BARC

The State of ESG & Sustainability Reporting

Challenges and Recommendations for 2025

Authors: Stefan Sexl, Chris Neubauer & FH-Prof. Dr. Susanne Leitner-Hanetseder

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Abstract

ESG reporting is often a highly disruptive process and the typical motivation for undertaking it is not solely driven by legal requirements. It has become an essential tool for organizations aiming to maintain a positive image with their customers, employees, and business partners. Today, various organizational and technical approaches to ESG reporting implementation compete within organizations, resulting in diverse experiences, challenges, and outcomes.

This BARC study examines these developments and compares customer experiences across different geographic regions, organizational structures and technical implementations. This enables the extraction of specific guidance and recommendations.

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Preface

Qlik & ESG

Qlik plays a pivotal role in helping companies with their sustainability initiatives through its advanced data analytics platforms. By providing powerful tools for data integration and visualization, Qlik enables organizations to gather and analyze vast amounts of data related to their environmental impact. This includes metrics on energy consumption, carbon emissions, waste management, and resource usage. With Qlik's intuitive dashboards and real-time analytics, companies can gain actionable insights into their sustainability performance, identify inefficiencies, and track progress against their environmental goals. This comprehensive visibility helps organizations make informed decisions to enhance their sustainability efforts.

In addition, Qlik's software supports companies in compliance with regulatory requirements and reporting standards. As sustainability regulations become more stringent worldwide, businesses face increased pressure to accurately report their environmental impact. Qlik simplifies this process by automating data collection and reporting, ensuring that companies meet compliance standards with ease and precision. The platform can integrate data from multiple sources, providing a single, cohesive view of all sustainability-related information. This not only streamlines the reporting process but also ensures that the data is reliable and verifiable, which is crucial for maintaining stakeholder trust and meeting legal obligations.

In addition to supporting regulatory compliance and operational efficiency, Qlik fosters a culture of sustainability within organizations. By making data accessible and understandable to all levels of the organization, Qlik empowers employees to engage with and contribute to sustainability initiatives. Teams can collaborate more effectively, share insights, and drive collective action towards common sustainability goals. Qlik's user-friendly interface and robust analytical capabilities ensure that sustainability data is not siloed within specialized departments but is integrated into the broader decision-making processes. This holistic approach helps embed sustainability into the core business strategy, fostering long-term environmental stewardship and aligning corporate objectives with global sustainability standards.

Qlik's focus is on sustainability powered by our technology and fueled by our people. We are on a mission through data and analytics, to drive positive change at the intersection of business, society and our environment so everyone, everywhere can enjoy a healthy and prosperous future.

Julie Kae

VP, Sustainability and DE&I, Executive Director, Qlik.org

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1 Management Summary

1.1 ESG Frameworks and Standards

ESG reporting is crucial for organizations to showcase their sustainability efforts and comply with ESG frameworks and standards. The survey reveals that the ESRS are the most commonly used ESG reporting framework, with 68 percent of respondents adopting them, followed by the Global Reporting Initiative (GRI) Standards at 28 percent and the IFRS SDS at 23 percent. Regional differences are significant, with Europe favoring ESRS (74 percent), while North America shows a preference for GRI (50 percent) and SASB (38 percent). In the rest of the world (ROW), 36 percent of organizations use IFRS SDS and SDGs, indicating diverse adoption across regions. These differences emphasize the need for multinational organizations to adapt their reporting tools for compliance with varied regional requirements.

According to the Corporate Sustainability Reporting Directive (CSRD), different categories of organizations have varying deadlines for publishing their first ESG report. In total, the CSRD will affect approximately 50,000 companies in the European Union (EU) and 15,000 companies in Germany alone. Large public-interest entities (PIEs) with more than 500 employees are required to publish their sustainability reports starting from the 2024 financial year, with the first reports due in 2025. Other large organizations (those exceeding at least two of the following: 250 employees, €50 million in net turnover, or €25 million in total assets) must comply starting from the 2025 financial year, with reports due in 2026. Listed SMEs (small and medium-sized enterprises) are expected to begin reporting from the 2026 financial year, with the first reports due in 2027. However, these SMEs can opt out until 2028.

1.2 Implementation Status of ESG Reporting

42 percent of organizations had published their first ESG report by 2023, with a further 20 percent planning to do so by 2024, bringing the total to 62 percent. Remarkably, 11 percent have no plans to publish an ESG report. This underlines the growing awareness of the importance of ESG reporting, with 28 percent of companies not planning to publish their first report until after 2024. Leading the way is the banking and finance sector, where 67 percent will publish an ESG report by 2023. In regional terms, North American companies (43 percent) are slightly behind the rest of the world (50 percent) and Europe (47% percent). Within Europe, the DACH region appears to be more hesitant: Only 41 percent have published or plan to publish an ESG report, compared to 65 percent in the rest of Europe. In conclusion, while ESG reporting is gaining traction, there are notable disparities across different organization types, sectors, and regions.

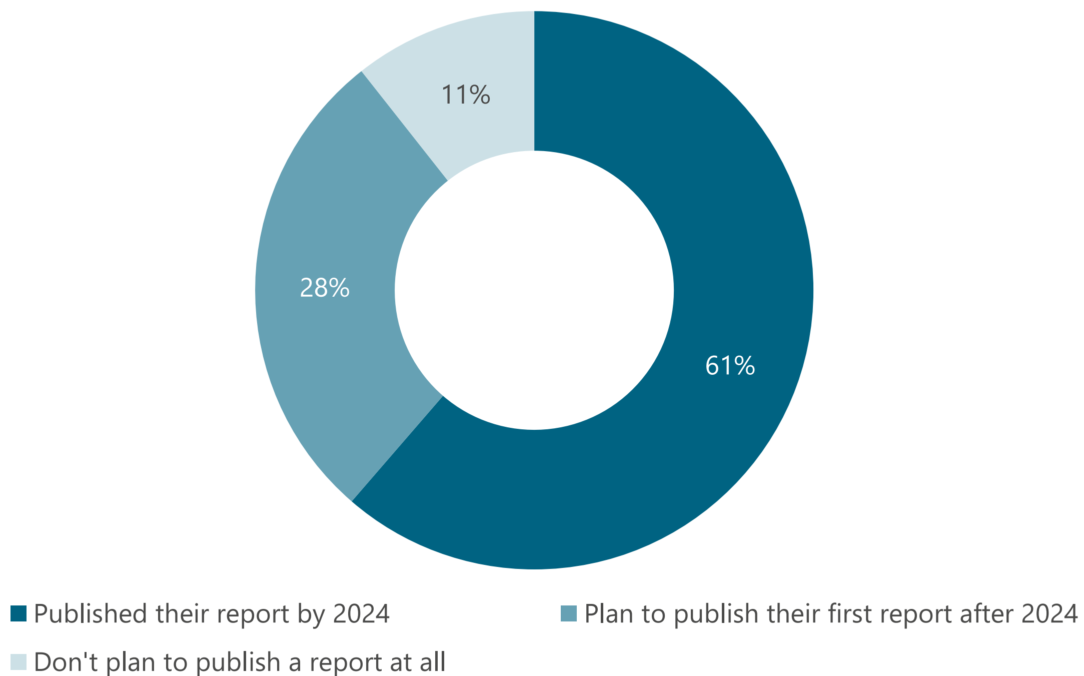

Figure 1: When did your organization publish its first ESG report? (n=207)

1.3 Motivation for ESG

Along with customer reputation, which is the leading driver for ESG reporting across various sectors and sizes, regulatory compliance and internal process improvement are the most important drivers for ESG reporting.

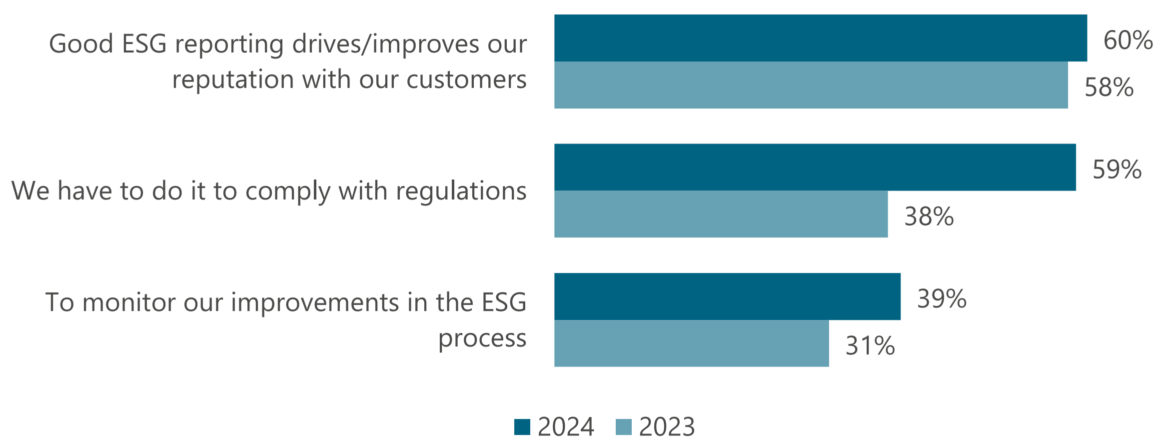

Figure 2: What are the most important drivers of ESG reporting in your company? Top 3 (2024: n=232, 2023: n=270)

From 2023 to 2024, customer reputation consistently remains the top driver. There is a notable increase in the focus on regulatory compliance, rising from 38 percent to 59 percent, driven by evolving legal frameworks. In addition, organizations see monitoring their improvements in ESG process as more and more important.

Europe prioritizes regulatory compliance and customer reputation in ESG reporting, North America focuses on customer perception, while the rest of the world adopts a more holistic and strategic view, considering all stakeholders, compliance and continuous improvement. Organization size variations reveal that large organizations emphasize regulatory compliance and customer reputation, medium-sized organizations focus on regulatory compliance and customer reputation, while small organizations, facing less regulatory pressure, still recognize the importance of customer reputation.

1.4 Organizations of ESG Reporting

Effectively organizing ESG responsibilities is crucial for successful sustainability initiatives and reporting. ESG/sustainability departments now hold the primary responsibility for ESG reporting (33 percent), up from 21 percent in the previous year, indicating a shift towards specialized sustainability roles. Controlling departments account for 20 percent and group accounting/reporting for 14 percent, highlighting the integration of ESG with financial oversight.

In Europe, ESG reporting responsibility is balanced between ESG/sustainability (35 percent), finance (36 percent) and other departments (29 percent). North America and ROW show broader departmental involvement, highlighting diverse regional strategies. Industry-specific trends reveal significant roles for ESG departments in industrial and IT sectors, while finance departments dominate in services/retail and banking.

Smaller companies often assign ESG tasks to non-financial departments, middle-sized organizations integrate it into finance departments whereas larger organizations predominantly rely on dedicated ESG/sustainability departments.

1.5 Challenges of ESG Reporting

ESG reporting faces numerous challenges that impact its effectiveness and accuracy. While 6 percent of organizations report no significant issues, 94 percent struggle with various obstacles. The primary challenge is a lack of resources, affecting 42 percent of organizations, particularly those new to ESG reporting. This includes shortages in both financial and human resources, with a noted scarcity of qualified personnel. Dealing with multiple data sources is another major issue, reported by 42 percent of organizations, complicating data consolidation and processing. Data quality and reliability issues affect 38 percent, while manual processes burden 29 percent, increasing the risk of errors and delays. Unclear reporting requirements challenge 24 percent of organizations and 23 percent cite a lack of interest or awareness in relevant departments. Time pressure, although currently affecting only 19 percent, is expected to increase with the upcoming 2025 EU deadline. Additionally, 16 percent struggle with unclear or changing key performance indicator (KPI) definitions and 14 percent report poor software support. From 2023 to 2024, resource constraints have increased from 32 percent to 42 percent, while poor

software support has decreased from 21 percent to 14 percent. Europe is struggling with complex ESRS standards affecting data sources and quality, while North America faces unclear requirements and departmental awareness issues, and ROW is hindered by poor software support and time pressure. Meanwhile, a lack of resources is a challenge faced by organizations all over the world.

1.6 Challenges Choosing Software Solutions

Selecting software solutions for ESG reporting is crucial for organizations committed to sustainable practices. Despite the need for transparency and accountability, organizations face several challenges in integrating and utilizing appropriate software. Key issues include integration with existing IT infrastructure (37 percent), lack of internal personnel resources (33 percent) and limited budgets (31 percent). Additionally, a significant portion of participants (28 percent) cite a lack of expertise in ESG software, highlighting the need for training and capacity building. Best-in-class organizations report greater integration challenges due to more complex IT systems but possess better internal expertise and resources compared to laggards, who struggle more with a lack of know-how and personnel resources. Regional disparities show that tailored IT solutions and advisory are needed to support companies worldwide.

1.7 Potential and Ways to Improve ESG Reporting

Organizations recognize substantial potential for improvement, particularly in data integration, KPI reporting and measuring the financial impact of ESG activities. 60 percent of participants highlight the need for better data management systems and integration techniques. KPI aggregation and reporting also demand enhancement, with 40 percent of participants seeing high potential for improvement. Similarly, 39 percent of participants see significant room for optimizing the measurement of their ESG activities' financial impacts.

Sector-specific analysis reveals that the industrial sector has the highest potential for improvement, while banking and finance report the lowest. Strategies for improvement focus on training existing employees, collaborating with external experts and enhancing data literacy. Compared to 2023, there is a growing trend towards seeking external expertise, though internal skill enhancement remains a priority.

Overall, the survey findings underscore a balanced approach, leveraging both internal capabilities and external knowledge to enhance ESG reporting practices.

1.8 Technological Implementation of ESG

It is primarily the "E" in ESG that drives the complexity of technological implementations due to its data intensity and the need for many individual data interfaces. There is still no market standard for the implementation of ESG reporting. ERP and CPM systems, Word, Excel and BI tools are used in combination and enhanced by specialized solutions, often developed by start-ups. Excel is widely used, especially for data collection. AI and GenAI technologies are included in the roadmaps of most ESG reporting providers but have not yet reached the end customer.

2 Recommendations

2.1 ESG Frameworks and Standards

In an ever-evolving landscape of sustainability and social responsibility, it is crucial for organizations to engage with and understand the specific ESG standards mandated by their regulatory environment. This entails not only implementing the required standards but also continuously monitoring changes and updates in this dynamic field. Investing in ongoing training and robust IT tools that support different frameworks will ensure organizations remain compliant, supporting their long-term sustainability goals.

2.2 Implementation Status of ESG Reporting

Organizations should focus on learning from organizations that have successfully implemented ESG reporting. Early adopters provide valuable examples and insights. Identifying guidelines and best practices from these pioneers is crucial for helping other organizations start their ESG journey. In regions like the EU, providing clear interim guidelines can encourage organizations to engage in voluntary reporting before regulatory requirements are fully established. Ensuring, that dedicated departments handle ESG reporting can improve accountability and effectiveness.

2.3 Motivation for ESG Reporting

Organizations should use their ESG reporting to leverage its multiple benefits. To ensure a high reputation among customers as well as (potential) employees, organizations should publish transparent and stakeholder-oriented reports. This positively influences the decision-making of both customers and employees. ESG reports and the tools used to create them must offer the possibility of formulating reports according to stakeholder needs.

Compliance with regulations and, at least in Europe, the mandatory auditing of ESG reports require proper adherence to avoid possible reputational damage and to keep the cost of capital on the capital market low. Additionally, changes in ESG efforts must be underpinned by appropriate ESG metrics to promote continuous progress in sustainability and governance.

Given regional differences and organization size, organizations need to tailor their ESG strategies to local regulatory environments, market expectations and organizational resources. European organizations should focus more on regulatory compliance, while North American organizations could benefit from emphasizing customer and supplier perceptions. Larger organizations should leverage their resources to comply with regulations and enhance their reputation with employees. Smaller organizations, while facing less regulatory pressure, should still prioritize maintaining a positive customer reputation and be prepared to fulfill the needs of capital providers such as banks. Aligning ESG strategies with these factors allows organizations to effectively engage their stakeholders and achieve sustainability goals.

2.4 Organization of ESG Reporting

To effectively organize ESG responsibilities, establish dedicated ESG departments to manage sustainability tasks and ensure their integration into core operations. Clearly define roles and responsibilities across relevant departments, such as finance, IT and quality management, to promote accountability and efficiency. Align the ESG department within the CFO's domain to leverage existing financial reporting expertise.

For operational ESG reporting, centralize the process under the ESG/sustainability department or finance department for consistency. Engage finance departments to integrate ESG metrics with financial performance and involve IT for data management. Monitor regional and industry-specific trends to align with regulatory environments and market expectations.

Strategically, appoint a chief sustainability officer (CSO) to lead sustainability initiatives at executive level. Form a sustainability committee within the supervisory board to oversee ESG performance and ensure accountability. Implement regular monitoring and reporting mechanisms using KPIs to drive improvement. Enhance communication strategies to keep stakeholders informed about ESG performance, fostering transparency and trust.

2.5 Challenges of ESG Reporting

To enhance ESG management and reporting, organizations should focus on building specialized ESG roles and providing the necessary training and resources. Strengthening collaboration between ESG and financial departments will integrate ESG metrics with financial performance. Investing in advanced ESG reporting software can streamline data management processes. Multinational organizations should tailor their ESG strategies to align with local regulations and market expectations. Adopting industry-specific best practices will enhance ESG performance. Elevating the role of the Chief Sustainability Officer (CSO) and integrating it into executive management will embed ESG considerations in strategic decisions. Establishing sustainability boards or committees will provide the necessary oversight and accountability. These steps will strengthen ESG frameworks, improve reporting accuracy and better align sustainability efforts with corporate strategies and stakeholder expectations.

2.6 Challenges Choosing Software Solutions

Organizations should prioritize budget allocation for ESG reporting software to overcome financial constraints, as investing in sustainable practices can lead to long-term cost savings and improved corporate reputation. Developing strategies to simplify the integration of ESG software with existing IT infrastructure is crucial. This can include conducting thorough assessments of current systems, engaging with software vendors for customized solutions and investing in integration technologies.

To address the lack of internal know-how, implementing comprehensive training programs for existing staff can build internal capacity and ensure effective software implementation and management. Also consider hiring or consulting external ESG experts. Increasing organizational awareness about the importance of ESG reporting is essential. Leadership initiatives, internal communications and showcasing the benefits of robust ESG practices can achieve this.

Thoroughly assessing and selecting software solutions that meet the specific needs and functionalities required for effective ESG reporting is vital. Engaging with multiple vendors and conducting pilot tests

can help identify the best fit for the organization. Encouraging collaboration between organizations within the same region to share best practices, resources and insights on ESG software implementation can help address common challenges more effectively.

2.7 Potential and Ways to Improve ESG Reporting

- Invest in advanced data management systems and efficient data integration techniques to improve the collection and integration of data from various ESG sources. This will streamline processes and enhance data accuracy and reliability.
- Develop and implement standardized reporting frameworks and automated tools for KPI calculation. This will ensure consistency, accuracy and transparency in ESG reporting, facilitating better decision-making and stakeholder trust.
- Create more advanced financial models to measure the economic benefits of ESG activities accurately. Integrate ESG metrics deeply into financial analysis to better capture and communicate the financial impacts of sustainability initiatives.
- Prioritize training existing employees to build internal expertise in ESG reporting. This includes improving data literacy and providing comprehensive training programs to ensure staff are proficient in managing and analyzing ESG data.
- Collaborate with external experts to accelerate the ESG reporting process.
- Foster strong collaborations within the supply chain and with business partners. This integrated approach can lead to more cohesive and effective ESG strategies, but is also a necessity to fulfill the requirements of ESG reporting regulations.
- Establish centers of excellence for developing future ESG experts. This long-term investment ensures a continuous pipeline of knowledgeable professionals dedicated to advancing ESG objectives within the organization.
- Recognize that ESG initiatives require substantial resources and are not just another task for existing teams. Allocate sufficient resources, including dedicated staff and budget, to ensure the successful implementation and management of ESG reporting.

2.8 Technological Implementation of ESG

To ensure effective technological implementation of ESG, organizations should continuously evaluate trends and developments in the ESG software market. Currently, there is no market standard for ESG reporting, with ERP and CPM systems, along with Word, Excel and BI tools, being used in combination and often supplemented by specialized ESG solutions. By keeping up to date with the software market, technological advancements and available solutions, organizations can enhance the accuracy, efficiency and effectiveness of their ESG reporting processes. Multinational companies should keep an eye on the development of ESG frameworks and assess possible solutions to support a wide range of relevant ESG reporting standards.

3 ESG Reporting Frameworks and Standards

3.1 Introduction to ESG Reporting Standards

In a world increasingly focused on sustainability and social responsibility, ESG (Environmental, Social, Governance) reporting has become a crucial tool for organizations to transparently present their sustainability efforts and social impacts in compliance with regulations. ESG reporting, however, is more than just a regulatory obligation – it is a way to build stakeholder trust, enhance brand reputation and secure long-term economic success. Given the multitude of available ESG frameworks and standards, the question arises: Which standards exist and which do organizations apply?

3.2 Overview of Key ESG Standards

The IFRS Sustainability Disclosure Standards (IFRS SDS) are globally pioneering. Developed by the International Sustainability Standards Board (ISSB), these standards aim to establish globally recognized guidelines for sustainability reporting. They provide investors with decision-relevant information and integrate proven elements from existing frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). The ISSB standards initially focus on climate-related disclosures and their impact on organizations' financial performance. To date, the ISSB has issued the following two standards: IFRS S1 "General Requirements for Disclosure of Sustainability-Related Financial Information" and IFRS S2 "Climate-Related Disclosures".

Since the ISSB is a private standard setter, the IFRS SDS need to be adopted into (supra)national law. In the EU, this would require a separate endorsement process similar to that for IFRS in financial reporting. Due to the EU's adopted sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG), the adoption of the IFRS SDS is not expected in the near future.

The Global Reporting Initiative (GRI) Standards are currently the most widely used standards for ESG reporting. The GRI standards help organizations to comprehensively report on general and specific ESG topics and emphasize double materiality – meaning organizations should report on both the impacts of sustainable risks and opportunities on the company's financial performance as well as the impacts of the company's sustainable actions on the environment and society.

The European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG), are mandatory for many EU organizations. The ESRS significantly built on the GRI standards, integrating their principles and structure into the European requirements. The ESRS are based on the Corporate Sustainability Reporting Directive (CSRD), which not only sets the application requirements but also determines which organizations are required to report and what information must be disclosed.

A central aspect of the ESRS, similar to the GRI, is double materiality, which requires – as already mentioned - organizations to consider both the financial impacts of ESG topics on the company and the impacts of the company on the environment and society. Currently the ESRS include ESRS 1 "General

Requirements" and ESRS 2 "General Disclosures", as well as five environmental standards (ESRS E), four social standards (ESRS S) and two governance standards (ESRS G).

According to the CSRD, different categories of organizations have varying deadlines for publishing their first ESG report. Large public-interest entities (PIEs) with more than 500 employees are required to publish their sustainability reports starting from the 2024 financial year, with the first reports due in 2025. Other large organizations (those exceeding at least two of the following: 250 employees, €50 million in net turnover or €25 million in total assets) must comply starting from the 2025 financial year, with reports due in 2026. Listed SMEs (small and medium-sized enterprises) are expected to begin reporting from the 2026 financial year, with the first reports due in 2027. However, these SMEs can opt out until 2028. Notably, non-EU organizations whose securities are listed on regulated markets within the EU are also covered. Furthermore, non-EU organizations that operate substantially within the territory of the EU are included too. Accordingly, a company from a third country is subject to the reporting obligation if it (i) has achieved net sales revenues of over €150 million in the EU in the last two financial years and (ii) has a large or small to medium-sized capital-market-oriented subsidiary established in the EU, or at least one branch established in the EU with net sales revenues of over €40 million in the preceding year. Such a company must comply with the reporting obligations for financial years starting from January 1, 2028. However, additional transitional rules are provided until 2030.
23 percent of the survey participants indicated that their organization needs to publish a report according to the CSRD, whereas 45 percent of these organizations must report for the first time in 2025 and are therefore PIEs. 47 percent are other large organizations and must report in 2026. A smaller group of 8 percent stated that their company will comply later than 2026.

