



Addressing the Strategy Execution Gap in Sustainability Reporting

2024 ESG Organization Survey

—

February 2024



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01

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.



Maura Hodge
ESG Audit Leader

“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.”

Findings



Executive Summary

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,

83% anticipate an increase in **ESG integration** across roles



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.

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

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

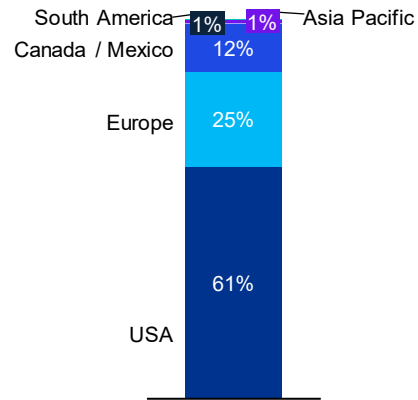
02

Respondents' Demographics

Respondents' demographics

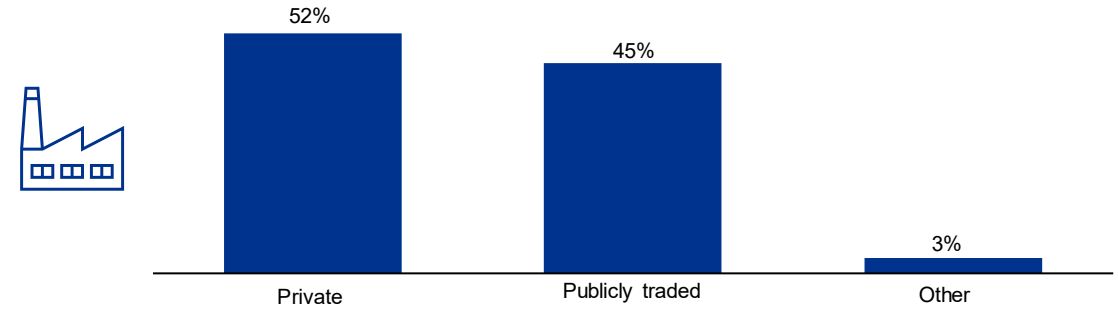
Organization structure

Region in which respondents' organization is headquartered

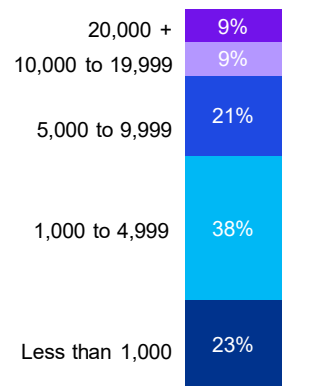


Ownership structure and revenue

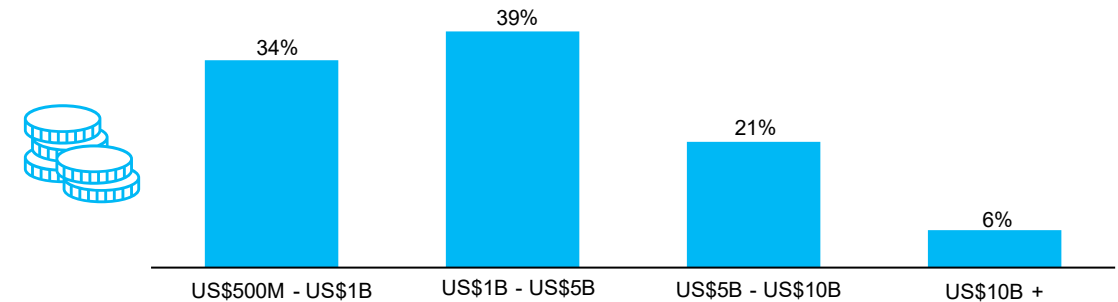
Type of organization



Number of full-time employees in respondents' organizations



Annual revenue of the organization for the last fiscal year



Source: ESG survey, Oct 2023



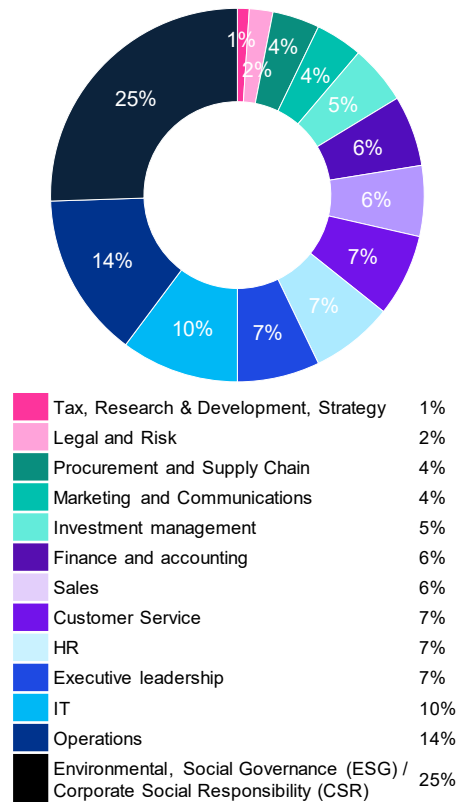
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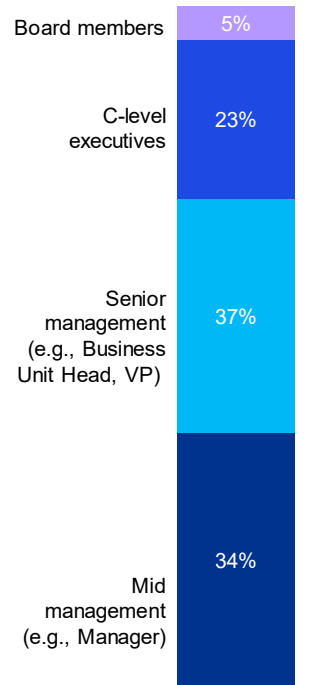
Respondents' demographics

Role in the organization

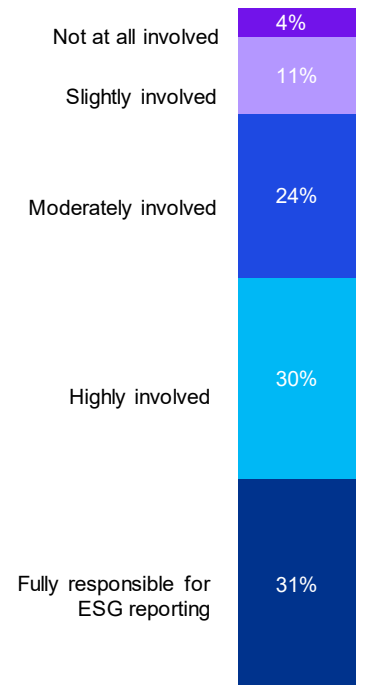
Function/business division that respondents represent



Respondents' level in the organization



Degree in which respondent is involved in development and operations of sustainability reporting



