Introduction.

With new environmental, social and governance (ESG) reporting mandates in force, businesses face an ongoing challenge of collaborating across departments to consolidate disparate financial and non-financial data.

With the pressure mounting from governments, consumers and shareholders alike, meeting regulatory requirements is only the start. There are significant positives to getting ESG reporting right.

Based on in-depth global research, this report explores how businesses are approaching the task of effectively updating their stakeholders. It investigates their key challenges, potential opportunities, and the positives of getting reporting right.

To shape this report, we asked about current processes, collaboration and confidence from the people who really know the details: 1,300 decision makers who work in finance, ESG, sustainability, HR, compliance, operations, and legislative affairs. For all, their companies’ ESG reporting and strategy is their main or secondary job responsibility.

We hope their insights help you discover how not just to provide a detailed ESG report but to do so in a way that adds untold value to your organization.
68% of organizations globally have put in place specific roles to oversee ESG reporting and initiatives.

75% have started formally reporting on their ESG, climate and sustainability or corporate social responsibility data over the last three years.

63% of decision makers see formal stakeholder engagement informing ESG materiality to a significant extent.

ESG reporting has generated a positive impact across customer retention and recruitment (72%), cost savings (71%), insurance or credit agency engagement (71%), and reduced long-term risk (71%).

63% of decision makers currently feel unprepared to meet their ESG goals and government and regulatory reporting mandates.

Environmental issues are their biggest concern with their top two challenges being related to this area: calculating carbon accounting level data and greenhouse gas protocols for Scope 1, 2 and 3 emissions.

Over the next 12-18 months, 43% of organizations’ internal ESG budget will be devoted to addressing environmental factors.

76% of decision makers believe technology is important to compiling and collaborating on ESG data.

Only 35% believe they can use technology and data very well to make decisions on advancing ESG strategy.
Organizations are treating the shift towards operating in a more socially conscious way seriously, taking genuine significant steps to change. There are clear positive outcomes for businesses who successfully report on ESG, but there are serious challenges to overcome before decision makers feel prepared for the road ahead.

Our research finds that businesses are committed to effective ESG reporting.

Most (75%) organizations formally report on their ESG, climate and sustainability or corporate social responsibility data, with only 14% yet to release a formal report. More than two thirds (68%) of organizations have put in place specific roles to oversee ESG reporting and initiatives. Only 7% have not nor plan to do so. Nearly 9 in 10 (88%) have an ESG stakeholder advisory board.

Formal ESG stakeholder engagement is being treated as an ongoing and pivotal process, with almost half (49%) of organizations reporting every 3-6 months and 29% annually. It’s become so important that in many cases, materiality is being assessed at least twice a year to ensure all needs are addressed. Almost two thirds (63%) of decision makers say that formal stakeholder engagement informs ESG materiality to a significant extent.

It’s early days but organizations are already experiencing benefits from this focus and investment.

ESG reporting is mostly a recent phenomenon, with 38% of organizations kickstarting their formal announcements over the last 1-2 years. 20% have been doing it slightly longer, for 2-3 years.
Despite the short time frame, companies that have started disclosing their ESG performance are already experiencing business value from their proactive activities, with respondents reporting a positive impact across customer retention and recruitment (72%), generated cost savings (71%), increased insurance or credit agency engagement (72%), and reduced long-term risk (71%).

Many also report improved employee morale (71%), recruitment (69%), and investor and stakeholder relationships (70%).

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<th>Opportunity</th>
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<td>Increased customer retention and recruitment</td>
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<td>Better insurance / credit agency engagement</td>
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<td>Reduction of long-term risk</td>
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<td>Generated positive media and brand awareness</td>
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<td>Improved cost savings</td>
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<td>Strengthening of partnerships</td>
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<td>Improved employee morale</td>
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<td>Improved investor and stakeholder relationships</td>
<td>70%</td>
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<tr>
<td>Improved employee recruitment efforts</td>
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Failure to comply with new ESG requirements poses significant risks to the entire business.

Decision makers believe that the financial impact of regulatory action would cause the greatest harm to their business (59%), but that is closely followed by concerns that investors would walk away (57%), sales would be lost (48%) and reputation dented (48%).

