

**Deloitte.**



**Sustainability action report:**  
Survey findings on ESG disclosure  
and preparedness

**DECEMBER 2022**

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## **Research objectives and methodology**

Deloitte commissioned an online survey in August and September 2022 of 300 executives at publicly owned companies with a minimum annual revenue requirement of \$500 million or more, as well as conducted interviews to increase the total sample size to 100 in each of the following industries: consumer products; financial services; life sciences and health care; oil and gas; and TMT (technology, media and telecommunications). Executives are defined as senior finance, accounting, sustainability, and legal executives with a minimum seniority of director, or chief risk officers, general counsels, chief legal officers, or chief sustainability officers.

# Foreword

Environmental, social, and governance (ESG) concerns continue to ratchet up as stakeholders increasingly expect a company's business strategy to align with its sustainability commitments, priorities, and requirements. Stakeholders understand the impact and dependence of companies on the environment and society, and it's evident that sustainability reporting and disclosure are more than "check-the-box" compliance exercises. ESG is about risk and opportunity. It could underpin your business strategy and have the potential to unlock strategic possibilities. For many companies, ESG is about business fundamentals. Our latest survey data shows that **89% of executives are proactively making strides** now to hold themselves accountable and drive trust with their stakeholders, better positioning themselves to thrive and differentiate over the long term.

## From commitment to action

We released an [ESG readiness report](#) in March 2022, at which time 21% of executives indicated that their companies had established a cross-functional working group—made up of executives across finance, accounting, risk, legal, sustainability and other business leaders—to drive strategic attention to ESG for the business. A similar profile of respondents surveyed recently noted that progress in **establishing a cross-functional working group has nearly tripled to 57%**.

ESG readiness and external assurance remain valuable tools in preparation and can make a significant impact on a company's governance and reporting processes and controls. Our recent findings show that **nearly all (96%) executives plan to seek external assurance for the next reporting cycle**, with 61% already seeking external assurance and 35% seeking external assurance for the first time. These findings indicate that more mature ESG programs typically have key components of an effective governance structure like ESG councils and assurance processes in place.

While companies are actively working to meet the growing need for high-quality ESG performance metrics, some challenges remain. When surveyed, 35% of executives reported that their greatest challenge is the accuracy and completeness of data, and another 25% cited access to quality data as the greatest challenge. To ameliorate this, **99% of companies are somewhat or very likely to invest in more technologies and tools** over the next 12 months. Ultimately, access to timely and higher-quality data, as well as greater discipline and ESG preparedness, can help unlock transformation and value-creation opportunities driving strategic choices that can help address enhanced stakeholder expectations.

We hope you find these insights meaningful to your ESG performance and disclosure strategy—wherever in the journey you may be. With greater transparency, equity, and trust, we can help deliver accountability today for a sustainable tomorrow.



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# Main findings

## **As US companies begin to prepare for the SEC disclosure requirements proposed earlier this year, they are beginning to shift from commitment to action to address evolving stakeholder expectations. They are starting to see the strategic benefits that can be realized through enhanced ESG governance, controls, and disclosure.**

To prepare for disclosure requirements that are on the near-term horizon, many companies are internally shifting focus to prioritize ESG oversight, controls, and disclosure. Nearly 3 in 5 executives surveyed (57%) have already implemented a cross-functional ESG working group tasked with driving strategic attention to ESG. As reported in the ESG executive survey, this is a notable increase from last year, when only 21% of a similar profile of respondents reported implementing a cross-functional ESG working group.

1

Many companies are taking steps to help enhance internal governance and control environments to prepare for greenhouse gas (GHG) emissions and climate-related disclosures through the annual financial reporting process. Some of these changes include implementing new systems (45%), implementing new controls (37%), and hiring new staff (40%). These efforts are most commonly led by a chief sustainability officer (42%) or CFO (37%); another 29% of companies involve a chief strategy officer. This strategic attention emphasizes how important ESG disclosure is—to drive not only preparedness for changing stakeholder expectations and pending regulation but business performance and value.

Integrating ESG within a company's strategy can have benefits to sustainable business performance and value. Indeed, executives anticipate stronger stakeholder trust (51%) and elevated brand reputation (49%) as intangible benefits of enhanced ESG disclosure. Tangible benefits include increased employee retention (52%), improved return on investment (ROI) (52%), and risk reduction (48%).

## **While most companies are beginning to take meaningful steps toward enhancing their ESG disclosures, they continue to face challenges with data accuracy and availability.**

Companies are concerned about the accuracy and completeness of sustainability data. Executives list ensuring quality (35%) as the top data challenge, while a similar profile of respondents (25%) in 2021 cited the same. Another 25% cite access to and quality of ESG data as the greatest challenges, a slight decrease from 32% in 2021 from a similar profile of respondents.

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Many executives surveyed are prepared to disclose Scope 1 (61%) and Scope 2 (76%) GHG emissions—cited by a similar profile of respondents in 2021 (58% and 47%, respectively). However, Scope 3 GHG emissions disclosures still seem to be a work in progress, with only a third (37%) prepared to disclose details today, while 31% of a similar profile of respondents in 2021 answered the same way. The top challenges to Scope 3 GHG emissions details today include lack of confidence in the quality of data from external vendors (51%) and lack of data availability (41%), indicating a need for companies to further explore their approaches to data.

# Main findings

**Rather than waiting to react to future disclosure requirements, many companies are proactively implementing changes to help accelerate readiness. This includes creating new roles and responsibilities and plans to invest in more technology and tools over the next 12 months.**

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More than half (62%) believe they are already prepared or currently undertaking extensive preparations for the expected increase in requirements. A majority (81%) of executives report that new roles and responsibilities have been created to accommodate additional disclosure requirements.