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

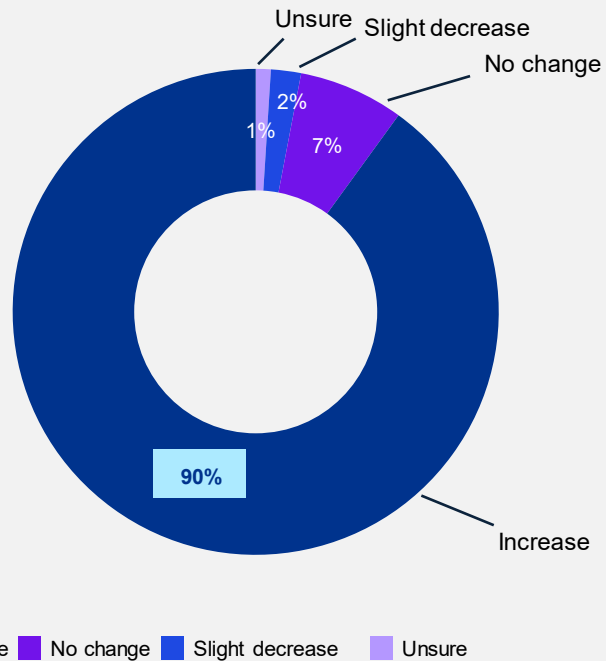
03

Key Insights

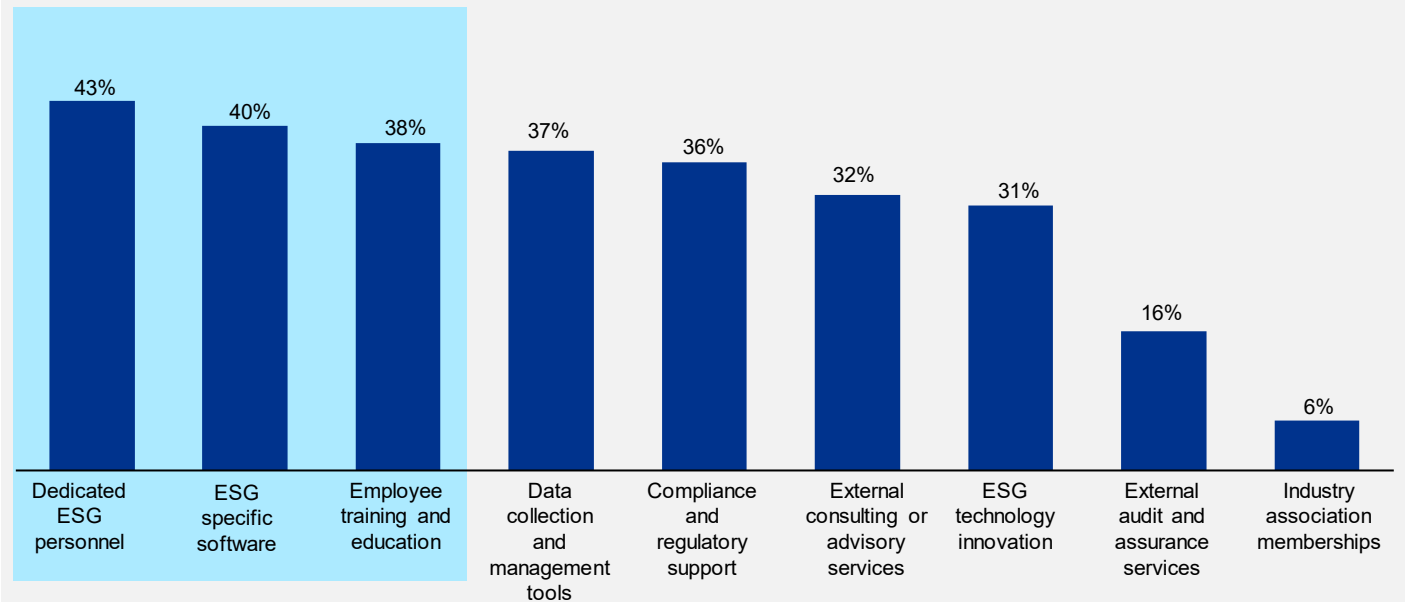
Investment in ESG capabilities is top priority