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<th>Impact</th>
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<td>Financial impact through negative regulatory action</td>
<td>59%</td>
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<td>Financial impact through lack of investment</td>
<td>57%</td>
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<td>Loss of revenue or sales</td>
<td>48%</td>
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<td>Reputational damage</td>
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<td>Lack of consumer confidence</td>
<td>45%</td>
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<td>Challenges with recruitment</td>
<td>43%</td>
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Within the next 3 years, what do you believe would have the biggest impact if your organization fails to comply with ESG regulations?
Despite the potential risks of ineffective reporting and the clear benefits of getting it right, the process has not yet been perfected. Challenges persist. In particular, reporting environmental data is concerning decision makers with their top two challenges relating to this area.

Please rank the 3 biggest challenges for your organization regarding ESG reporting?

- Calculating greenhouse gas protocols to measure scope 1, 2, 3 emissions: 34%
- Having carbon accounting level of data: 33%
- Communicating corporate value to address investor/stakeholder needs: 32%
- Lacking clarity around regulations and framework standardization: 31%
- Lacking clear business goals for the organization - corporate ESG strategy: 29%
- Conducting materiality assessment and stakeholder engagement mapping: 29%
- Validating data for accuracy/auditing: 28%
- Difficulty defining and calculating metrics/KPIs: 27%
- Not having the right technology to manage ESG reporting (compile and collaborate on data): 21%
- Ensuring supply chain data accuracy: 18%
- Funding ESG: 17%

As a result, there is still a long way to go not just in effectively reporting ESG but also in achieving ESG success more widely.

Worryingly, as many as two thirds (63%) of decision makers feel unprepared to meet their ESG goals and government and regulatory reporting mandates at this moment in time.
Investment ahead: The ‘E’ takes priority.

While progress is needed across all facets of ESG to ease decision makers’ concerns, tackling the environmental or ‘E’ element is the current major focus for organizations.

As we have seen, decision makers feel unprepared and the areas where they have the biggest concerns are calculating greenhouse gas emissions and providing carbon accounting details. It makes sense that over the next 12-18 months, the area of ESG where most investment is being made is environmental: 43% of organizations’ internal ESG budget will be devoted to environmental factors, such as carbon, GHG, net zero, use of natural resources and travel. 29% is being allocated to social and 28% to governance.

Thinking about the next 12 - 18 months what proportion of your ESG budget do you plan to spend in the following areas?

- **Environmental**: 43% - carbon, GHG, net zero, use of natural resources, organization travel policies
- **Social**: 29% - workplace safety, labor practices, DEI, employee engagement/volunteerism, relationships customers, suppliers and the community
- **Governance**: 28% - rules and processes that decide how the organization operates, executive compensation, ethics and compliance, etc.

How quickly are organizations planning to make change happen? Where investment plans are in place, timeframes for improvements to ESG areas are typically short, falling within 1-3 years, with around a quarter setting out 5-year plans. However, even when they are planning to invest, more than half of organizations have not set out actionable steps and measurable goals to track performance.
A third of organizations align with the SASB framework, with 3 in 10 (30%) aligning with CDP and TCFD (29%). There is relatively little difference across all the frameworks in terms of where respondents are aligned, with the full percentages shown below.

**With which of the following frameworks does your organization align?**

- **SASB**: 34%
- **CDP**: 30%
- **TCFD**: 29%
- **GRI**: 27%
- **UN PRI**: 25%
- **UN SDGs**: 25%
“Stakeholders are calling for more detailed and uniform data related to ESG. With the recent Sustainable Finance Disclosure Regulation (SFDR) directive in Europe, the ESG disclosure rule proposed by the SEC in the U.S. and the Singapore Exchanges recommended 27 core ESG metrics, the ESG reporting environment is becoming more complex for organizations.

In particular, we are seeing companies grapple with how to accurately meet these required disclosures around the ‘E’ in ESG to report GHG emissions with carbon level accounting data.”

Mandi McReynolds,
Head of Global ESG at Workiva
Technology as a lever: Potential vs. reality.

With so much complex data to collate from so many areas of the business, technology is a powerful lever in achieving the collaboration and transformation required. Yet our research shows many organizations are failing to invest time and resources in the right places.

ESG reporting is being handled by a wide range of departments, driving close collaboration amongst teams. In over a third (38%) of organizations, this process is being driven by the sustainability/ESG and operations/facilities, followed by finance and human resources departments.

Who are the decision makers at your organization who collaborate on the purchasing and utilization of ESG Reporting and Data Management technology?