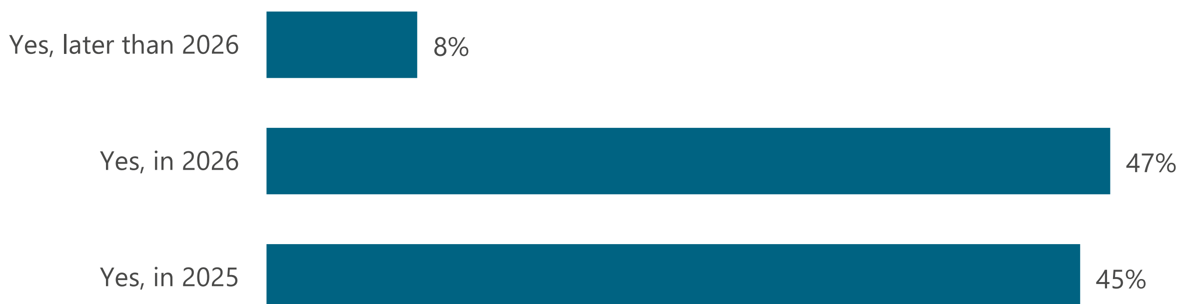

Figure 3: Does your organization have to publish a report according to the CSRD (the European Corporate Sustainability Reporting Directive)? (n=120)

3.3 Other Important Frameworks

In addition to these main standards, there are other significant frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD), which specializes in climate-related financial disclosures, and the Sustainability Accounting Standards Board (SASB), which provides industry-specific standards with a focus on financial materiality. The Climate Disclosure Standards Board (CDSB) Framework integrates environmental and climate information into organizations' annual reports to provide transparency for investors. The World Economic Forum (WEF) Stakeholder Capitalism Metrics Framework promotes sustainable and responsible business practices and considers financial, manufactured, social and natural capital types.

3.4 Harmonization of ESG Standards

Given the multitude of ESG standards and frameworks, both the ISSB and EFRAG strive to collaborate to promote harmonization of standards. This cooperation aims to simplify ESG reporting for multinational organizations while meeting the diverse requirements of investors and other stakeholders. During the development process of ESRS 2 "General Disclosures" and ESRS E1 "Climate-Related Disclosures", the European Commission and EFRAG have ensured high interoperability with the comparable ISSB standards "IFRS S1" and "IFRS S2." Thus, all data points required by IFRS S2 are either included in ESRS 2 (if they are of a general nature) or in ESRS E1. This collaboration has led to organizations reporting under the ESRS disclosing substantially similar information to organizations reporting under IFRS SDS.

However, the choice of ESG framework a company can use depends largely on the jurisdiction. In the EU, organizations are required to use the ESRS to meet the requirements of the CSRD. For globally operating organizations headquartered in the European Union, the ESRS must be applied directly. However, for subsidiaries or branches outside the EU, the application of, for example, the IFRS SDS may be necessary. In countries outside the EU, whose financial reporting already relies on the IFRS, rapid adoption or integration of the IFRS SDS into existing local sustainability norms is expected. Leading in this regard is Brazil, which is already working on adopting the IFRS SDS. Other countries like the United Kingdom and Australia are integrating the IFRS SDS into their own local sustainability reporting standards.

“Harmonized ESG standards simplify global ESG reporting.”

EFRAG has created a mapping table to identify differences between the IFRS S1, IFRS S2 and ESRS regulations. Although the highest possible coherence is sought, two differences stand out: First, IFRS S2 requires organizations to state whether their greenhouse gas emission targets are gross or net targets, while ESRS E1 only allows gross targets. Second, IFRS S2 requires financial institutions to provide specific information about the greenhouse gas emissions associated with their investments, whereas ESRS E1 currently does not include a corresponding requirement.

Moreover, ESRS 1.131 allows organizations in the transitional period, until sector-specific ESRS are created and published, to provide essential information based on individual assessments considering the sector-specific IFRS SDS in their ESRS sustainability report. The flexibility and high interoperability between the ESRS and the IFRS SDS aim to ensure that the burden for globally operating organizations is minimized.

3.5 Applying Frameworks in Practice

The survey results reveal the extent to which various ESG reporting standards are being applied by organizations. It is worth mentioning that multiple answers and the use of several frameworks or standards is therefore possible. The ESRS according to the CSRD stand out as the most commonly used framework, with 68 percent of respondents indicating its usage. This is followed by the Global Reporting Initiative (GRI) standards, which are employed by 28 percent of organizations. The IFRS SDS are used by 23 percent of respondents, while the Sustainable Development Goals (SDGs) standards are utilized by 18 percent.

Other notable frameworks include the Task Force on Climate-Related Financial Disclosures (TCFD) framework (8 percent), Climate Disclosure Standards Board (CDSB) framework (7 percent), Sustainability Accounting Standards Board (SASB) standards (5 percent) and the World Economic Forum (WEF) Stakeholder Capitalism Metrics framework (4 percent). Additionally, 5 percent of respondents reported using other standards.

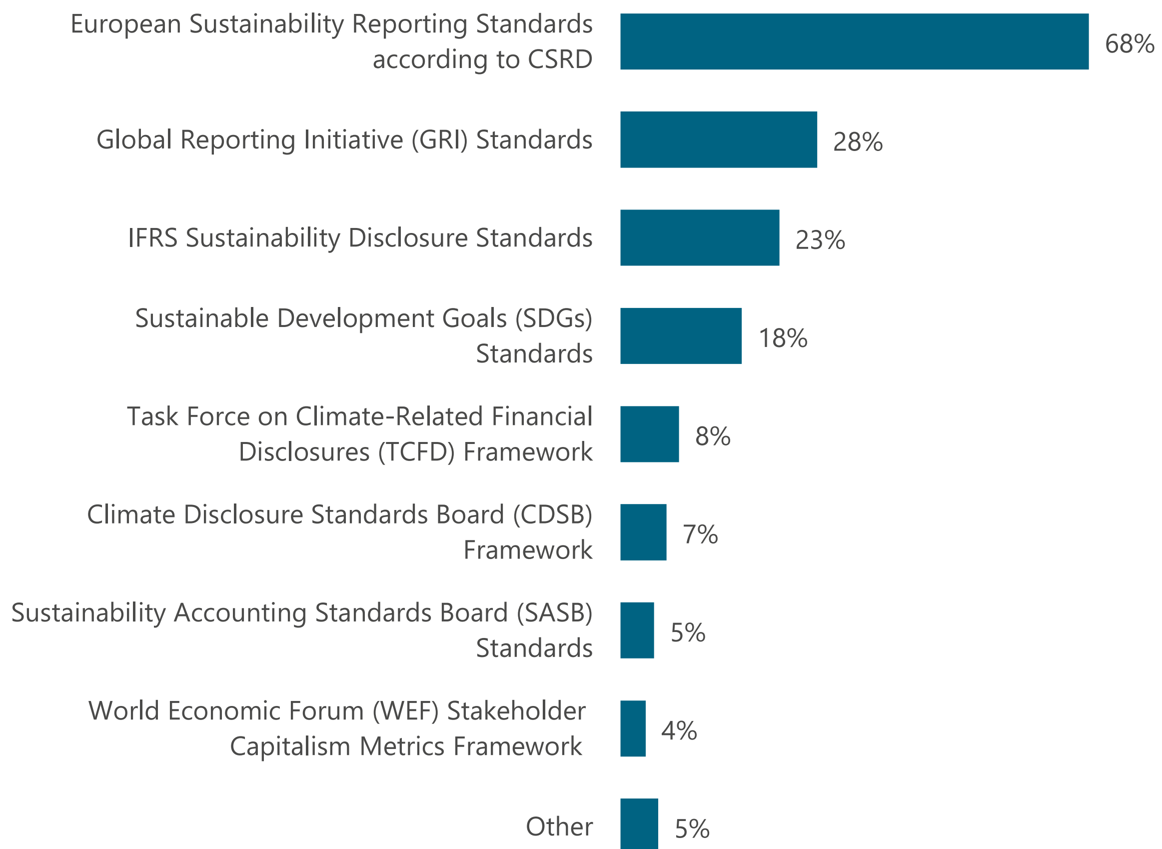

Figure 4: Which ESG standard(s) or framework(s) are you using for ESG reporting? (n=165)

The survey results also show significant regional differences in the adoption of various ESG reporting standards. In Europe, the ESRS dominate with 74 percent usage, reflecting its mandatory status within the EU. The Global Reporting Initiative (GRI) standards and IFRS Sustainability Disclosure standards follow, used by 27 percent and 22 percent of respondents respectively. The Sustainable Development Goals (SDGs) standards are adopted by 16 percent, while other frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) and Climate Disclosure Standards Board (CDSB) see lower adoption rates.

In North America, 50 percent of organizations use the Global Reporting Initiative (GRI) standards, making it the most commonly adopted framework. The Sustainability Accounting Standards Board (SASB) standards are also widely used by 38 percent of North American organizations. Other standards such as the ESRS and IFRS SDS are each adopted by 25 percent of North American organizations. Interestingly, no North American organizations reported using the Task Force on Climate-Related Financial Disclosures (TCFD) Framework or the World Economic Forum (WEF) Stakeholder Capitalism Metrics framework, highlighting a divergence in the adoption of specific international frameworks compared

to Europe and the rest of the world. Overall, North American organizations show a preference for GRI and SASB standards, with less emphasis on other frameworks.

In the rest of the world, 36 percent of organizations use the IFRS SDS Development Goals (SDGs) standards, making these the most commonly adopted frameworks. The European Sustainability Reporting Standards according to CSRD are adopted by 18 percent of organizations, similar to the Task Force on Climate-Related Financial Disclosures (TCFD) framework and the Climate Disclosure Standards Board (CDSB) framework. The Global Reporting Initiative (GRI) standards are used by 27 percent of organizations in the rest of the world, while the Sustainability Accounting Standards Board (SASB) standards and the World Economic Forum (WEF) Stakeholder Capitalism Metrics framework are less commonly used, each adopted by 9 percent and 18 percent of organizations respectively. Overall, the rest of the world shows a diverse adoption of various international standards, with a notable preference for IFRS and SDGs standards.

"It is crucial for multinational corporations to ensure their IT tools can accommodate different frameworks to meet diverse regulatory requirements across subsidiaries or subgroups.

This flexibility allows organizations to maintain compliance and provide accurate, region-specific ESG reports."

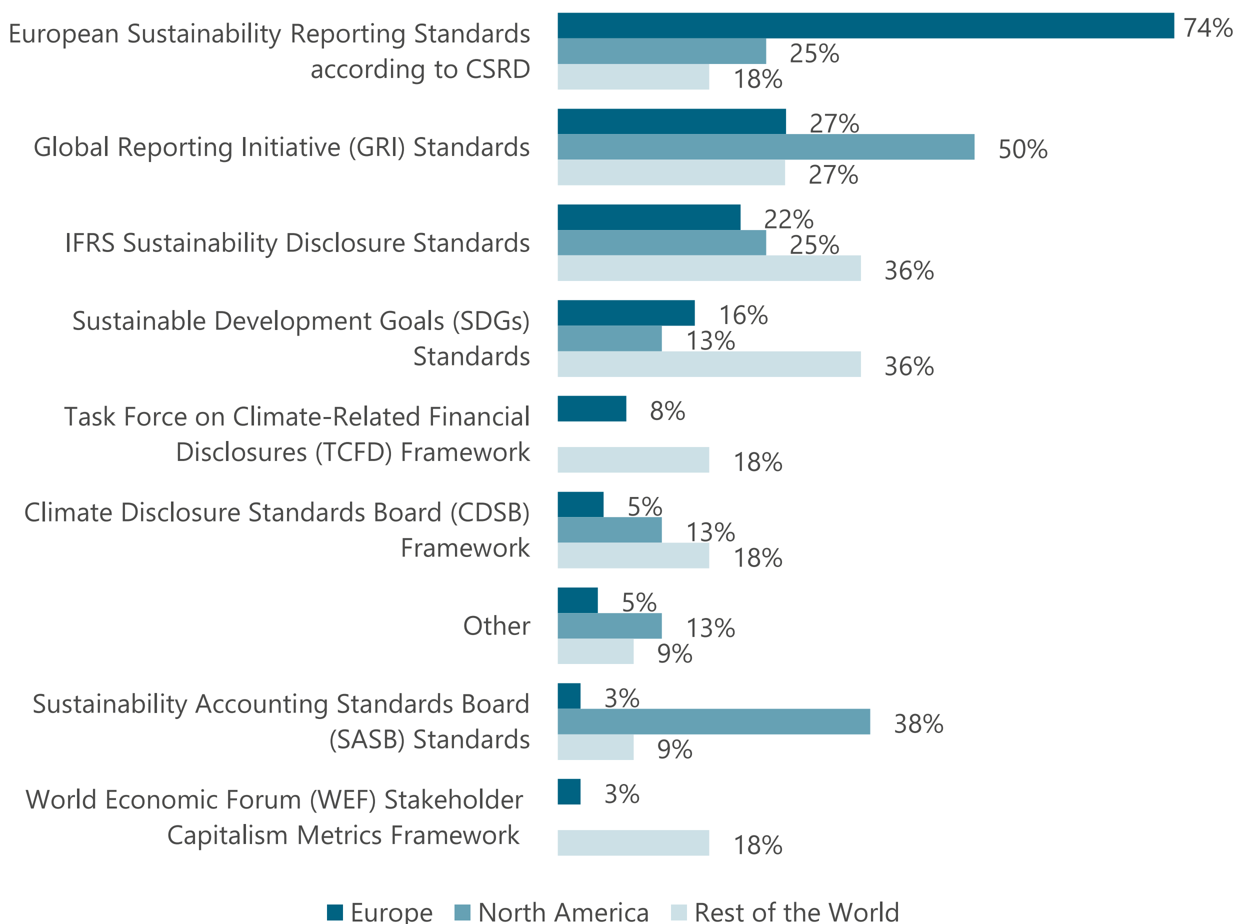

Figure 5: Which ESG standard(s) or framework(s) are you using for ESG reporting? by region (n=165)

These results highlight the importance of understanding regional regulatory environments and users' needs when selecting ESG reporting frameworks.

4 Implementation Status of ESG Reporting

The 2024 study indicates that 42 percent of organizations published their first ESG report in or before 2023. Additionally, 20 percent of organizations plan to publish their first ESG report in 2024, showing that 62 percent of the surveyed organizations have already adopted ESG reporting. Meanwhile, 28 percent plan to do so after 2024. Notably, 11 percent of organizations reported having no plans to publish an ESG report, which is also an essential insight. The study unveils a significant finding: 48 percent of organizations plan to publish their first ESG report in 2024 or in the coming years. This suggests a heightened awareness of the importance of ESG reporting.

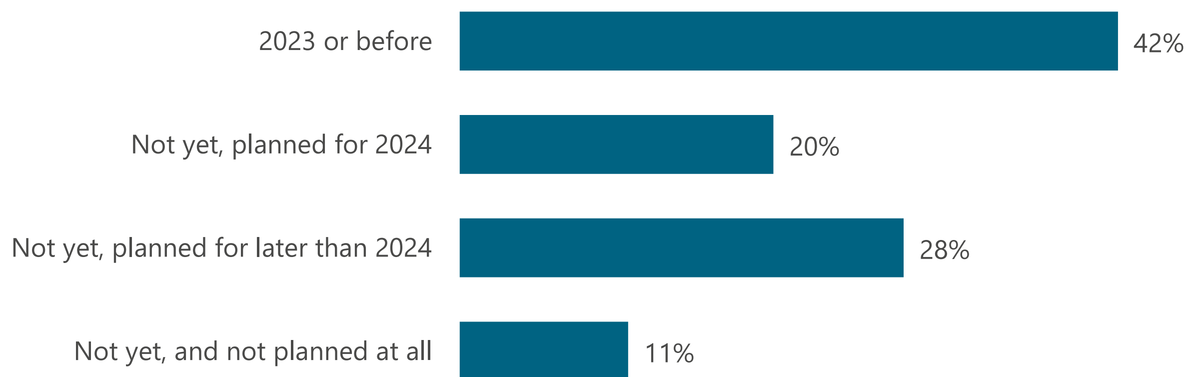

Figure 6: When did your organization publish its first ESG report? (n=207)

For organizations identifying as best-in-class, a notable 48 percent published their first ESG report before 2022 and 16 percent between 2022 and 2023, indicating a proactive approach to ESG reporting. Meanwhile, only 36 percent of best-in-class organizations plan to publish their first ESG report in 2024 or later, reflecting ongoing efforts and commitments to enhance their ESG transparency and accountability. In contrast, organizations categorized as laggards present differently. Only 13 percent of laggards published their first ESG report between 2022 and 2023, while 17 percent had done so before 2022. This suggests that a smaller proportion of laggards have engaged in early ESG reporting compared to their best-in-class counterparts. Notably, a substantial 70 percent of laggards plan to publish their first ESG report in 2024 or later. This comparison underscores the varying levels of engagement and commitment to ESG reporting between best-in-class organizations and laggards.

"The proactive stance of best-in-class organizations is evident. Conversely, the majority of laggards have yet to embark on their ESG reporting journey, indicating potential challenges or delays in adopting ESG practices."

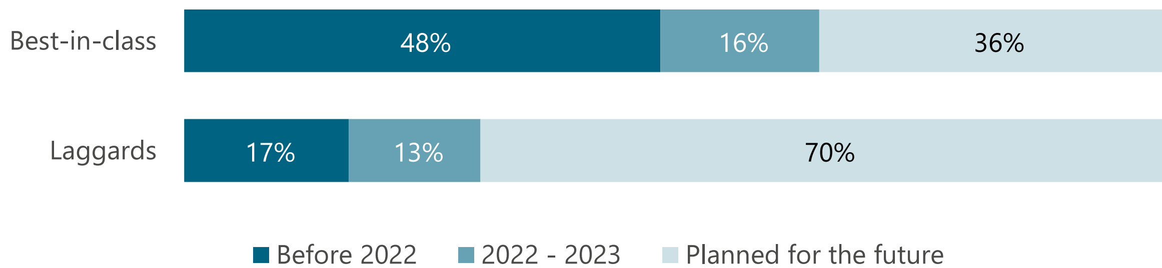

Figure 7: When did your organization publish its first ESG report? by best-in-class and laggards (n=86)

Focusing on the size of organizations, the study shows that only 14 percent of the organizations with fewer than 500 employees published their first ESG report between 2022 and 2023, and 8 percent had done so before 2022. This indicates that a relatively small proportion of these smaller organizations have engaged in early ESG reporting. However, a significant 78 percent of these organizations plan to publish their first ESG report in the future, highlighting a considerable scope for improvement and a potential delay in adopting ESG practices among smaller enterprises.

In the mid-sized category, comprising organizations with 500 to 4,999 employees, the data reveals that 26 percent published their first ESG report between 2022 and 2023, and 19 percent had done so before 2022. This suggests that mid-sized organizations have recognized the need for ESG reporting more than smaller organizations. Additionally, 55 percent of mid-sized organizations plan to publish their first ESG report in the future, indicating that while a substantial number have already begun ESG reporting, a significant proportion remains in the planning phase.

For large organizations with 5,000 or more employees, the distribution indicates that 16 percent published their first ESG report between 2022 and 2023, and a notable 53 percent had done so before 2022. This demonstrates that most large organizations have been proactive in adopting ESG reporting early. For example, in the EU, PIEs have already been subject to regulatory requirements for non-financial reporting. This necessity for regulatory compliance has driven the early adoption of ESG practices among large enterprises.

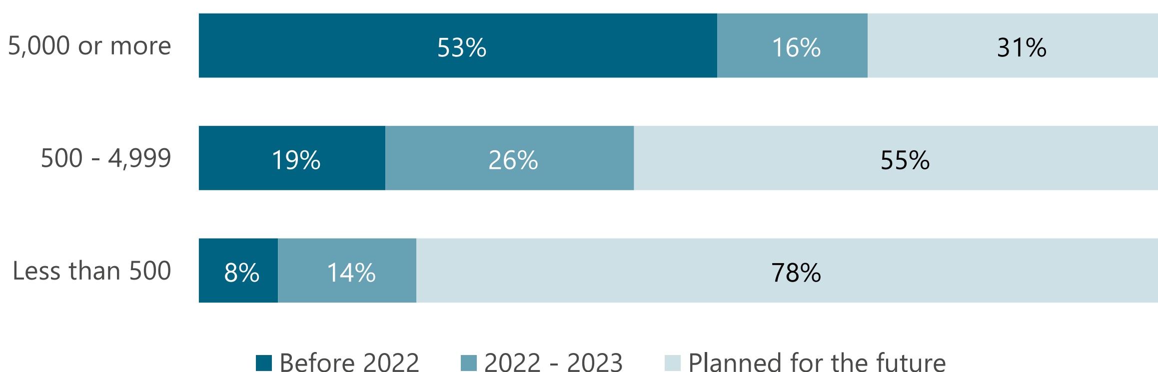

Figure 8: When did your organization publish its first ESG report? by number of employees (n=185)

The results show that certain sectors are already more engaged in ESG reporting. Notably, 67 percent of organizations in the banking and finance sector had published an ESG report by 2023. Similarly, 51 percent of organizations in the industrial sector had done so. The public sector and the services/retail/wholesale/trade sectors also demonstrate significant engagement. It is worth mentioning that organizations in the public sector in the EU are generally not mandated to report. These findings suggest that the banking and finance sector, as well as the industrial and public sectors, are particularly advanced in their adoption of ESG reporting and are committed to integrating and communicating ESG criteria.

"The banking & finance sector was identified as the frontrunner in ESG reporting."

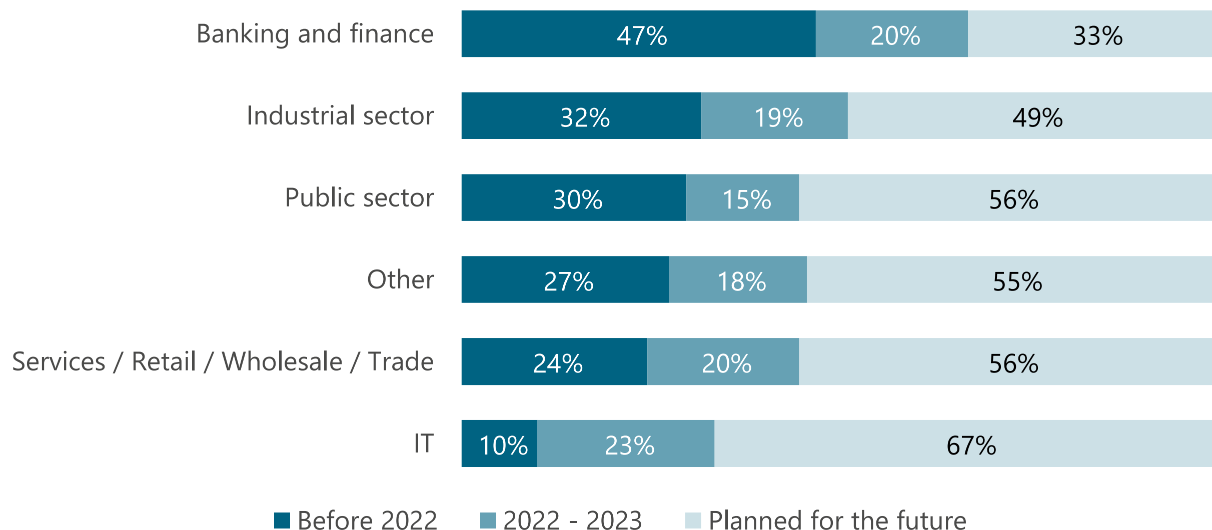

Figure 9: When did your organization publish its first ESG report? by industry (n=185)

Figure 10 shows the timing of when organizations across different regions published their first ESG reports. By combining those who published their reports in 2022-2023 and those who did so before 2022, we see that in Europe, 47 percent of organizations had published an ESG report by 2023. In North America, 43 percent of respondents had published an ESG report by 2023. In the rest of the world, 50 percent of organizations had published an ESG report by 2023, showing similar adoption rates. This analysis highlights that although there are comparable adoption rates worldwide, North American companies are slightly lagging behind.