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



Significant areas of investment by sustainability reporting activity

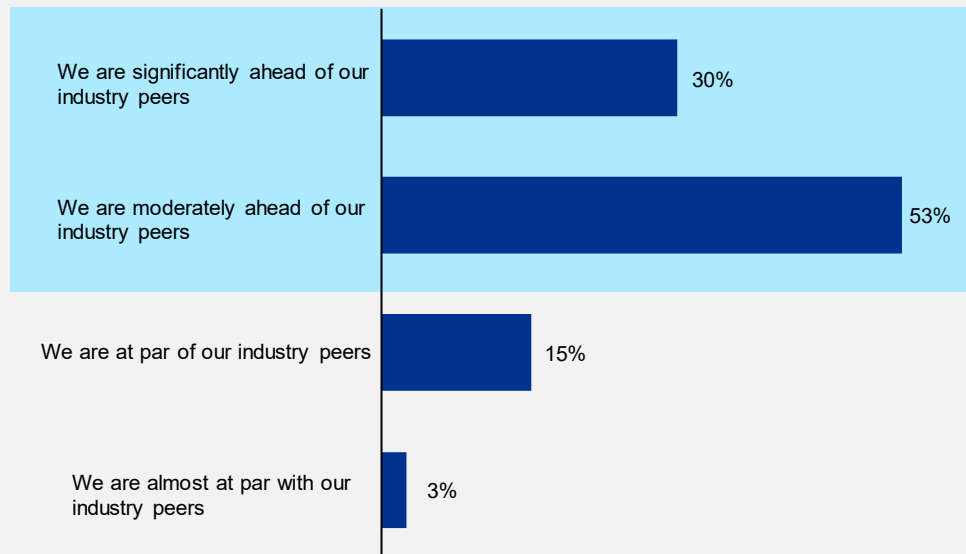


Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023

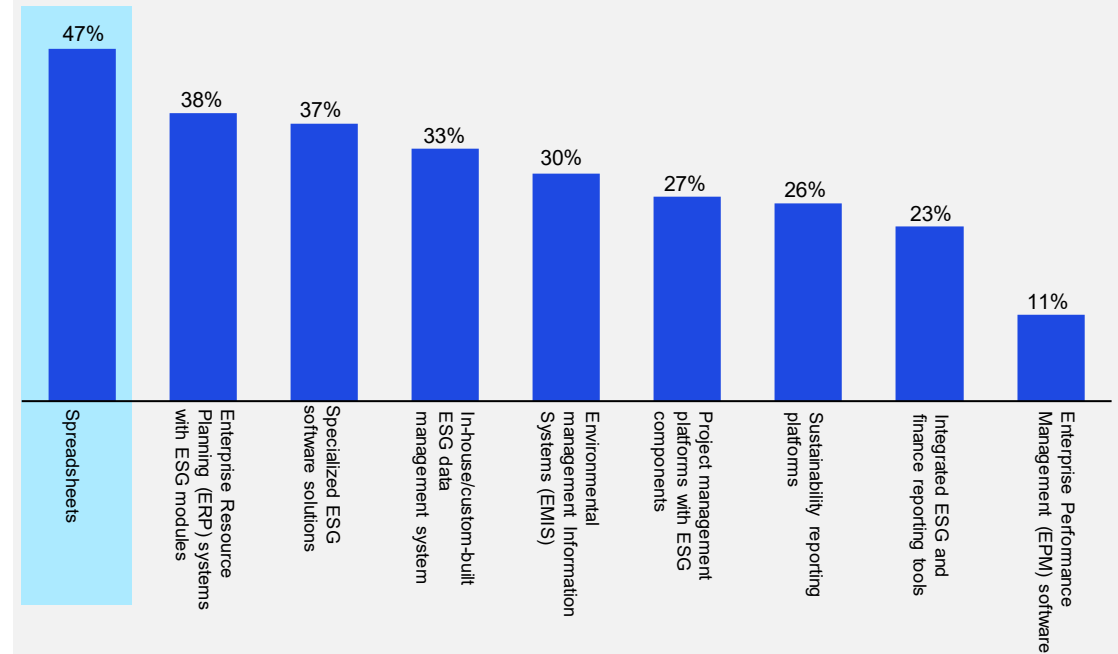
Investment in ESG capabilities is top priority

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 of compared to industry peers