Nearly all companies (99%) express willingness to invest in new technologies and tools in order to be prepared to meet stakeholder expectations and future regulatory requirements. Nearly half (47%) of executives say their companies are very likely or somewhat likely (52%) to make these investments in the next 12 months. These plans help demonstrate not only the desire to get ahead of potential disclosure requirements, but also the confidence in the business benefits that ESG disclosure is likely to provide.



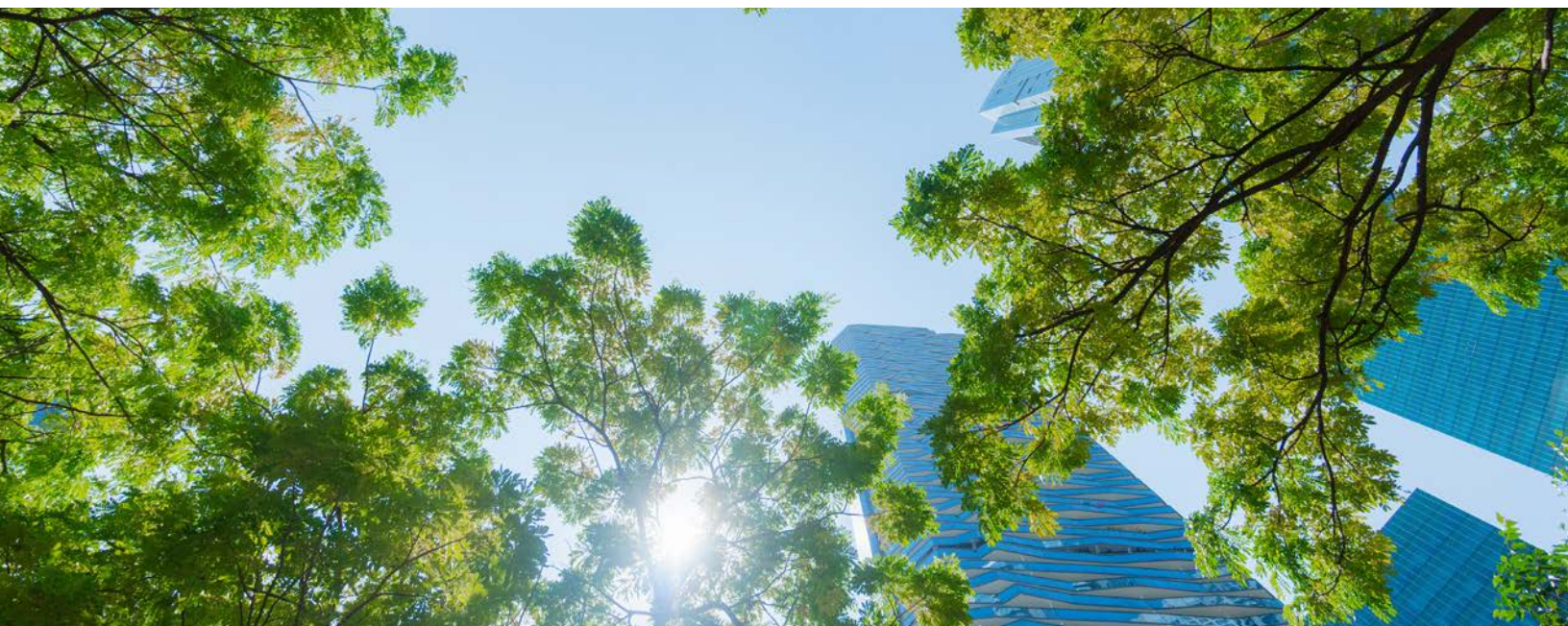
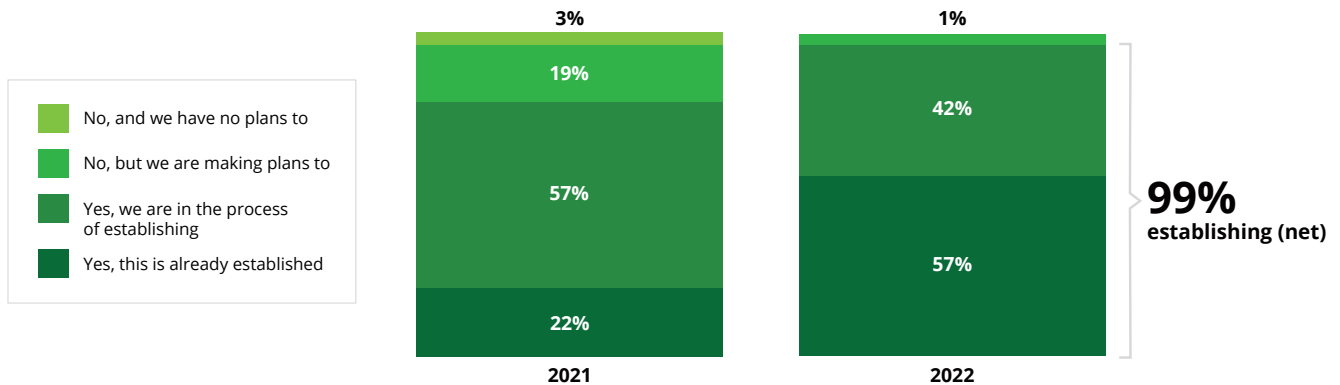
# Detailed research findings

## State of sustainability reporting today

### Companies are instituting ESG cross-functional working groups at a rapid pace






More mature ESG programs typically have more established ESG governance structures, which includes ESG councils and assurance programs, in place. These groups are tasked with driving strategic attention to ESG internally. 57% have already implemented a cross-functional ESG working group tasked with driving strategic attention to ESG. A similar profile of respondents in 2021 indicated that only 21% had implemented a cross-functional ESG working group.