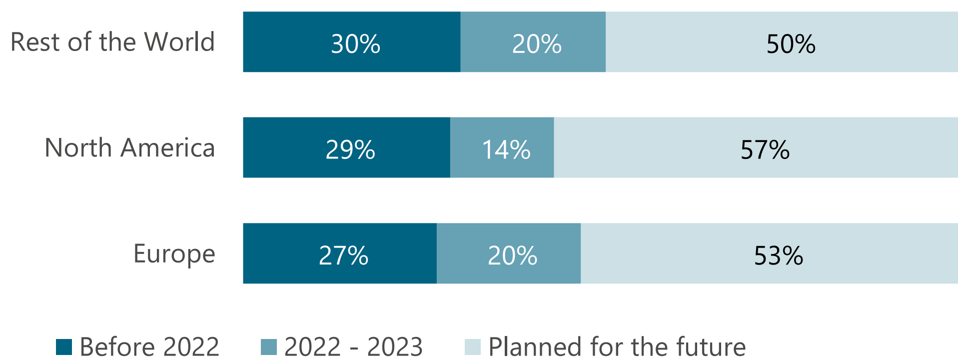

Figure 10: When did your organization publish its first ESG report? by region (n=185)

When examining the detailed results within Europe, the DACH region (Germany, Austria and Switzerland) shows a more reserved approach. Here, only 41 percent of organizations have either published or are in the process of publishing an ESG report. In contrast, the rest of Europe has a higher rate, with 65 percent of organizations having done so. This disparity indicates that organizations in the DACH region are the most hesitant when it comes to recognizing the necessity of publishing ESG reports.

"North American companies lag slightly in ESG reporting adoption. The DACH region shows significant hesitancy compared to rest of Europe."

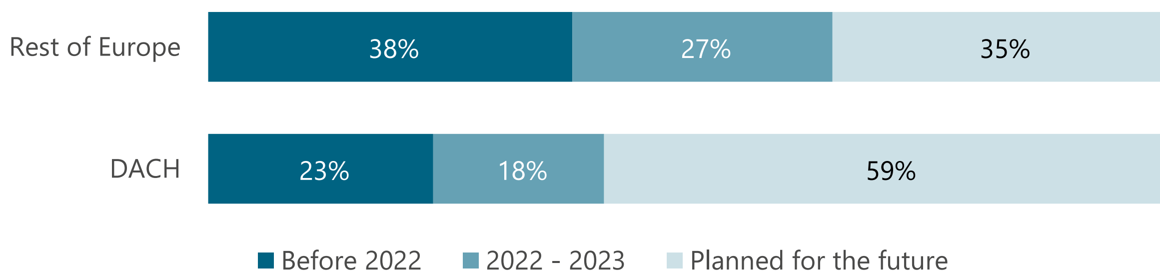

Figure 11: When did your organization publish its first ESG report? by region (n=161)

A reason why organizations located in the EU may be delaying their reports could be that they are not required to publish until 2025 or 2026. Additionally, there was some uncertainty until 2023 because the European Reporting Sustainability Standards had not yet been finalized. As a result, organizations might have hesitated to commit to reporting without clear guidelines.

"Delayed EU ESG reports highlight ambiguity about guidelines in the past."

In organizations where the responsibility for reporting is not assigned to finance departments, such as controlling or group accounting, there is a significantly higher incidence of having already published a report or being in the process of publishing one for 2023. This is evidenced by the data showing that, in organizations where the ESG/sustainability department is responsible for ESG reporting, 58 percent have either published or are preparing to publish their reports, compared to 48 percent where other departments fulfill this role. In contrast, only 33 percent of organizations where the reporting responsibility resides with finance departments (controlling or group accounting) have done so. This suggests that finance departments are not the frontrunners in the creation of ESG reports. This may be because for finance departments, it is crucial to produce reports that are deemed correct according to the standards used. This priority stems from their experience with financial reporting, where accuracy and compliance are paramount. The idea of producing pioneering but 'imperfect' reports might require a change in mindset, especially for finance departments, leading to delays until adequate methods and practices are well established. This caution is further justified by the fact that ESG reports are not yet perfect, which is why the EU's audit requirement only starts from 2026, initially with limited assurance. This transition period allows organizations to gain experience and refine their reporting processes before full compliance is enforced.

"Finance departments are more hesitant due to ambiguities."

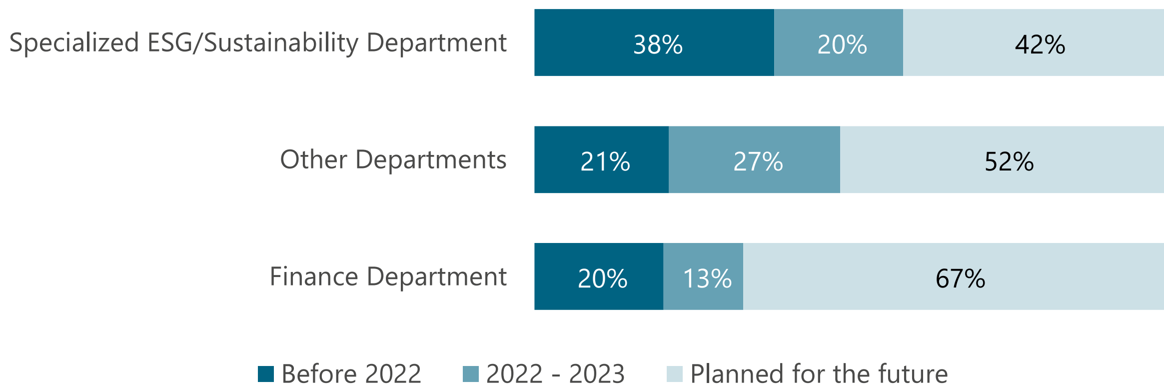

Figure 12: When did your organization publish its first ESG report? by department (n=185)

5 Motivation for ESG

"Organizations increasingly recognize the growing importance of ESG practices in influencing customer decision-making processes."

What are the drivers for ESG reporting? Why do organizations engage in ESG reporting even if they are not required to do so? And if they are required to do so, what drives them to implement proper ESG reporting?

"Organizations are motivated to maintain compliance to avoid legal repercussions and potential fines, demonstrating the effectiveness of regulatory measures in promoting responsible business practices."

The results show that the primary driver for ESG reporting is its impact on an organization's reputation with customers, as indicated by 60 percent of participants. Following closely behind, 59 percent of participants highlight the necessity to comply with regulations, underscoring the role of regulatory frameworks in enforcing ESG standards.

The use of ESG reporting to monitor improvements in the ESG process, cited by 39 percent of participants, is also significant. This suggests that organizations are not only interested in external perceptions but also in tracking their internal progress in sustainability and governance initiatives. The impact of ESG reporting on external reputation with financial markets is noted by 32 percent of participants. This highlights the increasing importance investors place on ESG factors when assessing organization value and making investment decisions, motivating organizations to enhance their ESG reporting to attract and retain investment. Improving reputation with employees through good ESG reporting is another key driver, noted by 31 percent of participants.

"This indicates that internal stakeholders, such as employees, value transparency and sustainable practices, which can influence employee satisfaction and retention."

The impact on reputation with suppliers, while still important, is the least significant driver among the listed factors, cited by only 22 percent of participants. It appears that organizations prioritize other stakeholder groups more highly in their ESG reporting efforts. Additionally, a small percentage (4 percent) of participants cited other unspecified drivers for ESG reporting, suggesting that while the major factors are well recognized, there are niche or industry-specific reasons that also play a role.

The data show that the most critical drivers for ESG reporting are largely related to reputation management and regulatory compliance. Organizations are primarily motivated by the need to maintain a positive image with customers and to adhere to regulatory requirements, indicating a strategic alignment of ESG reporting with external pressures and stakeholder expectations. Furthermore, the importance placed on monitoring internal ESG improvements suggests that organizations are committed to continuous improvement in their sustainability and governance practices. The influence of financial markets and employees also reflects the broadening scope of stakeholders who value ESG performance.

"ESG reporting is primarily driven by reputation management and regulatory compliance: Organizations recognize multi-faceted a variety of benefits, from investor attraction to internal improvement."

Overall, the survey findings suggest that organizations are increasingly recognizing the multifaceted benefits of robust ESG reporting, from enhancing customer loyalty and meeting regulatory demands to improving internal processes and attracting investment. These insights can guide future policies and strategies aimed at encouraging comprehensive ESG practices across industries.

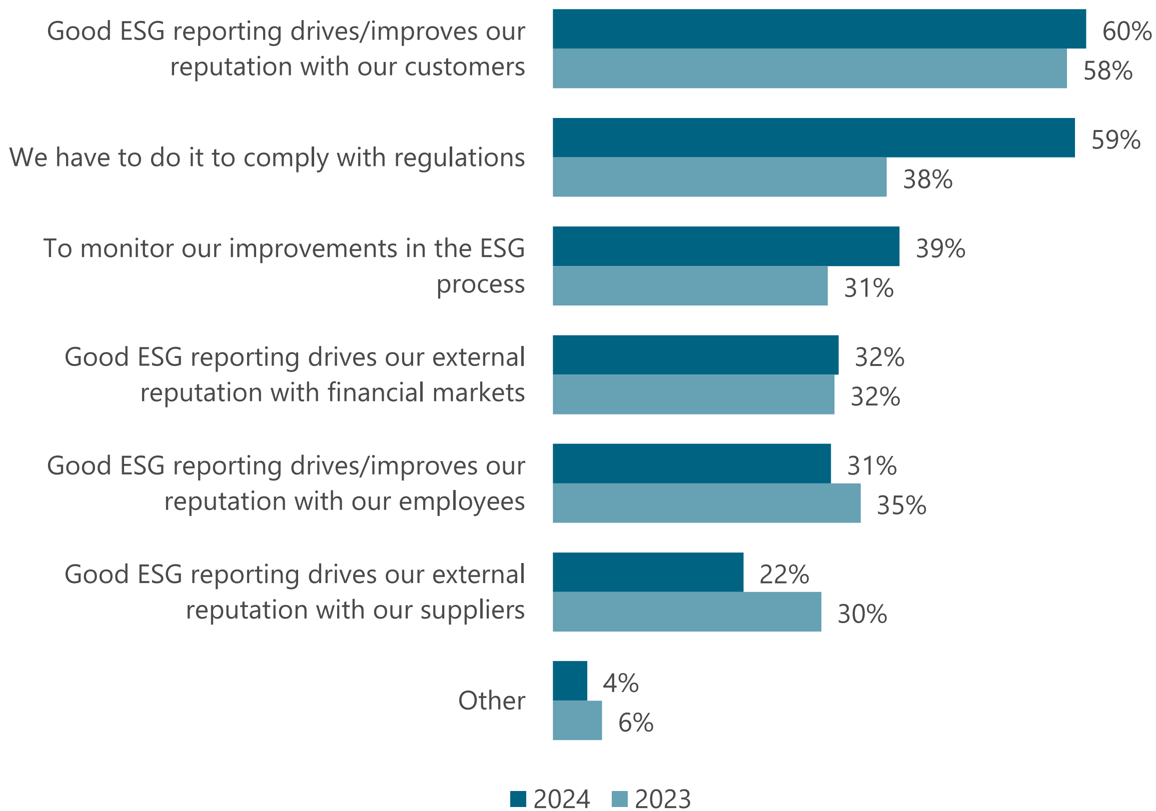

Figure 13: What are the most important drivers of ESG reporting in your organization? Comparison of results from 2023 (n=270) and 2024 (n=232)

Comparing the results of the 2024 study with the data from 2023, several key differences and similarities emerge regarding the drivers for ESG reporting. In 2023, the primary driver was the impact on reputation with customers, cited by 58 percent of participants, which remains a consistent leading factor in 2024 (60 percent). This consistency underscores the ongoing importance organizations place on maintaining a positive customer perception through robust ESG practices.

However, a notable difference in the 2023 data is the lower emphasis on regulatory compliance, cited by 38 percent of participants, compared to 59 percent in 2024. This significant increase likely reflects the heightened urgency to implement ESG, particularly for EU-based organizations. A year ago, the need for implementation seemed distant and was not perceived as critical due to the absence of adopted European regulations on sustainability reporting. However, it is now recognized as considerably more important, especially since the standards were only finalized in mid-2023 and the transposition of the CSRD into national law in European member states was still pending.

The importance of improving reputation with employees was cited by 35 percent of participants in 2023, slightly higher than the 31 percent in 2024. This slight decrease might indicate a shift in focus towards external stakeholders rather than internal ones. Similarly, the impact on external reputation with financial markets has remained relatively stable, with 32 percent in 2023 and 32 percent in 2024, highlighting a consistent recognition of the value investors place on ESG performance.

Interestingly, the driver related to monitoring improvements in the ESG process was cited by 31 percent of participants in in 2023 and 39 percent in 2024, showing an increased commitment to tracking ESG progress internally. Reputation among suppliers decreased from 30 percent in 2023 to 22 percent in 2024. The reason for this could be that companies are initially focusing on implementing ESG measures within their own value chain or in collaboration with customers and are taking a more wait-and-see approach to suppliers.

"Evolving regulatory landscapes lead to increasing importance of sustainability in overall corporate strategy."

In Europe, the most significant driver is regulatory compliance, with 63 percent of participants highlighting it. This indicates a strong regulatory environment in Europe that mandates rigorous ESG reporting standards. Reputation with customers is also a critical driver at 60 percent, emphasizing the importance of customer perception in European markets. Monitoring improvements in the ESG process is another notable driver at 39 percent, which suggests an internal focus on continuous improvement. In North America, the main reason for ESG reporting is improving reputation with customers (57 percent). Only 29 percent of organizations cited regulatory compliance, indicating fewer regulatory pressures compared to Europe. Just 5 percent see it as important for their reputation with suppliers, and 14 percent for financial markets, suggesting less emphasis in these areas.

"Europe prioritizes compliance, North America eyes customer reputation, and the rest of the world recognizes the importance of all stakeholders, compliance and monitoring the improvements."

Improving reputation with employees is a driver for 24 percent of organizations, while 33 percent use ESG reporting to monitor their progress. Additionally, 10 percent have other reasons for ESG reporting. This highlights a customer-focused approach and an increasing use of ESG for internal monitoring and improvement in North America. In the rest of the world (ROW), the primary reason for ESG reporting is improving reputation with customers (71 percent). Regulatory compliance is important for 50 percent of organizations, similar to improving reputation with financial markets and monitoring ESG progress (both also 50 percent). Enhancing reputation with suppliers is cited by 64 percent, indicating a strong focus on supplier relationships. Improving reputation with employees is a reason for 29 percent of organizations, while no organizations listed any "other" reasons. This shows a strong emphasis on customer, supplier and capital provider needs, along with compliance and internal monitoring.

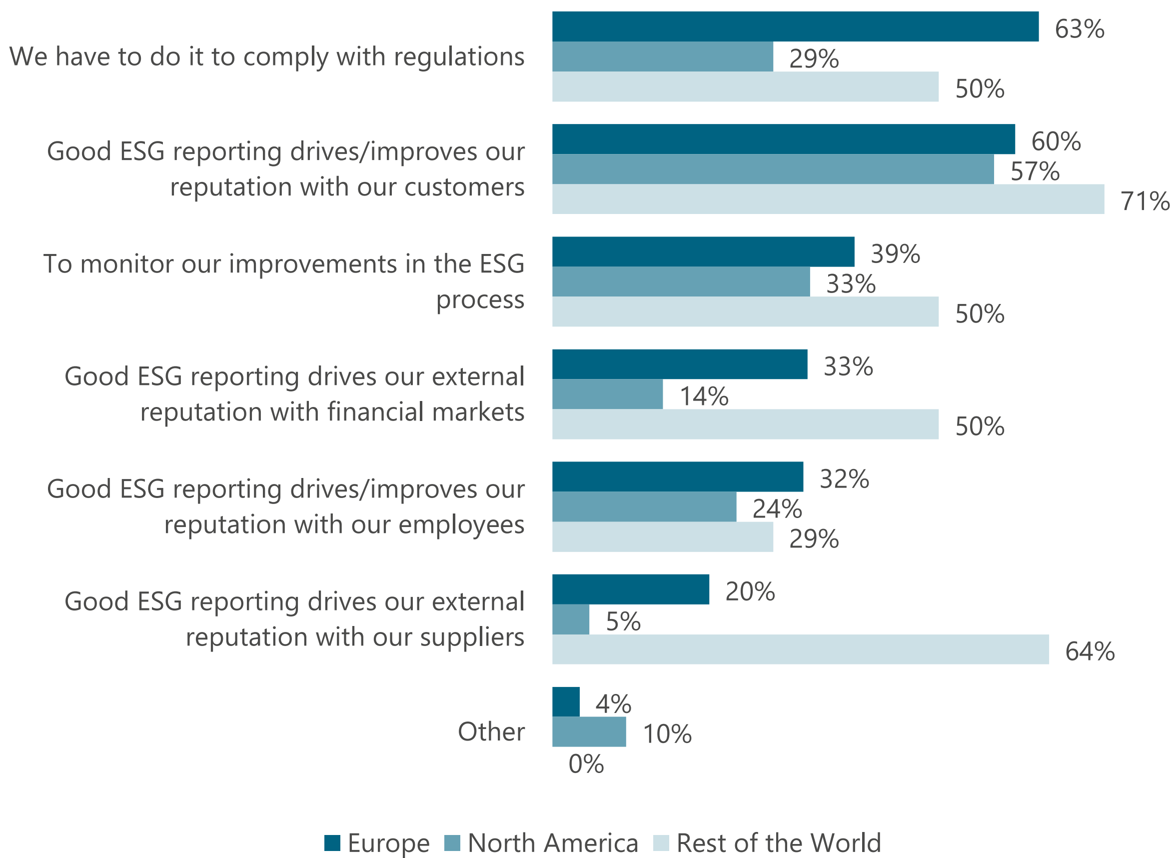

Figure 14: What are the most important drivers of ESG reporting in your organization? by region (n=232)

The drivers for ESG reporting show notable differences across organization sizes. Regulatory compliance is a major driver for larger organizations, with 75 percent of those with 5,000 or more employees identifying it as key. Medium-sized organizations (500-4,999 employees) also emphasize regulatory compliance (64 percent), while only 37 percent of smaller organizations (with less than 500 employees) view it as significant, indicating less regulatory pressure on smaller firms. Customer reputation is recognized as a critical driver across all organization sizes. Larger organizations (67 percent) and medium-sized organizations (62 percent) place a higher emphasis on this factor compared to smaller organizations (52 percent).

"The survey results demonstrate the universal importance of maintaining a positive customer reputation, with even smaller firms acknowledging its value despite less regulatory impact."

Enhancing employee reputation seems to be more important in larger organizations. Results show that 42 percent of large organizations, 33 percent of medium-sized organizations and 20 percent of small organizations see employee reputation as a driver for ESG reporting. This suggests that larger firms, with more extensive workforces, focus more on using ESG reporting to attract and retain employees.

"Employee reputation as a driver for ESG reporting also varies by organization size."

6 Organization of ESG

The effective coordination of ESG responsibilities within the organization is crucial for the successful implementation and reporting of sustainability initiatives. Proper organizational anchoring ensures that ESG strategies are integrated into the organization's core operations. This integration is vital because the transformation towards a sustainable business model affects all aspects of an organization, from strategic decision-making to day-to-day operations. ESG encompasses a wide range of tasks that are crucial for the sustainable development of an organization. These tasks include developing sustainable strategies and business models, setting goals, and implementing measures such as sustainable product development, sustainable production processes and supply chains, and the introduction of specific social standards. These activities need to be monitored and reported to both internal and external stakeholders.

6.1 Operational Anchoring of ESG Reporting

ESG reporting therefore covers the process of how the organization discloses its ESG performance to stakeholders and includes the collection, analysis and presentation of ESG data. ESG reporting aims to provide transparency, demonstrate compliance with regulatory requirements and meet the informational needs of investors, customers, employees and other stakeholders. Moreover, it involves the formulation and monitoring of ESG metrics, ensuring that these metrics are aligned with the organization's strategic objectives and are effectively communicated to relevant stakeholders. In addition to the diverse tasks that ESG encompasses, the question arises as to who is responsible for ESG reporting.

According to the study, a specialized ESG/sustainability department most frequently has the primary responsibility for ESG reporting, with 33 percent of participants indicating this department as the main entity in charge (Figure 15). This suggests a significant reliance on specialized units that focus explicitly on sustainability issues, reflecting the growing importance of dedicated sustainability roles in corporate structures. After the ESG/sustainability department, the controlling department is accountable in 20 percent of the organizations surveyed. This indicates that financial departments within organizations are also deeply involved in the ESG reporting process. The involvement of controlling departments underscores the integration of ESG factors into financial performance and risk management. In addition, group accounting/reporting departments also play an important role (14 percent). This highlights the role of finance departments in reporting ESG data, which may include producing sustainability reports that are consistent with broader financial reports in the future. The IT department is also identified as the responsible party by 12 percent of participants. This reflects the crucial role of information technology in managing the data systems and platforms required for comprehensive ESG reporting.

"ESG reporting responsibility primarily falls on dedicated sustainability departments: Finance and IT departments also play crucial roles."

The IT department's involvement highlights the technical aspects of data collection, processing and reporting. Quality management and/or production departments are responsible for ESG reporting in 5 percent of cases. This lower percentage indicates that while these departments are involved, their primary focus remains primarily on operational aspects rather than ESG reporting. External consultants or vendors are responsible for 4 percent of the reporting, suggesting that a minority of organizations outsource their ESG reporting to third-party specialists. Lastly, 12 percent of participants indicated that

other departments are responsible, implying that in some organizations, ESG reporting responsibilities may be distributed among various other departments such as marketing, public relations and communications.

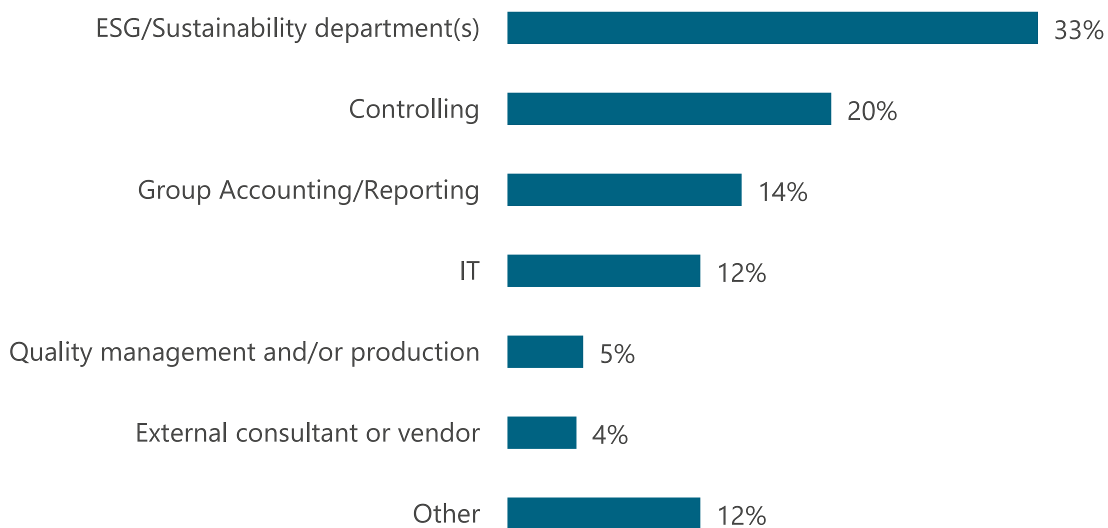

Figure 15: Who or which department in your organization has the main responsibility for the execution of ESG reporting? (n=235)

A comparison with the previous year's data reveals significant shifts in responsibility allocation. The finance departments in the office of the CFO (comprising controlling and group accounting/reporting) held 43 percent of the responsibility for ESG reporting in the previous year, but this has decreased to 34 percent in the current year. Conversely, the role of specialized ESG departments has increased from 21 percent in the previous year to 33 percent this year, indicating a shift towards a more specialized focus on ESG considerations.