Type of ESG data management system used

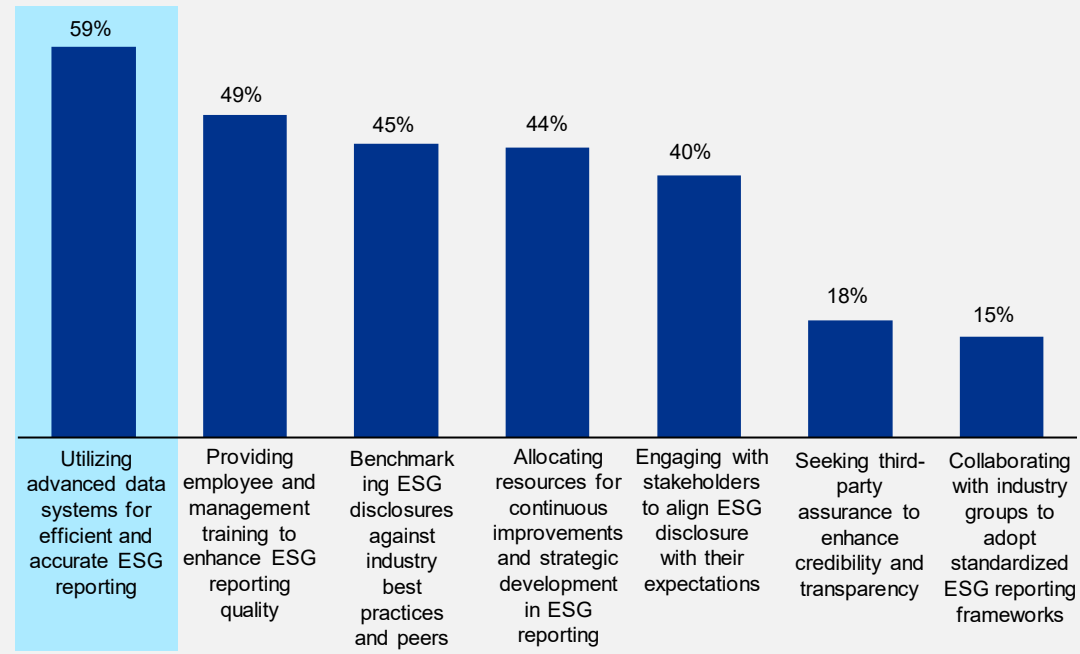


Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023

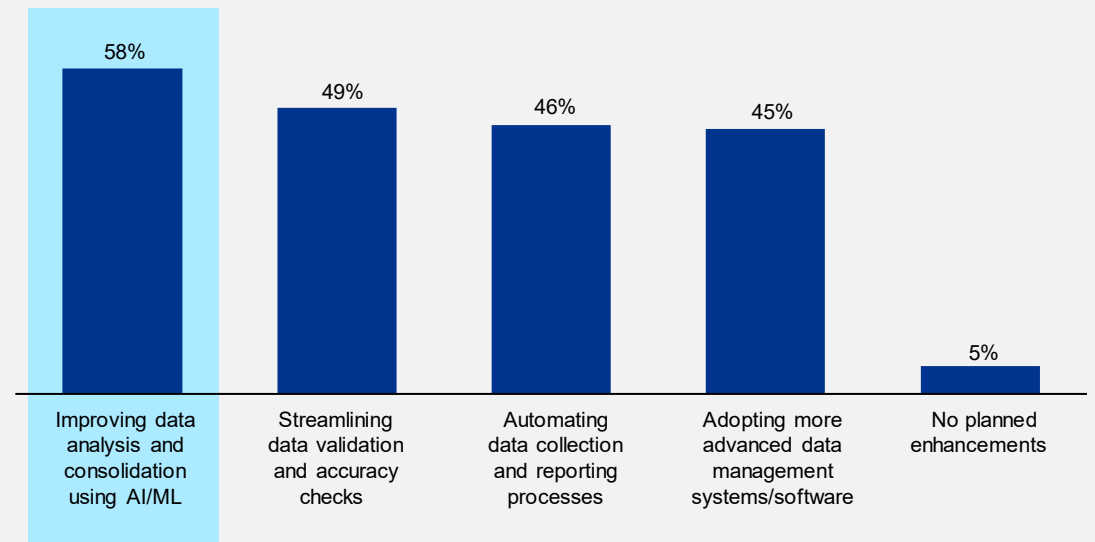
Data management is critical to integrating sustainability goals with overall business objectives

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



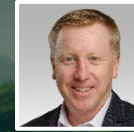
Upcoming enhancements to ESG data collection and management systems in the next 3 years



