IESBA IFAC OECD CDP DISCLOSURE INSIGHT ACTION

Presentation of the OECD Global Corporate Sustainability Report

We will begin shortly

Opening remarks

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Presentation of the OECD Global Corporate Sustainability Report

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Agenda

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2 **Sustainability-related disclosure**

3 **Investor landscape**

4 **The board of directors**

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6 **Recent regulatory developments**

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Introduction

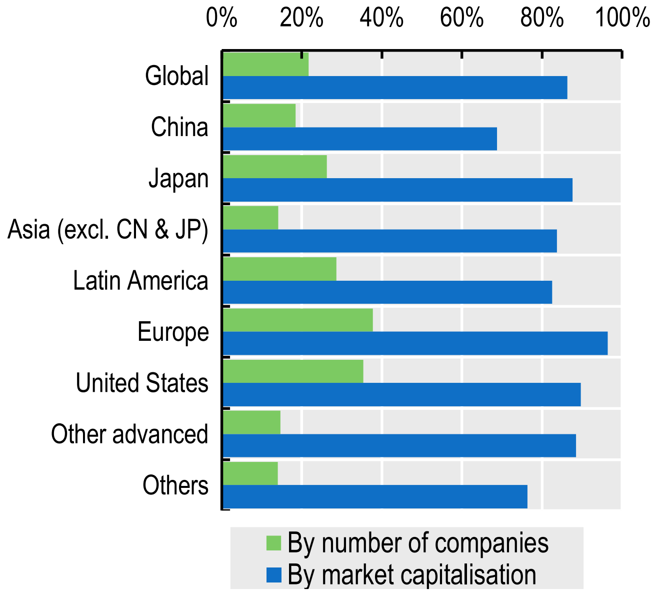
- The *OECD Global Corporate Sustainability Report* aims to support the **adoption** of **corporate governance policies and practices** that contribute to the **sustainability** and **resilience** of companies.

- It provides **easily accessible information** to help policy makers, regulators, and market participants understand how **market practices** related to corporate sustainability are **evolving** and what are some of the most relevant **recent regulatory developments**.

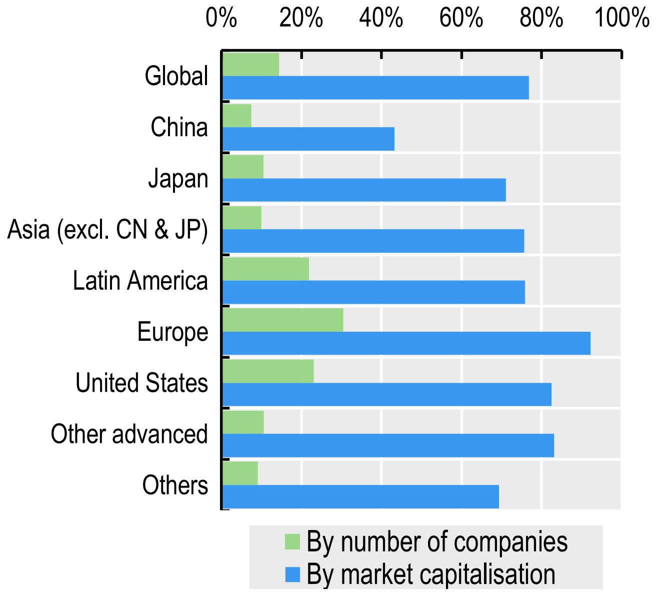
- The **issues covered** in this report are **related to the recommendations** included in the new chapter VI of the *G20/OECD Principles of Corporate Governance*.