#### Established a cross-functional ESG council or working group, n=300



## Industry view: Consumer products leads in efforts to establish a cross-functional ESG council and recognizes the impact of ESG disclosure on overall strategy

Most companies are establishing or have plans to create a cross-functional ESG council or working group, but their progress varies. The financial services industry (44%) is slower than other industries to have established an ESG council, but is actively in the process of doing so.

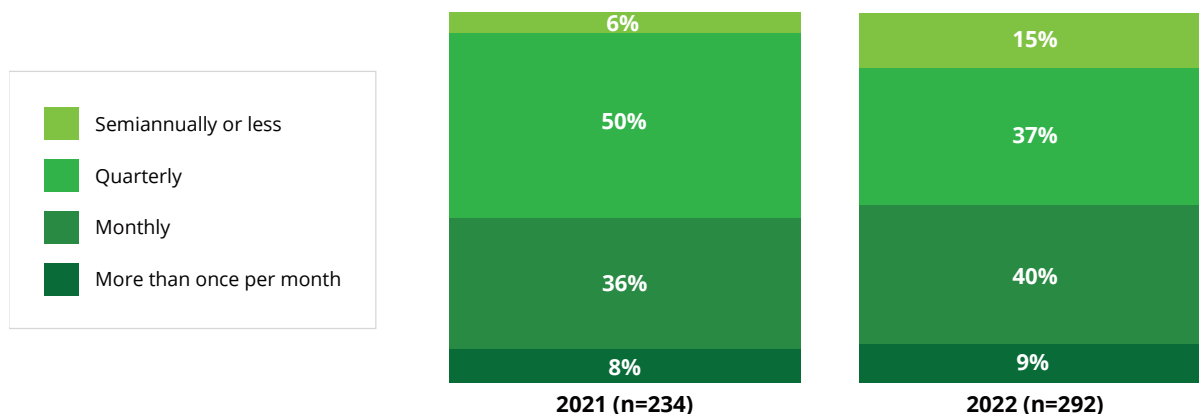
ESTABLISHED A CROSS-FUNCTIONAL ESG COUNCIL OR WORKING GROUP	TOTAL n=695					
		FINANCIAL SERVICES n=100	CONSUMER PRODUCTS n=100	OIL AND GAS n=100	TECH, MEDIA AND TELECOMMUNICATIONS n=100	LIFE SCIENCES AND HEALTH CARE n=100
Yes, this is already established	55%	44%	66%	57%	54%	59%
Yes, we are in the process of establishing one	42%	51%	34%	39%	42%	39%
No, but we are making plans to	3%	5%	-	4%	4%	1%
No, and we have no plans to	0%	-	-	-	-	1%
Do not currently have (net)	45%	56%	34%	43%	46%	41%

## Importance of ESG working groups can be revealed by the cadence of their meetings

Nearly half of ESG working groups (49%) meet at least once a month; another 37% meet quarterly.

### How often ESG councils or working groups meet

Among those with a cross-functional ESG council or working group or who are in the process of establishing one.

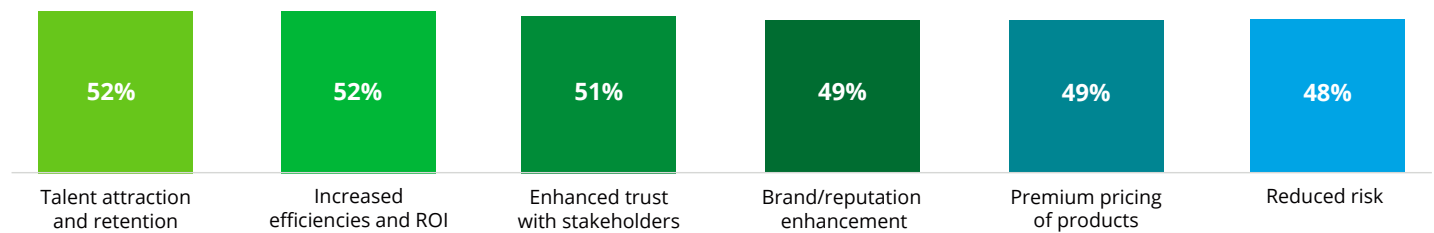


## Companies anticipate a wide range of benefits to their enhanced ESG reporting and brand reputation

Respondents were asked to pick their top 3 expected outcomes. The main aggregate benefits include talent attraction and retention (52%), gains in efficiencies (52%), risk reduction (48%), and enhanced trust with stakeholders (51%). When looking at combinations of selected outcomes, we see that 19% ranked both increased efficiencies and ROI within their top 3; 17% of respondents ranked increased efficiencies, premium pricing of products, and ROI as their top 3 outcomes.






### Expected business outcomes due to enhanced ESG reporting

Top 3 ranked responses, n=300



### Industry view: Anticipated benefits from enhanced ESG reporting vary

Attracting talent and employee retention is a top anticipated benefit (58%) in the life sciences and health care industry. Greater trust with stakeholders (58%) and premium pricing of products (58%) are the main anticipated benefits for the oil and gas industry. Increased efficiencies and improved ROI (58%) is the top anticipated benefit within the consumer products industry.

