



Teneo '23 & ESG Series

# The DNA of 2023 U.S. Sustainability Reports

Teneo Insights / September 2023



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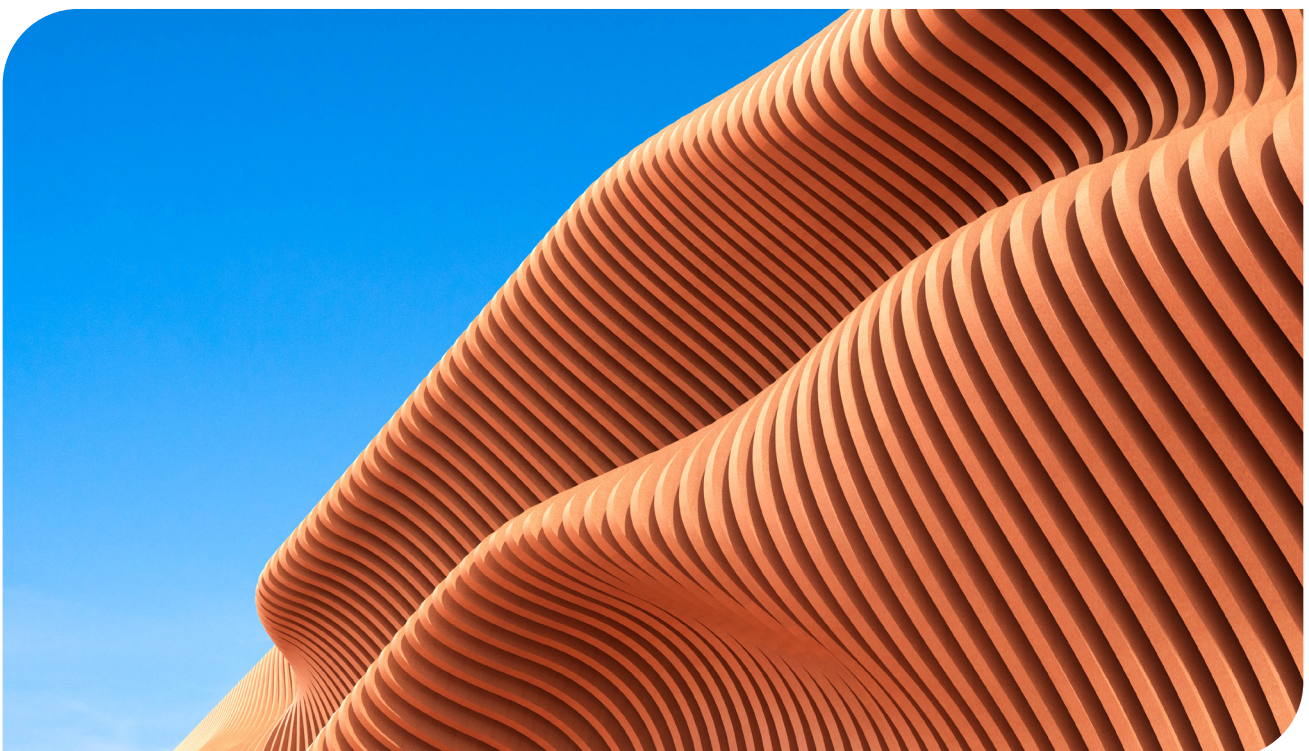
# Introduction

Since we published our [last study on U.S. sustainability reports](#) 12 months ago, political attacks on ESG have escalated heading into the 2024 U.S. presidential campaign. As a result, companies are now facing critical questions on how to communicate their ESG strategies and initiatives, especially within annual sustainability reports that are now the norm for most companies.

**For example, would eliminating the acronym “ESG” from corporate communications help quell the backlash? How can companies assess the risks and opportunities of proactively communicating their ESG strategies? What happens if companies miss or reset an ESG goal?**

At the same time, global regulations mandating ESG disclosures from companies, including many U.S. companies, are being finalized. These global mandates for ESG disclosures are in direct conflict with the Republican-led anti-ESG movement in the U.S. Given all of this, companies should expect continued turbulence in the coming year.