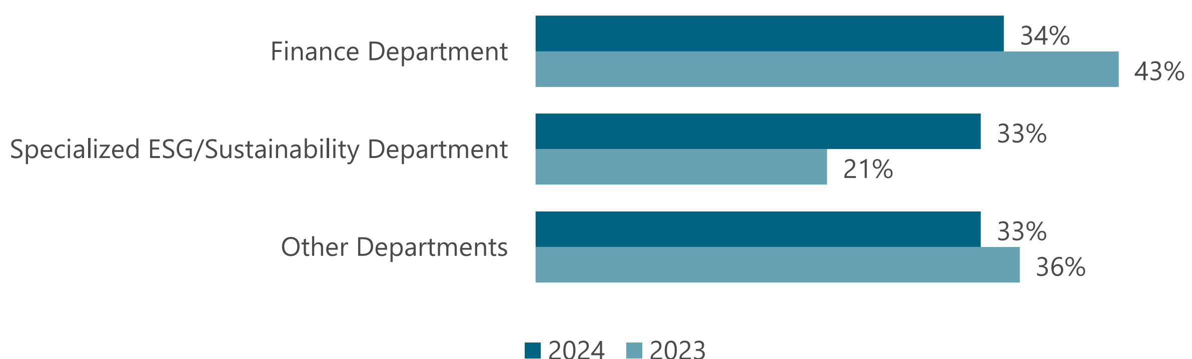

Figure 16: Who or which department in your organization has the main responsibility for the execution of ESG reporting? Comparison of results from 2023 (n=247) and 2024 (n=235)

Breaking down the main responsibility for ESG reporting by region reveals distinct regional differences. In Europe, the responsibility is relatively evenly distributed between the ESG/sustainability department

(35 percent), finance departments (36 percent) and other departments (29 percent). This balanced distribution indicates a collaborative approach across various specialized and financial oversight units in handling ESG reporting. However, the strength of finance departments and the important role of controlling departments in ESG reporting alongside a specialized ESG/sustainability department is clearly evident. In contrast, in North America the responsibility is predominantly held by “other” departments (50 percent), followed by financial departments (27 percent) and the ESG/sustainability department (23 percent). This suggests that in North American organizations, a more diverse range of departments is engaged in ESG reporting, reflecting a broader organizational involvement.

For the rest of the world (ROW), the majority responsibility lies with “other” departments (64 percent), with finance departments (21 percent) and the ESG/sustainability department (14 percent) playing smaller roles. Similar to North America, this distribution indicates a significant involvement of various departments beyond traditional sustainability and financial oversight units in ESG reporting. These regional differences highlight varying organizational structures and strategies in addressing ESG reporting responsibilities, influenced by regional regulatory environments, corporate governance practices and market expectations. Understanding these differences is crucial for multinational organizations as they navigate and harmonize their global ESG reporting processes.

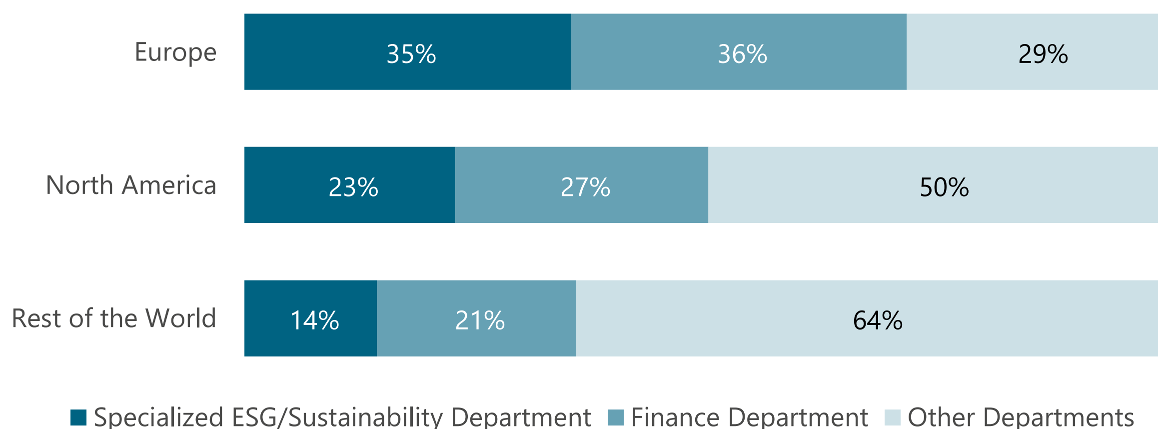

Figure 17: Who or which department in your organization has the main responsibility for the execution of ESG reporting? by region (n=235)

However, there are variations in the degree of involvement of specific departments by industry. In 2024, the responsibility for ESG reporting across various industries shows distinct patterns. Generally, specialized ESG/sustainability departments hold significant responsibility in sectors like the industrial and IT sector, while finance departments are prominent in sectors such as services/retail/wholesale/trade as well as banking and finance. A balanced distribution among different departments is observed in the public sector.

Comparing these results to 2023, notable shifts are evident. Specialized ESG/sustainability departments have generally increased their role, particularly in the industrial and IT sectors. Conversely, finance departments have seen a decline in their responsibility in many sectors, although they remain dominant in the "other" category. The overall trend indicates a growing emphasis on dedicated ESG/sustainability teams across several industries, reflecting an evolving approach to ESG reporting.

	Specialized ESG / Sustainability Department		Finance Departments		Other Departments	
	2024	2023	2024	2023	2024	2023
Industrial Sector	48%	21%	32%	56%	20%	23%
Services / Retail / Wholesale / Trade	25%	31%	39%	38%	36%	31%
Banking and Finance	33 %	19 %	22 %	30 %	44 %	52 %
Public Sector	24 %	22 %	39 %	39 %	36 %	39 %
IT	34 %	10 %	29 %	40 %	37 %	50 %
Other Departments	0 %	28 %	67 %	22 %	33 %	50 %

Figure 18: Who or which department in your organization has the main responsibility for the execution of ESG reporting? by industry and comparison of results from 2023 and 2024 (n=235)

Additionally, the study examines responsibility for ESG reporting in relation to the size of the organization, measured by the number of employees. The 2024 data reveals that in smaller organizations, ESG responsibilities are often found in "other" departments outside the financial departments, such as quality management or marketing. This could be due to the lower regulatory pressure perceived by these organizations and their limited resources in finance departments. Medium-sized organizations, on the other hand, show significant involvement of their finance departments in ESG reporting. These organizations typically have more resources and specialized departments within their financial functions, allowing them to handle ESG responsibilities more effectively. Larger organizations predominantly rely on a specialized ESG/sustainability department, demonstrating a specialized and focused approach to managing ESG responsibilities, and highlighting their ability to allocate specific resources towards sustainability efforts.

"ESG reporting responsibilities vary by organization size: Smaller firms rely on non-financial departments or ESG departments, medium-sized firms engage finance departments and large organizations often have dedicated ESG teams."

When comparing the results from 2023, there are notable differences. In smaller organizations, there has been a shift towards greater involvement of a more specialized ESG/sustainability department in 2024 while the role of the finance department has decreased significantly. In medium-sized organizations, the role of finance departments remains significant in 2024, indicating a continued strong integration of ESG with finance departments such as controlling. However, the role of dedicated ESG departments has also increased significantly in midsize companies. Larger organizations showed a strong reliance on dedicated ESG/sustainability departments in 2023 and this trend has continued into 2024 with even stronger emphasis, indicating a consistent approach to specialization in ESG reporting. The role of finance departments in larger organizations has decreased.

These comparisons underscore how organization size influences the organization of ESG reporting. Smaller firms often place ESG responsibilities in other departments outside the financial area, such as quality management or marketing, which means they still see it more as an instrument to

increase customer reputation, which goes hand in hand with the results from the earlier chapter on motivation for ESG. Medium-sized firms tend to involve finance departments, reflecting their greater resources or more specialized accounting/controlling departments. Larger firms consistently maintain specialized units for ESG responsibilities, showing a stable and focused approach. Overall, we see an increased role for dedicated ESG departments, regardless of the size of the organization. The shifts observed from 2023 to 2024 reflect a refinement in ESG reporting strategies tailored to organization size and resource capabilities.

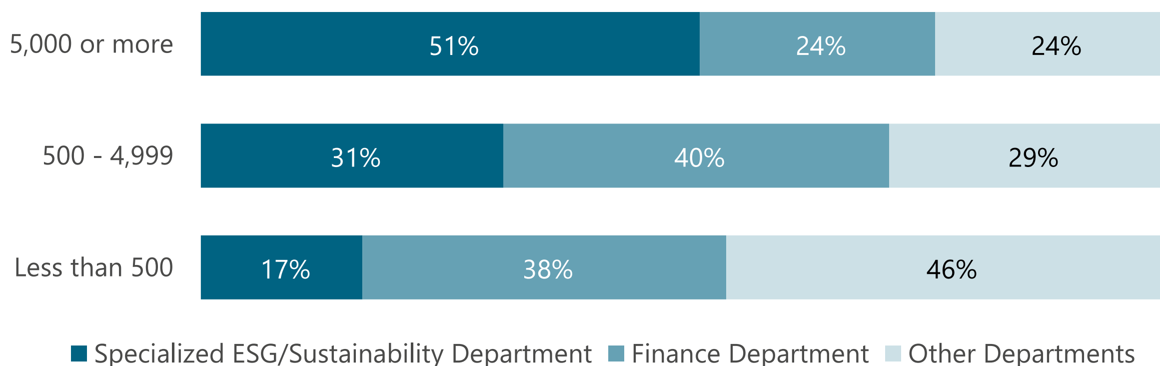

Figure 19: Who or which department in your organization has the main responsibility for the execution of ESG reporting? by size (n=235)

6.2 Organizational Anchoring of the ESG/Sustainability Department

It is worth noting that the ESG/sustainability department can be part of the CFO's domain, benefiting from existing know-how and financial reporting processes. However, the sustainability department can also be assigned to the office of the CEO or even to a dedicated Chief Sustainability Officer (CSO). A study by EY (2023) of the 1,000 US organizations that contribute the most to the US GDP shows that 81 percent of these organizations have already established the position of CSO[1] Similarly, a 2022 global study by PwC indicated that slightly more than a third of the German organizations surveyed employed a CSO at that time. French organizations were seen as pioneers, with 57 percent employing a CSO, while in the United States, 47 percent of the organizations surveyed had a CSO in top management[2]. According to the study conducted by Strategy& (2023), around 90 percent of DAX-40 organizations, as well as all the companies in the Austrian Traded Index (ATX-20) and Swiss Market Index (SMI-20), have already established a CSO. It should be noted, however, that not every CSO is anchored at C-level (executive or management board) and therefore may not be able to independently embed ESG goals in the corporate strategy or change internal processes and business models. The consulting firm Strategy& (2023)[3] makes this distinction using the terms "CSO light" and "CSO with impact".

"The emergence of Chief Sustainability Officers: From supportive roles to impactful C-level positions, CSOs shape ESG strategy across global organizations."

[1] See EY (2023): *C-suite Insights: Sustainability and ESG Trends Index*, download at: https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/sustainability/ey-c-suite-insights-sustainability-and-esg-trends-index.pdf (01.05.2024).
[2] See PWC (2022): *Immer mehr Firmen ernennen einen Chief Sustainability Officer (CSO)*, download at: https://blogs.pwc.de/de/sustainability/article/231558/immer-mehr-firmen-ernennen-einen-chief-sustainability-officer-cso/ (01.05.2025).
[3] See Strategy&: *An organizational set-up fit for ESG transformation. The need for a Chief Sustainability Officer with impact*, download at: https://www.strategyand.pwc.com/de/en/functions/sustainability-strategy/cso2023/strategyand-cso2023.pdf, zuletzt geprüft am (01.05.2024).

The “CSO light” leads a separate department but is not a member of the executive board, so their role is often limited to supportive functions such as communications, compliance, HR, quality management or driving ESG transformation within core functional areas such as R&D, procurement or production. In contrast, the “CSO with impact” is a C-level role, either integrated into an existing C-level role or established as a separate C-level position, equivalent to the CFO. There are country-specific differences: While 60 percent of listed organizations in Switzerland have already anchored the role of “CSO with impact”, this is the case in only 40 percent of DAX-40 organizations and 35 percent of ATX organizations.

6.3 The Strategic Anchoring of ESG

In addition to the position of CSO, organizations may establish a dedicated sustainability board or sustainability committee, a special governance body dedicated to sustainability, often as part of the supervisory board. The sustainability committee, like the supervisory board, meets regularly to discuss and manage sustainability-specific issues (such as regulatory sustainability requirements and sustainability management), monitor targets (such as developing ESG competencies) and oversee sustainability topics (such as CO^2 emissions and occupational safety) using key performance indicators (KPIs).

“Organizations bolster ESG governance with dedicated sustainability committees: Enhancing oversight, setting priorities and ensuring accountability.”

The composition of the sustainability committee depends on the organization's structure and industry, typically including members of the executive management as well as internal and external sustainability experts. This body usually meets several times a year to set ESG priorities, monitor performance, allocate resources and oversee the implementation of the ESG strategy and risk management within the organization to ensure transparency and accountability. Typically, the CSO or another responsible executive board member is an important member of the sustainability committee.

7 Challenges of ESG Reporting

The process of ESG reporting is fraught with numerous challenges that can hinder the effectiveness and accuracy of the reports. This study aims to identify and analyze the primary obstacles organizations face when conducting ESG reporting today.

"Resource constraints hinder effective ESG reporting: 42 percent of organizations struggle with shortage."

Interestingly, 6 percent of organizations reported facing no significant challenges in their ESG reporting efforts. This minority demonstrates that while the majority of organizations struggle with various issues, some have managed to streamline their processes effectively.

For those struggling with challenges, one of the most significant encountered in ESG reporting is a lack of resources, with 42 percent of organizations reporting this issue. This shortage encompasses both the human and financial resources necessary to gather, analyze and report ESG data comprehensively. Human resources in the ESG domain are scarce. This scarcity is attributable to the relatively recent emergence of ESG as a critical focus area, which means that education and training programs are still in their nascent stages. Consequently, there is a limited pool of employees with extensive expertise and long-standing experience in this field. The data reveals that organizations that have already published their first ESG reports or are currently in the process of doing so report fewer resource constraints (only 30 percent). In contrast, 59 percent of those planning to publish in the future face significant resource challenges, which suggests that a lack of resources is a primary reason for their delayed publication.

"Multiple data sources and quality issues complicate ESG reporting: 42 percent struggle with data consolidation, while 38 percent face reliability challenges."

Another challenge, also affecting 42 percent of the organizations surveyed, is dealing with too many different data sources. The diversity and volume of data sources make the consolidation and processing of ESG data complex and time-consuming, often requiring significant manual effort. Closely related is the issue of data quality and reliability, reported by 38 percent of respondents. Poor data quality undermines the accuracy and credibility of ESG reports, making it difficult for stakeholders to trust the information provided. Manual tasks pose a substantial burden as well, with 29 percent of organizations identifying this as a major challenge. The reliance on manual processes increases the risk of errors and delays in ESG reporting, highlighting the need for more automated and efficient data handling solutions.

Additionally, 24 percent of organizations struggle with unclear definitions of requirements. Ambiguities in what is required for ESG reporting lead to uncertainties and inefficiencies, complicating the reporting process and resulting in inconsistencies across reports.

"Resource constraints, data quality issues and unclear requirements hinder effective ESG reporting: Organizations struggle with shortages and complexities in data consolidation."

Lack of interest or awareness in departments responsible for delivering data is another significant hurdle, affecting 23 percent of organizations. This lack of engagement from key departments impedes the flow of necessary data, further complicating the ESG reporting process.

Time pressure is cited by 19 percent of organizations as a critical challenge. However, this pressure is not yet overwhelming for many organizations, as the mandatory deadline for listed EU organizations to publish a comprehensive ESG report is set for 2025. This impending deadline means that these organizations are currently in a phase of preparation and adaptation, but the urgency will likely increase as the deadline approaches.

Unclear or changing definitions of KPIs add to the difficulties, with 16 percent of organizations citing this as a challenge. Inconsistent or changing KPI definitions make it difficult to achieve consistency and comparability over time.

Poor software support, reported by 14 percent of organizations, highlights the technological barriers to effective ESG reporting. Inadequate software tools make data collection, processing and reporting more cumbersome and error-prone.

The findings of this study underscore the multifaceted challenges that organizations face in ESG reporting. From resource constraints and data quality issues to manual tasks and unclear requirements, these obstacles highlight the need for enhanced tools, clearer guidelines and greater engagement across departments. Addressing these challenges is crucial to improving the accuracy, reliability and overall effectiveness of ESG reporting, thereby enhancing transparency and accountability in corporate sustainability practices.

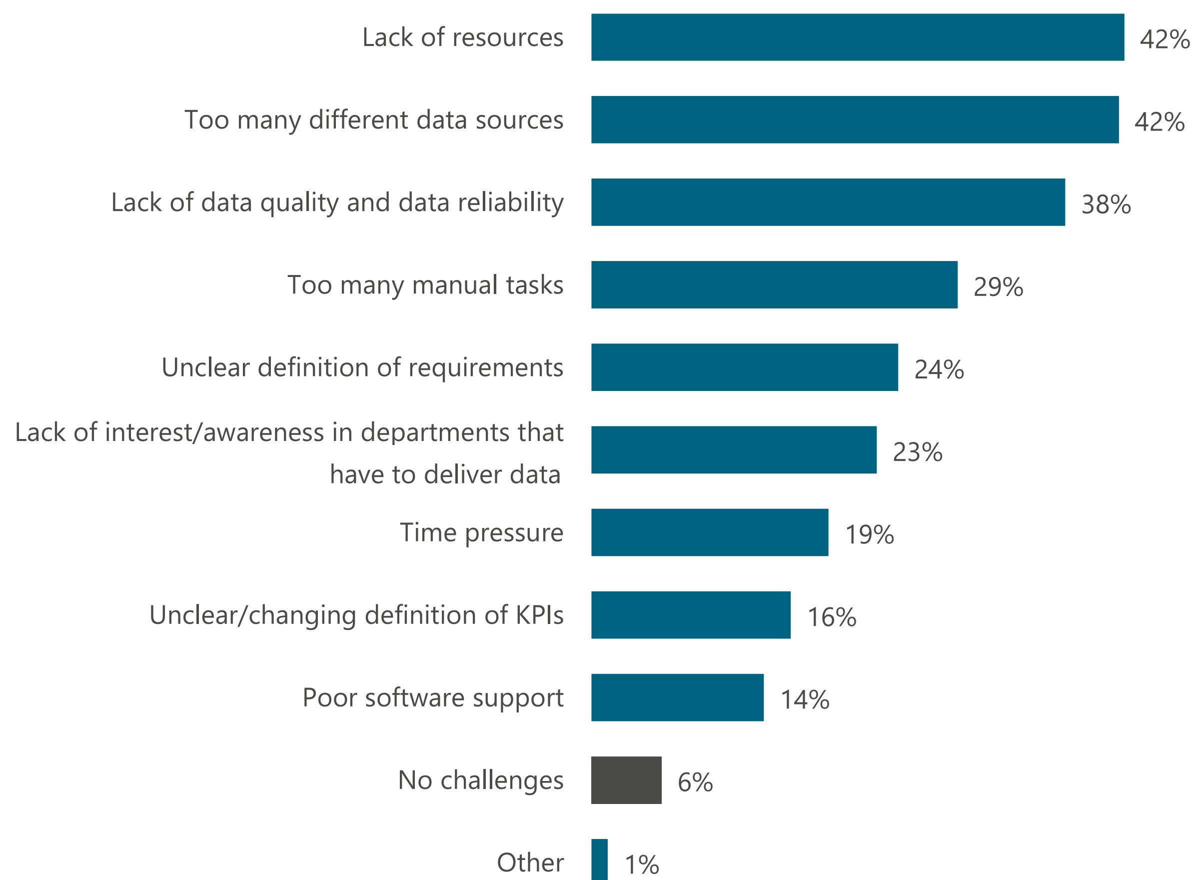

Figure 20: What are the biggest challenges you encounter in running ESG reporting today? (n=233)

"ESG reporting faces growing resource constraints and data integration challenges, despite improvements in software support and departmental engagement."

The 2023 survey results are broadly similar to 2024, but 'lack of resources' increased significantly from 32 percent to 42 percent, indicating growing demands on financial and human resources, and also that the potential for automation is not yet being fully tapped. Poor software support decreased from 21 percent to 14 percent, suggesting improved technological tools.

The issue of too many different data sources rose from 36 percent to 42 percent, highlighting ongoing data integration challenges. Additionally, unclear/changing definitions of KPIs decreased from 20 percent to 16 percent, showing progress in standardization.

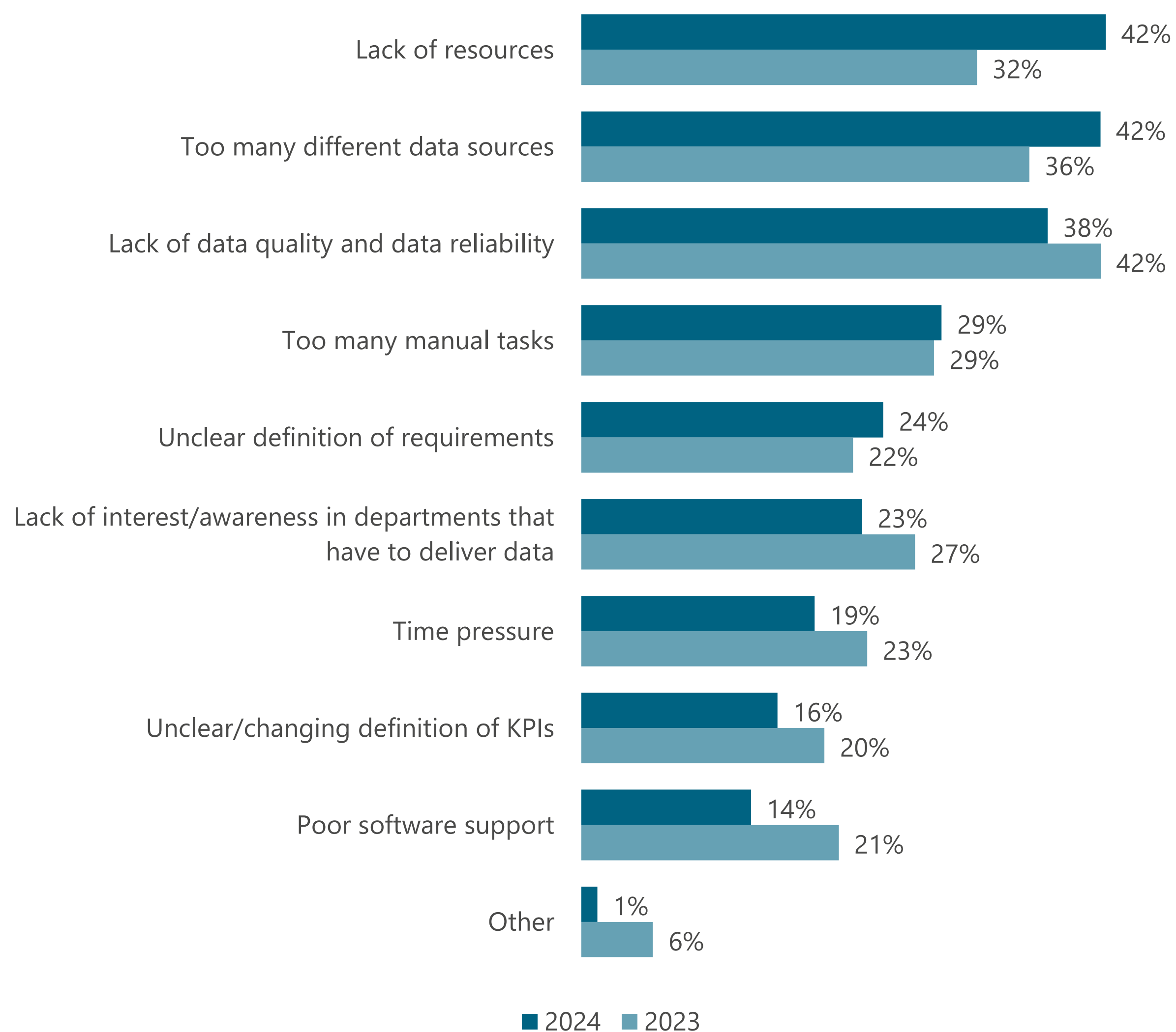

Figure 21: What are the biggest challenges you encounter in running ESG reporting today? Comparison of results from 2023 (n=259) and 2024 (n=233)

"Lack of data quality and reliability remains a major challenge in ESG reporting, with specialized ESG departments struggling more than data experienced finance departments."