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

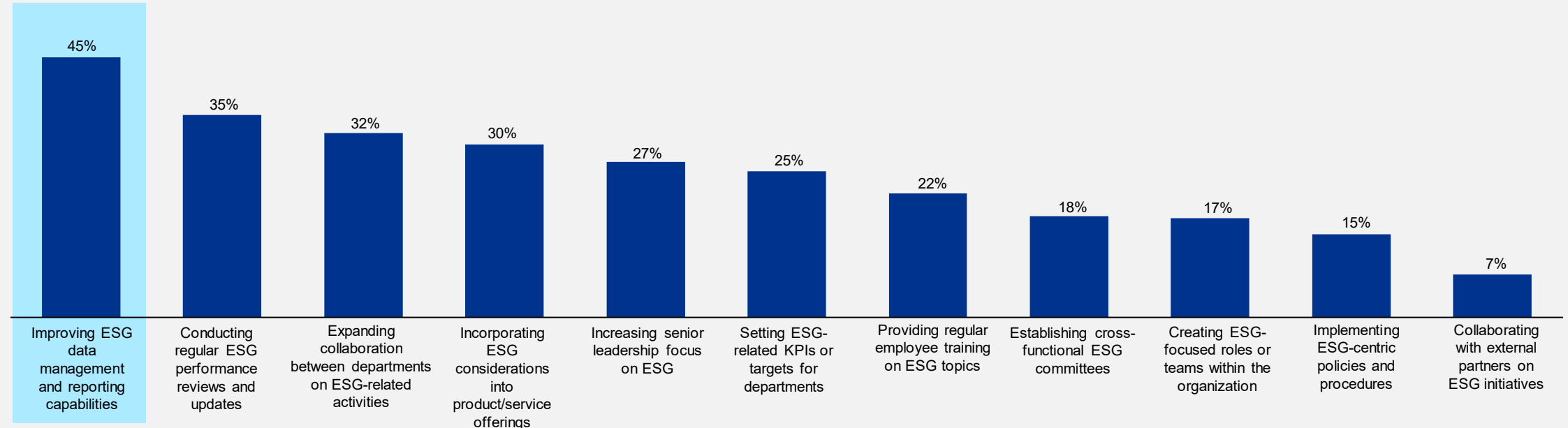
ESG data management, along with other improvements help to integrate sustainability within overall business strategy



Rob Fisher
ESG Leader

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

How to enhance integration of sustainable goals with overall business objectives



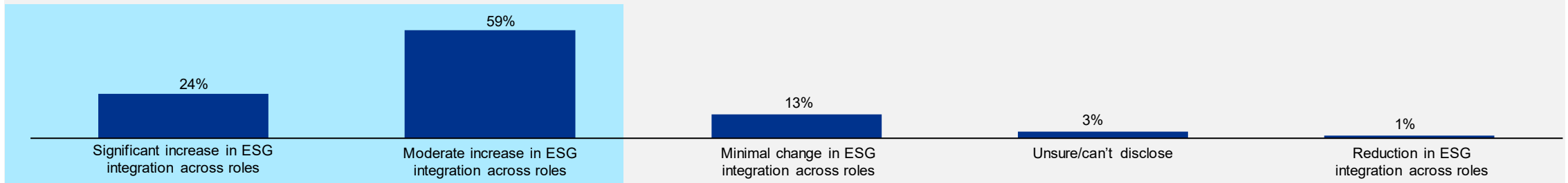
Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023



