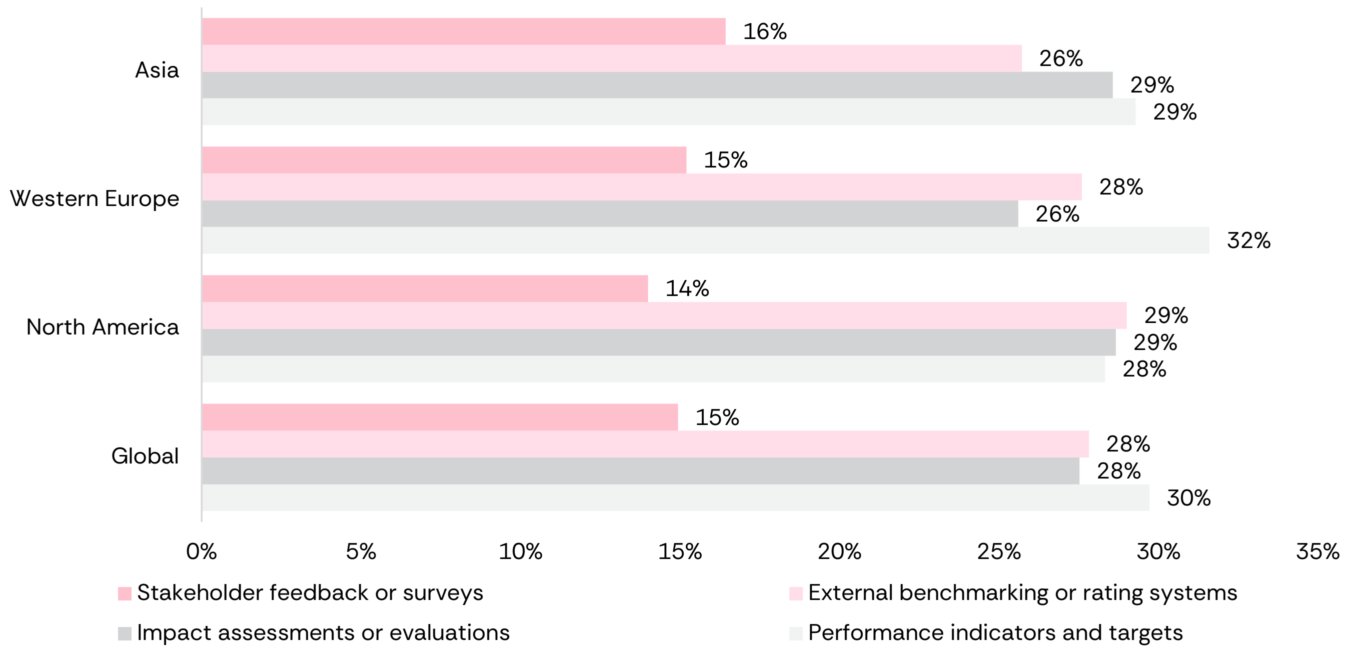
Diverse approaches to incorporate feedback from stakeholders for ESG reporting

Global mode preference	Regular surveys or feedback mechanisms	Stakeholder engagement sessions	Formal consultations or public comment periods	Advisory committees or panels
8%	✓	✓	✓	✓
18%	✓	✓	✓	
40%	✓	✓	✓	
64%	✓			

- Multiple approaches are adopted to incorporate feedback from stakeholders for ESG reporting.
- Globally, **formal consultations or public comment periods (30%)** remain the most preferred mode to incorporate stakeholders' feedback into ESG reporting and disclosures. Other popular options include **regular surveys** and **stakeholder engagement** sessions.
- A similar preference for formal consultations is prevalent among **North American (31%)** and **Western European (29%)** respondents. **Asia (27%)** focuses more on regular surveys or feedback mechanisms.