Fundamentally, there are no differences in who bears the responsibility for ESG and the associated challenges. However, the survey data indicates that a lack of data quality and reliability is a significant challenge across all departments, with some notable differences based on where the responsibility for ESG reporting lies. In specialized ESG/sustainability departments, 51 percent report this issue, compared to 33 percent in finance departments and 30 percent in other departments.

"The perceived lack of resources represents a significant challenge across all surveyed departments, particularly for those working in finance departments. This underscores the need for organizations to allocate and invest targeted resources to ensure effective and efficient ESG reporting processes."

The higher incidence of this challenge in ESG/sustainability departments may be due to the fact that finance departments are more experienced in handling data quality and reliability issues. Finance departments typically have established processes and expertise in managing complex data, which helps mitigate these challenges more effectively than in specialized ESG/sustainability departments, where data management practices might still be developing.

Figure 22: Is a lack of data quality and data reliability a challenge you encounter in running ESG reporting today? by department (n=88)

Figure 23: Is a lack of resources a challenge you encounter in running ESG reporting today? by role (n=99)

The survey data reveals significant differences in the challenges faced by best-in-class (BIC) organizations and laggards regarding ESG reporting. A major disparity is evident in the lack of resources, with only 33 percent of BIC organizations experiencing this issue compared to 60 percent of laggards. This suggests that BIC organizations are more likely to have allocated sufficient resources for ESG reporting. Time pressure is another key difference, affecting only 15 percent of BIC organizations but 37 percent of laggards. This indicates that BIC organizations have more efficient processes or better time management practices. Additionally, the challenge of managing too many different data sources is reported by 58 percent of BIC organizations, compared to only 31 percent of laggards, implying that BIC organizations undertake more comprehensive data collection. Unclear definition of requirements poses a significant challenge for laggards, with 37 percent reporting this issue versus just 13 percent of BIC organizations. This difference suggests that BIC organizations have a clearer understanding or better guidelines for ESG reporting.

"These findings highlight that BIC organizations are generally better resourced, have more efficient processes and face fewer uncertainties in their ESG reporting efforts."

Addressing these disparities could help laggards improve their ESG reporting practices by learning from the strategies employed by BIC organizations, such as investing in resources, leveraging better technology and enhancing internal communication and process efficiency.

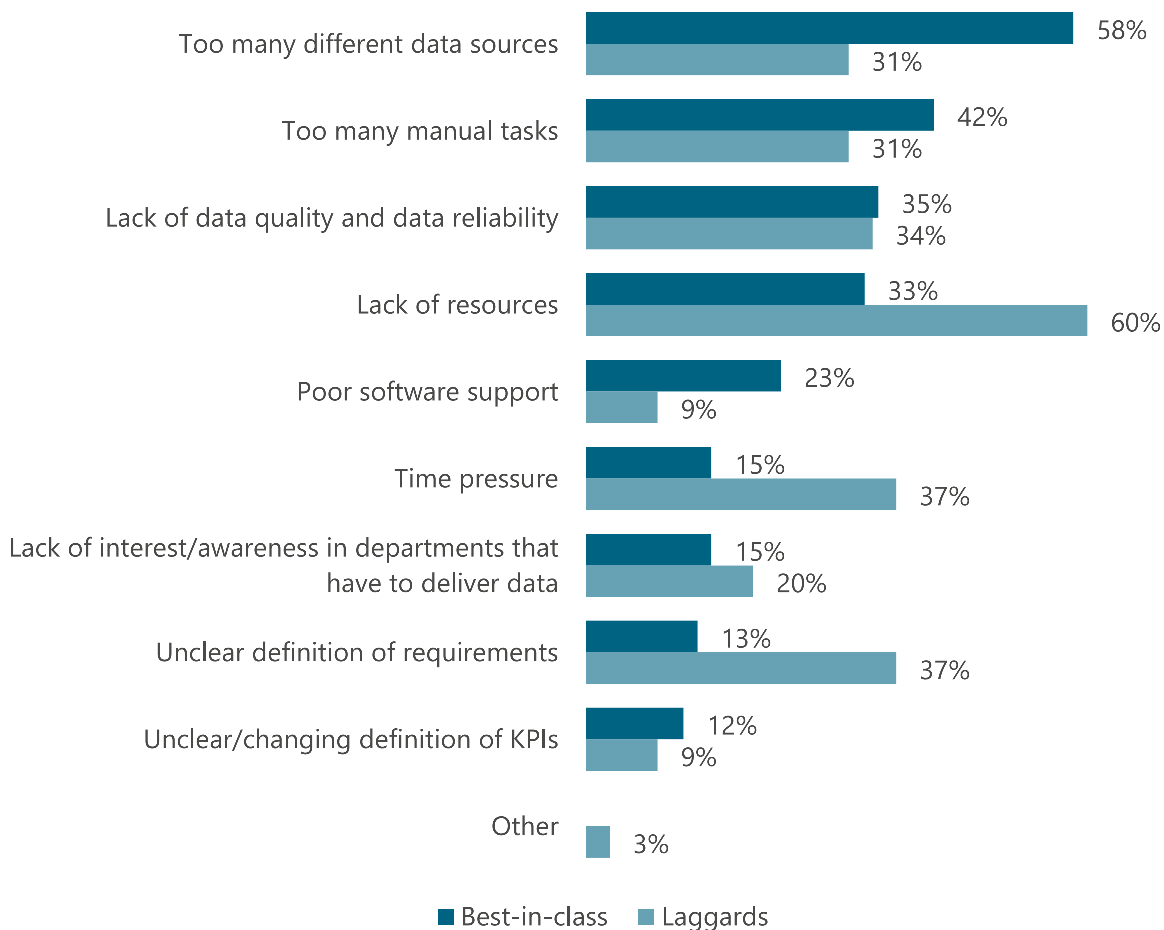

Figure 24: What are the biggest challenges you encounter in running ESG reporting today? by laggards and best-in-class (n=95)

The survey results highlight distinct regional challenges in ESG reporting. In Europe, the complexity of the European Sustainability Reporting Standards (ESRS) leads to difficulties with diverse data sources (46 percent) and data quality and reliability. These standards require detailed and varied data, straining resources and complicating data management. In North America, the main issues are unclear definitions and requirements (32 percent) and a lack of awareness in departments responsible for delivering data (27 percent). This indicates a need for clearer guidelines and better internal communication about ESG priorities. Both Europe and North America also struggle with excessive manual tasks, suggesting a need for more automation and streamlined processes. Meanwhile, the rest of the world (ROW) faces significant problems with poor software support (46 percent) and time pressure (31 percent), highlighting technological and efficiency constraints. Despite these regional differences, a lack of resources is a common challenge across all areas, emphasizing the universal need for more support and investment in ESG reporting processes.

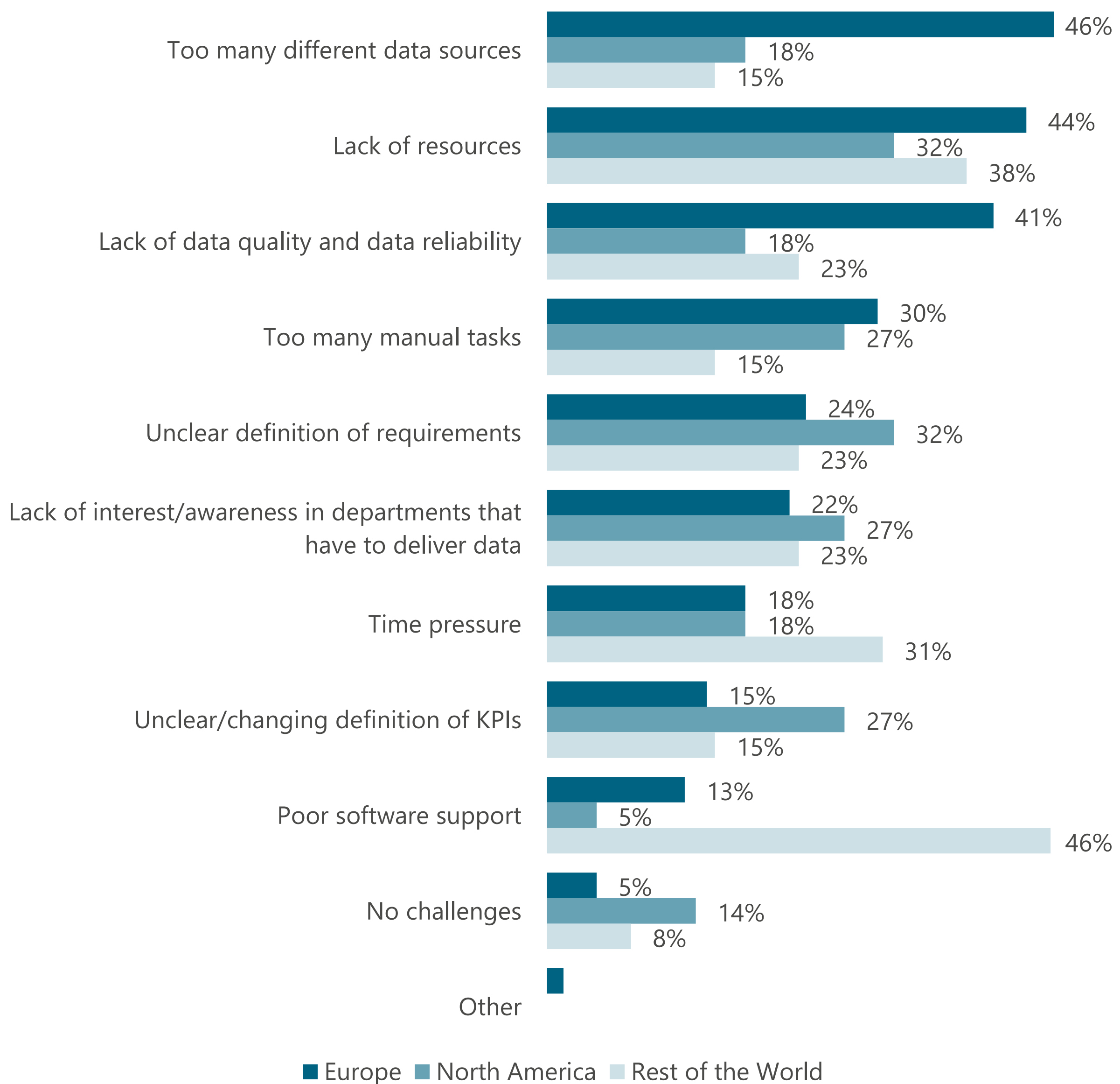

Figure 25: What are the biggest challenges you encounter in running ESG reporting today? by region (n=233)

8 Challenges Choosing Software Solutions

To meet the growing demand for transparency and accountability in ESG reporting, selecting the right software to automate the process is essential for efficiency and resource conservation. However, organizations face a variety of challenges in integrating and utilizing the appropriate software. Remarkably, 8 percent of respondents indicated that they have not encountered any challenges, suggesting that certain organizations have effectively navigated the ESG software selection process.

"It is interesting that 16 percent of participants expressed no interest in software support for ESG reporting."

The fact that 16 percent of participants expressed no interest in software support for ESG reporting could be for a number of reasons. Some companies may already have established internal systems and processes or may not be aware of the benefits of additional and specific ESG software. Additionally, the necessity for data storage and preparation may not be recognized yet, reducing the need for specialized software.

Those that express interest in software support see multiple challenges in choosing software solutions for ESG reporting. The most significant challenge, cited by 37 percent of participants, is integration with the existing IT infrastructure, indicating that many organizations struggle to seamlessly incorporate new ESG software into their IT systems. Following closely behind, 33 percent of participants report a lack of internal personnel resources, suggesting a need for more skilled staff to handle ESG software implementation and management. Limited budget for software acquisition and implementation is another major hurdle, with 31 percent of participants facing financial constraints in procuring and deploying suitable ESG reporting tools.

"Integrating ESG software with existing IT infrastructure and a lack of internal resources are major obstacles, highlighting the need for strategic planning and resource allocation."

The lack of expertise or know-how in relation to ESG software, reported by 28 percent of participants, highlights the potential need for training and capacity building. The diverse software market, mentioned by 23 percent of participants, can seem overwhelming, making it difficult to choose the best fit for their specific needs. A lack of software capabilities or functionalities is a concern for 18 percent of participants, indicating that existing software solutions do not meet their specific requirements for ESG reporting. Meanwhile, 16 percent of participants have no interest in software support for ESG reporting, which could indicate differing priorities or a perceived lack of necessity. Our analysis reveals that integrating ESG software with existing IT infrastructure and a lack of internal resources are the primary obstacles organizations face. Addressing these issues through strategic planning, resource allocation and training may help in overcoming the challenges associated with ESG software implementation.

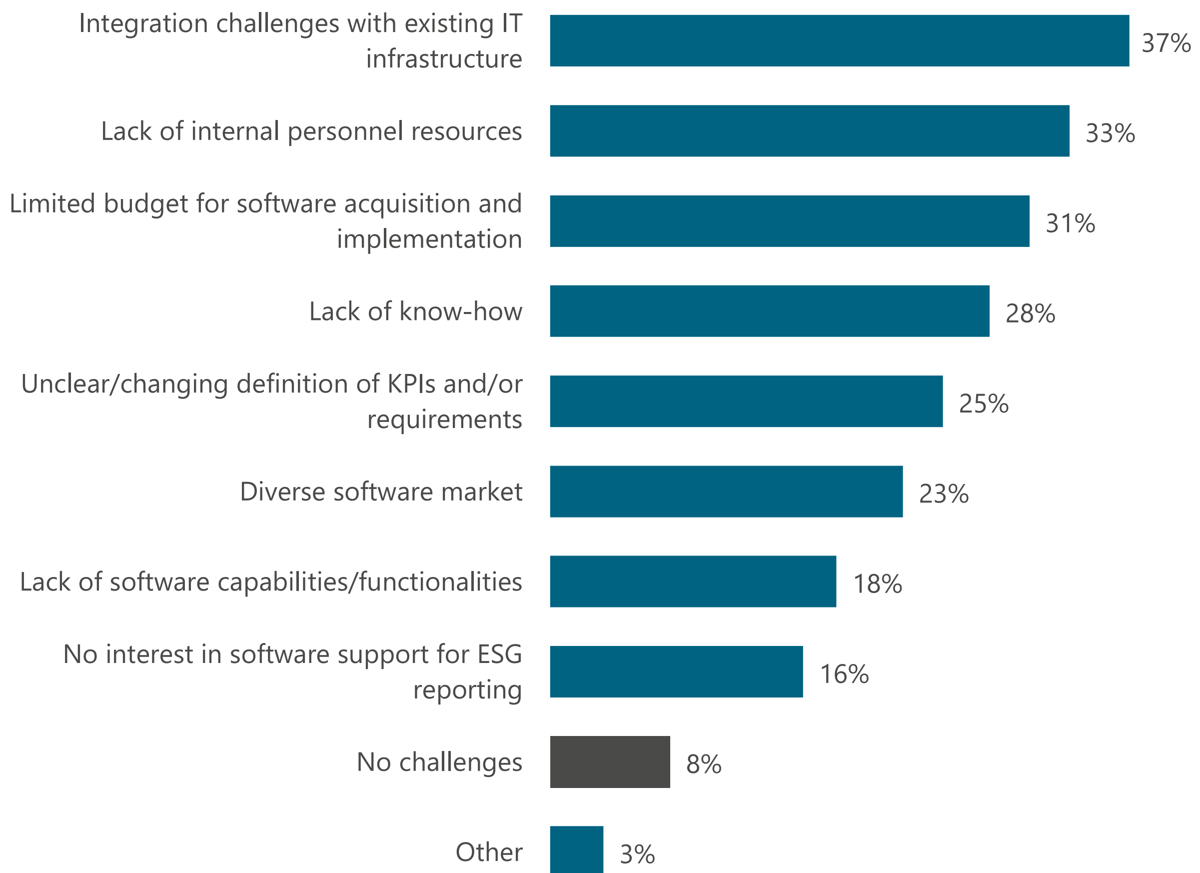

Figure 26: What are the biggest challenges you have encountered in choosing software solutions for ESG reporting? (n=233)

Comparing best-in-class organizations and laggards uncovers several significant differences in the challenges they face when selecting software solutions for ESG reporting. Best-in-class organizations report a higher incidence of integration challenges with existing IT infrastructure (45 percent compared to 31 percent for laggards), indicating that their advanced systems might be more complex to integrate with new software. Conversely, laggards are more likely to struggle with a lack of know-how, with 51 percent citing this as a challenge compared to only 22 percent of best-in-class organizations. This suggests that best-in-class organizations possess better in-house expertise and knowledge related to ESG reporting. Additionally, a higher percentage of laggards (43 percent) report insufficient internal personnel resources as a challenge, compared to 32 percent of best-in-class organizations. This indicates that laggards might lack the necessary human resources to effectively manage and implement ESG reporting software. Best-in-class organizations, however, are more likely to find that existing software lacks the capabilities or functionalities they require, with 27 percent reporting this issue compared to 17 percent of laggards. This implies that best-in-class organizations have higher expectations and more specific needs from their software solutions. Laggards also exhibit a slightly higher lack of interest in software support for ESG reporting, with 17 percent indicating no interest compared to 12 percent of best-in-class organizations. This difference might reflect varying priorities or a perceived lack of necessity among laggards.

"Best-in-class organizations face complex integration challenges, while laggards struggle with basic know-how and personnel resources in ESG software implementation."

The main differences between best-in-class organizations and laggards highlight that best-in-class organizations face more integration challenges due to their IT systems but have better internal expertise and resources. Laggards, on the other hand, struggle more with a lack of know-how and personnel resources: Areas where they could improve to enhance their ESG reporting capabilities.

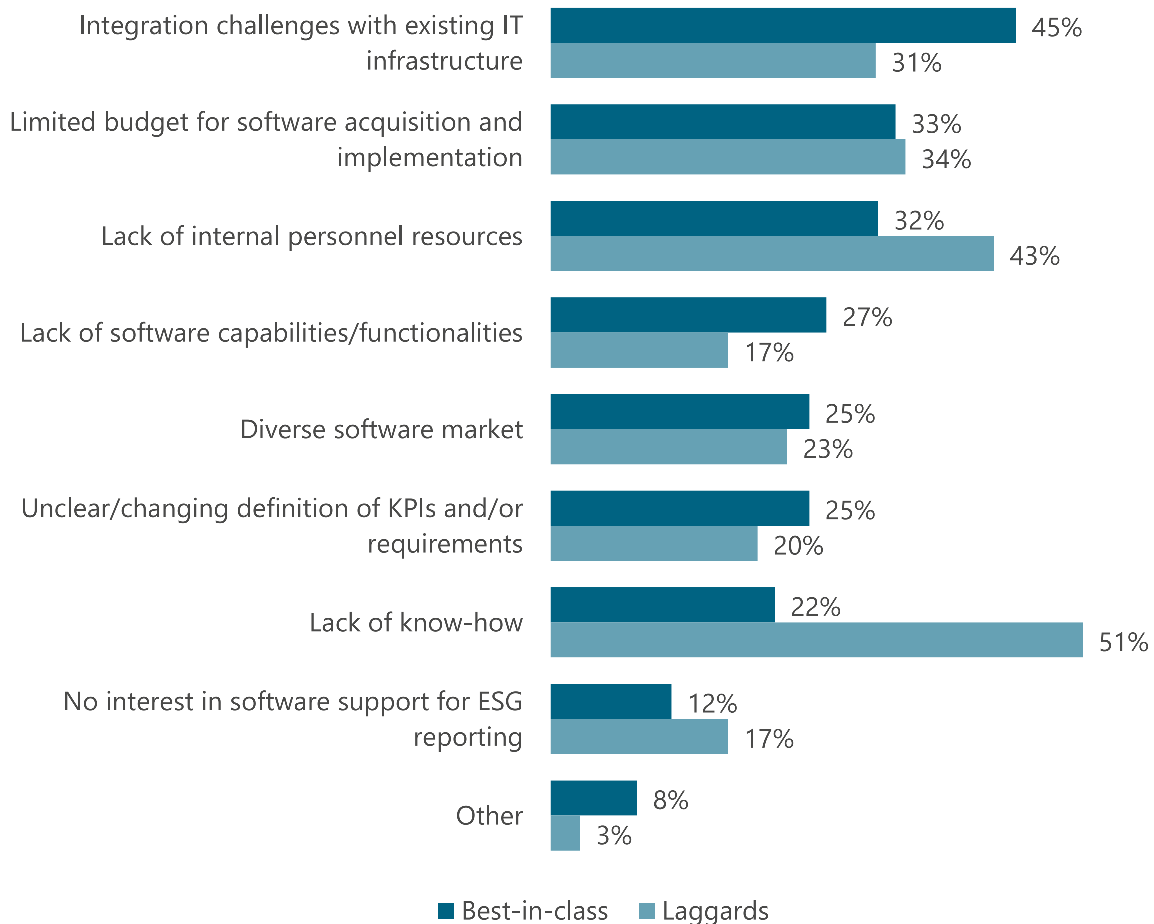

Figure 27: What are the biggest challenges you have encountered in choosing software solutions for ESG reporting? by laggards and best-in-class (n=95)

The data reveals significant differences between Europe, North America and the rest of the world (ROW) in the categories of integration challenges with existing IT infrastructure, limited budget for software acquisition and implementation, and lack of software capabilities/functionalities.

In Europe, integration challenges with existing IT infrastructure are prominent at 38 percent, indicating that European companies may have more complex IT systems that are difficult to integrate. In the ROW, this challenge is even greater at 54 percent, suggesting a less standardized and more varied IT landscape. In contrast, North American companies report fewer integration issues at 23 percent, which may reflect more uniform IT systems.

Regarding the budget for software acquisition and implementation, ROW shows the most significant constraint with 62 percent, highlighting limited financial resources in many of these countries. European companies also face budgetary limitations at 30 percent, but not as severely as ROW. North American companies, with only 18 percent reporting budget issues, appear more capable or willing to invest in ESG software.

A lack of software capabilities and functionalities is a major issue for ROW at 54 percent, indicating that the available software may not meet their specific needs. In North America, 23 percent report this as a challenge, suggesting certain requirements are not met by existing software. European companies, at 16 percent, seem to face this issue less, which implies that the available software better matches their needs.

"Regional disparities in ESG software adoption highlight a critical need for tailored IT solutions and advisory."

These three major differences reflect varying levels of resource availability, technological infrastructure and prioritization of ESG reporting across regions. European companies seem to struggle with more complex IT environments and budget constraints. North American companies face issues with software functionality and less interest in ESG reporting, while ROW contends with significant budget constraints, integration difficulties and a lack of suitable software. These variations reflect the economic conditions, technological development and differing priorities in each region.