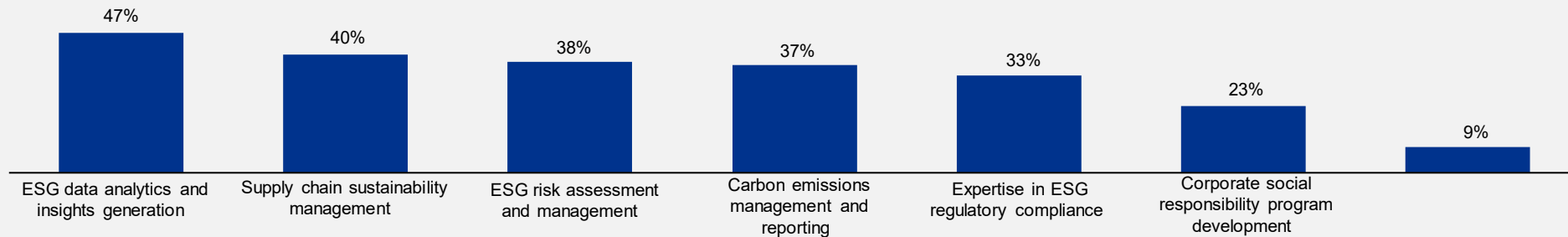
Data management is critical to integrating sustainability goals with overall business objectives

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



Most valuable ESG skills and capabilities in the coming years



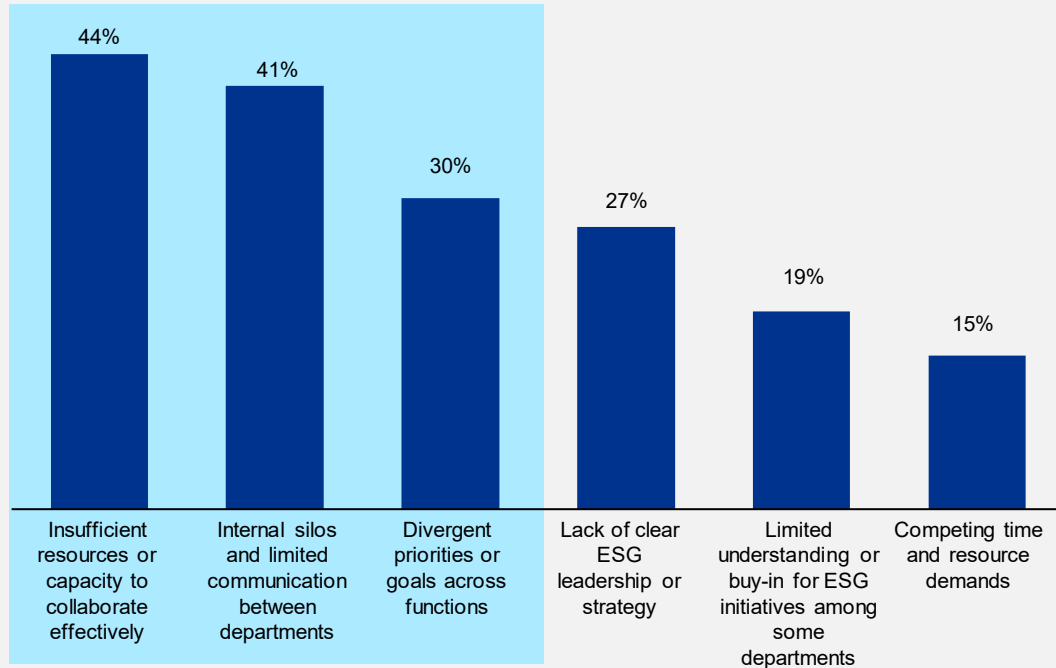
Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023

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

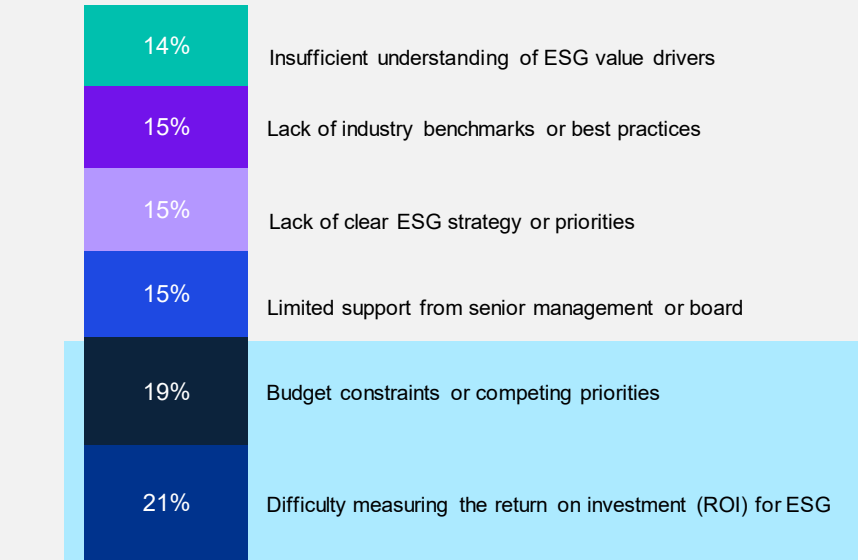


Capacity constraints and difficulty measuring ROI on ESG are the top two challenges organizations are facing