Sustainability-related disclosure (i)

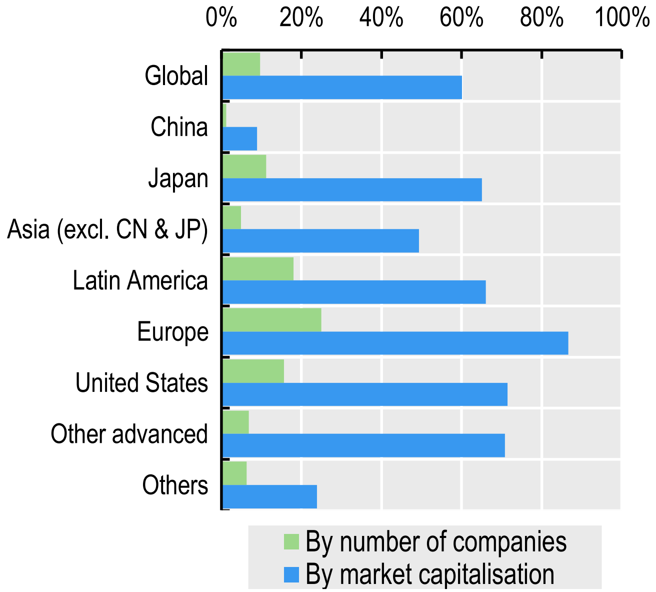
Disclosure of sustainability-related information by listed companies in 2022



Disclosure of scopes 1 and 2 GHG emissions



Disclosure of scope 3 GHG emissions

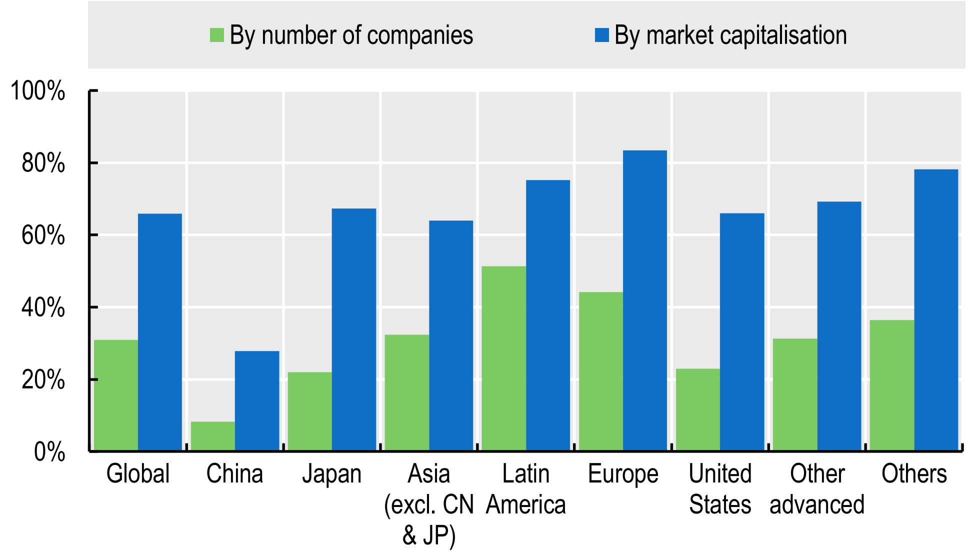


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

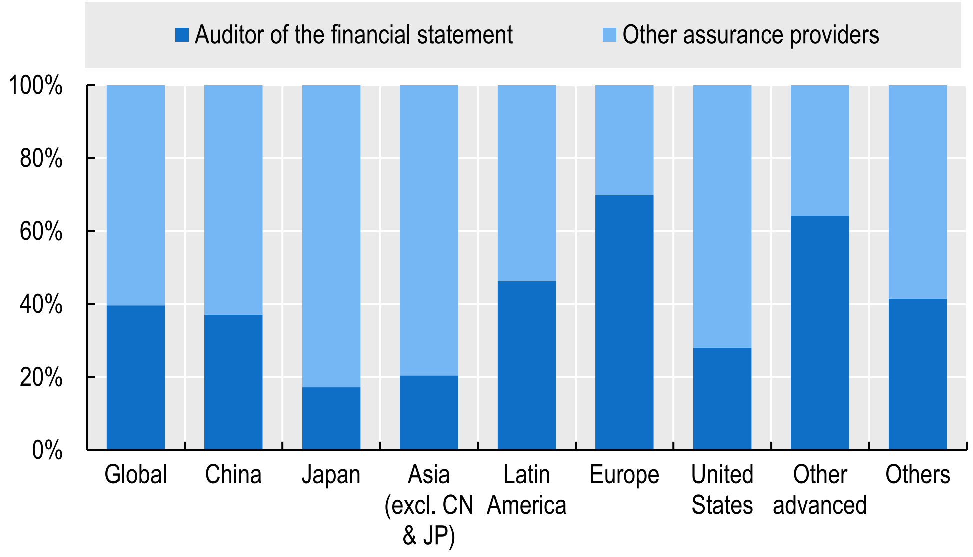
- In 2022, out of the 43 970 listed companies globally, almost **9 600 listed companies** that represent **86%** of the total market capitalisation disclosed sustainability-related information.
- Globally, companies representing **77% of market capitalisation** disclosed **scopes 1 and 2** GHG emissions in 2022.
- Companies report **scope 3** emissions with similar regional and sectoral distribution but **lower shares**.