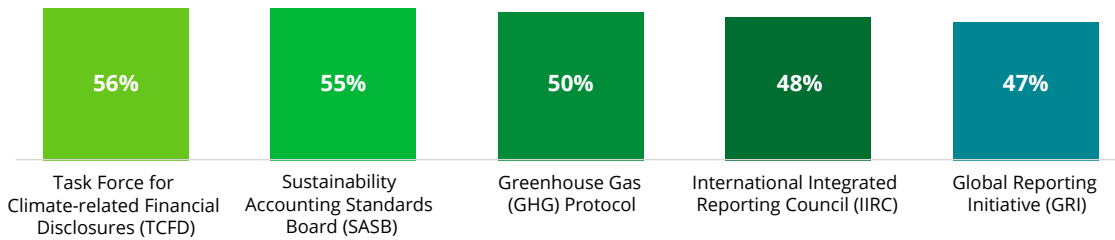
EXPECTED BUSINESS OUTCOMES DUE TO ENHANCED ESG REPORTING TOP 3 RANKED RESPONSES	TOTAL n=695	 FINANCIAL SERVICES n=100	 CONSUMER PRODUCTS n=100	 OIL AND GAS n=100	 TECH, MEDIA AND TELECOMMUNICATIONS n=100	 LIFE SCIENCES AND HEALTH CARE n=100
		Talent attraction and retention	52%	52%	51%	46%
Enhanced trust with stakeholders	51%	52%	51%	58%	48%	49%
Increased efficiencies and ROI	50%	55%	58%	44%	56%	41%
Premium pricing of products	50%	39%	54%	58%	48%	50%
Brand/reputation enhancement	48%	47%	42%	48%	45%	52%
Reduced risk	48%	55%	44%	46%	51%	50%



## Companies utilize a range of frameworks and standards for ESG disclosures

TCFD (56%) and SASB (55%) are the most frequently reported, but notably a majority of respondents acknowledged leveraging multiple standards or frameworks.

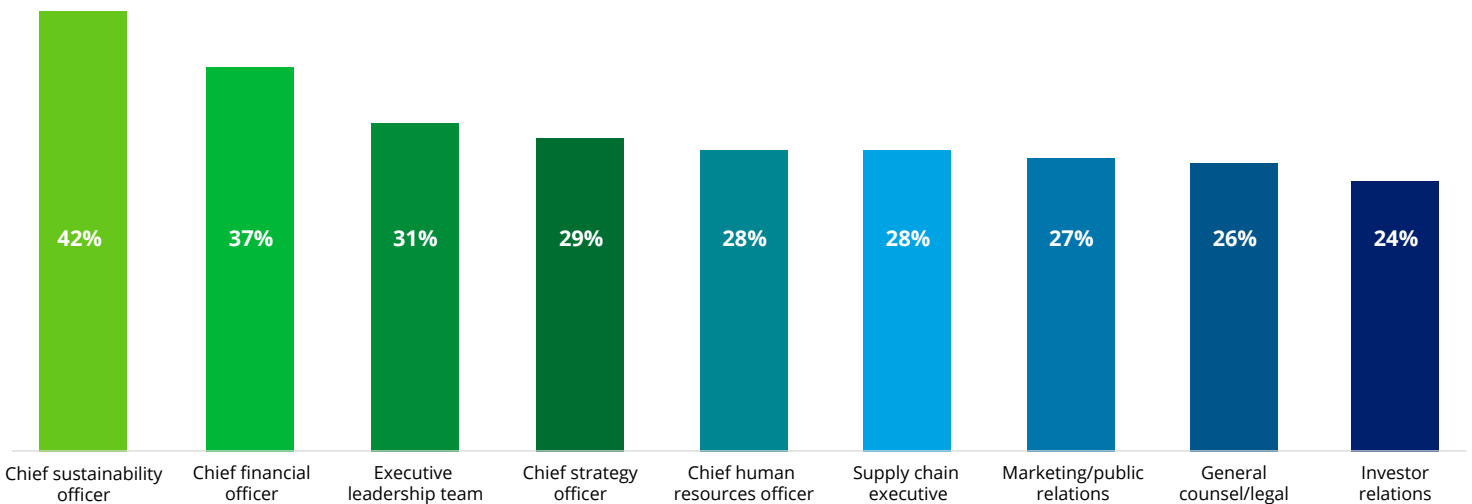
### Reporting standards currently used for ESG disclosures, n=300



## Chief sustainability officers and CFOs are primarily responsible for managing ESG disclosure

The involvement of the CFO or chief sustainability officer is a strong signal that businesses are integrating ESG reporting into business strategy.

### ESG disclosure management responsibility, n=300








**Company size differences:** Smaller companies (less than 5K employees) are more likely to assign responsibility to the CFO than larger companies (48% vs. 30%).

**ESG council differences:** Companies without an established ESG working group are more likely than those with one to rely on a chief human resources officer (37% vs. 22%).

## Industry view: Management responsibility varies widely

The life sciences and health care industry generally assigns management responsibility to the chief sustainability officer (52%). Financial services are most likely to involve the CFO (48%). Consumer products and TMT most commonly assign management to the chief sustainability officer. While oil and gas tends to assign management responsibility to the chief sustainability officer, chief financial officer and chief human resources officer (41% equally), by comparison, it was the industry most likely to assign management responsibility to investor relations (34%).

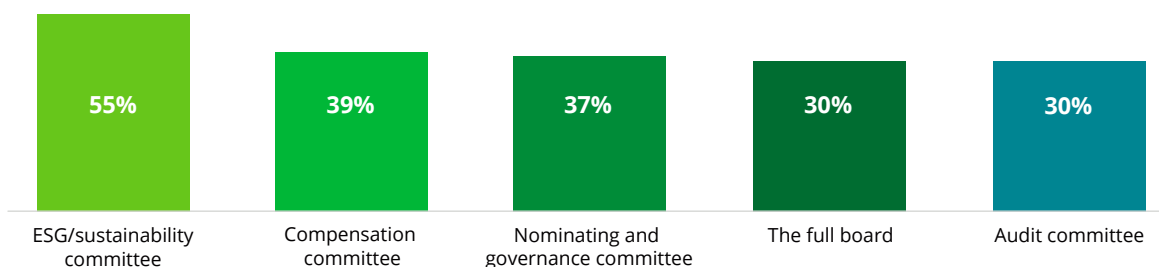
ESG DISCLOSURE MANAGEMENT RESPONSIBILITY	TOTAL n=695					
		FINANCIAL SERVICES n=100	CONSUMER PRODUCTS n=100	OIL AND GAS n=100	TECH, MEDIA AND TELECOMMUNICATIONS n=100	LIFE SCIENCES AND HEALTH CARE n=100
Chief sustainability officer	43%	33%	45%	41%	45%	52%
Chief financial officer	38%	48%	29%	41%	35%	43%
Chief human resources officer	30%	26%	29%	41%	35%	25%
Executive leadership team	30%	20%	26%	33%	33%	27%
Chief strategy officer	30%	30%	20%	29%	35%	34%
General counsel/legal	28%	24%	31%	22%	28%	33%
Supply chain executive	28%	24%	27%	30%	33%	20%
Investor relations	25%	18%	20%	34%	23%	24%
Marketing/public relations	24%	16%	24%	24%	27%	19%

