The ESG Imperative:

Business Trends Among European Companies

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Foreword

As the world faces critical environmental and social challenges, sustainability has emerged as a top priority for businesses across the globe. Driven by increasing regulatory requirements and growing stakeholder pressure, companies are taking proactive steps towards embedding sustainability into their business strategies. To gain insights into how companies are responding to these challenges, BDO Belgium and Mercuri Urval conducted a study surveying companies across 13 European countries.

The survey shows that a majority of companies are embracing ESG as a means of value creation rather than simply ticking a compliance box. This shift in mindset indicates a growing understanding that sustainable business practices can drive innovation and growth.

The fact that almost all companies surveyed believe sustainability will change their business model and activities underscores the urgency of prioritising ESG initiatives. In this sense, ESG is becoming a licence to operate in a world where stakeholders, including investors, governments, consumers and employees, are demanding more accountability and responsibility from corporations.

A critical role is attributed to leaders in this context. Research clearly shows that effective leadership has the biggest impact on results, hence leadership is instrumental for succeeding in the transformation of sustainability and the journey towards a regenerative model. The path to sustainability proves to be a complex management task – most Boards and CEOs find it difficult to navigate the complexity and to develop sustainability roadmaps. These roadmaps must be customised to align with each company's specific strategy, context, situation and objectives. Companies are required to operate within the intersection of fair, safe and beneficial business practices concerning labour and the community, while simultaneously minimising ecological footprint and environmental harm, and maximising returns for shareholders. It is evident that the integration of sustainability is NOT an optimisation agenda, but a transition agenda.

In this context it is crucial that leaders have the right mindset and capabilities. Companies should train their managers to enable them to embed sustainability into business decisions. Leaders must be equipped with the necessary competences and knowledge to be able to identify ESG risks and opportunities, set measurable targets and KPIs, and engage employees in driving continuous improvement and innovation. By offering capacity building activities to leaders and managers, companies can foster a culture of sustainability and ensure that ESG considerations are integrated in every aspect of the business. However, to be effective any development initiatives must be based on the unique circumstances of the organisation and the specific requirements on the leaders.

Summarising the results and translating them into practical advice, the study suggests a roadmap of actionable recommendations for companies to move forward in their ESG journey, enabling businesses to create long-term value for all stakeholders.

TESSY MARTENS
ESG Competence Centre Lead
BDO Belgium

DR. ANJA BEHRENS
Partner & ESG Practice Expert
MU Germany

1. Executive Summary

Overview of the key findings:

97% of companies believe that sustainability will change their business model and activities, of which **22%** say it will completely reshape them.

78% of respondents have already received sustainability-related questions from clients, followed by employees and future talents **(58%)**, and public authorities/governments **(55%)**.

75% of respondents view the ESG transition as a means for value creation, and over **97%** believe that sustainability will change their activities.

60% of respondents are already communicating about their ESG activities, while **20%** are currently in the process of reporting for the first time, and **18%** are planning to do so in the near future (in the next 1–2 years).

26% of respondents think that embedding sustainability into the business strategy is the key factor to ensure a successful transition to sustainability, followed by leadership commitment (**18%** of respondents), and employee engagement and empowerment (**18%** of respondents).

26% of respondents consider the cost factor as the main obstacle in their ESG journey, followed by complex supply chains **(16%)**, cultural and behavioural barriers **(15%)**, and lack of awareness and understanding **(12%)**.

27% of companies have not yet translated their sustainability strategy into operational KPIs to measure their ESG performance.

Methodology:

This study was conducted jointly by BDO Belgium and Mercuri Urval in the following countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden and Switzerland. The study involved surveying companies to assess their attitudes towards sustainability, the obstacles they face and their main drivers. The research used a questionnaire methodology, and the online survey conducted in November-December 2023 reached around 150 companies.

2. Why Sustainability is a Strategic Imperative for Businesses

2.1 Main driving forces

According to the survey's results, 97% of respondents believe that sustainability will change their business model and activities, of which 22% say that it will completely reshape their company. In addition, the sustainability transition is expected to have the greatest impact on companies' activities in less than 5 years (according to 64% of respondents).

The main driving forces for the transition to sustainability are the stakeholders (for 42% of respondents), new policies and legislations (30%), threats and opportunities (23%), and access to capital (1%).

We can, therefore, conclude that sustainability is more than just a trend or buzzword. It is a long-lasting revolution that is reshaping businesses across all sectors.