Challenges that impede cross-functional collaboration on sustainability matters



Top challenges in allocating adequate financial resources for ESG activities



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

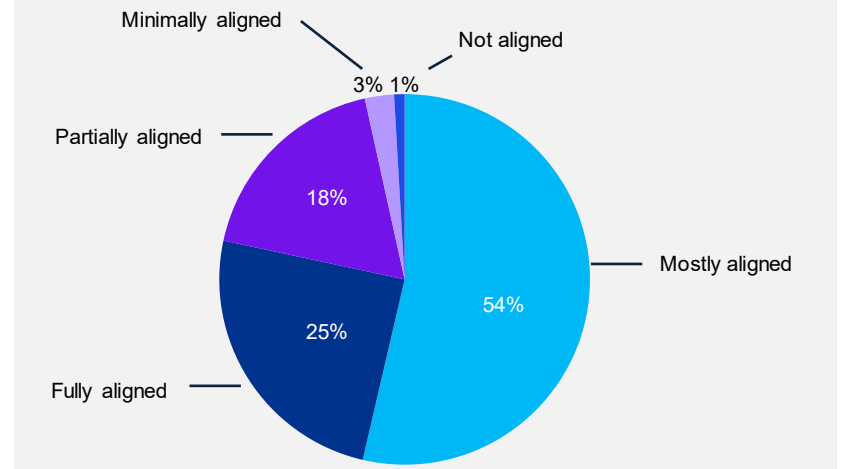
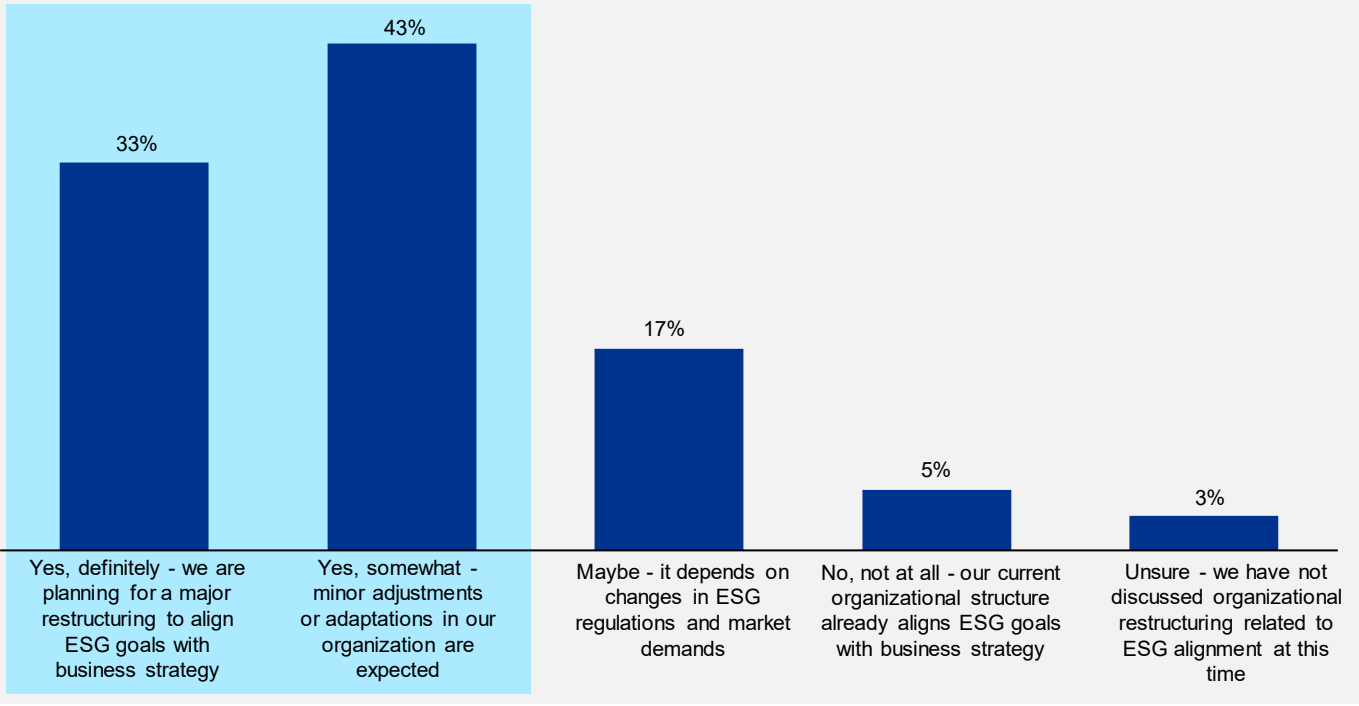
Structural challenges hinder ability to integrate a sustainability strategy into broader business goals



