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KPMG Research Shows Significant Proportion of Companies Not Ready for ESG Data Assurance Requirements

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According to a survey conducted by KPMG, 75% of companies are not in a position to obtain third-party assurance on their published ESG data. This is despite the fact that two-thirds of companies must disclose such data, or will soon be expected to do so, on a mandatory basis. The survey was conducted of senior executives and board members of 750 companies across a range of industries, global regions and revenue sizes. Respondents were ranked, with the top 25% as “Leaders,” the next 50% as “Advancers” and the bottom 25% as “Beginners.”

The results of the survey were announced by KPMG simultaneously with the launch of their inaugural ESG Assurance Maturity Index, which the firm says has been designed to help inform companies, investors and other stakeholders on a company’s assurance preparedness across five key areas: governance; skills; data management; digital technology; and value chain. In turn, the metrics will allow companies to see which of these areas requires improvement.

Among the top drivers for obtaining assurance, respondents cited primarily regulatory pressure (64%) followed by a wider range of benefits such as improved profitability (54%), greater shareholder value (46%), and a greater market share with customers and investors looking to make more ESG-conscious investments (56%).

Respondents were also asked about the main challenges in preparing for ESG assurance, among which were high initial costs (44%), lack of internal skills and experience (44%), lack of clarity/evolving regulations (42%), and lack of clear metrics/measurement tools (36%).

Taking the Temperature: As new and emerging disclosure and reporting frameworks, such as the EU's European Sustainability Reporting Standards (ESRS) and the U.S. Securities and Exchange Commission's (SEC) proposed climate-related reporting rule, come into force, companies could increasingly be required to obtain independent assurance on their ESG reporting. The ESRS, for instance, mandates external assurance with respect to materiality assessments. California's recently enacted climate disclosure legislation mandates external assurance with respect to scope 1 and 2, and ultimately scope 3, emissions. The proposed SEC climate disclosure rule likewise would mandate external assurance for scope 1 and 2 emissions information. And, in August 2023, the International Auditing and Assurance Standards Board issued its proposed International Standard on Sustainability Assurance (ISSA) 5000, "General Requirements for Sustainability Assurance Engagements." ISSA 5000 is described as a comprehensive sustainability assurance framework designed to enhance the trust that investors, regulators and other stakeholders can place in corporate sustainability information.

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