EXPERTS' INSIGHTS:

Embedding ESG consideration into every element of a business can drive growth, create new opportunities and make the company future-proof. Sustainability can create value for both the company and its stakeholders in several ways.

- **Pressure from stakeholders:** higher expectations from different stakeholders, such as clients, governments and employees, are forcing companies to accelerate their sustainability efforts.
- **Policies and legislations:** new legislative requirements, such as the policies included in the EU Green Deal and the Corporate Sustainability Reporting Directive, are pushing organisations towards more sustainable practices.
- **Threats & opportunities:** sustainability can both minimise risks and create new opportunities, as negative societal or environmental impacts can cause reputational damage and financial losses, while sustainable products and services can boost the attractiveness of a company's offerings and lead to higher margins.
- **Access to capital:** companies with better ESG performances have easier access to finance, as private investors are increasingly looking for sustainable organisations that will perform better over time and have a higher valuation. In addition, sustainable companies receive better conditions for loans through beneficial interest rates, while banks and investors are becoming more cautious about investing in unsustainable practices.

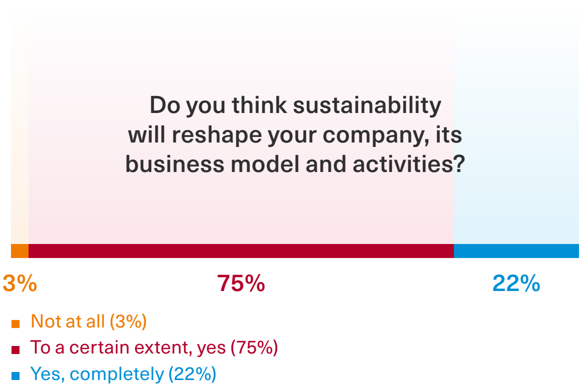
Overall, embracing ESG can position companies to seize new market opportunities, secure their licence to operate and enhance their reputation.

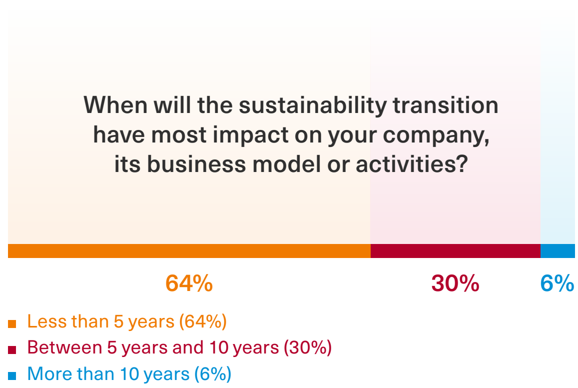
It is interesting to note that the stakeholders putting the most pressure on companies to be more sustainable are clients (67%), public authorities/governments (50%) and employees/future talents (51%). This is further supported by the fact that respondents declared having already received sustainability-related inquiries from clients (78%), public authorities/governments (55%) and employees/future talents (58%).

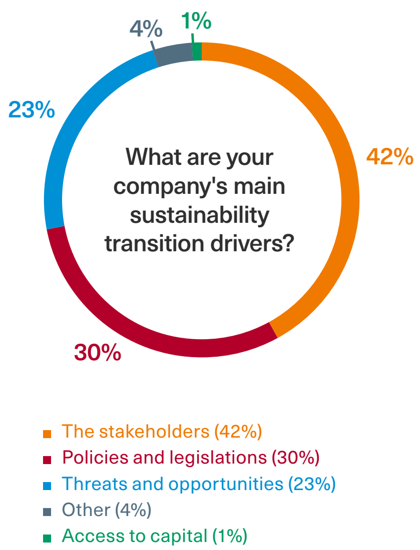
For businesses with a B2C offering, this is explained by the fact that consumers are increasingly interested in the sustainability of the products they buy. For instance, a recent study by the [Harvard Business Review] shows that younger generations (Millennials and Generation Z) are more likely than older generations to choose sustainable brands rather than less sustainable competitors.