With so many different voices involved, three quarters (76%) of the decision makers who took part in our research believe that technology is important to compiling and collaborating on ESG data. They also see it as being important to validating data for accuracy (80%) and mapping disclosures to regulations and framework standards (85%).
ESG decision makers acknowledge a wide range of benefits to having the right technology in place:

### How important or unimportant is technology to addressing each of the following issues?

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<th>Benefit</th>
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<tr>
<td>Mapping disclosures to regulations and framework standards</td>
<td>85%</td>
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<td>Supporting ratings investor, customer RFPs, and stakeholder questionnaire responses</td>
<td>84%</td>
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<td>Board and executive reporting</td>
<td>83%</td>
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<td>Having carbon accounting level of data</td>
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<td>Conducting materiality assessment and stakeholder engagement mapping</td>
<td>82%</td>
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<td>Defining and calculating metrics/KPIs</td>
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<tr>
<td>Ensuring supply chain data accuracy</td>
<td>81%</td>
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<tr>
<td>Calculating greenhouse gas protocols to measure scope 1, 2, 3 emissions</td>
<td>80%</td>
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<tr>
<td>Validating data for accuracy/auditing</td>
<td>80%</td>
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<tr>
<td>Compiling and collaborating on ESG data</td>
<td>76%</td>
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### Why do you say that?

- **34%** Makes us more efficient
- **33%** Helps create sustainable growth
- **32%** Helps us be more compliant/avoid regulatory interventions
- **31%** Makes the process faster
- **29%** Is very secure
- **28%** Helps us collaborate
- **27%** Removes roadblocks in the reporting process
Looking ahead at the next three years, of those planning on making internal ESG investments, technology is seen as being the area that will have the greatest impact.

Unfortunately, despite knowing the pivotal role technology has to play in collaborating to report effectively, half (55%) of decision makers do not feel their organization’s departments have sufficient tools to provide the right ESG data. One in five (19%) think that their organization does not employ technology suitable for managing the ESG reporting process and program initiatives. 30% of those blame their legacy IT systems, saying they are incompatible with new required technology. Part of the problem is understanding: a quarter (27%) say they don’t fully know what technology is available or needed.

Only a third (35%) believe they can use technology and data very well to make decisions on advancing ESG strategy at the moment, indicating there is significant scope to improve efficiencies and performance in this area.

It is clear from our research that businesses understand the value of technology but aren’t yet using it to its full potential. Failure to invest will eventually lead to businesses falling behind and diminish their ability to demonstrate a high level of ESG performance to stakeholders.
To navigate this era of change in ESG, businesses must be forward-looking and flexible in their planning. Regulatory bodies, investors, customers, and other stakeholders have demonstrated what’s essential now, but this is only part of what will be essential for tomorrow’s reporting.

Technology, which enables seamless integration between teams in one centralized platform, will be key to streamlining the reporting process long term and delivering transparent reports that can meet these evolving demands to further boost employee, investor and wider stakeholder trust.

While challenges around communicating ESG corporate value to stakeholders still exist, the findings show clear positive outcomes for businesses who prioritize this reporting.

Organizations must implement actions that allow them to keep pace with the current and future demands from regulators, investors and other stakeholders for trusted, transparent data and ESG forward-looking business goals.

Julie Iskow,
President & COO at Workiva
Key geographic data in brief.

How does the picture differ in each geography we researched? Here’s the high-level view.

77% of US and Spanish organizations have appointed an ESG-specific role to oversee reporting and initiatives. Just 56% have followed suit in the Netherlands.

Has your organization appointed anyone internally to an ESG-specific role to oversee reporting and initiatives? ‘Yes’ by country.

A quarter (26%) of organizations in the UK have only formally reported ESG in the last year.

For how long has your organization formally reported ESG, climate/sustainability or CSR (Corporate social responsibility) data?

- For how long has your organization formally reported ESG, climate/sustainability or CSR (Corporate social responsibility) data?
Formal ESG stakeholder engagement and ESG materiality assessments happen a lot more frequently in the US (37% conduct surveys every 3 months vs. 18% globally).

Approximately how often do you conduct formal ESG stakeholder engagement and ESG materiality assessments? Once every 3 months.