#4. Monitor and evaluate the impact of ESG initiatives and programs

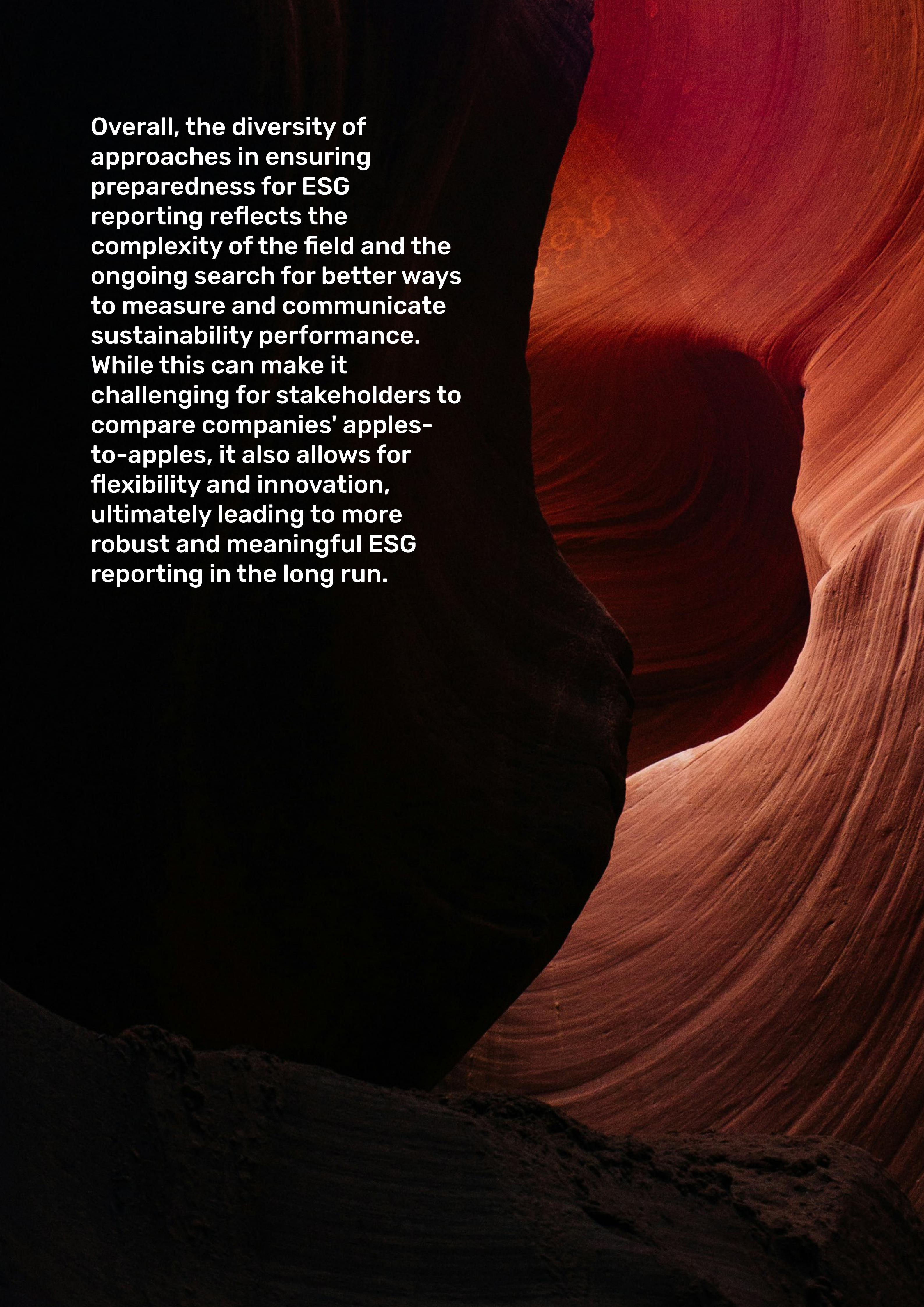
Region: Monitor and evaluate the impact of ESG initiatives and programs



Diverse approaches to monitor and evaluate the impact of ESG initiatives

Global mode preference	Performance indicators and targets	Impact assessments or evaluations	External benchmarking or rating systems	Stakeholder feedback or surveys
7%	✓	✓	✓	✓
17%	✓	✓	✓	
36%	✓	✓	✓	
66%	✓			

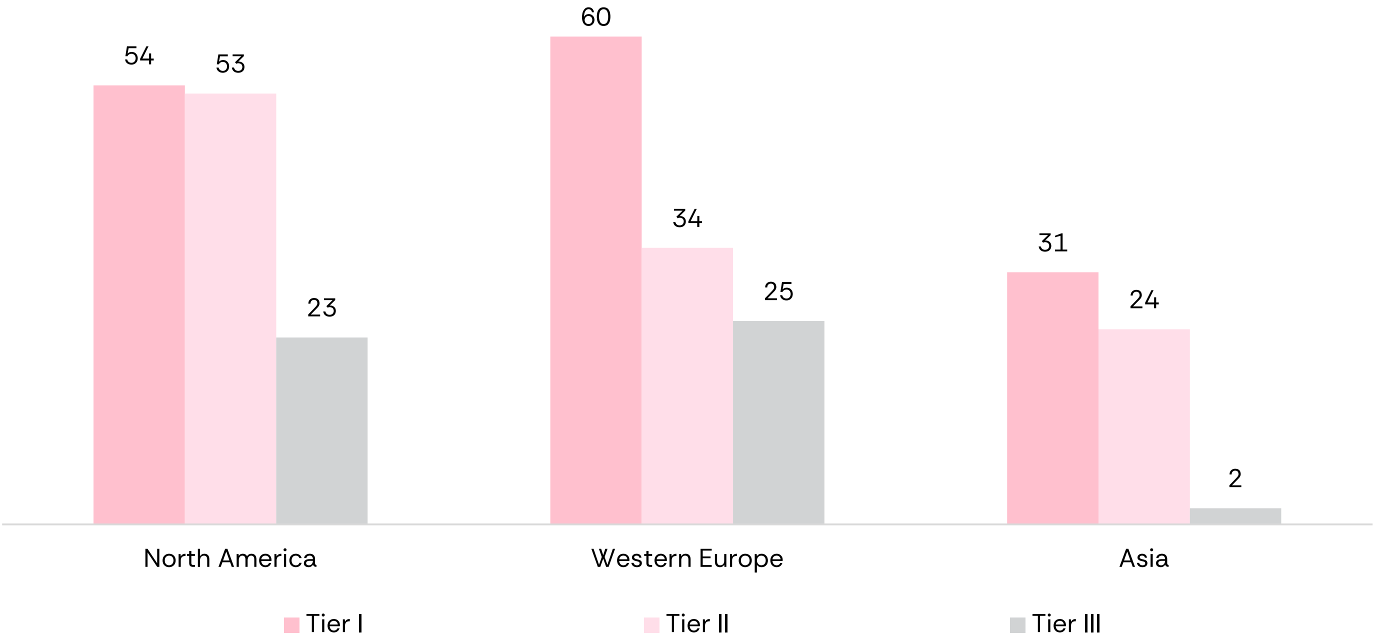
- To monitor and evaluate the impact of its ESG initiatives, most **(30%) of the respondents globally opt for performance indicators and targets**, closely followed by **impact assessments** and **external benchmarking or rating systems.**
- Each of the **performance indicators and targets, impact assessments and external benchmarking, or rating systems are prevalent across all regions**, all industry clusters, and all enterprise segments.