## Companies are building ESG sustainability committees for board-level oversight

Our latest survey finds that a growing number of companies are assigning ESG oversight to their ESG/sustainability committee.

By comparison, Deloitte [conducted research](#) over the past two proxy seasons and found that the primary board committee with defined oversight for ESG matters was most commonly the nominating and governance committee. We saw a noticeable shift since the proxy research was conducted where the primary responsibility moderated to a broader allocation of oversight within the existing committee structure.

### ESG board-level oversight, n=300



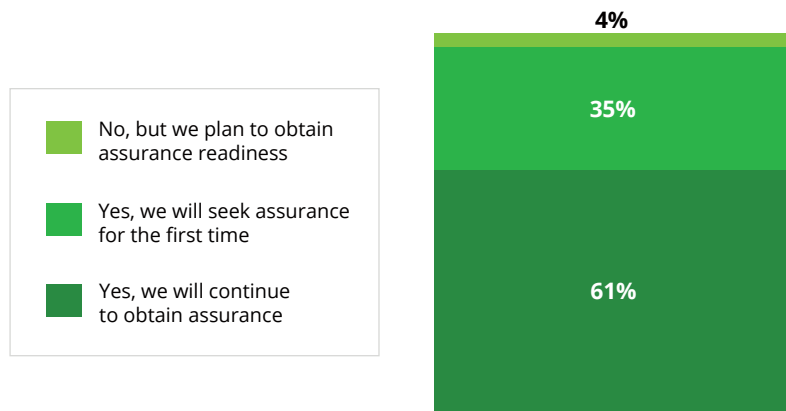
Source: Center for Board Effectiveness [Navigating the ESG journey in 2022 and beyond](#) report



### **Almost all companies will seek external assurance for the next reporting cycle**






Nearly all (96%) executives plan to seek external assurance for the next reporting cycle. While more than 3 in 5 (61%) have previously sought external assurance and will continue to do so, another 35% will seek external assurance for the first time.

#### **Plan for obtaining assurance for next reporting cycle, n=300**



## Industry view: Consumer products appears to lead on sustained planning to obtain external assurance

Consumer products leads among industries that will continue to obtain external assurance (73%), and 100% of the surveyed companies plan to seek external assurance in the next reporting cycle. The financial services industry leads in stated willingness to seek external assurance for the first time (48%), indicating it should see the most significant growth in assurance in the coming year.

PLAN FOR OBTAINING ASSURANCE FOR NEXT REPORTING CYCLE	TOTAL n=695					
		FINANCIAL SERVICES n=100	CONSUMER PRODUCTS n=100	OIL AND GAS n=100	TECH, MEDIA AND TELECOMMUNICATIONS n=100	LIFE SCIENCES AND HEALTH CARE n=100
Yes, we will continue to obtain assurance	62%	48%	73%	67%	58%	70%
Yes, we will seek assurance for the first time	35%	48%	27%	31%	37%	28%
No, but we plan to obtain assurance readiness	3%	4%	-	2%	5%	2%

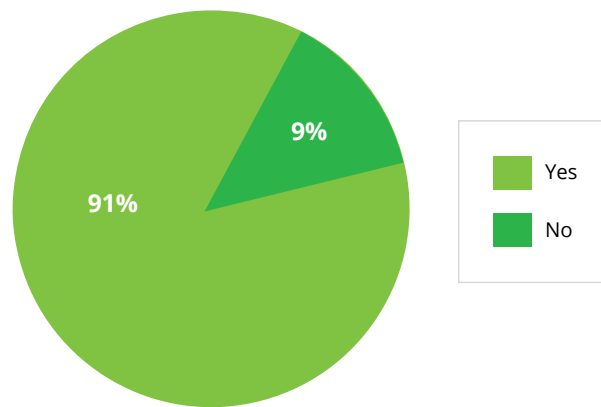




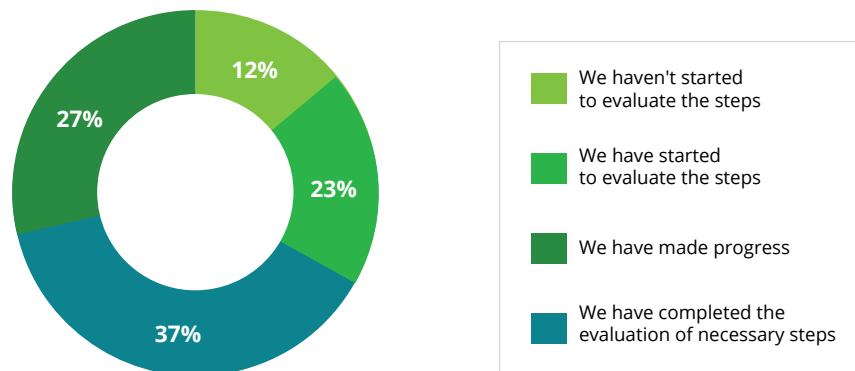
### Companies report progress in moving to a reasonable level of assurance

1 in 3 executives (37%) say their companies are starting to apply the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework to their ESG reporting process, and have begun to identify a path towards a reasonable level of assurance. Just over 1 in 10 (12%) admit they haven't started to evaluate the steps within their own company.