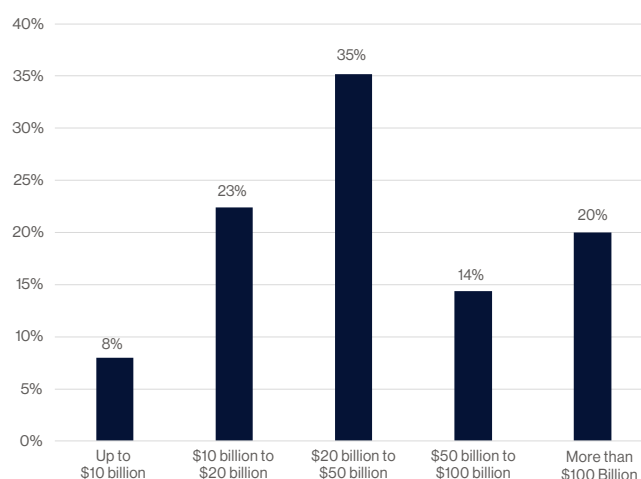
To help companies navigate this environment, we are publishing a series of research reports based on our analysis of 250 sustainability reports from S&P 500 companies published in 2023. In this paper, the first of our series, we provide Teneo’s (i) study methodology; (ii) top 10 takeaways from 2023 sustainability reports and (iii) key statistics of 2023 sustainability reports. Over the next several months, we plan to publish follow-up pieces from Teneo ESG thought leaders on disclosure-related topics such as diversity, governance, executive compensation and materiality assessments, as well as a piece from Teneo Studio dedicated to effective sustainability report design.



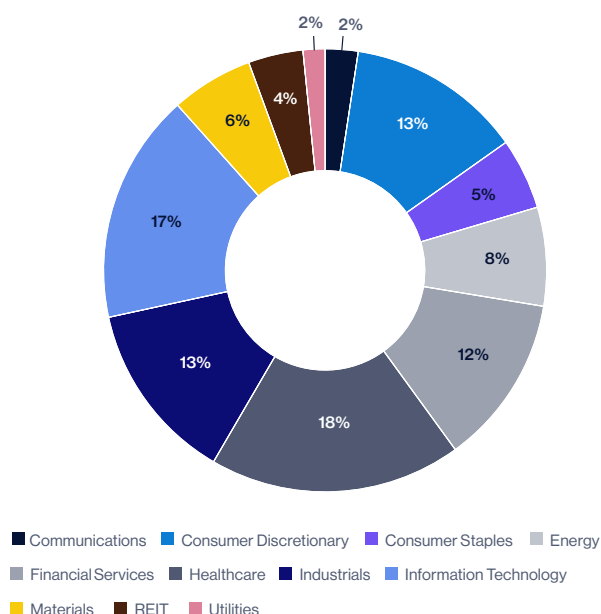
# Study Methodology

Our analysis included 250 sustainability reports from S&P 500 companies published between January 1-June 30, 2023 (2023 sustainability reports). For the purposes of this report, all references to 2023 sustainability reports refer to any annual ESG disclosure report regardless of its naming convention. The majority of 2023 sustainability reports reviewed were published by large-cap companies, and the sector breakdown generally aligns with that of the S&P 500.

**Figure 1: Market Cap of Companies Reviewed (USD)**



**Figure 2: Sector Breakdown of Companies Reviewed**



# Top 10 Takeaways From 2023 Sustainability Reports



01

## Say You, Say ESG

By any metric that we tracked, companies remained resolute on their ESG priorities despite the political rhetoric. Almost 80% of companies disclosed that all of their ESG goals were on-track. CEOs still signed or co-signed 95% of report cover letters. Average length of 2023 sustainability reports increased by 6%. Even the use of the “ESG” acronym increased by about 20% from last year – with more companies including ESG in the report title (eight) than removing it (five).



02

## Don't You Forget About “G”

Corporate governance issues such as board composition and shareholder rights have managed to stay largely out of the anti-ESG political fray. Company disclosures on how both management and the board oversee ESG strategies have become much more detailed.



03

## We Are Living In a [Double] Material World

While single materiality assessments continue to be most common, almost 10% of companies conducted a double materiality assessment. More companies are likely to do the same over the next few years given that new European rules will require double materiality assessments of many U.S. companies with significant operations in Europe.



04

## Don't Stop Believin'

Companies communicated in more detail about their ESG goals, including whether an ESG goal is off-track, or its timeline/scope has been reset. This increased transparency was likely an attempt to help prevent greenwashing claims from stakeholders (including regulators).



05

## We Are the World

While we await the U.S. Securities & Exchange Commission's final rule on climate disclosure, Europe seems to be just getting warmed up. The European Union finalized its mandatory ESG disclosure regime that will cover thousands of U.S. companies, with more ESG disclosure regulation being drafted in Europe and around the world.



06

## Express Yourself

A majority of companies issued a press release with their sustainability report publication – though less common than in prior years perhaps due to the ESG backlash. In addition, a vast majority of companies published ESG microsites within their corporate website highlighting their primary ESG initiatives.