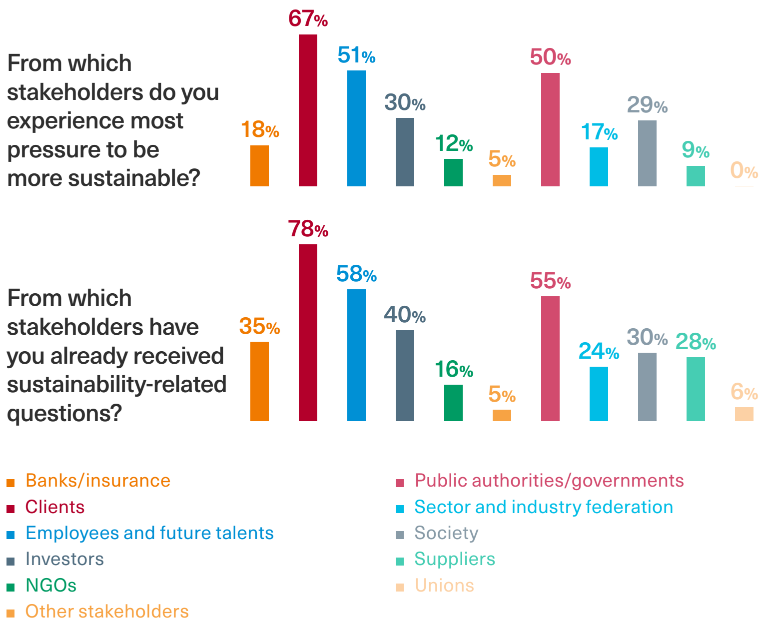
For businesses active in the B2B context, on the other hand, this is due to the increasing expectations that large companies have towards the ESG performances of their business partners. This trend is driven by growing legislative obligations both at national and EU level targeting the value chain (including the [Corporate Sustainability Reporting Directive], the [Conflict Minerals Regulation], and the upcoming [Corporate Due Diligence Directive] and [Forced Labour Regulation]). As a result, companies must ensure that their suppliers, subcontractors and providers adhere to high ESG standards.

It is interesting to note that the stakeholders are the main drivers of the transition to sustainability, with clients, public authorities and employees/future talents being the biggest pressure points for companies. This underscores the importance of companies engaging with their stakeholders along the value chain and being transparent about their ESG impacts.









2.2 Challenges and opportunities

The key obstacles for companies trying to transition to more sustainable practices include costs and resource constraints (for 26% of respondents), complex supply chains (16%), cultural and behavioural barriers (15%), and lack of awareness and understanding (12%).

In terms of risks and opportunities, the responding companies see the demand for innovation (54%), employee engagement (52%), and talent attraction and retention (45%) as opportunities, while the global economic outlook (44%) and climate change (34%) are viewed as risks.

The key success factors driving the sustainability transition include embedding sustainability into business strategy (mentioned by 26% of respondents), leadership commitment (18%), and employee engagement and empowerment (18%).

EXPERTS' INSIGHTS:

The challenges related to high costs and a lack of resources can often be avoided by having a clear strategy in place. The most critical factors for achieving this include:

- **Embedding sustainability into the company's business strategy:** Integrating ESG considerations into the business strategy and selecting the right priorities are the key elements for a successful sustainability journey. This approach allows companies to identify and manage risks, seize opportunities and create long-term value for all stakeholders.

- **Leadership commitment:** To define such a strategy, the role of the company's leaders is critical. Leaders play a crucial role in shaping how companies anticipate and respond to evolving sustainability challenges, and their decisions and influence are vital in integrating sustainability into all aspects of the business.

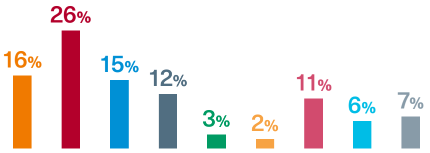
In addition, recent legislative developments, such as the Corporate Sustainability Reporting Directive (CSRD), have expanded the board's role to address issues related to climate change, human rights due diligence, appropriate political engagement, and workplace diversity, equity and inclusion.

However, sustainability is still a relatively new and complex concept. As a result, many business leaders have limited understanding of what ESG entails, which can hinder progress.

To overcome this barrier, it is essential to enhance the ESG capabilities of the management. This will enable them to provide the necessary vision, direction and resources to ensure that sustainability is integrated into all aspects of the business. Committed leaders can also inspire and motivate employees to embrace sustainability and make it a core part of their daily work.

The survey's results show that embedding sustainability into business strategy, leadership commitment and employee engagement are key success factors in driving the ESG journey. By investing in leaders' and employees' education and creating an environment that encourages innovation and continuous improvement, companies can drive forward their sustainability transition.

What are the key roadblocks/challenges to the sustainability transition in your company?