#### Applying the COSO framework to ESG reporting process, n=300



#### Progress made moving from limited to reasonable level of assurance, n=300



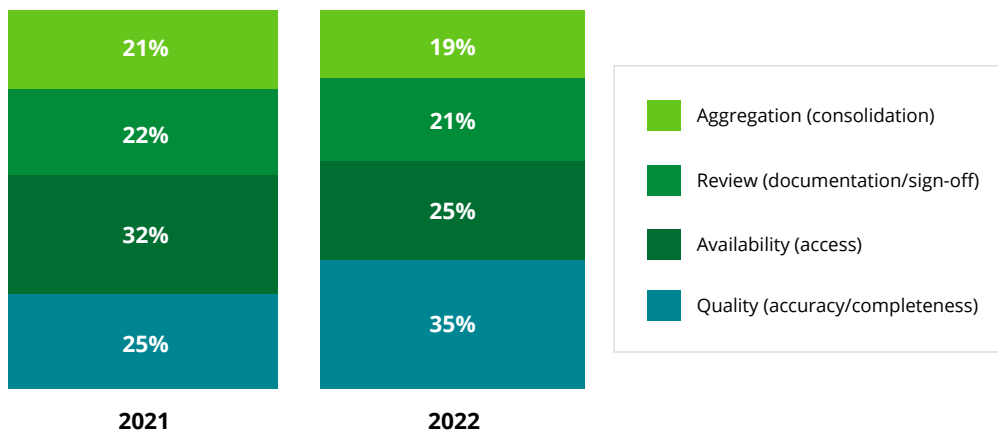
# Sustainability reporting challenges

## Concerns about accuracy and completeness of ESG data have eclipsed data availability

More than a third of executives (35%) cite data quality as their greatest challenge with ESG data, and 25% cite that access to ESG data remains the greatest challenge.

### Greatest challenge with ESG data, n=300

**Assurance differences:** Companies that will continue to obtain external assurance are more likely to cite challenges with data quality than companies that will obtain external assurance for first time (40% vs. 27%).

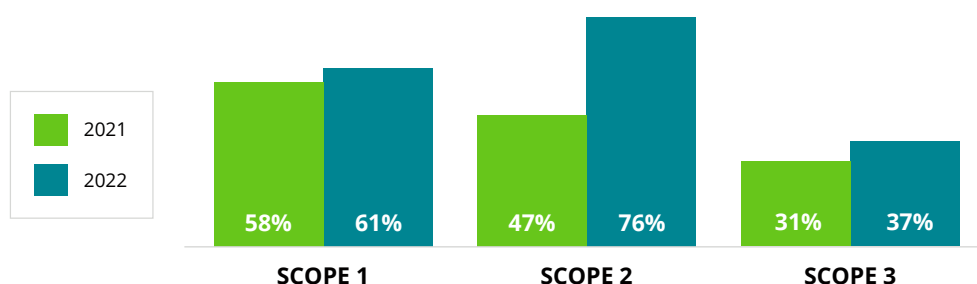


## GHG emissions reporting is a central focus for many organizations, inclusive of Scope 1, 2, and 3

### Scope 2 GHG emissions category disclosure posts significant gains

Our survey findings suggest that more than 3 in 4 respondents (76%) are now prepared to disclose Scope 2 GHG emissions details. Preparation for Scope 3 GHG emissions detail reporting (37%) remains a challenge with only a modest increase from last year (31%).

