

Position Green^o

Report reveals major gaps in company readiness in countdown to landmark European sustainability reporting rules becoming law

ESG100 - first ever large-scale assessment of ESG disclosure compliance ahead of European Sustainability Reporting Standards - indicates significant implementation challenges ahead

Study finds only 54% of core ESRS disclosures reported from the top 300 listed companies in Denmark, Norway, and Sweden

With over 10,000 non-EU domiciled companies now required to report, including over 3,000 in the United States and 1,000 in the UK, the level of widespread non-compliance raises concerns

11 September 2023, [London/New York, United Kingdom/United States] – Position Green, the Nordic region’s largest, independent pure-play sustainability firm, has published its sixth annual ESG100 report. This study represents an industry first in its assessment of how well-prepared listed companies are for the European Sustainability Reporting Standards (ESRS), expected to become EU law and implemented on 1 January 2024. In this study, those assessed represent the largest 300 companies from Norway, Denmark, and Sweden and some of Europe’s most recognisable names, including Volvo, Maersk, Carlsberg, and Scatec.

Based on the 2022 disclosures from companies assessed, the ESG100 reveals a significant overall shortfall in reporting standards, with companies on average making **just 54% of the core ESRS disclosures**¹. Scandinavian companies are typically more advanced in ESG disclosures, so data suggests other European companies will have major implementation challenges ahead. With many investors already calling on the EU to tighten mandatory disclosures on emissions and climate risk in the current ESRS draft, the additional gap in compliance may undermine investor confidence at a time when private capital is required to drive net zero.

With the increased requirements and scope of companies required to report ESG information under ESRS, **an estimated 10,300 non-EU-domiciled firms will be affected**, including 31% from the United States and 11% from the United Kingdom. With the major expansion of social issues on which companies must disclose, including workforce, workers in the value chain, affected communities, and consumers, there is potential to inflame existing anti-ESG rhetoric in the US, specifically with regard to policies on diversity, equity, and inclusion (DEI). This report should therefore serve as an insight into what companies outside of the EU need to address in the lead up to the rules becoming law.

¹ The 68 ESRS-related disclosures included in the ESG100 were drawn from the CSRD and the ESRS’s mandatory general disclosures and standards for climate change, biodiversity and own workforce. These disclosures command the strongest attention from regulators and investors.

The ESG100 finds that the majority of companies now have clear net zero commitments in place, **with 62% of firms committing to achieving zero emissions by 2050**. However, the majority of climate targets are not matched by credible transition plans - with **just 41%** of firms having one in place, and **only 33%** have targets verified by the Science Based Target Initiative (SBTi), a key indicator of credibility. Only three firms, namely Danish clean energy specialists Vestas and building technology firm FLSmidth, and Swedish construction giant Skanska, included the key elements of a robust plan.

More companies than ever have reported linking executive remuneration to ESG targets, **with 34% disclosing the link**, compared to 25% last year. Pressure on boards to incorporate ESG measures in executive pay is clearly driving the move, but this still falls well short of meeting investor expectations. Climate is the area of ESG commanding the strongest investor attention, **but only 15% of companies reported the link between executive remuneration and emissions reduction targets**, and only 6% provided a detailed description of the KPIs used for performance-related pay, indicating a misalignment in expectations.

Data in the report indicates that the majority of companies are now prepared to report on emissions, but gaps do remain, with **15% of firms failing to report even their Scope 1**, 25% their Scope 2, and 31% their Scope 3 emissions. Accurate reporting of emissions is critical in providing investors data needed for decisions based on climate impact, risk, and opportunity. With Scope 3 emissions estimated to be up to 11 times larger than a company's direct (Scope 1) operations, to truly decarbonise, the accurate reporting of all three Scopes is critical.

Joachim Nahem, Executive Chair and Co-Founder of Position Green, added: *'Never before has this report been more timely. There is turbulent political rhetoric surrounding the very nature of ESG, and a key objective of ESRS and the SFDR is to avoid greenwashing, requiring that companies provide investment-grade disclosures. Our findings show that Nordic corporates are not quite there yet, though it remains to be seen if the reporting requirements themselves are too onerous.*

'In our deepest-yet assessment of the Nordic regions' largest public companies, this report serves as a clear indicator to corporates, shareholders and would-be investors both in and outside of Europe of the challenges ahead. The ESRS will be the deepest, broadest, and most forensic set of ESG rules ever introduced, and so preparing for this is absolutely critical. Position Green looks forward to supporting its partners, current and future clients through this next challenge, and helping drive onwards to a sustainable future.'

Notes to editors

For inquiries and further information, please contact our Marketing Manager, Sandro Pardo at sandro.pardo@positiongreen.com or at +1 646 327 9412.

About Position Green

Position Green is the largest independent sustainability firm in the Nordic region, and a pioneer in ESG transformation. As a pure-play sustainability partner supporting organisations to accelerate their sustainability journey, it provides proprietary ESG reporting software solutions, advisory services, assurance, and a learning and academy offering. By making sustainability measurable and actionable, companies can transform and streamline their ESG data management and reporting processes and embed sustainability strategies that reduce risk and create value.

Position Green is a member of the UN Global Compact and a partner of GRESB and the SASB Consulting Programme, having contributed to the development of the SASB Marine Transportation standards. Position Green is also a certified GRI Training Partner and a CDP Accredited solutions provider. As of July 2023, Position Green has over 600 clients worldwide, including more than 50 GP/LPs, and more than 270 employees across Sweden, Norway, Denmark, the UK, the US, and Belgium.