Has ESG reporting already generated any of the below opportunities for your organization? Top 3 by market
Has ESG reporting already generated any of the below opportunities for your organization? Top 3 by market

**France**
- 68% Generated positive media and brand awareness
- 67% Improved employee recruitment efforts
- 65% Better insurance / credit agency engagement

**Spain**
- 79% Reduction of long-term risk
- 77% Generated positive media and brand awareness
- 77% Improved cost savings

**Sweden**
- 79% Increased customer retention and recruitment
- 71% Generated positive media and brand awareness
- 71% Strengthening of partnerships

**Netherlands**
- 67% Generated positive media and brand awareness
- 67% Improved cost savings
- 66% Increased customer retention and recruitment

**Denmark**
- 76% Improved cost savings
- 74% Generated positive media and brand awareness
- 74% Improved employee morale

**Norway**
- 76% Improved investor and stakeholder relationships
- 74% Strengthening of partnerships
- 73% Increased customer retention and recruitment

**Italy**
- 79% Improved employee recruitment efforts
- 79% Improved investor and stakeholder relationships
- 75% Increased customer retention and recruitment

**Switzerland**
- 75% Improved employee recruitment efforts
- 74% Better insurance / credit agency engagement
- 74% Reduction of long-term risk

**Austria**
- 72% Strengthening of partnerships
- 71% Better insurance / credit agency engagement
- 69% Generated positive media and brand awareness

**Singapore**
- 80% Increased customer retention and recruitment
- 80% Better insurance / credit agency engagement
- 72% Improved cost savings
My organization is underprepared with regard to ESG goals, planning and future mandates (Strongly Agree and Somewhat Agree)

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| Region     | 22%   | 16%| 13%| 18%     | 17%    | 12%   | 11%    | 12%    | 12%    | 12%   | 34%         | 37%     | 32%       |

Strongly agree | Somewhat agree | Somewhat disagree | Strongly disagree
At least two thirds (rising to more than 4 in 5) in each market believe that technology is important when ‘compiling and collaborating on ESG data’.

Has your organization outlined actionable steps and measurable goals to track these improvement areas? Yes.

The US is well ahead of the curve with 71% having formalized the process for environmental spend, 58% for social and 65% for governance. At the other end of the spectrum, in the Netherlands just 33% of businesses have a formalized process for both environmental and social and 41% have these steps in place for governance.

How important or unimportant is technology to addressing each of the following issues? Compiling and collaborating on ESG data (Very important and Somewhat important)
Compiling and collaborating on ESG data: How important or unimportant is technology to addressing each of the following issues?

How well do you feel your organization uses technology and data to make decisions on advancing your ESG Strategy? Answer: Very well.
About our research.

To gather insight to these questions, Workiva commissioned Coleman Parkes, an independent research agency, specializing in B2B technology, to conduct primary research amongst relevant businesses. In total, 1,300 respondents were surveyed via an online methodology, with fieldwork conducted between 14th April – 6th May 2022.

All research participants had at least some stake in their organization’s ESG reporting and strategy as part of their job responsibilities, with 66% saying ESG formed a majority of their responsibilities and 34% saying it formed a portion of their responsibilities.

Participants were drawn from businesses of 250+ employees and all businesses fell within one of the following industries:

**Within which sector does your organization primarily operate?**

- Energy (including Oil & Gas) 10%
- Financial services 10%
- Manufacturing 10%
- Retail & Wholesale 10%
- Food & Beverage 10%
- Technology 9%
- Construction 8%
- Telecoms 8%
- Professional Services 8%
- Real Estate 8%
- Transportation 8%
All participants worked within one of the following business areas within their organization:

- Finance
- Sustainability & ESG
- Human Resources
- Investor Relations
- Government/Legislative Affairs
- Legal/Compliance
- Operations/Facilities
- Communications/Marketing
- Procurement

Levels of seniority:

- Senior Manager/Manager: 29%
- Senior Director/Director: 17%
- Individual Contributor: 15%
- C Suite/executive level management: 13%
- Vice President: 27%

Research was conducted in 13 global markets (with an even split of 100 surveys in each market): US, UK, Germany, France, Sweden, Denmark, Austria, Italy, Switzerland, Singapore, Netherlands, Denmark, Norway, Spain, and Sweden.
About Workiva.

Workiva Inc. (NYSE:WK) is on a mission to power transparent reporting for a better world. We build and deliver the world’s leading regulatory, financial, and ESG reporting solutions to meet stakeholder demands for action, transparency, and disclosure of financial and non-financial data. Our cloud-based platform simplifies the most complex reporting and disclosure challenges by streamlining processes, connecting data and teams, and ensuring consistency.

Learn more at workiva.com.
Let’s get to work.

Find out how our cloud-native platform can help you build investor-trusted, audit-ready ESG Reporting.

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