### Greenhouse gas emissions details most prepared to disclose, n=300



### Industry view: Life sciences and health care industry is most prepared for Scope 3 GHG emissions disclosure

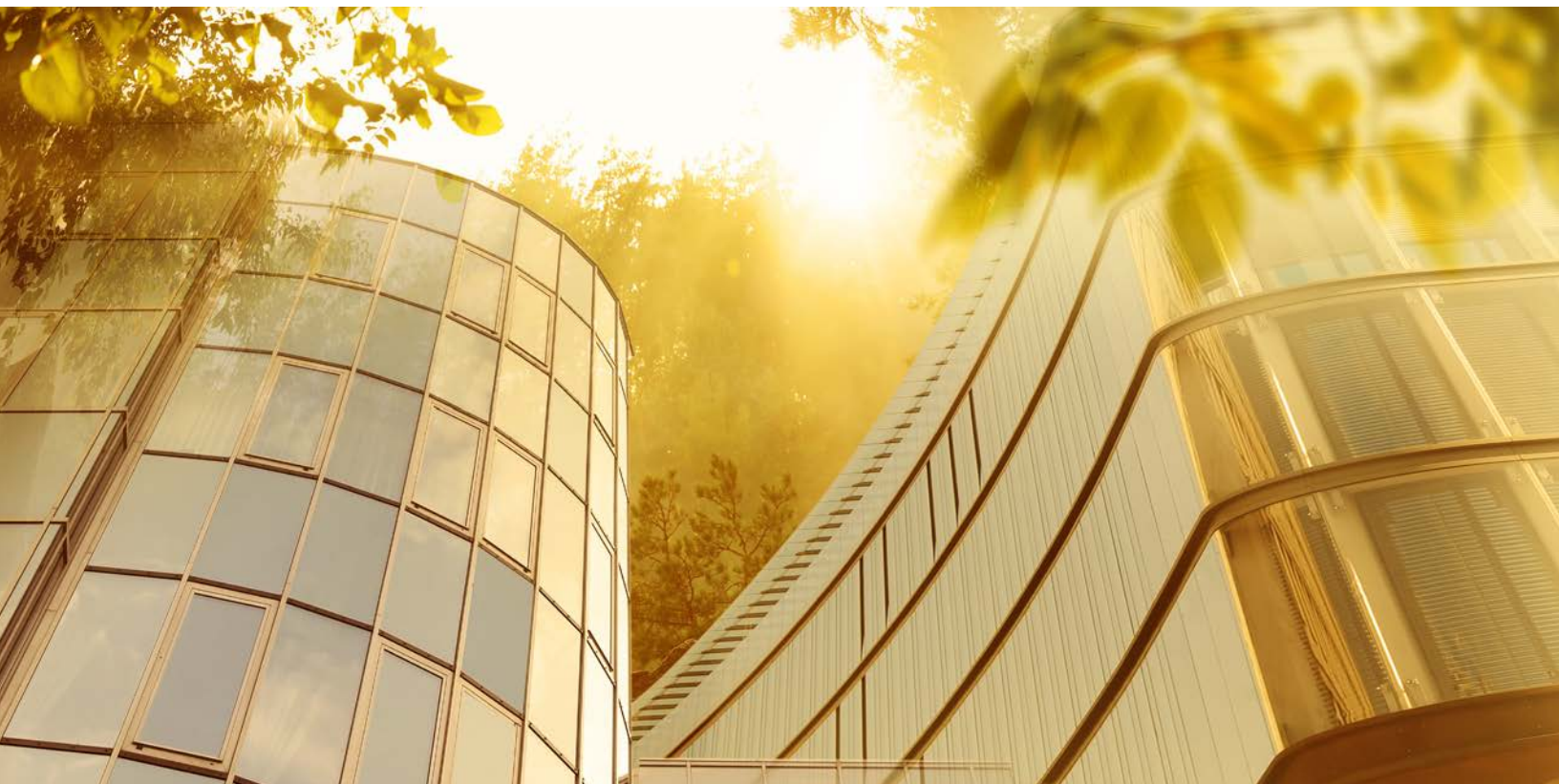
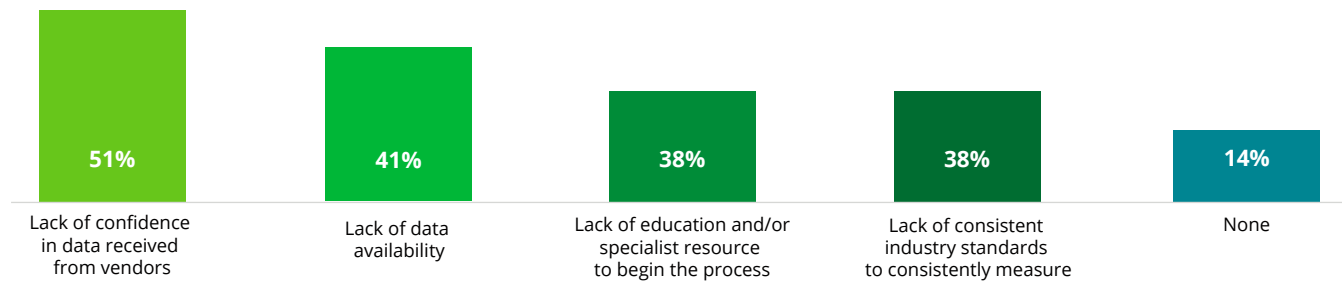
The financial services industry (19%) reports being the least prepared to disclose Scope 3 GHG emissions, while life sciences and health care reports being the most prepared (41%). Consumer products (69%) and TMT (69%) lead other industries in Scope 1 GHG emissions readiness.

GREENHOUSE GAS EMISSIONS DETAILS MOST PREPARED TO DISCLOSE	TOTAL n=695	FINANCIAL SERVICES n=100	CONSUMER PRODUCTS n=100	OIL AND GAS n=100	TECH, MEDIA AND TELECOMMUNICATIONS n=100	LIFE SCIENCES AND HEALTH CARE n=100
		40%	69%	46%	69%	58%
Scope 1	58%	40%	69%	46%	69%	58%
Scope 2	77%	80%	76%	80%	83%	72%
Scope 3	34%	19%	29%	29%	34%	41%

## Data accuracy and availability are top concerns in measuring Scope 3 GHG emissions

A vast majority (86%) of respondents indicated they've encountered challenges measuring Scope 3 GHG emissions. Access to specialist resources and more consistent industry standards would help alleviate some of the burdens companies face in measuring Scope 3 GHG emissions. A small percentage (14%) of respondents indicated there are no challenges.