# Top 10 Takeaways From 2023 Sustainability Reports (Continued)



07

## You May be Right

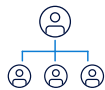
Companies continued to seek greater internal and external assurance on certain environmental and social data, largely on a limited assurance standard (as opposed to a reasonable assurance standard). External assurance providers included many firms outside of the “Big Four” auditors.



09

## Freeze Frame

SASB and TCFD continued to dominate company use of disclosure frameworks. SASB was used by over 90% of the companies in our research, while TCFD (77%), GRI (69%) and UN SDGs (68%) were also quite prevalent.



08

## Who's The Boss?

Companies disclosed a variety of positions who were primarily responsible for ESG, including Chief Sustainability Officers, Chief Executive Officers, General Counsels and Chief Communications Officers. In some instances, companies noted that multiple executives shared responsibility for ESG.



10

## Everybody Wants to Rule the World

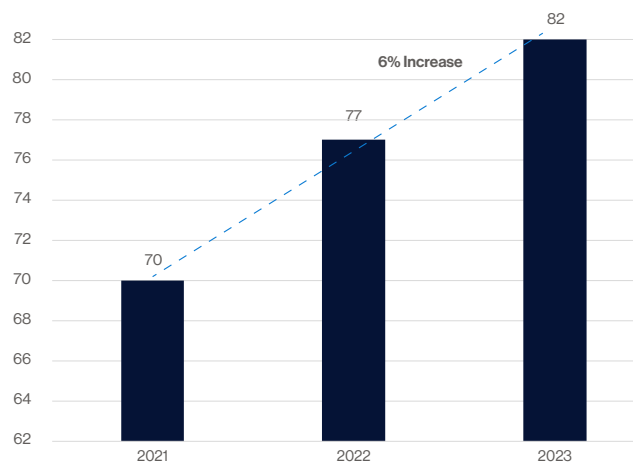
ESG is likely in for a bumpy ride over the next 12 months. Republicans are likely to continue to use anti-ESG rhetoric as part of their stump during the U.S. presidential election. At the same time, other stakeholders such as investors, employees and global regulators are likely to continue pressing companies to address ESG issues as part of overarching business strategies.



# Key Statistics of 2023 Sustainability Reports

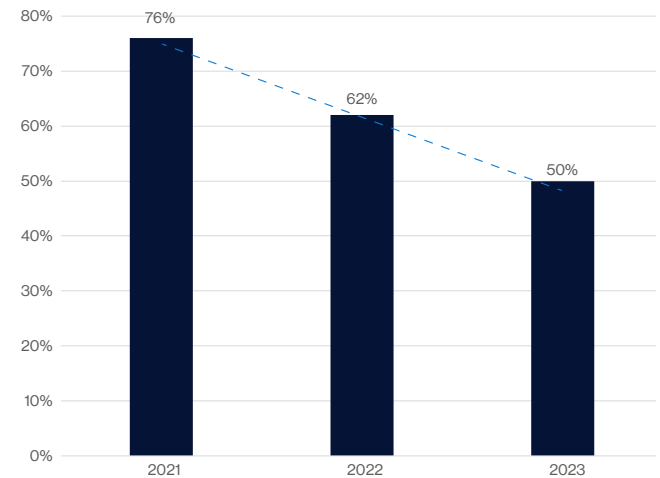
## I. Sustainability Report Communications Characteristics

**Figure 3: Average Length of Sustainability Reports (2021-2023)**



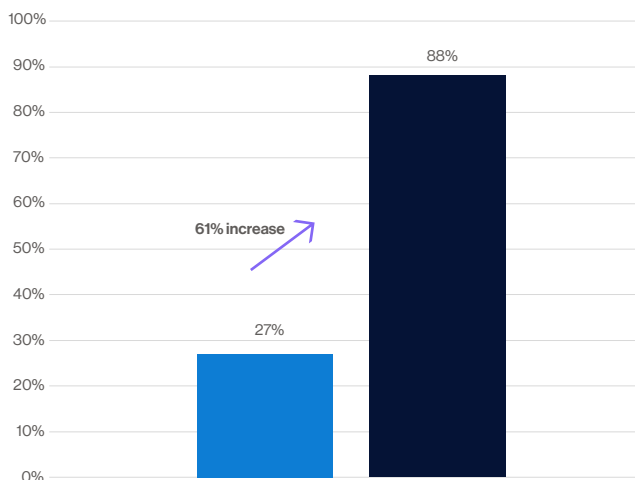
The page length of 2023 Sustainability Reports varied greatly, ranging from 11 – 262 pages.