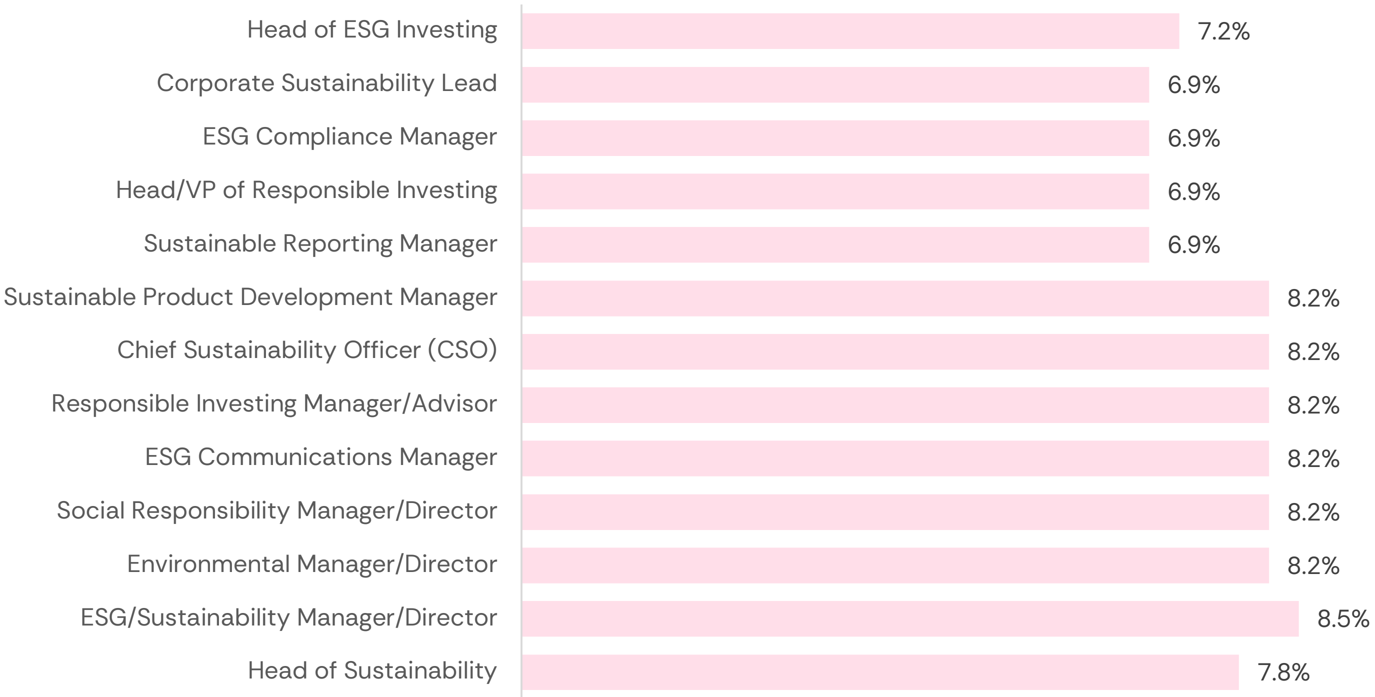
Overall, the diversity of approaches in ensuring preparedness for ESG reporting reflects the complexity of the field and the ongoing search for better ways to measure and communicate sustainability performance. While this can make it challenging for stakeholders to compare companies' apples-to-apples, it also allows for flexibility and innovation, ultimately leading to more robust and meaningful ESG reporting in the long run.

Appendix

A. Company Size Sample Intensity within Regions



B. Respondents' Job Titles



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