### Challenges in measuring Scope 3 GHG emissions asked among those prepared to disclose Scope 3 GHG emissions, n=112



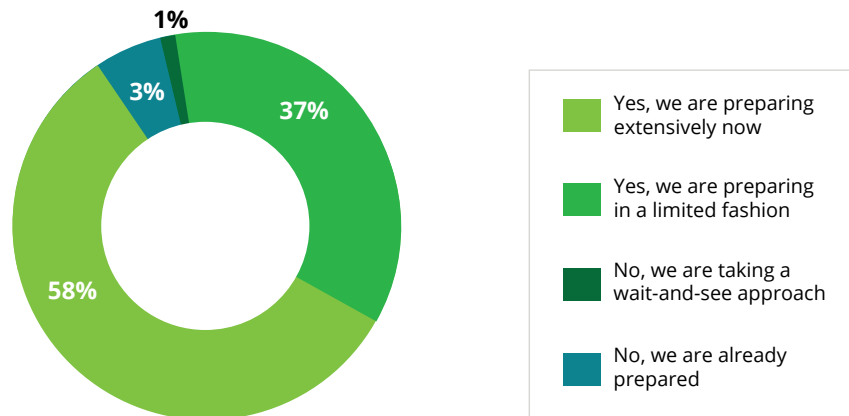


## Sustainability planning and taking action

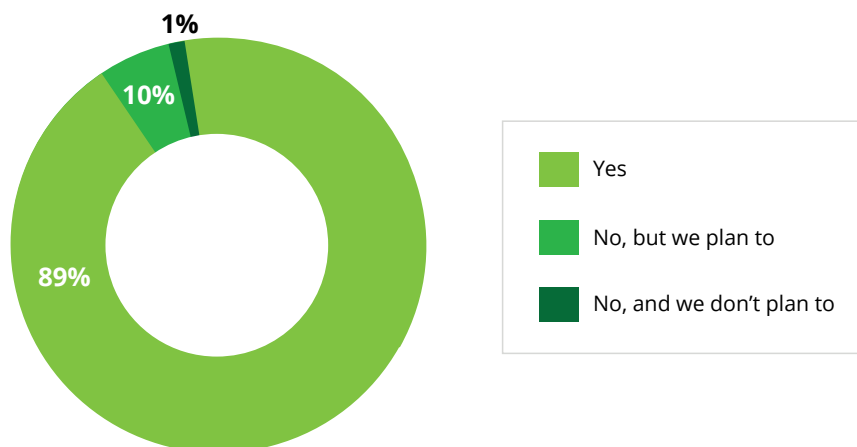
### Companies are taking a proactive stance in light of expected increase in disclosure requirements

95% of respondents are preparing for more disclosure requirements, including nearly 3 in 5 (58%) who are already making extensive preparations. A powerful 89% enhanced internal goal-setting and accountability mechanisms to promote readiness.

#### Preparing for potential increased disclosure requirements, n=300



#### Enhanced internal goal-setting and accountability mechanisms to promote preparedness, n=300



## Industry view: Not all industries are actively preparing at the same rate

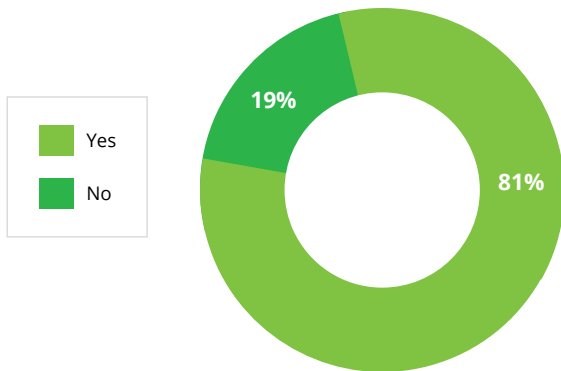
Consumer products (68%) and life sciences and health care (71%) are the most active in preparing for future disclosure requirements. Meanwhile, the financial services industry (46%) is taking a slower approach in preparing.

PREPARING FOR POTENTIAL INCREASED DISCLOSURE REQUIREMENTS	TOTAL n=695	FINANCIAL SERVICES n=100	CONSUMER PRODUCTS n=100	OIL AND GAS n=100	TECH, MEDIA AND TELECOMMUNICATIONS n=100	LIFE SCIENCES AND HEALTH CARE n=100
Yes, we are preparing extensively now	59%	48%	68%	58%	61%	71%
Yes, we are preparing in a limited fashion	35%	46%	29%	33%	30%	25%
No, we are taking a wait-and-see approach	2%	3%	3%	1%	2%	-
No, we are already prepared	4%	3%	-	8%	7%	4%

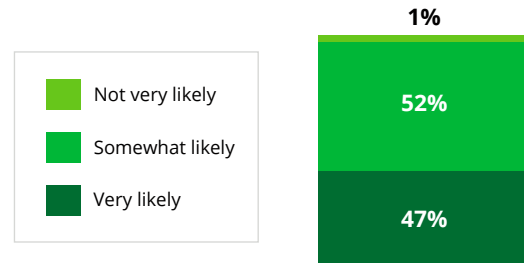
## Companies are taking steps to address gaps in high-quality data and preparedness

Committed investment in new technology and people reinforce prediction of increased requirements. Nearly all executives (99%) are somewhat likely or very likely to invest in new technology, and most (81%) have already created new roles or responsibilities.

### Created new roles or responsibilities to prepare for potential increased disclosure requirements, n=300



### Likelihood of investing in new technology or tools, n=300





## Survey questions

1. Have you established a cross-functional ESG council or working group to drive strategic attention to ESG for the business?
2. How often is the cross-functional ESG council or working group within your company scheduled to meet regarding ESG?
3. Please rank these business outcomes in terms of your expectations due to your company's enhanced ESG reporting.
4. Which reporting standards or frameworks are you currently using for your ESG disclosures?
5. Who in your company has management responsibility for ESG disclosure?
6. Where does primary responsibility for oversight of ESG reside at the board level?
7. Do you plan to obtain assurance over ESG disclosures for the next reporting cycle?
8. Are you applying the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework to your ESG reporting process?
9. Which of the following describes the progress your company has made in evaluating the steps necessary to move from a limited level of assurance to a reasonable level of assurance?
10. Of the following, what is your greatest challenge with respect to ESG data for your company?
11. Which of the following GHG emissions details is your company currently prepared to disclose?
12. What are the biggest challenges to your company in measuring Scope 3 GHG emissions?
13. Is your organization taking steps to actively prepare for potential increased ESG regulatory or other disclosure requirements?
14. Have you enhanced your internal goal-setting and accountability mechanisms in recent months to promote preparedness for future disclosure requirements?
15. Have you created any new internal roles or responsibilities in recent months to prepare for potential increased ESG regulatory or other disclosure requirements?
16. How likely is your company to invest in new technology or tools to enable more timely data and high-quality disclosure in the next 12 months?

**Note:** Percentages throughout survey may not sum to 100% due to rounding.



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