Sustainability-related disclosure (ii)

Sustainability reports with assurance over all disclosed reports in 2022



Assurance of the sustainability report by the financial statement's auditor in 2022, by market capitalisation

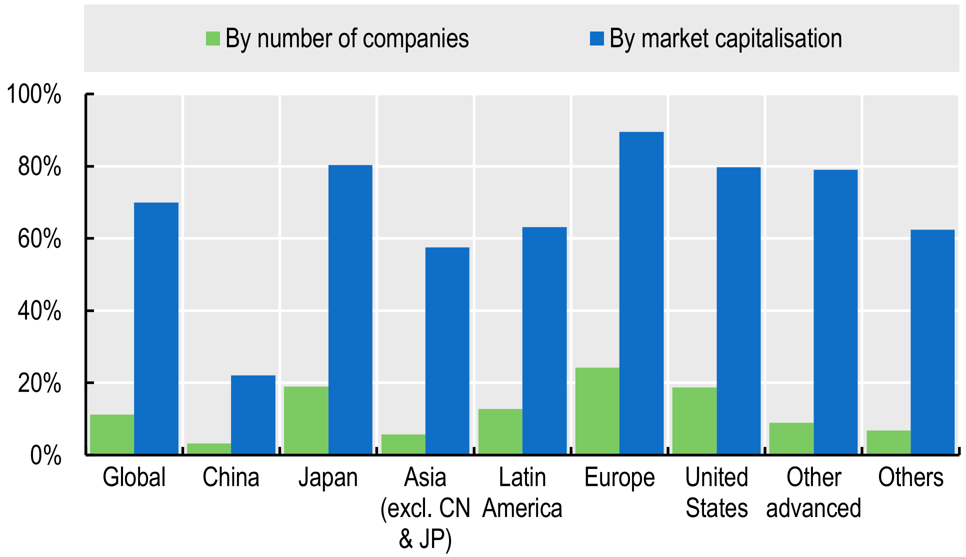


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

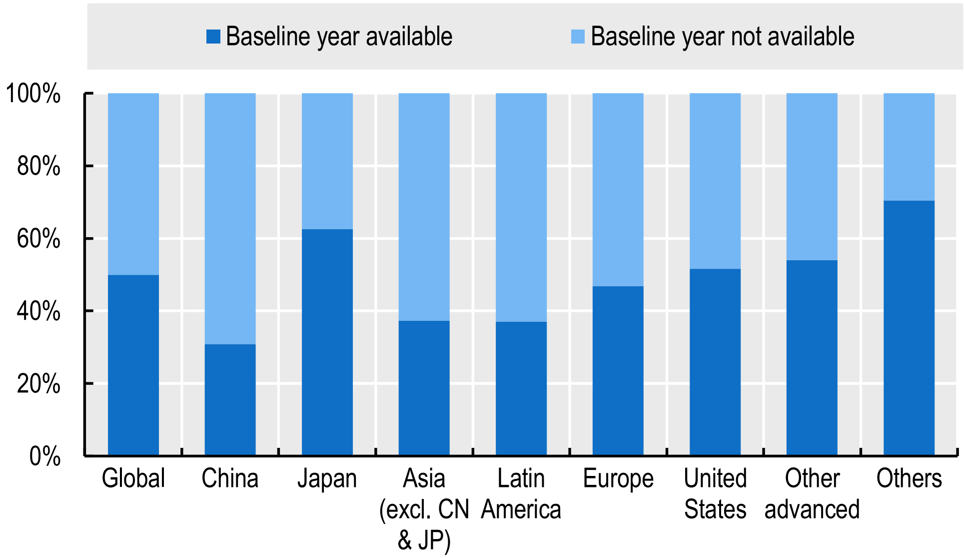
- Globally, an **external service provider** assures the sustainability disclosure of **two-thirds** of the companies disclosing sustainability information by market capitalisation.
- The share of companies that decide to engage **the same auditor of the financial statement** to verify their **sustainability disclosures** ranges from 70% of companies by market capitalisation in Europe to 17% of companies in Japan.

Sustainability-related disclosure (iii)

Disclosure of GHG emission reduction targets by listed companies



Whether listed companies with GHG emission targets have disclosed a baseline year, by market capitalisation

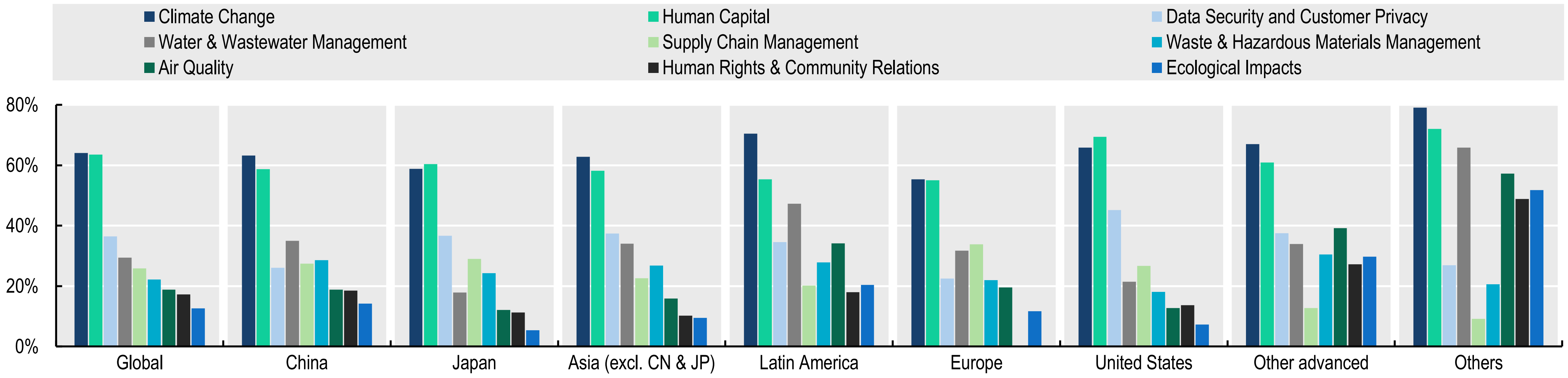


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

- **70%** of companies by market capitalisation disclose a **GHG emission reduction target** and nearly half of them set 2030 as the target year globally.
- However, the **baseline year** is available **only in 37%** of the cases.