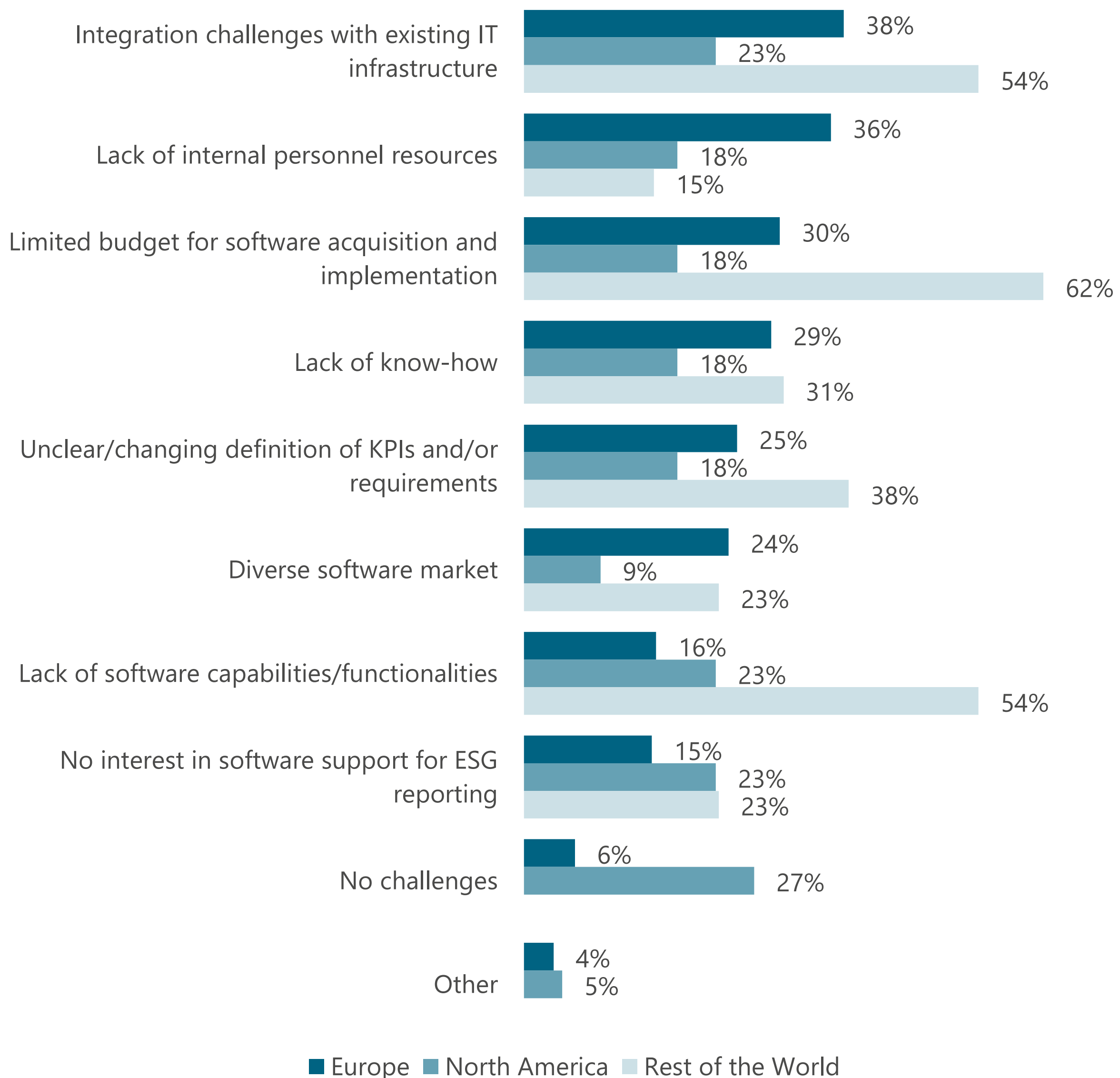

Figure 28: What are the biggest challenges you have encountered in choosing software solutions for ESG reporting? by region (n=233)

9 Potential and Ways to Improve ESG Reporting

9.1 Enhancing Data Integration, KPI Reporting and Financial Impact Measurement in ESG Activities

Effective ESG reporting not only demonstrates an organization's commitment to ESG regulations and practices but also plays a crucial role in enhancing corporate reputation, investor relationships, strategic and risk management, and finally driving entity value. As organizations strive to meet these rising expectations, identifying areas with high potential for improvement in ESG reporting processes becomes essential. This analysis explores the potential for enhancement in three areas: Data collection and integration, key performance indicator (KPI) aggregation and reporting, and measuring the financial impact of ESG activities.

60 percent of the survey participants see great potential for improvement in the collection and integration of data from various ESG sources. As a result, there is considerable scope for improving data collection methods through better data management systems, advanced analytics and more efficient data integration techniques. With 31 percent seeing medium potential, it indicates that while there are some existing capabilities, they are not fully optimized. Only a small percentage see little or no potential, suggesting that improvements in this area could bring significant benefits.

When it comes to aggregating, calculating KPIs and publishing ESG reports, 40 percent of participants see a high potential for improvement, with an almost equal percentage (42 percent) seeing medium potential. This indicates a recognized need for better aggregation and calculation of KPIs, as well as more effective ways to publish ESG reports. The significant portion seeing medium potential suggests that current practices are effective up to a point, but could be enhanced through standardized reporting frameworks, automated tools for KPI calculation and more transparent practices.

"There is significant potential for improvement in ESG reporting: Enhancing data collection, KPI aggregation and measuring financial impact can drive better compliance and value creation."

For measuring the financial impact of ESG activities, the high and medium potential categories are equal at 39 percent. This balance suggests that existing methods to measure financial impacts are not being fully exploited or optimized. Improvements might involve developing more sophisticated financial models, integrating ESG metrics more deeply into financial analysis, and enhancing the ability to quantify the economic benefits of ESG initiatives. Notably, 19 percent still see low potential, indicating some skepticism or perhaps satisfaction with current measures, but the high and medium figures clearly show room for improvement. In conclusion, the results indicate substantial potential for improvement across all three potential steps to improve ESG reporting.

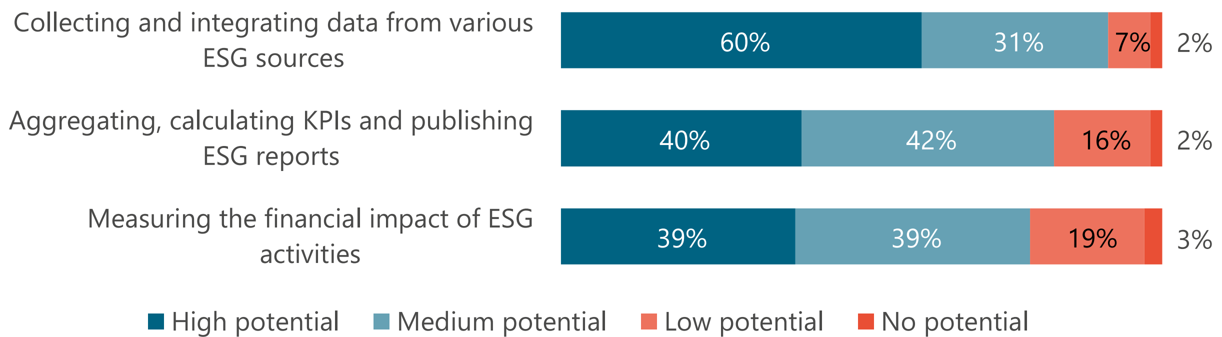

Figure 29: How much potential for improvement do you see in the following steps? (n=218)

Comparing these results with the findings from 2023 reveals that there has been little change in the perceived potential for improvement in these areas. In 2023, 61 percent of participants saw a high potential for improvement in collecting and integrating data from various sources, with 29 percent seeing medium potential, and 6 percent and 4 percent seeing low and no potential respectively. For aggregating, calculating KPIs and publishing reports, 43 percent saw high potential, 43 percent saw medium potential, and 11 percent and 3 percent saw low and no potential respectively. Finally, for measuring the financial impact of ESG activities, 35 percent saw high potential, 43 percent saw medium potential, and 16 percent and 6 percent saw low and no potential. These figures suggest that the same problem areas noted in 2023 persist in 2024, indicating an ongoing need for significant improvements in ESG reporting processes.

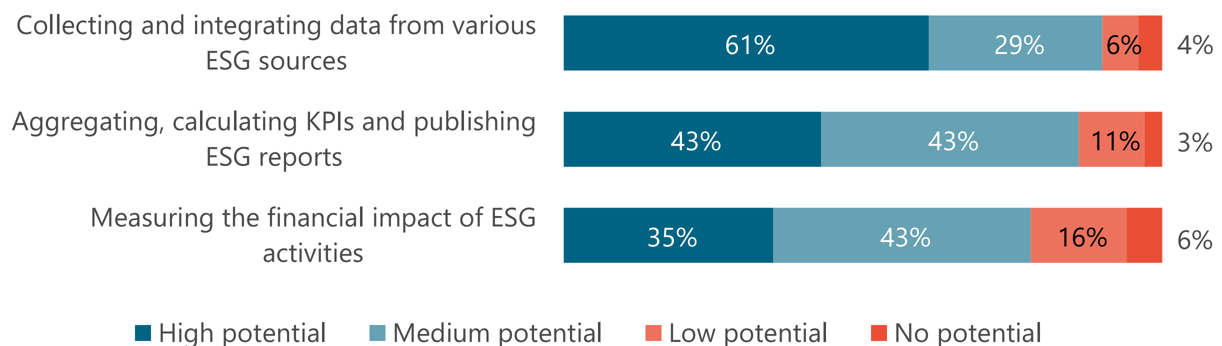

Figure 30: How much potential for improvement do you see in the following steps? Based on 2023 study (n=267)

When looking at the results sector by sector, it becomes clear that the industrial sector sees the highest potential for improvement in the collection and integration of data from different ESG sources with 70 percent, which indicates a need for advanced data management systems and better integration of different data sources. The services/retail/wholesale/trade sector follows with 64 percent, highlighting the challenges of complex supply chains and the need for improved data integration methods and supplier involvement. The public sector also shows significant potential at 57 percent, suggesting the need for coherent data management strategies and cross-agency collaboration. The IT sector and the banking and finance sector report the lowest rate of high potential (43 percent and 40 percent respectively), which may be due to already robust data collection processes that still have some room for improvement.

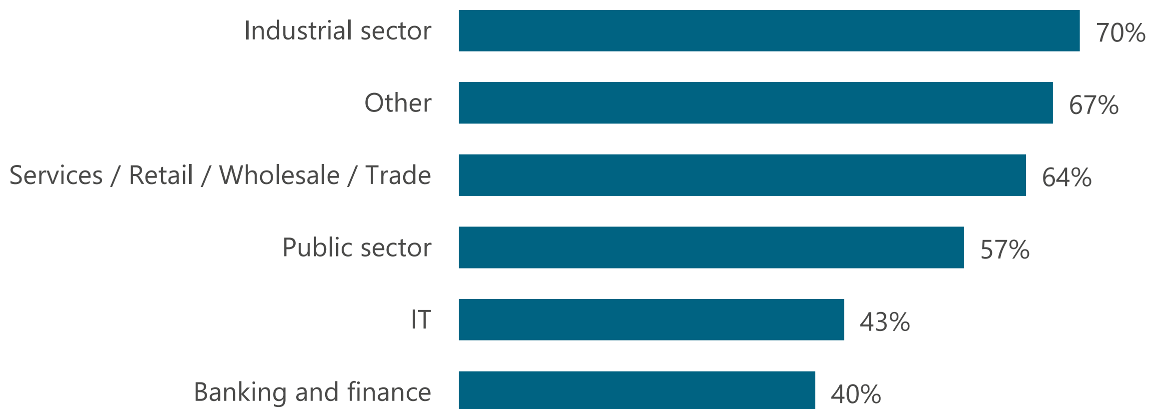

Figure 31: High potential for improvement by collecting and integrating data from various ESG sources? by industry (n=218)

"The services and retail sectors recognize the greatest potential to measure financial impact, likely due to increased consumer scrutiny and the need to demonstrate the impact of environmentally and socially sustainable activity to them."

Regarding aggregating, calculating KPIs and publishing ESG reports, there are no significant sector-specific differences in the potential for improvement, as most sectors see similarly high potential, with the exception of the IT sector, which is notably lower.

However, in measuring the financial impact of ESG activities, the services/retail/wholesale/trade sector reports the highest potential at 55 percent, indicating a need for better tools and methodologies to quantify the financial implications of ESG initiatives. The public sector shows substantial potential at 39 percent, highlighting the need for robust frameworks to measure the societal and economic impacts of ESG activities. The industrial sector is next on 36 percent, suggesting opportunities for advancements in financial models and the integration of ESG metrics into financial analysis. The IT sector reports moderate potential at 28 percent, indicating a need for improved financial measurement tools. The banking and finance sector again reports the lowest potential at 27 percent, suggesting that existing methods are already sophisticated but still have room for refinement.

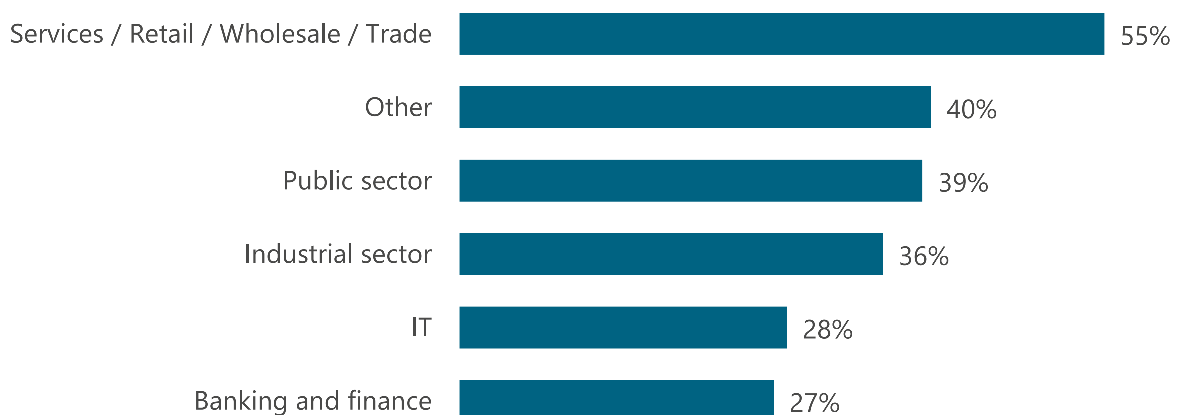

Figure 32: High potential for improvement by measuring financial impact of ESG activities? by industry (n=211)

9.2 Strategies for Improving ESG Implementation

Our study also reveals the ways organizations believe they can improve the implementation of ESG reporting. The most favored one, chosen by 66 percent of participants, is to train existing employees. This indicates a significant reliance on upskilling current staff, reflecting an understanding that leveraging internal talent is efficient in driving ESG initiatives. Collaborating with external experts is the second most popular strategy, with 54 percent of organizations opting for this method. This choice underscores the value placed on external knowledge and expertise, suggesting that many organizations recognize the complexities of ESG implementation and are willing to seek specialized assistance to ensure success. Collaboration with business partners, chosen by 34 percent of participants, illustrates the need to collaborate within the supply chain. By working closely with partners, organizations aim to create a more integrated and cohesive ESG strategy, benefiting from shared insights and resources.

Improving data literacy, a priority for 32 percent of organizations, signals the increasing recognition of the critical role that data plays in monitoring and achieving ESG goals. Ensuring that employees are proficient in data management and analysis is seen as essential for making informed decisions and demonstrating transparency. Establishing centers of excellence for potential or future experts is a strategy selected by 25 percent of participants. This approach focuses on long-term investment in developing in-house expertise, ensuring a continuous pipeline of knowledgeable professionals dedicated to advancing ESG objectives. Hiring new experts, chosen by 24 percent, highlights the immediate need for specialized knowledge that cannot be met by current employees. This strategy reflects an acknowledgment that ESG implementation requires specific skills and experience, which new hires can provide. Distributing experts to business departments, supported by 22 percent of organizations, emphasizes the importance of embedding ESG expertise across various functions within the organization. This ensures that ESG principles are integrated into the core operations and decision-making processes of the business. Offering tool-oriented training, chosen by 13 percent of participants, suggests a targeted approach to equipping employees with the specific skills and tools necessary for ESG tasks. This method focuses on practical training to address immediate needs and operational challenges.

"Consistent emphasis on training existing employees for ESG implementation, with a growing trend towards external expert collaboration and developing long-term in-house expertise."

Figure 33: How do you plan to improve your organization's ability to successfully implement ESG? (n=208)

Comparing the results from 2023 and 2024, we can observe several trends. The preference for training existing employees has remained consistent at 66 percent, indicating ongoing reliance on internal skills enhancement. The collaboration with external experts saw a notable increase from 44 percent to 54 percent, highlighting a growing trend towards seeking outside expertise. Conversely, collaboration with business partners slightly decreased from 38 percent to 34 percent. The emphasis on improving data literacy dropped significantly from 43 percent to 32 percent, suggesting a possible shift in focus or greater proficiency in this area. Establishing centers of excellence for future experts increased from 18 percent to 25 percent, indicating a stronger commitment to developing long-term expertise. The hiring of new experts remained relatively stable, showing only a slight decrease from 25 percent to 24 percent. The distribution of experts to business departments saw an increase from 16 percent to 22 percent, reflecting a greater integration of ESG roles within organizations. Offering tool-oriented training decreased from 17 percent to 13 percent, which might indicate a shift towards more comprehensive training programs. Overall, these changes reflect similar, but in some cases changing, priorities in the implementation of the ESG over the course of the last twelve months. The emphasis in both years on training existing staff and working with external experts indicates a balanced approach, with internal knowledge building being complemented or accelerated by external expertise. Even in this short period of time, the results of the studies show that the development of internal staff capable of handling ESG reporting in a similar way to financial reporting has been successful and that the need for external consultants is therefore decreasing.

Figure 34: How do you plan to improve your organization's ability to successfully implement ESG? Comparison of results from 2023 (n=242) and 2024 (n=208)

The study shows that the responsibility for ESG reporting has a significant impact on the identified improvements. ESG departments exhibit a higher demand for hiring new experts (34 percent) compared to finance (16 percent) and other departments (22 percent), indicating that existing employees in ESG departments lack the skills, time or otherwise to complete all ESG tasks. In other departments, existing employees can partially take on the responsibilities of ESG reporting. When an ESG department is responsible for ESG reporting, there is an increased focus on organizational learning, which includes improving data literacy, training employees and distributing experts to business departments, as well as a greater need to collaborate with business partners (41 percent). This underscores the critical role that ESG reporting plays within ESG departments and reflects its essential contribution to achieving the organization's sustainability goals.

"ESG departments show significantly stronger ambition in driving sustainability initiatives, driven by intrinsic motivation beyond regulatory compliance."

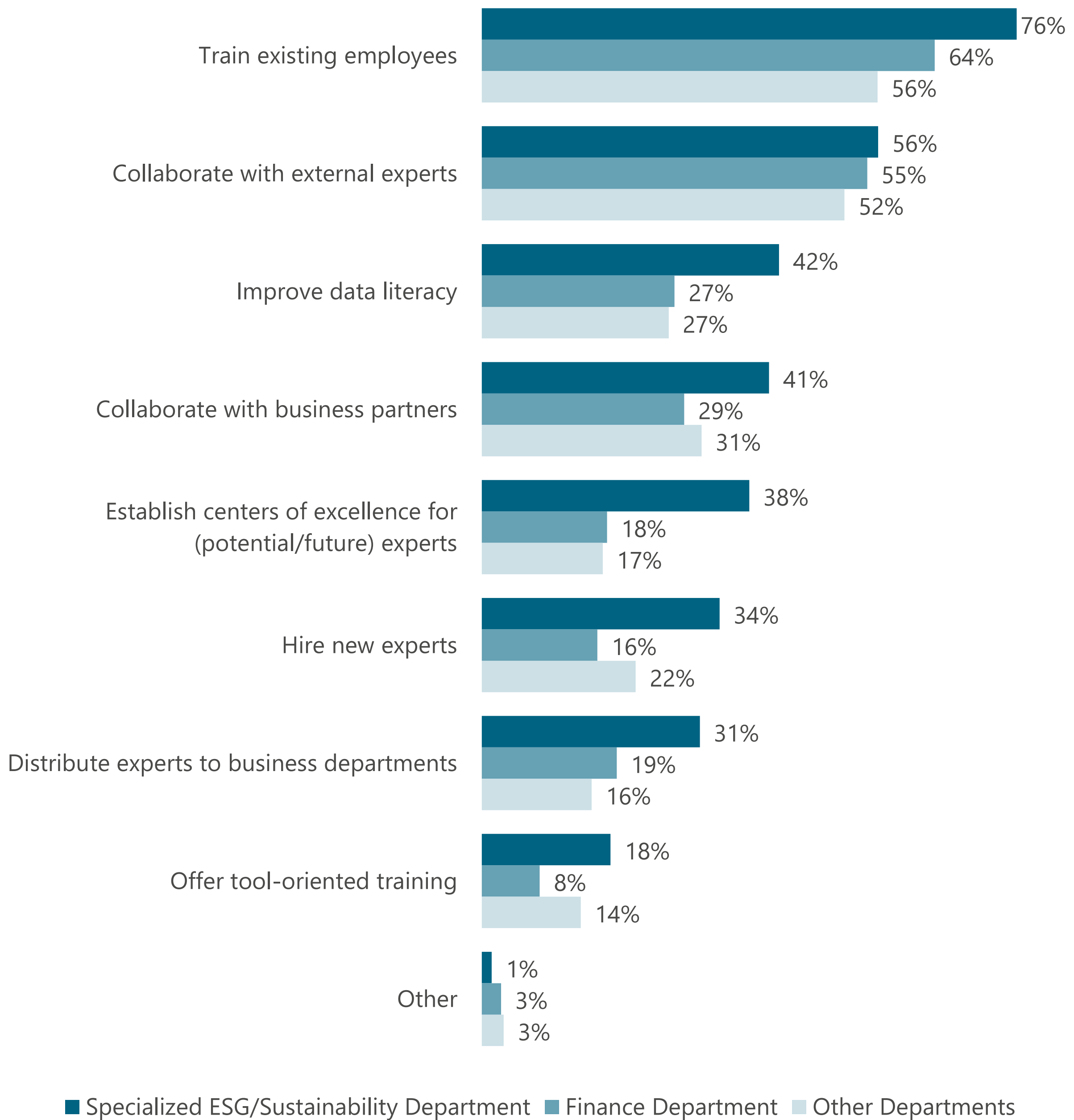

Figure 35: How do you plan to improve your organization's ability to successfully implement ESG? by department (n=208)

10 Technological Implementation of ESG

ESG is a new software category in the IT landscape and an interesting one to watch at moment for an analyst: It is a young and emerging market, and different vendor segments are currently battling for market share.

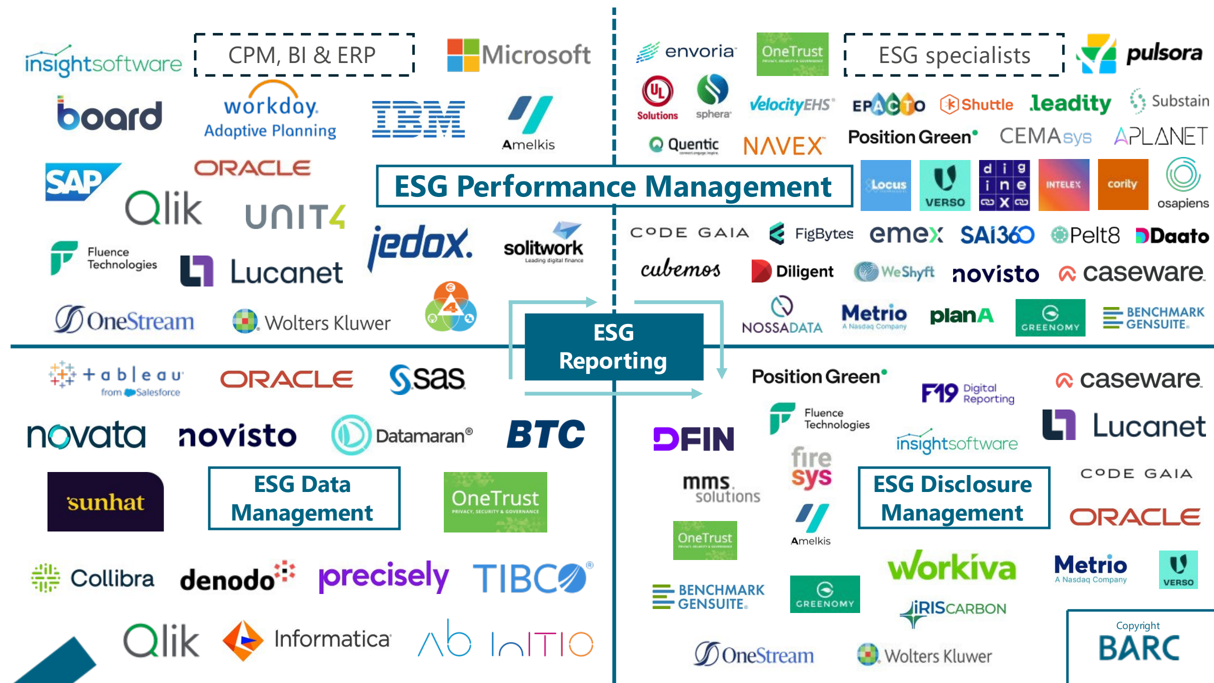

Figure 36: Market overview of software vendors offering ESG reporting & performance management functionalities by category

As a result, we see quite a crowded market which is tricky to navigate for companies seeking the right solution for their needs.