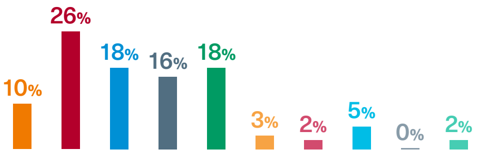


- Complex supply chains (16%)
- Cost and resource constraints (26%)
- Cultural and behavioural barriers (15%)
- Lack of awareness and understanding (12%)
- Leadership (lack of...) (3%)
- Partners and partnerships (2%)
- Regulatory and legal barriers (11%)
- Strategy (lack of a clear...) (6%)
- Technology available (7%)

Do you consider the following as a risk or as an opportunity?

	High risk	Risk	Neither one or the other	Opportunity	Strong opportunity
Global economic outlook	6%	44%	23%	24%	3%
Supply chain resilience	3%	37%	34%	21%	5%
Talent attraction and retention	5%	22%	15%	45%	13%
Employee engagement	2%	7%	19%	52%	20%
Demand for innovation		5%	23%	54%	18%
Sustainable business models	1%	4%	22%	54%	19%
Organisational resilience	2%	10%	36%	43%	9%
Corporate reputation	1%	8%	22%	47%	22%
Energy transition	3%	14%	28%	34%	21%
Climate change	9%	34%	24%	22%	11%
Technology supporting the transition	1%	10%	26%	46%	17%

What are the key success factors driving the sustainability transition in your company?



- Access to capital to finance the sustainable transition (10%)
- Embed sustainability into business strategy (26%)
- Employee engagement and empowerment (18%)
- Innovation and technology (16%)
- Leadership commitment (tone at the top) (18%)
- Measurement and reporting (metrics and tracking) (3%)
- Partners and partnerships (2%)
- Stakeholder engagement (5%)
- Talents with specific skills related to sustainability transition (0%)
- Other (2%)

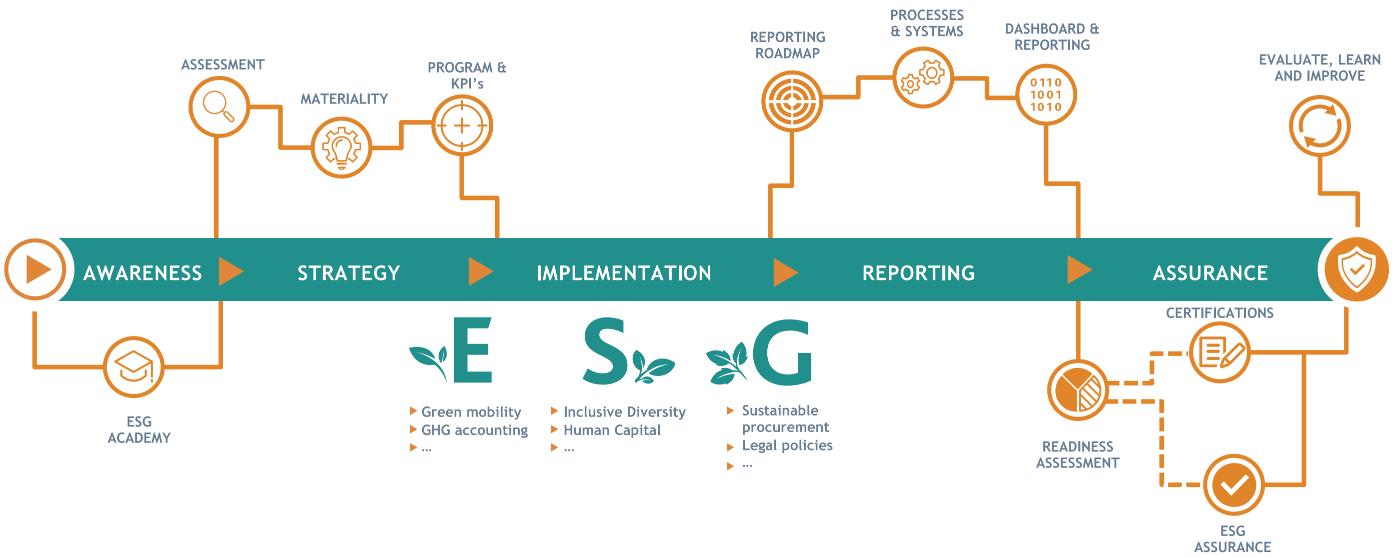
3. The ESG Journey

To make progress on their sustainability performance, companies should embark on a comprehensive ESG journey. The ESG journey is a continuous improvement cycle that involves:

- Building awareness and expertise, and upskilling leaders and employees on key sustainability topics;
- Developing a well-defined strategy with a clear ESG focus;
- Measuring and disclosing ESG information;
- Continually striving to improve sustainability practices to meet evolving stakeholder expectations and regulatory requirements.