Investor landscape (i)

The share of market capitalisation by selected sustainability risks, 2022

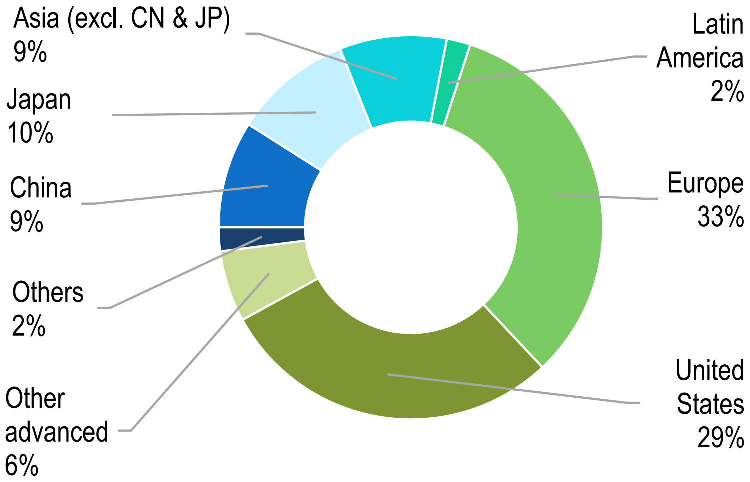


Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping, OECD calculations.

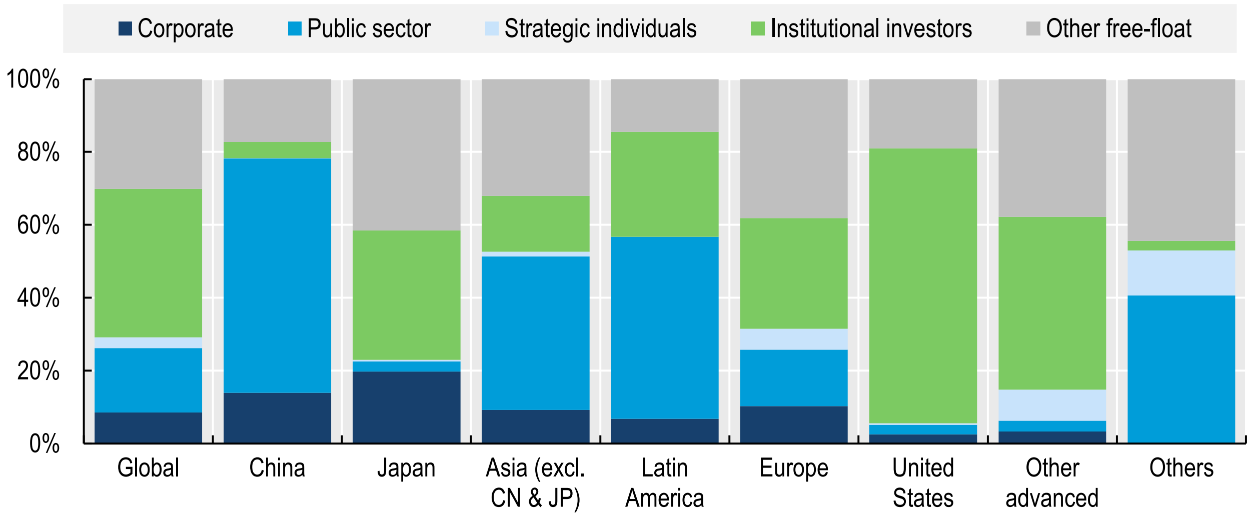
- **Climate change** is considered to be a **financially material risk** for listed companies that account for **64%** of global market capitalisation.
- Companies considered to be facing risks related to **climate change**, **human capital** and **data security** have **larger** market capitalisation than the groups of companies considered to be facing other sustainability-related risks such as **ecological impacts** or **human rights**.

Investor landscape (ii)

The 100 listed companies with the highest GHG emissions



Investor holdings of the 100 high-emitting companies: by type of investors

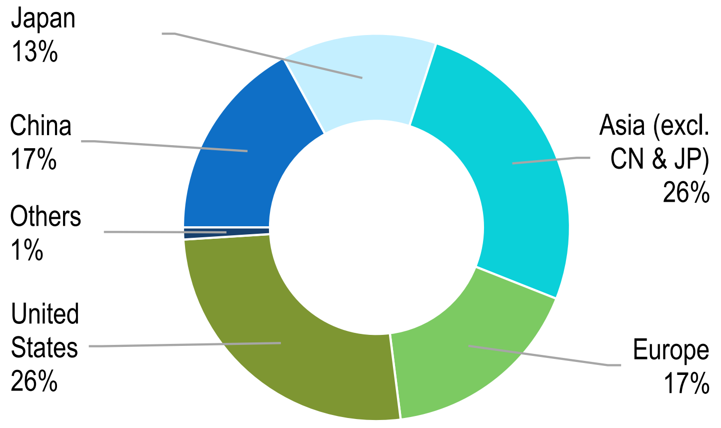


Source: OECD Corporate Sustainability dataset, OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