Generally, companies looking for ESG reporting functionality have a broad set of vendors to consider:

- **ERP**: A substantial proportion of the data needed for ESG reporting is produced and maintained in the ERP system, and some companies are trying to extend their ERP installation to cover ESG reporting. Some ERP vendors (e.g., SAP) have announced or already released modules for ESG reporting. For companies with a strongly harmonized ERP landscape, this option seems to be a logical choice. Nevertheless, setting up systems for ESG requires a lot of additional data modeling, and ERP systems are often not the best platforms for doing this.
- **CPM and financial reporting solutions**: Most companies have invested in CPM suites for consolidation and financial reporting, including functionalities for disclosing financial and other reports (“disclosure management”). As this is the established “last mile” for disclosing reports in many companies, it also seems logical to include ESG reporting functionality here.
- **Disclosure management solutions**: There are several established disclosure management vendors that offer solutions independent of consolidation/CPM solutions. Almost all of them offer either their own ESG reporting modules or cooperate with one of the ESG specialists.

- **Specialized ESG reporting solutions**: The demand for ESG performance management and ESG reporting has opened up a new market space for companies that fully focus on ESG. In the main, this not only includes ESG reporting, but also the workflows and data collection for the performance measurement process and even software support for the double materiality analysis. As separate solutions, many of them try to offer complete packages for ESG in a cloud-based environment, also offering their own report creation functionality.

In addition, a group of data management providers has recognized ESG as a new growth segment. The integration of different source systems is one of the main challenges for users (see Figure 36). These vendors are actively addressing this issue, usually in cooperation with specialized ESG reporting providers.

This all leads to a situation where it is not easy to select a solution or navigate through the vast number of software solutions in this market. BARC currently covers more than 100 ESG solutions across the different segments described above. Choosing the right platform to implement largely depends on the customer's overall strategy for the reporting and disclosure management process and should be carefully considered.

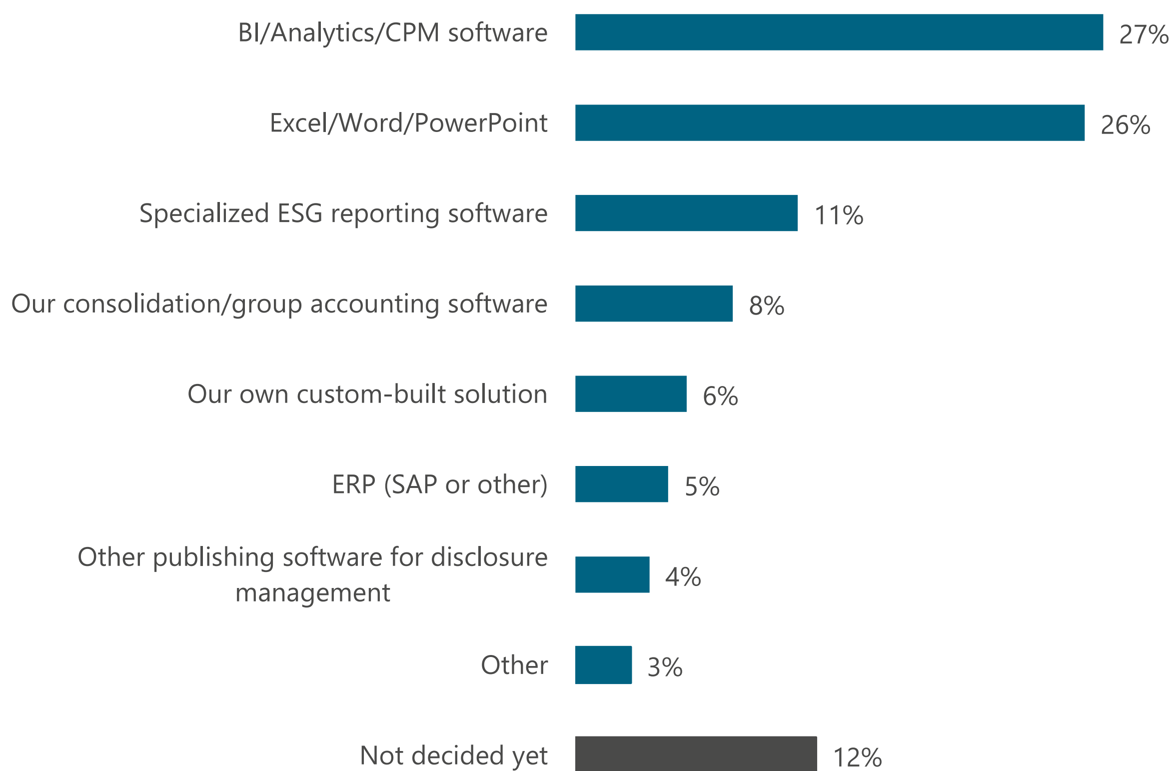

Figure 37: What are you using/planning to use as the main tool for publishing ESG reports? (n=215)

This is also the picture we see when asking end users which solution they are using or considering for the future: Excel/Word-centric scenarios and leveraging an existing BI/CPM solution are the most popular option, followed by specialized ESG reporting software.

The high share of Excel-centric users is particularly striking. BARC has been tracking the use of Excel in corporate performance management and reporting applications for many years, and it is a clear recommendation to avoid using Excel where possible, as it typically results in much lower user satisfaction.

Nevertheless, the answer is not so straightforward in ESG reporting scenarios for several reasons:

- ESG requires a high number of data sources, which are often semi-structured and quite small. Excel is a popular tool for such scenarios, and investing in professional software for interfaces is often not justified.
- Time pressure in the initial implementation of ESG reporting leads to a need for quick help solutions in some areas.
- Normally, Excel is used more frequently than average in smaller companies, while larger organizations strive for more professional solutions. However, the data from this survey does NOT reflect this effect: Excel usage in companies with more than 5,000 employees is only slightly lower.
- We generally see that end-user companies that rely heavily on Excel perform significantly worse than average, an effect that we cannot measure in our ESG survey data today.

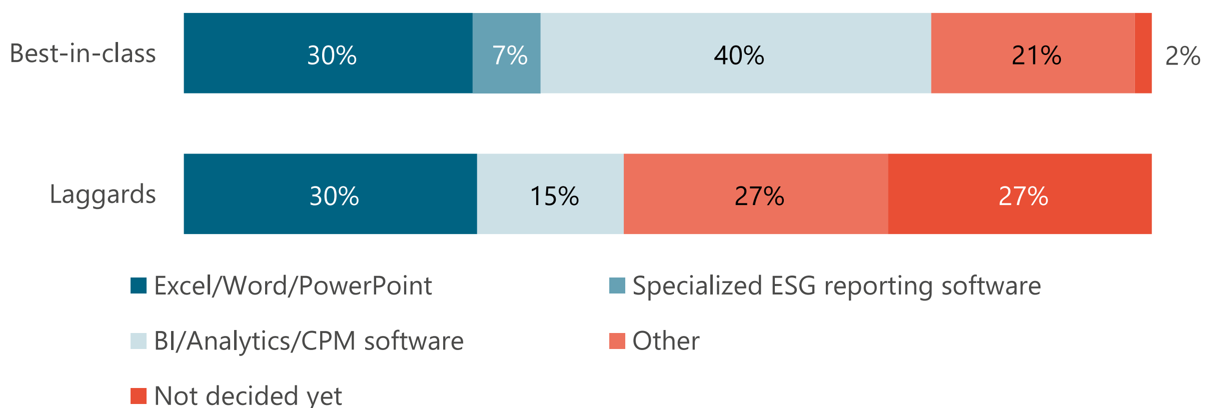

Figure 38: What are you using/planning to use as the main tool for publishing ESG reports? (n=90)

It therefore makes sense to accept Excel or comparable auxiliary solutions as part of an overall architecture for the moment, especially for the data collection or data management process, where almost 90 percent of end users claim to use it "always" or "often" today. From this point of view, it makes sense to consider solutions that integrate Excel as an option - for example, by logging and storing partial data sets that have been delivered with it.

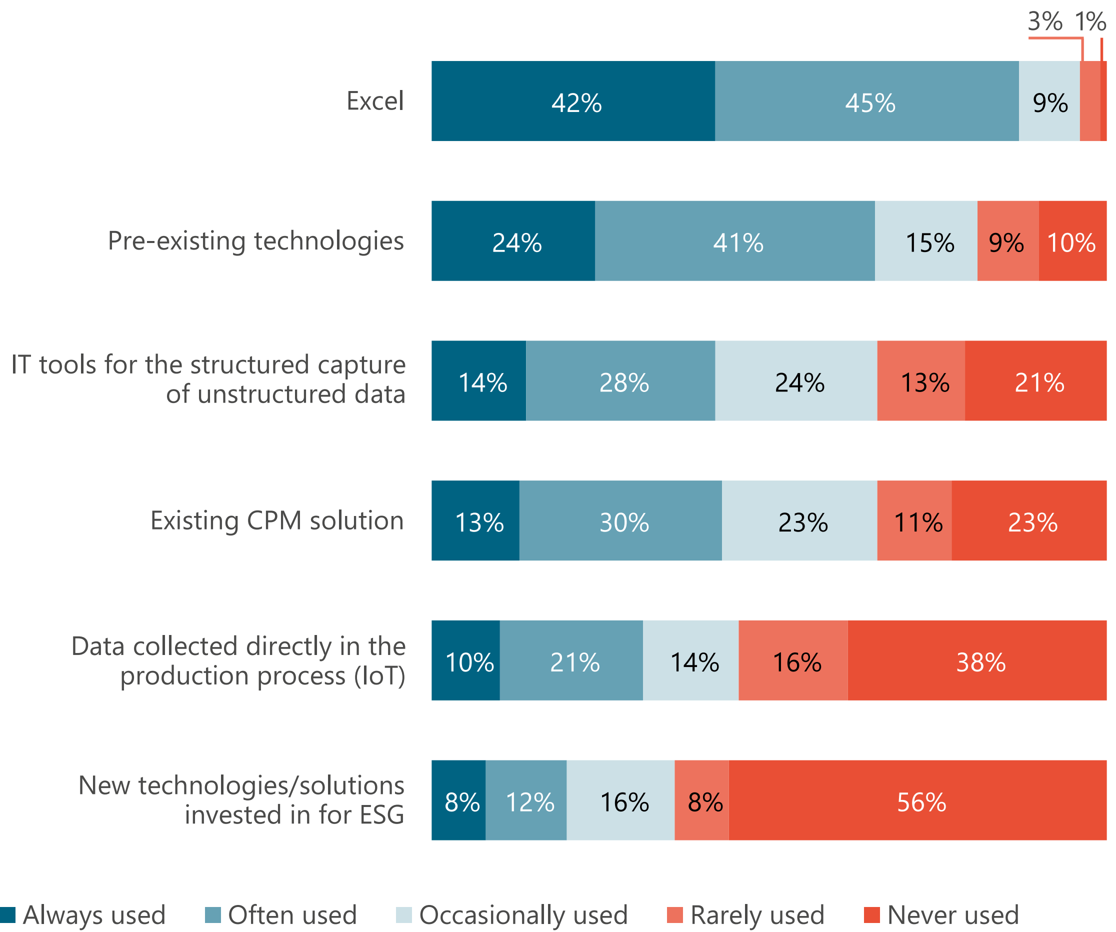

Figure 39: How often do you use the following technologies in the data collection and data management process? (n=224)

On the other hand, best-in-class implementations rely more on BI/CPM software or specialized ESG offerings, and the number has increased significantly compared to our survey data from previous years. With the rising maturity of these solutions, we expect them to be the main options when selecting an ESG reporting solution in the future.

Comparing the data for companies that published their first report before 2022 and after, we can already see this effect: Excel is becoming less popular for ESG reporting while specialized and BI/CPM-centric solutions are emerging:

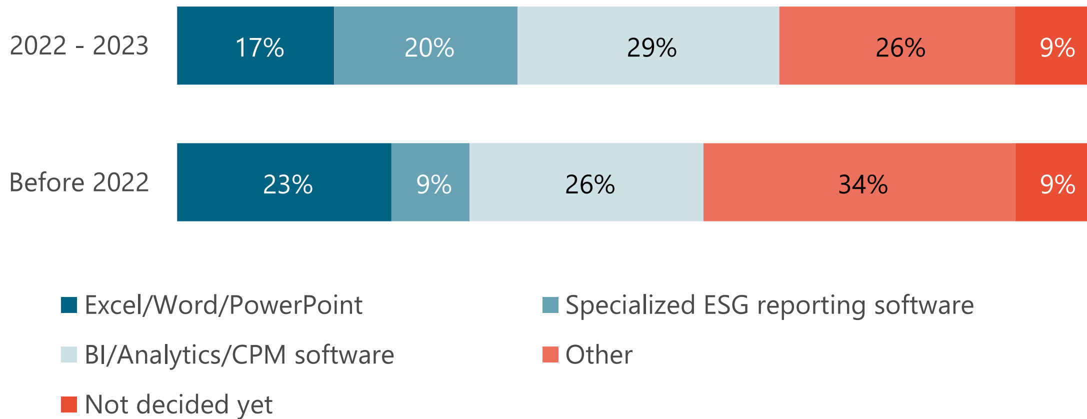

Figure 40: What are you using/planning to use as the main tool for publishing ESG reports? (n=178)

The differences between industries in terms of tool preference are considerable. As in many BARC surveys, there are two industries that exhibit different buying behavior to the rest: banking/finance and the public sector. The banking sector has specific requirements in terms of ESG, and some specialized ESG vendors have focused on this industry, which we believe is the reason why specialized solutions are overrepresented there. In the public sector, Excel-based solutions seem to be very popular. Budget constraints and long procurement cycles most likely account for this difference.

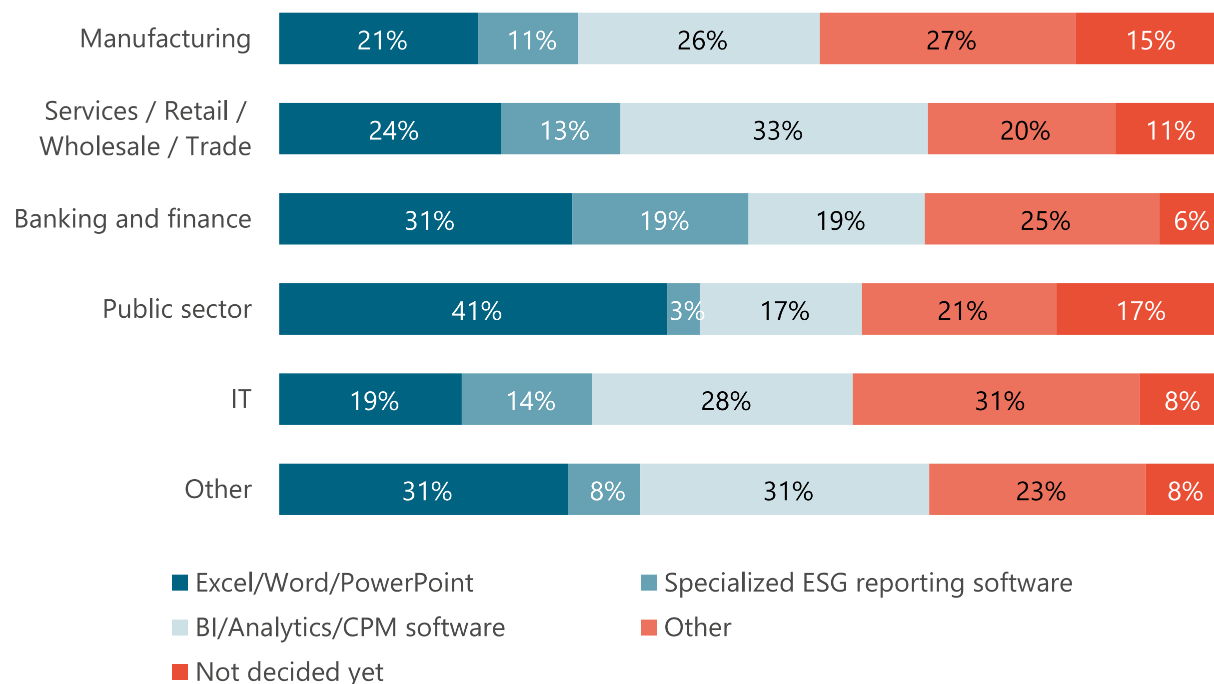

Figure 41: What are you using/planning to use as the main tool for publishing ESG reports? by industry (n=215)

When comparing Europe with the rest of the world, Figure 42 shows the differences between the regions, which are due to regulation. In Europe, regulatory standards are more complex and the level of detail of reporting standards is higher. It is therefore not surprising that specialized solutions with preconfigured content are much more popular there, while in North America, for example, the proportion of companies adding ESG content to their existing BI/CPM reporting solution is much higher. The high proportion of "others" in Europe is mainly due to SAP customers trying to meet ESG reporting requirements with their ERP solution.

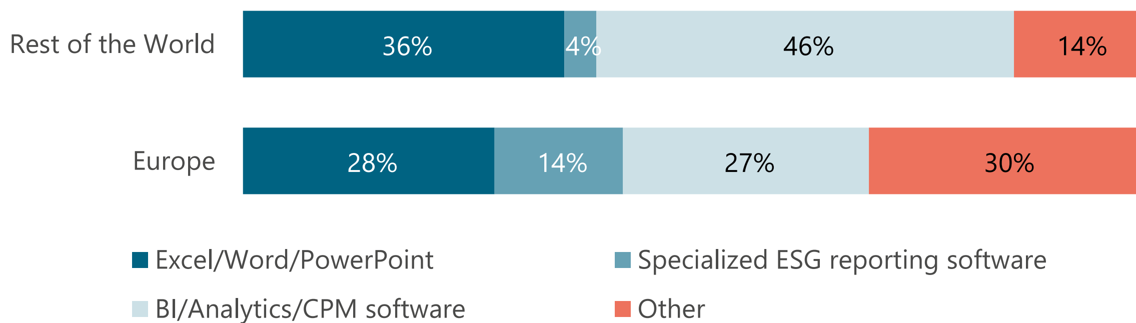

Figure 42: What are you using/planning to use as the main tool for publishing ESG reports? by region (n=183), without “Not decided yet” and Rest of the world including North America

Finally, looking at tools used by the department that runs ESG, there is not much difference in the preferred technical platform for ESG - with one exception. While we had expected that the CFO's office would have a clearer preference for using their familiar BI/CPM solutions for ESG as well, this does not seem to be the case. The only major difference is that the moment a separate ESG department exists, it seems to have a higher preference for specialized solutions. This probably reflects the fact that specialized departments tend to have a broader view of ESG and focus more on the functionalities to monitor and manage the progress of ESG initiatives. This type of functionality tends to be more developed in the specialized solutions, while the others have a clearer focus on the "last mile of reporting".

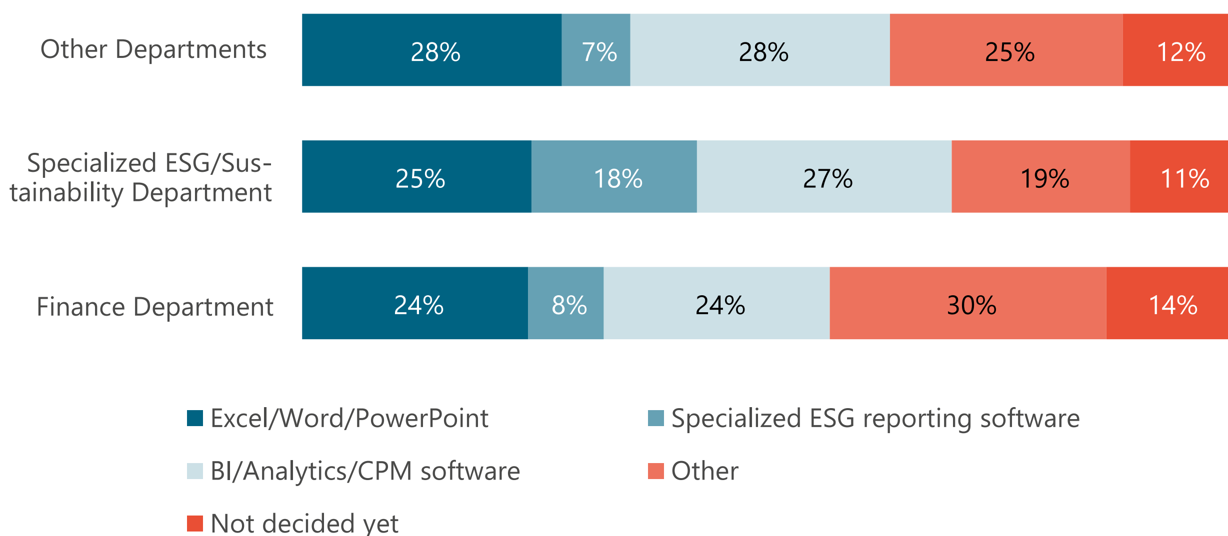

Figure 43: What are you using/planning to use as the main tool for publishing ESG reports? by department responsible for the ESG reporting process (n=215)

10.1 The use of AI and GenAI for ESG reporting

AI and generative AI are technologies that have received a lot of hype in the reporting segment in recent years. The ESG reporting application environment is also affected by this and there are several scenarios in which AI technologies can help with the implementation of ESG reporting:

- Narrative reporting is generally a logical field of application for GenAI and can assist in the generation and optimization of text.
- The time-consuming and resource-intensive process of data collection can be made easier by AI and GenAI, for example, by automatically summarizing data sources or supporting the mapping with source systems.
- Data anomaly detection: GenAI algorithms can identify inconsistencies and outliers in ESG data, flagging errors for human review.

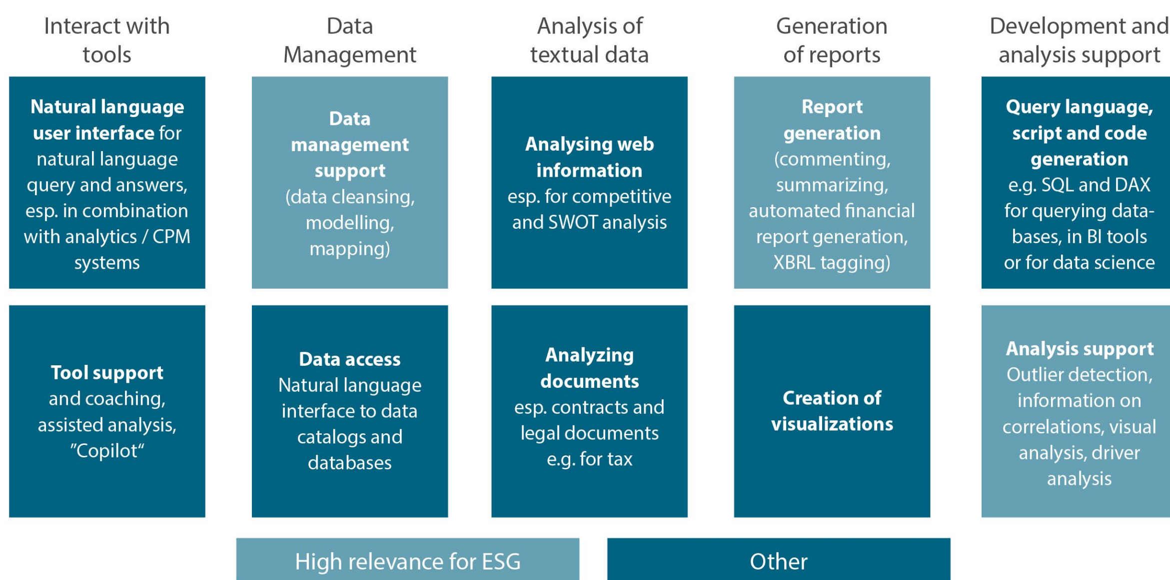

Figure 44: Use cases for generative AI and their relevance for ESG reporting

It is no surprise that software providers have recognized these fields and are working on integrating corresponding functionalities into their solutions. BARC has seen numerous promising approaches in vendor briefings in recent months, most of which are still in the early stages of implementation and will be launched on the market in the coming months.

It will be exciting to see which of them will become mainstream and meet demand for process simplification. In general, we believe that the innovative strength of providers, especially with regard to generative AI, is an important selection criterion when looking for the right ESG solution.