**Figure 4: Issued Press Release with Sustainability Report (2021-2023)**



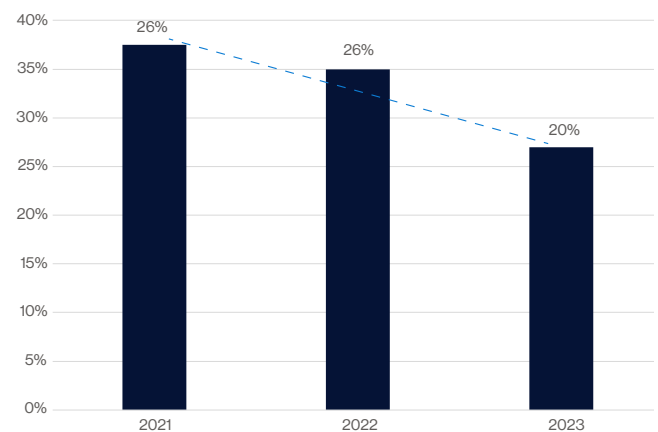
While still press releases were still prevalent, fewer companies issued them this year, perhaps due to ESG backlash.

**Figure 5: Corporate Website Included Sustainability Microsite (2022-2023)**



Companies made their 2023 Sustainability Reports more accessible by creating microsites within the corporate website.

**Figure 6: Provided Summary/Highlights Version of Sustainability Report (2021-2023)**

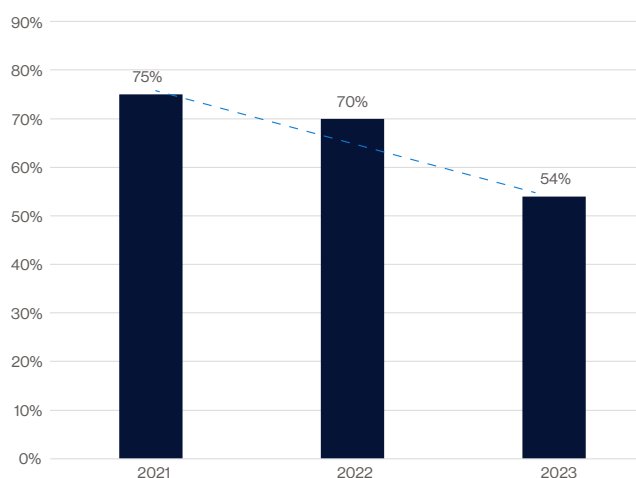


Slightly fewer companies provided a summary of their 2023 Sustainability Report, possibly to reduce the risk of miscommunication.

# Key Statistics of 2023 Sustainability Reports

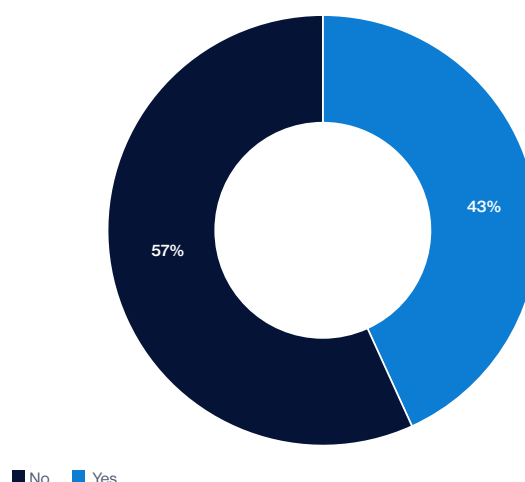
## I. Sustainability Report Communications Characteristics (Continued)

**Figure 7: Included ESG Data Table Within Sustainability Report (2021-2023)**



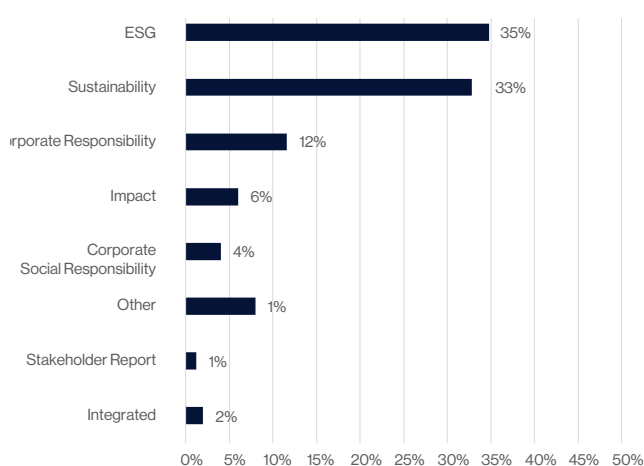
While including ESG data tables is still a common practice, fewer companies provided an ESG data table within their 2023 Sustainability Report, possibly due to concerns about data validity or placement of the data table outside the report.