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

Alignment between sustainability goals and overall business strategy



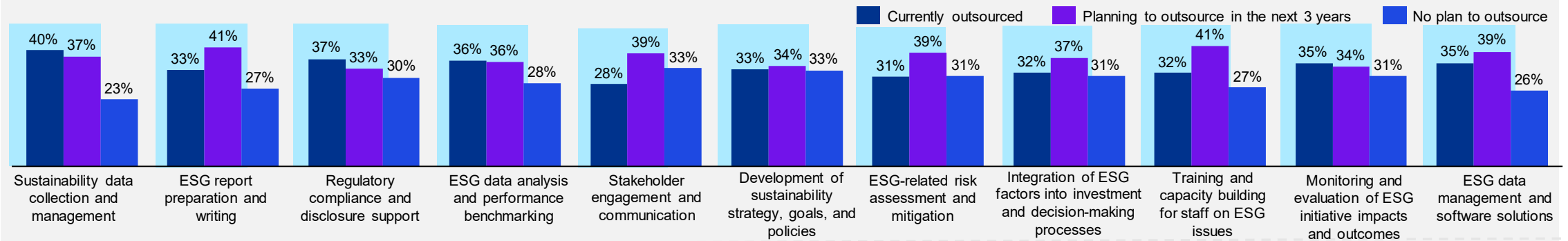
Note(s): Sums are greater than 100% where questions were multi-select
Source: ESG survey, Oct 2023



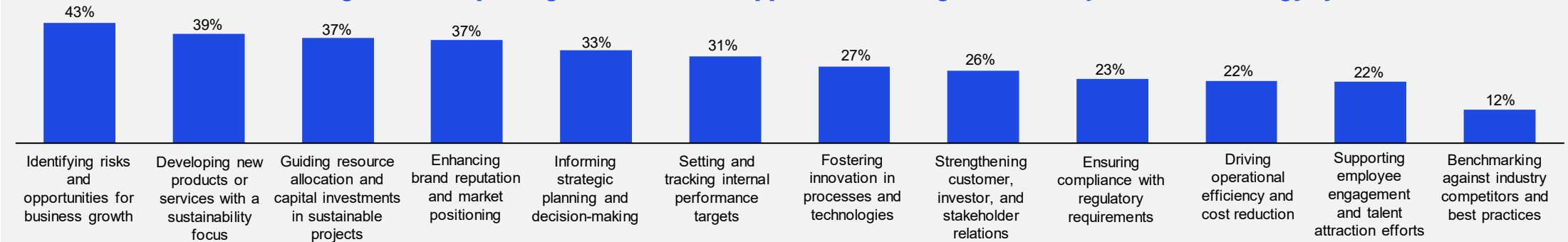
Structural challenges hinder ability to integrate a sustainability strategy into broader business goals



Outsourcing mix for sustainability reporting processes



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



Note(s): Sums are greater than 100% where questions were multi-select

Source: ESG survey, Oct 2023

Legend: % 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"

04

Sector Insights

Energy, Natural Resources, and Chemicals Results



Steve Estes
ESG ENRC Lead


"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

Innovative tech is growing in popularity, as:

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,

92% anticipate an increase in **ESG integration** across roles

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


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 

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.

Source: ESG survey, Oct 2023



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,

- 86%** anticipate an increase in **ESG integration** across roles

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

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,

75% anticipate an increase in **ESG integration** across roles

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

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

Technology, Media and Telecommunications Results



Marcus Leach
ESG TMT Lead

“Technology, Media and Telecommunications (TMT) organizations are focused on strengthening their ESG data collection and management capabilities to better measure and report their sustainability performance. ESG integration across roles is another key area TMT organizations are implementing to combat divergent priorities or goals across teams.”



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,

74% anticipate an increase in **ESG integration** across roles

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

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

Consumer and Retail Results



Julia Wilson
ESG C&R Lead


“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 Results




Jim Koch
ESG HCLS Lead

“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

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 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,

84% anticipate an increase in **ESG integration** across roles

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

Top challenges:

49% Insufficient resources and capacity 

36% Internal silos

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.

Source: ESG survey, Oct 2023



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