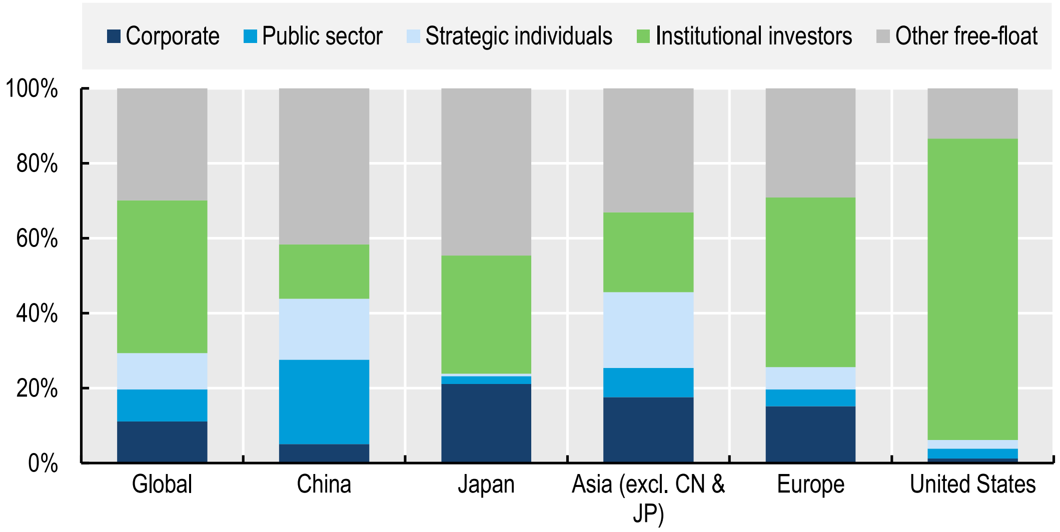
- **Institutional investors** hold the **largest** equity portion (41%) in the 100 companies with the highest disclosed GHG emissions.
- The **public sector** is an **important** shareholder, holding 18% of the shares globally, with even higher shares in the People's Republic of China (64%) and Latin America (50%).

Investor landscape (iii)

The 100 listed companies with low relative GHG emissions and high innovation



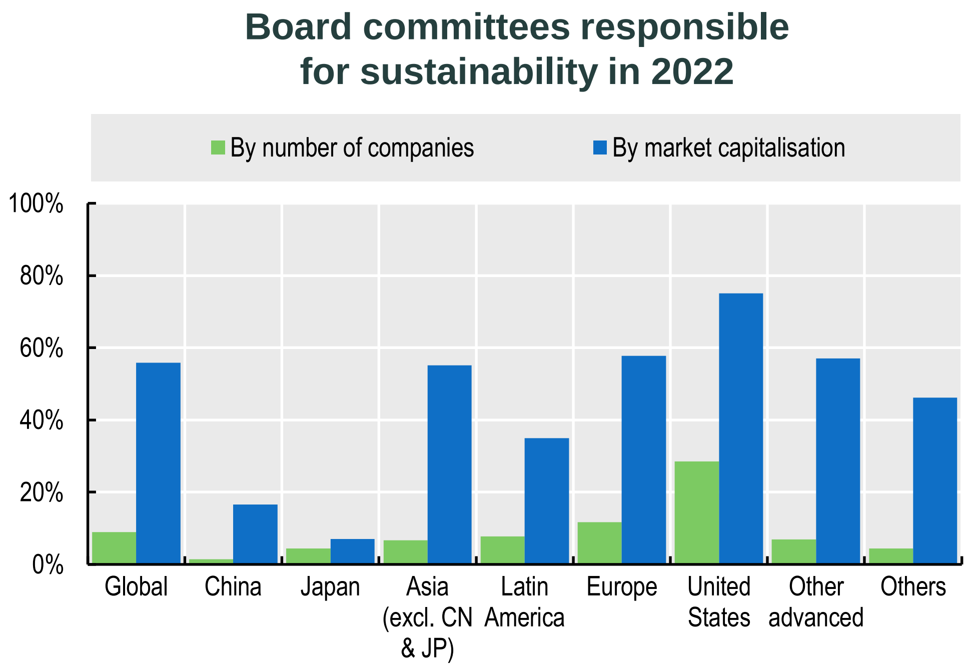
Investor holdings of the 100 low-emitting and high-innovative companies: by type of investors