**Figure 8: Included a Tag-Line in Title of 2023 Sustainability Report (2023)**



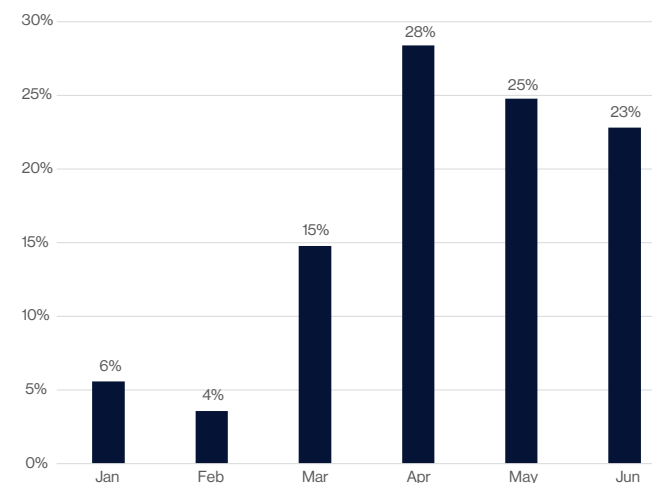
Nearly half of the companies researched included a tag-line in the title of their 2023 Sustainability Reports.

**Figure 9: Key Word of 2023 Sustainability Report Titles**



Despite the ESG backlash, the use of key words used in 2023 Sustainability Report titles did not change materially from 2022 Sustainability Reports.

**Figure 10: Publication Dates of 2023 Sustainability Reports**



April and May were the most common months for 2023 Sustainability Report publication, likely with the goal of publishing prior to the company's annual shareholder meeting.<sup>1</sup>

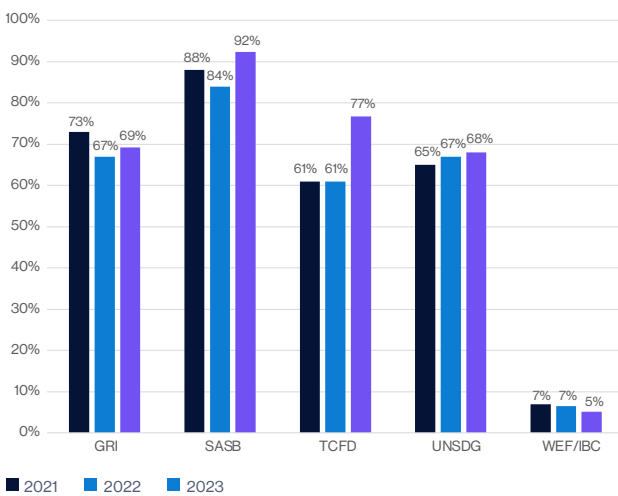
<sup>1</sup> Note we only reviewed reports published between January 1 and June 30, 2023.



# Key Statistics of 2023 Sustainability Reports

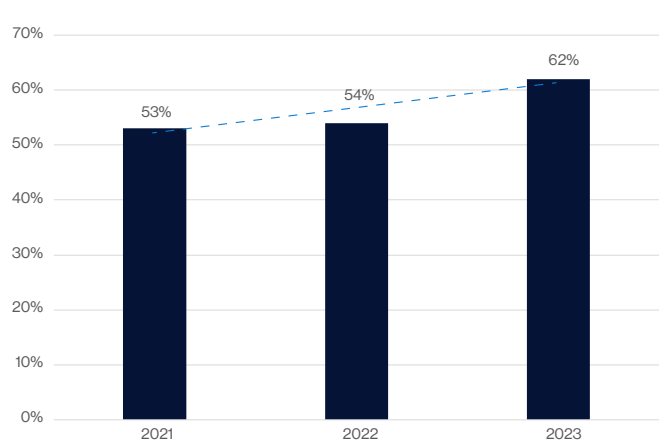
## II. Sustainability Report Content Characteristics