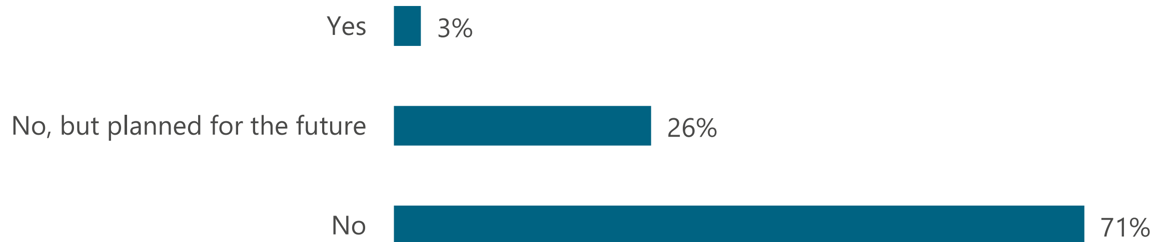

Figure 45: Do you use generative AI for ESG reporting? (n=216)

Looking at the current implementation status, it is disappointing at first glance to see that only 3 percent of user companies are using GenAI somewhere in their ESG solution. However, given that the survey reflects the history of the market, the very low penetration of a technology that only began to spread rapidly in the run-up to 2023 is hardly surprising. We expect to see a significant increase in penetration by the time we conduct next year's survey.

11 Methodology and Demographics

This worldwide online study was conducted from March 2024 to April 2024. It was promoted within the BARC panel, via websites and to newsletter distribution lists. A total of 235 people took part, representing a variety of different roles, industries and sizes.

Due to rounding, totals may not add up precisely. The selection of the answer option “Don’t know” is not taken into account in the sample size stated below each chart and is also hidden in the charts.

Participants came from many different roles, departments and industries. To analyze how and why the responses differed, we divided the roles into three segments. The “Office of the CFO” (34 percent) includes “Employee/Head of Controlling”, “CFO”, “Employee/Head of Finance and Risk Management” and “Employee/Head of (Group) Accounting”. The “IT” category (26 percent) is solely based on the role of “Employee/Head of IT”. “Other” (40 percent) is made up of all other roles including “Employee/Head of a specialized ESG/sustainability department”, “C-Level (other than CFO)”, “Employee/Head of department outside the office of the CFO and IT”, “External consultant in the field of ESG reporting” and “Other”.

Figure 46: What is your role in the organization? (n=235)

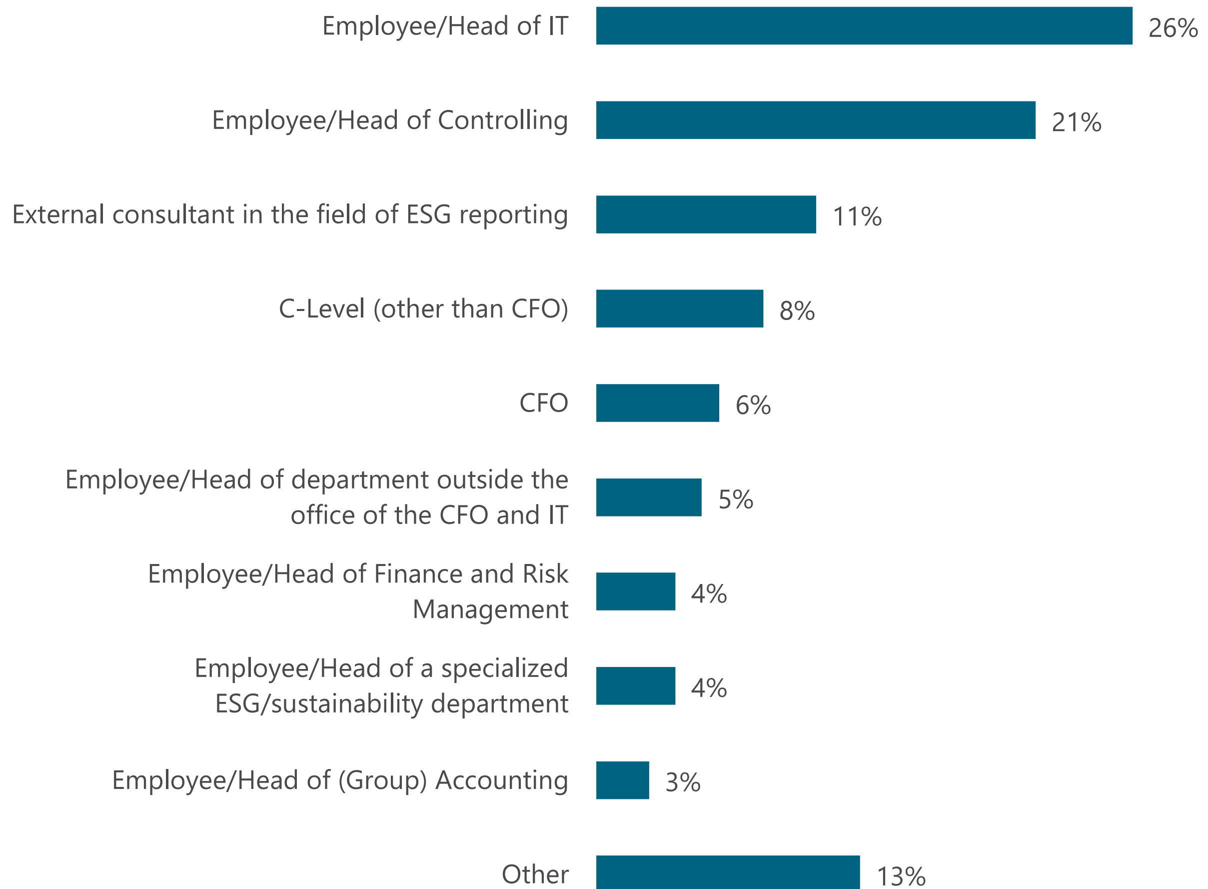

Figure 47: What is your role in the organization? (n=235)

The departments with primary responsibility for ESG reporting varied. We identified three main groups, with an almost even distribution. The "Finance departments" group (34 percent) includes both "controlling" and "group accounting/reporting". The “Specialized ESG/sustainability department” group (33 percent) includes only “ESG/sustainability department(s)”. The group "Other departments" includes all other departments such as "IT", "quality management and/or production", "external consultants or vendors" and "Other".

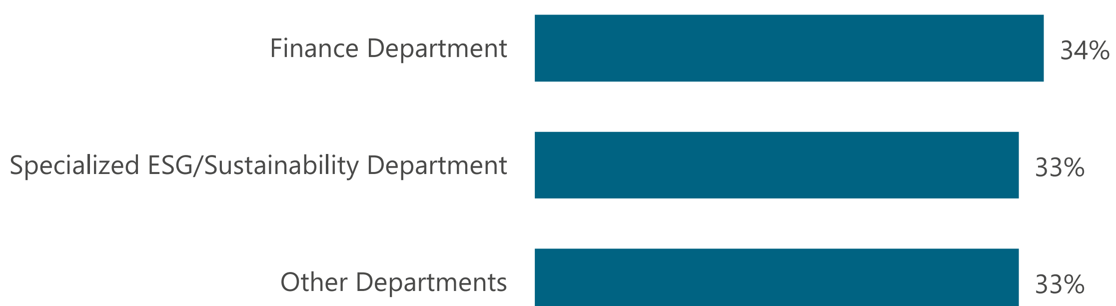

Figure 48: Who or which department in your organization has the main responsibility for the execution of ESG reporting? (n=235)

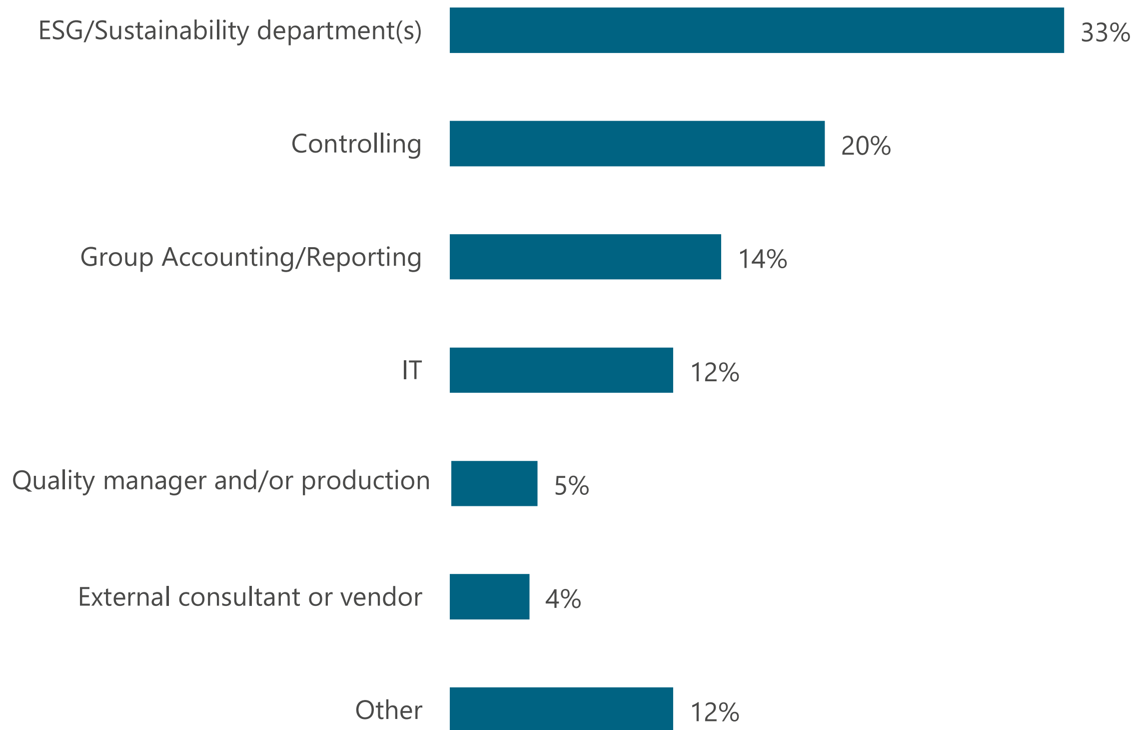

Figure 49: Who or which department in your organization has the main responsibility for the execution of ESG reporting? (n=235)

ESG is an opportunity and challenge that affects organizations in every industry. We have categorized the industries as shown in Figure 50.

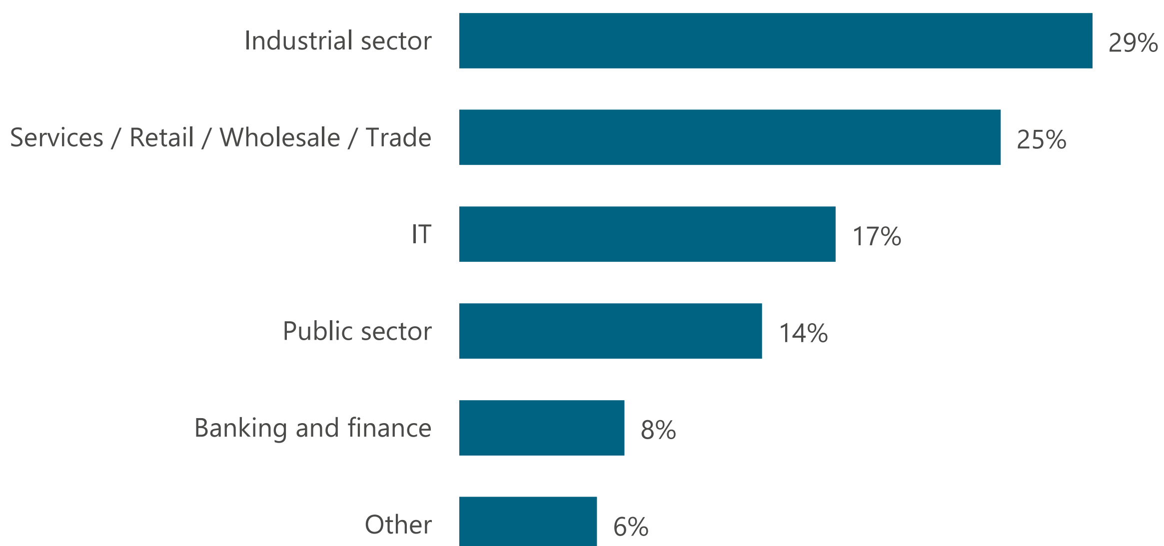

Figure 50: Which of the following best describes your organization's industry sector? (n=235)

Participants represented a wide range of organizations in terms of size, geography and number of offices.

Figure 51: How many employees does your organization have? (n=235)

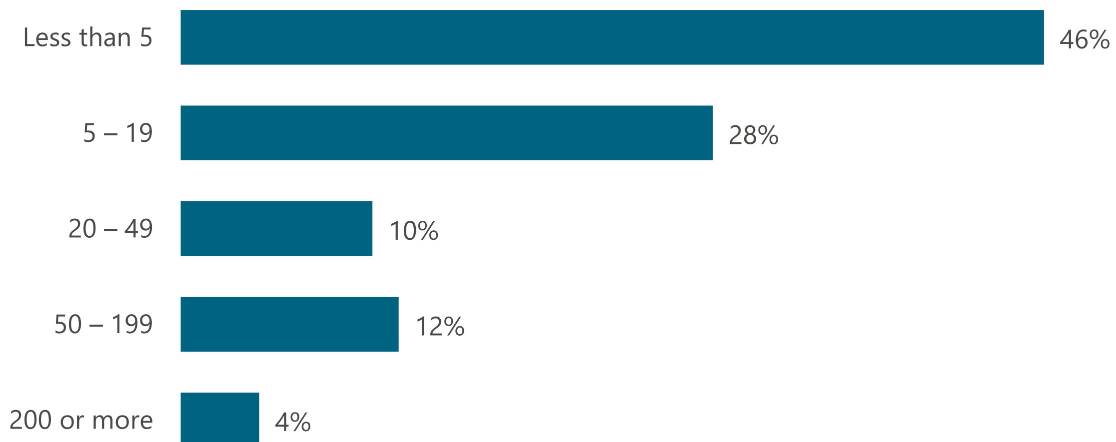

Figure 52: How many subsidiaries are part of your group reporting? (n=216)

Most of the participants are based in and/or work in Europe, mostly representing the DACH region (Germany, Austria and Switzerland). Rest of world (RoW) contains the regions "Asia and Pacific", "South America" and other regions summarized under "Rest of the world (RoW)".

Figure 53: In which region are you located / do you work in? (n=235)

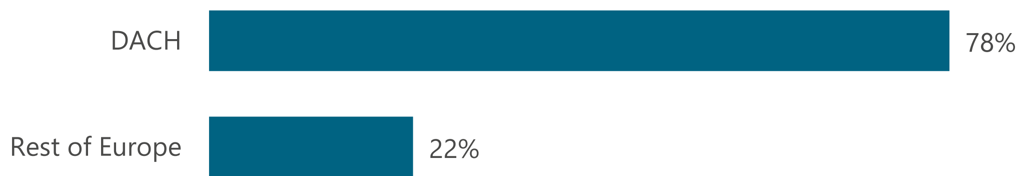

Figure 54: In which region are you located / do you work in? by Europe (n=199)

Participants based in and/or working in Europe are categorized as either DACH or rest of Europe (ROE).

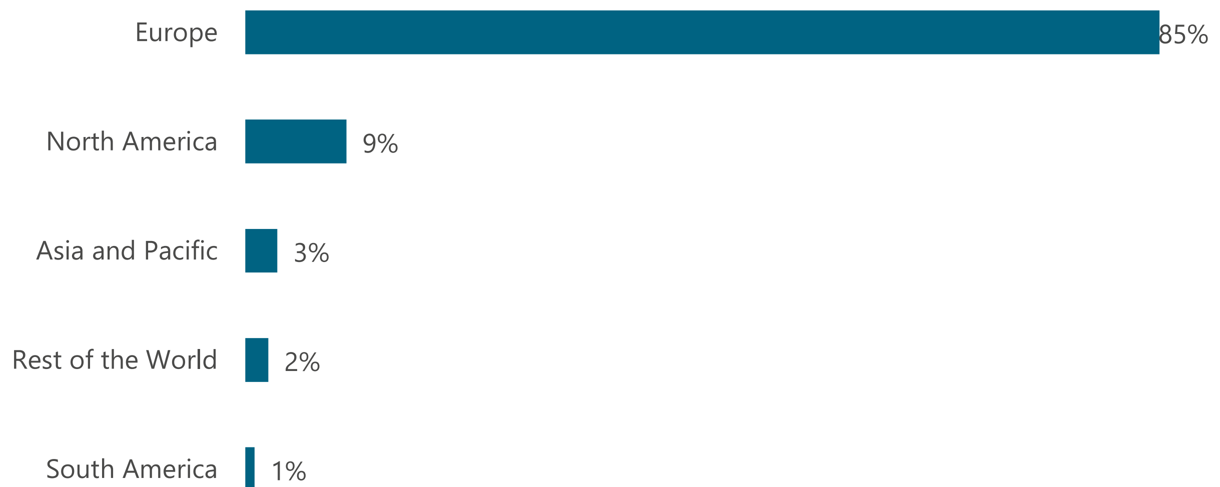

Figure 55: In which country are you located / do you work in? (n=235)

Responses were slightly different, but still showed a strong presence in Europe and a growing segment in North America, when referring to the headquarters of the organization rather than the location of the participant.

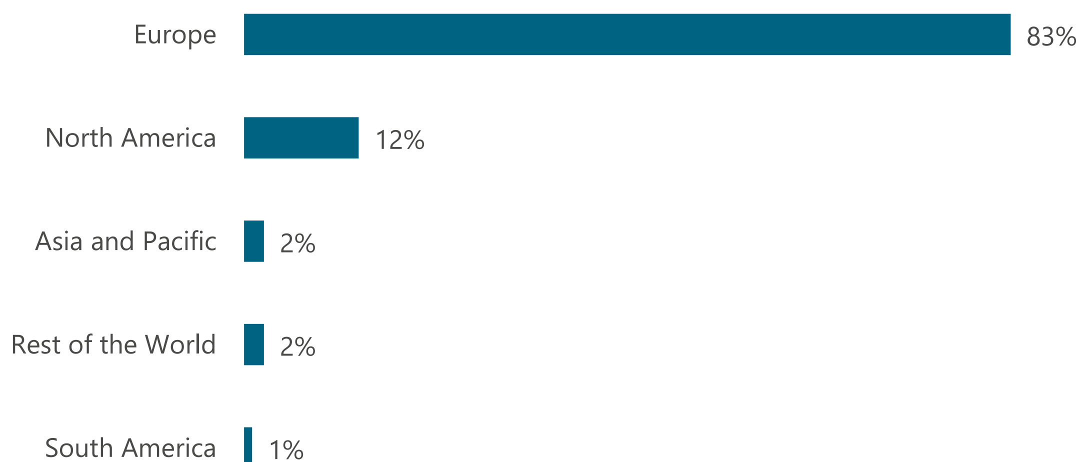

Figure 56: In which country is your organization's headquarters located? (n=235)

12 Best-in-class vs laggards

We divided the sample into "best-in-class organizations" and "laggard organizations" in order to analyze differences in dealing with market dynamics. This differentiation was based on the question "How would you rate your organization's implementation of ESG reporting compared to similar organizations?" Companies that stated they were much better or slightly better than their competitors at implementing ESG reporting are referred to as "best-in-class" (31 percent), while those that stated they were slightly worse or much worse than their competitors are classified as "laggards" (18 percent).

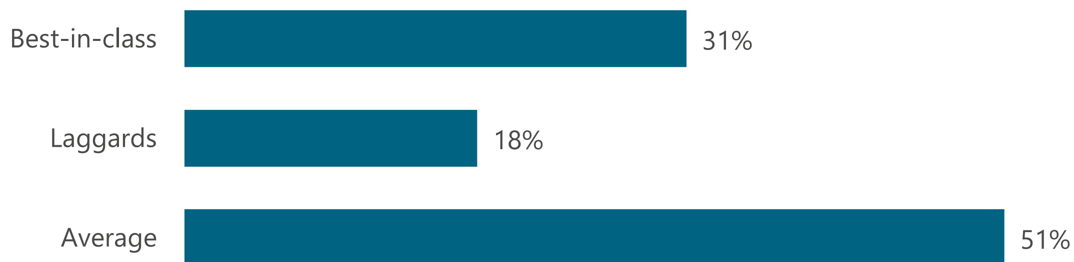

Figure 57: How would you rate your organization's implementation of ESG reporting compared to similar organizations? (n=193)

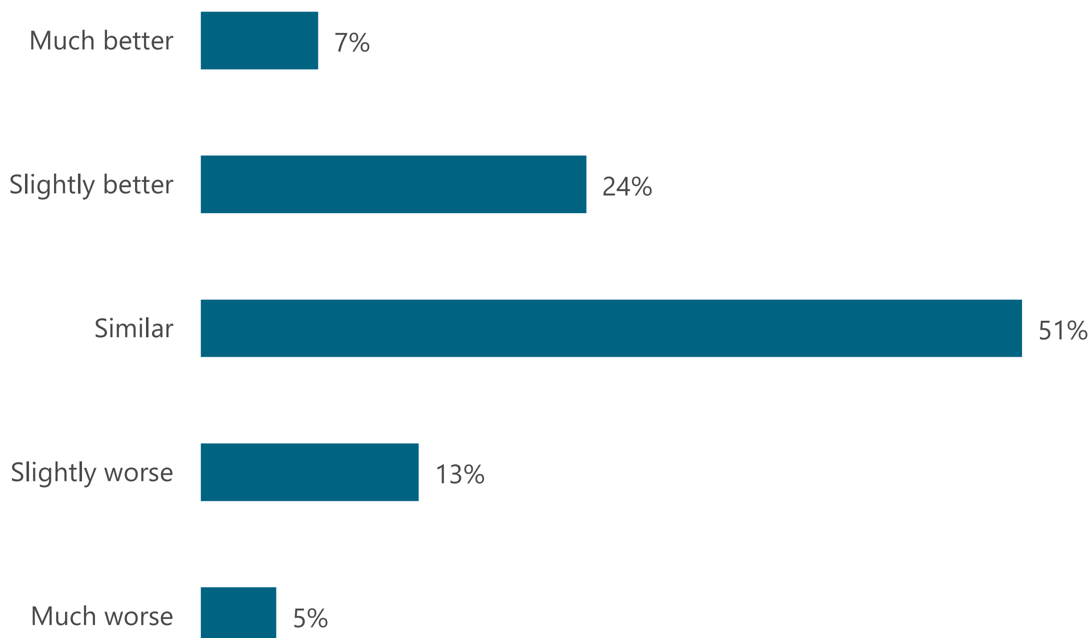

Figure 58: How would you rate your organization's implementation of ESG reporting compared to similar organizations? (n=193)

About BARC

BARC (Business Application Research Center) is one of Europe's leading analyst firms for business software, focusing on the areas of data, business intelligence (BI) and analytics, enterprise content management (ECM), customer relationship management (CRM) and enterprise resource planning (ERP). Our passion is to help organizations become digital companies of tomorrow. We do this by using technology to rethink the world, trusting databased decisions and optimizing and digitalizing processes. It's about finding the right tools and using them in a way that gives your company the best possible advantage. This unique blend of knowledge, exchange of information and independence distinguishes our services in the areas of research, events and consulting.

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BARC studies are based on internal market research, software tests and analyst comments, giving you the security to make the right decisions. Our independent research brings market developments into clear focus, puts software and vendors through their paces and gives users a place to express their opinions.

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Contact info

Global Headquarters

Qlik Technologies Inc.
211 South Gulph Road
Suite 500
King of Prussia, PA 19406
United States

Headquarters

Germany (Düsseldorf)
QlikTech GMBH
Niederkasseler Lohweg 175
12th Floor
D-40547 Düsseldorf, Germany

Phone: +49 (0) 211 58 66 80

qlik.com

www.qlik.org

BARC

Data Decisions. Built on BARC.

www.barc.com

Germany
BARC GmbH
Berliner Platz 7
D-97080 Würzburg
+49 931 880651-0

Austria
BARC GmbH
Hirschstettner Straße 19 / I / IS314
A-1220 Wien
+43 660 6366870

Switzerland
BARC Schweiz GmbH
Täfernstr. 22a
CH-5405 Baden-Dättwil
+41 56 470 94 34

United States
BARC US
13463 Falls Drive
Broomfield, CO 80020
USA