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

1. Introduction
2. Sustainability-related disclosure
3. Investor landscape
4. The board of directors
5. The interests of stakeholders and engagement
6. Recent regulatory developments
7. Key policy messages
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*. 
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.

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.
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.

Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.
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

- Asia (excl. CN & JP) 9%
- Japan 10%
- China 9%
- Others 2%
- Other advanced 6%
- Latin America 2%
- Europe 33%
- United States 29%

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

- Corporate
- Public sector
- Strategic individuals
- Institutional investors
- Other free-float

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%).
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.
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%).

Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.
The interests of stakeholders and engagement

Employee representation on the board in 2022

<table>
<thead>
<tr>
<th></th>
<th>By number of companies</th>
<th>By market capitalisation</th>
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</thead>
<tbody>
<tr>
<td>Global</td>
<td>4.5%</td>
<td>14.1%</td>
</tr>
<tr>
<td>China</td>
<td>26.2%</td>
<td>62.2%</td>
</tr>
<tr>
<td>Latin America</td>
<td>0.8%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Europe</td>
<td>10.6%</td>
<td>37.9%</td>
</tr>
</tbody>
</table>

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
Panel Discussion

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

David Madon
Director, Sustainability, Policy & Regulatory Affairs, IFAC
Thank you for joining!

For further questions, please reach out to:

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