**Figure 11: ESG Disclosure Frameworks Included in 2023 Sustainability Reports (2021-2023)**



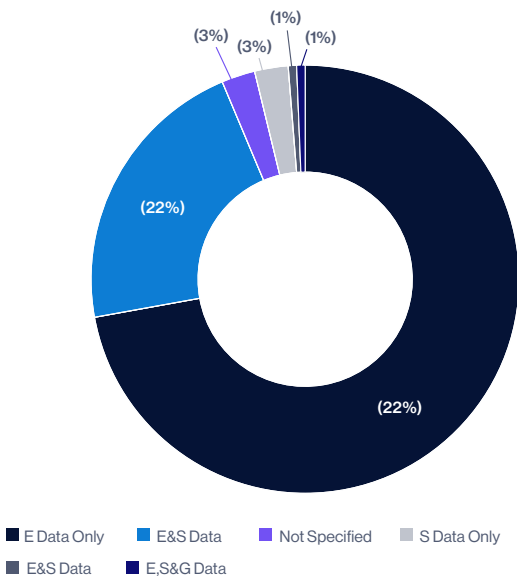
SASB eclipsed 90% while TCFD surpassed the GRI for the first time in our study.

**Figure 12: External Assurance Provided Within 2023 Sustainability Reports (2021-2023)**



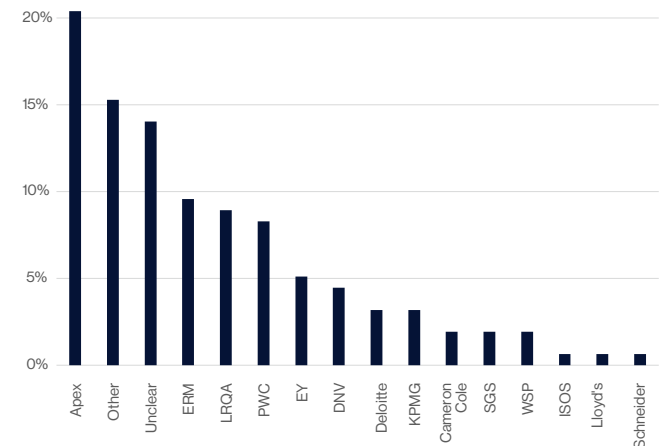
External assurance increased by 15% in 2023 Sustainability Reports, likely due to pending regulations mandating it in some form.

**Figure 13: Type of ESG Data Assured (2023)**



Environmental data continues to be the primary focus for companies for obtaining external assurance.

**Figure 14: External Assurance Providers (2023)**

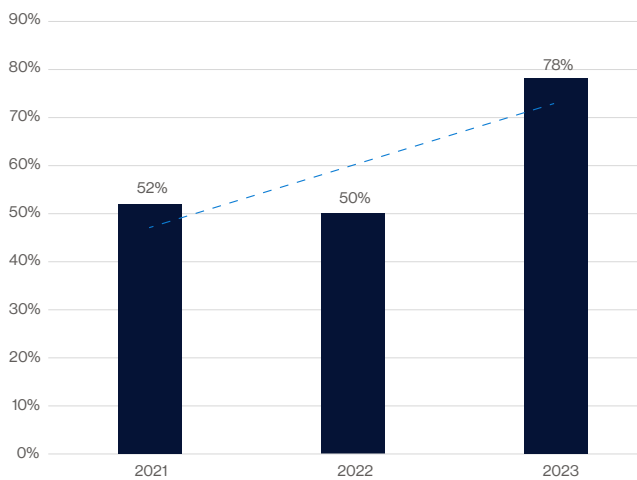


While the Big 4 auditors may not currently conduct a majority of external assurance within 2023 Sustainability Reports, this may change if regulations mandate assurance to a certain standard.

# Key Statistics of 2023 Sustainability Reports

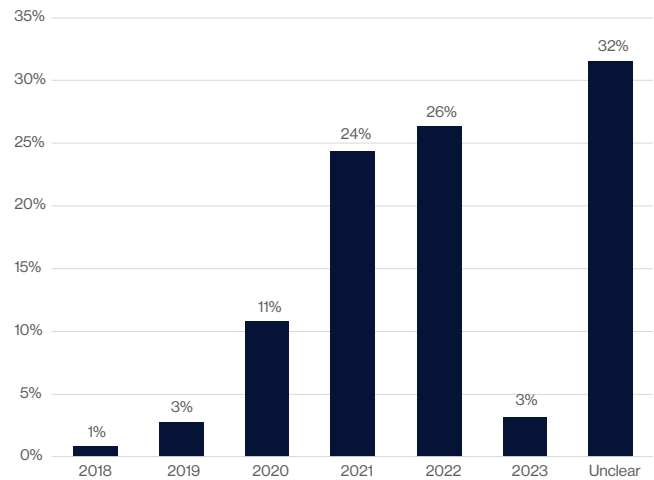
## II. Sustainability Report Content Characteristics (Continued)