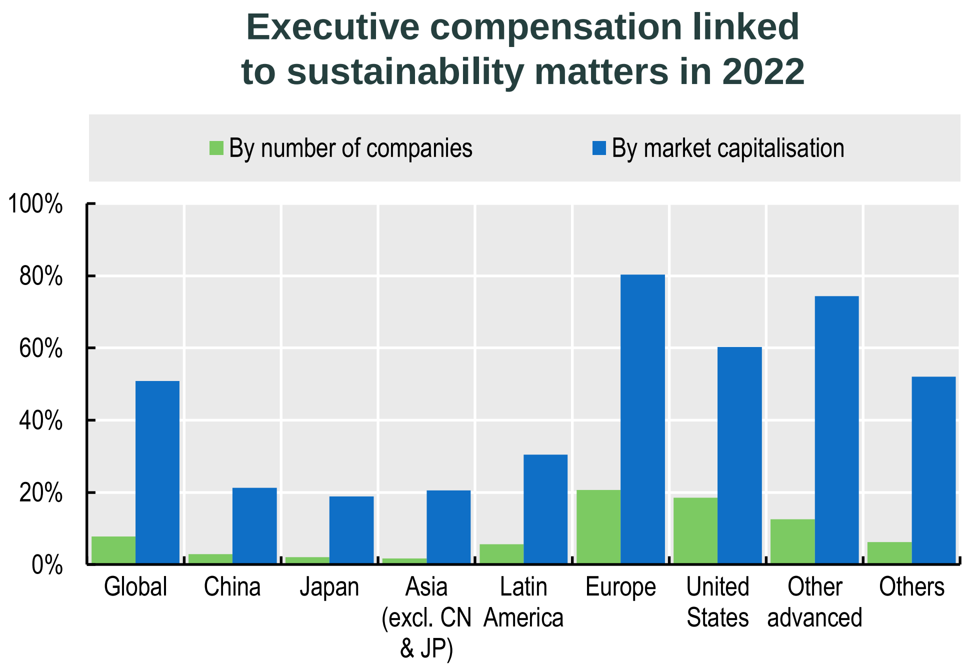


Source: OECD Corporate Sustainability dataset, OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

- While the adoption of existing green technologies by high-emitting companies is essential for the transition to a low carbon economy, the **development of new technologies** will also be necessary for a **successful transition**.
- An analysis of the 100 listed companies with the **lowest disclosed GHG emissions** relative to revenues and the **highest R&D expenditure or stock of patents** per industry shows that **institutional investors** own **41%** of the equity in these companies.