**Figure 15: Referenced a Materiality Assessment (2021-2023)**



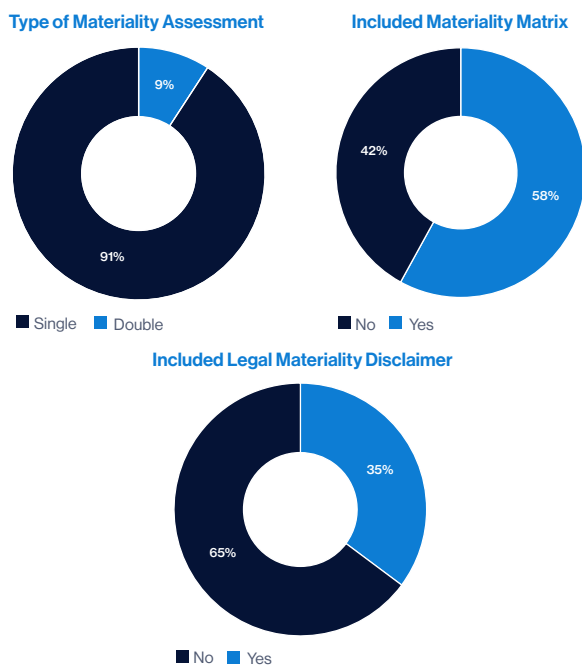
Likely in accordance with increasing focus on materiality from investors, more companies disclosed that they conducted a materiality assessment within 2023 Sustainability Reports.

**Figure 16: Date of Last Materiality Assessment (2023)**



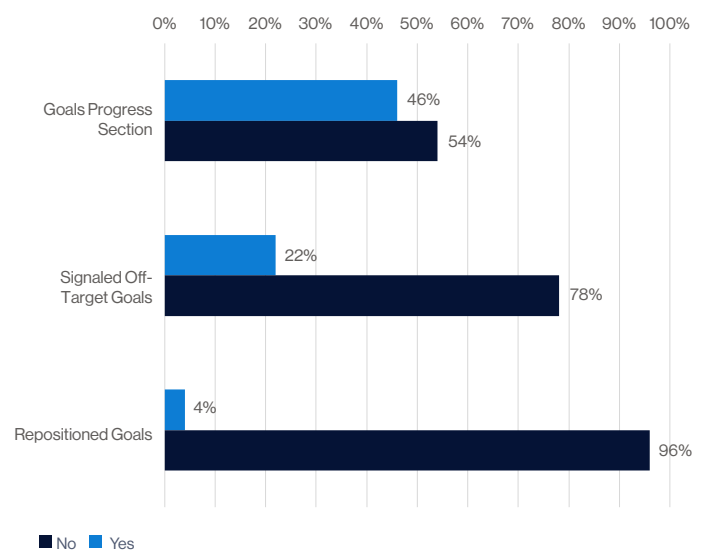
A majority of companies (53%) indicated in their 2023 Sustainability Report that they conducted a materiality assessment within the past two years.

**Figure 17: Other Materiality Assessment Characteristics (2023)**



In addition, the average number of material issues listed by companies as material within 2023 Sustainability Reports was 18 while the average number of stakeholders engaged was 7.

**Figure 18: ESG Goals Characteristics (2023)**

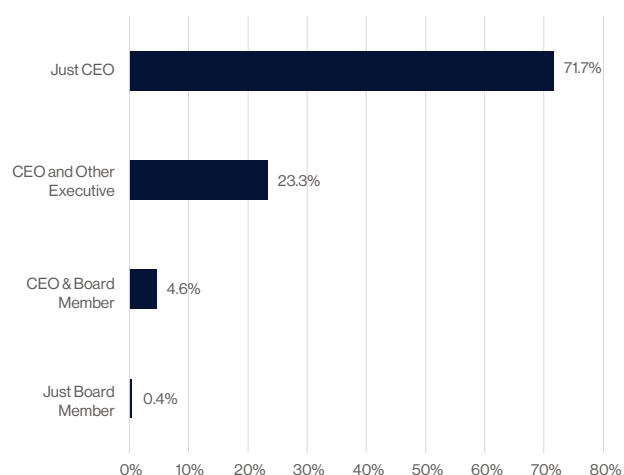


46% of the assessed S&P 500 companies have a dedicated goals progress section and only 22% signaled that at least one ESG goal was not on target for achievement.

# Key Statistics of 2023 Sustainability Reports

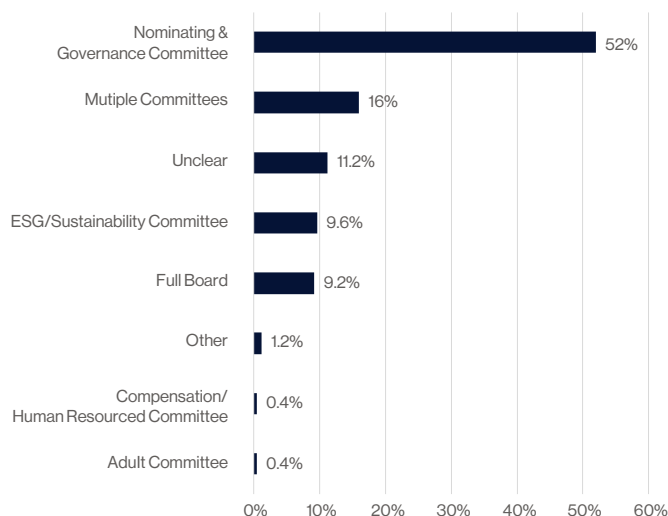
## III. Sustainability Report Governance Characteristics

**Figure 19: 2023 Sustainability Report Cover Letter Signatory (2023)**



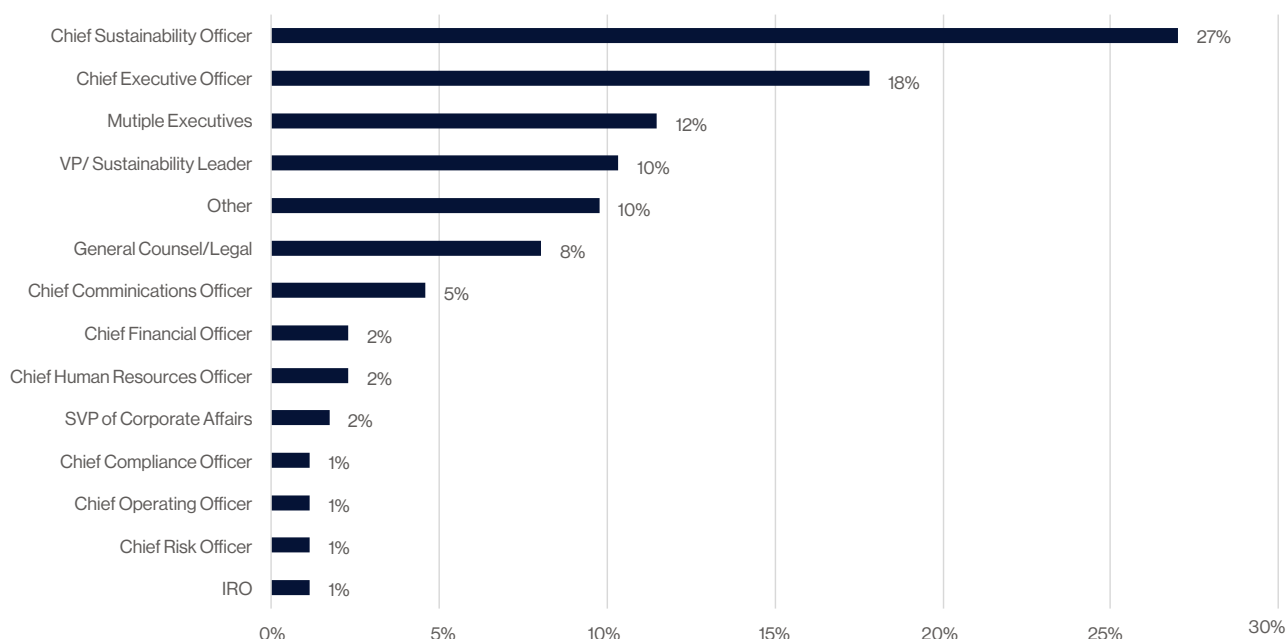
CEOs continued to be the primary signatory of 2023 Sustainability Report cover letters, with about a quarter also being co-signed by another executive (e.g., Chief Sustainability Officer).

**Figure 20: Board Committee with Primary ESG Oversight Responsibilities (2023)**



While the Nominating & Governance Committee had primary oversight of ESG strategy, many companies indicated that other Board committees had primary oversight of certain ESG issues.

**Figure 21: Executive With Primary ESG Oversight Responsibilities (2023)**



Primary oversight of ESG continued to be quite varied. Anecdotally, legal and investor relations departments seemed more involved in ESG oversight than in years past.



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