The board of directors





Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

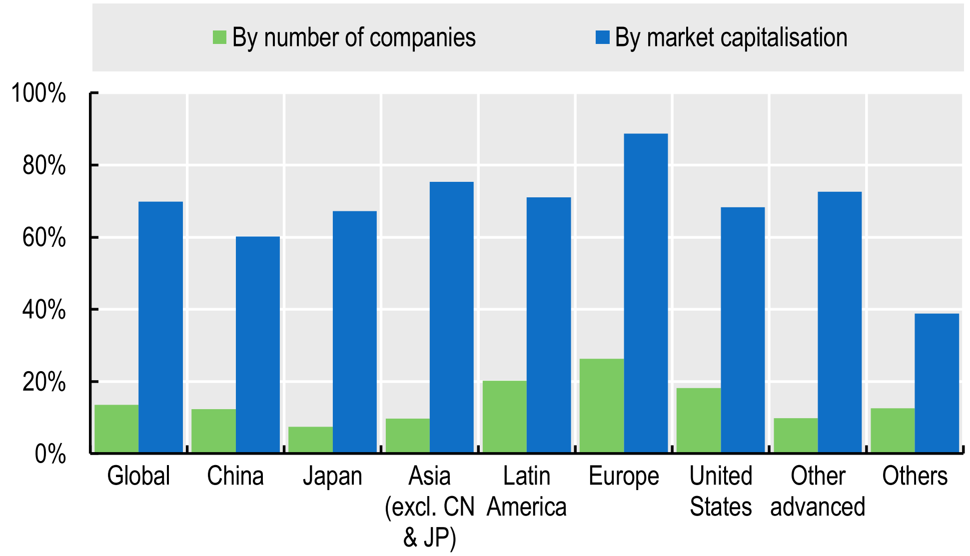
- Companies representing **more than half** of the world’s market capitalisation have a **committee responsible** for overseeing the **management of sustainability** risks and opportunities.
- **Executive compensation is linked to sustainability** matters in **80%** of the companies by market capitalisation in **Europe**, followed by Other advanced (74%) and the United States (60%).

The interests of stakeholders and engagement

Employee representation on the board in 2022

	By number of companies	By market capitalisation
Global	4.5%	14.1%
China	26.2%	62.2%
Latin America	0.8%	10.9%
Europe	10.6%	37.9%

Disclosure on stakeholder engagement in 2022



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

- Companies representing **14%** of the global market capitalisation include **employee representatives** on the **board of directors**, ranging from 62% in China, 38% in Europe and 11% in Latin America to negligible amounts in other regions.
- Globally, companies that account for **70%** of the market capitalisation disclose information on **whether they engage** with their **stakeholders** and how they **involve** them in the **decision-making process**.

Recent regulatory developments

These developments took place between **October 2022** and **September 2023.**

- The **ISSB** issued its first **two standards IFRS S1 and IFRS S2** in June 2023, which were endorsed IOSCO soon after.
- The **European Commission** adopted the first set of **EU Sustainability Reporting Standards** in July 2023, and they embarked on a full range of sustainability matters, including climate, pollution, water, biodiversity, workers and business conduct.
- The **OECD** updated in its **Guidelines for Multinational Enterprises on Responsible Business Conduct** in June 2023.
- The **IAASB** published an exposure draft of the proposed **International Standard on Sustainability Assurance 5000** in June 2023.
- The **IESBA** approved the exposure drafts of **new ethics and independence standards** for sustainability reporting and assurance in December 2023.

Key policy messages

Disclosure

Sustainability-related **disclosure frameworks** may need to be **flexible** about existing capacities of companies.

Assurance

Regulators may consider requiring **large listed companies** to obtain **assurance** of their sustainability-related information. Jurisdictions may require companies to obtain assurance of **specific** sustainability-related **disclosures**, such as **GHG emissions**.

Investors

Regulators may consider requiring or recommending the **disclosure of information** relevant for **investors to assess** the potential of companies to develop **new technologies**.

The fact that **institutional investors** hold the **largest** share of equity in the 100 listed companies with the **highest disclosed GHG emissions** highlights the importance of **corporate governance** frameworks in facilitating and supporting **shareholders' engagement**.

Thank you!

oecd.org/corporate/global-corporate-sustainability-report

OECD

Panel Discussion

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Chair, IESBA and Co-CEO, International Foundation for Ethics and Audit

David Madon
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Thank you for joining!

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