- Does the leadership culture actively prize sustainability as an imperative for the success of the organisation?

The answers to these questions combined with the increasing complexity of the business landscape and the multi-stakeholder demands require that leaders and organisations contextualise their sustainability efforts and the development actions needed to the business situation. When looking at the capabilities that leaders need, these cannot be generalised because they strongly depend on the company context and the business situation. However, what can be emphasised



To be able to integrate the ESG journey as part of the strategy and meet expectations, leaders initially have to ask themselves two important questions:

- Do we have a sustainability mindset and associated leadership attributes?

is the ability of leaders to act as strong facilitators. They must navigate complexity in a multi-dimensional business context and understand that the company and its operations are part of an ecosystem. Innovative and long-term thinking based on courage and resilience are crucial in this context.

3.1 Developing a clear strategy

A crucial aspect of the ESG journey is developing a clear strategy to integrate ESG considerations into daily operations. This helps align the expectations of the stakeholders, the operational activities, and company's KPIs on the same ESG focus areas, allowing the company to prioritise its sustainability efforts and achieve its goals more effectively. This approach ensures that sustainability is not just a separate initiative but is fully integrated into the company's core operations and decision-making processes.

The survey revealed that 38% of companies have already defined a sustainability strategy in the past 1–3 years, and 24% are currently in the process of doing so. Moreover, 75% of the participants consider their ESG ambitions as aiming to create value, while only 25% see them as solely compliance-driven.

Regarding environmental topics, the most frequently included in the strategy are greenhouse gas emissions (28% of respondents) and energy efficiency (22%). In terms of social topics, the most relevant are health and safety (36%) and human capital development (15%). As for governance topics, ethics and compliance (36%) and business ethics (28%) were the most commonly included.

In addition, according to the survey, a significant majority of respondents already have established KPIs to measure sustainability. However, it is worth noting that 27% of companies have yet to translate their sustainability strategy into operational KPIs to effectively track their progress towards achieving ESG targets. Furthermore, sustainability performance is often not linked to incentive schemes (41% of respondents). Only in some cases is it linked to the financial compensation of the CEO (32% of cases) and the leadership team (39%).

EXPERTS' INSIGHTS:

It is encouraging to see that a significant number of companies have already defined or are in the process of developing a sustainability strategy. However, it is important to note that:

- In order to achieve meaningful progress, it is essential to always translate the ESG strategy into **operational KPIs** and systematically measure your performance.

Another interesting finding is that, in a significant number of companies, ESG results are not linked to their **incentive schemes**.

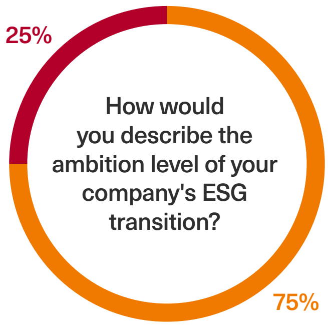
- To ensure a systematic implementation, however, it is recommended to link the company's ESG performance to managers' and employees' financial compensation, policy, additional benefits and job promotions.

In terms of the most relevant ESG topics, it is not possible to make a general assumption. It all depends on the specific context of the company and its stakeholders. This is why a well-executed **double materiality assessment** is crucial.

- This assessment is based on two perspectives: the impact that the company has on people and the environment (impact materiality), and the financial impact that ESG (environmental, social and governance) matters have on the company's performance (financial materiality).
- The double materiality assessment not only determines the scope of the organisation's sustainability reporting, it also provides valuable insights for shaping the company strategy.
- By identifying the ESG matters that are most relevant to the business and its stakeholders, companies can develop strategies that are aligned with their sustainability goals and create long-term value.

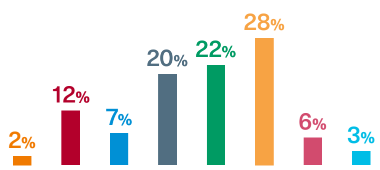
It is important for companies to conduct a well-executed double materiality assessment to identify the right priorities and build an ESG strategy that is impactful and relevant for their business context and stakeholders.

In addition, to achieve meaningful progress and ensure that sustainability remains a priority, companies should systematically track their performance and align their sustainability goals with internal incentive schemes.

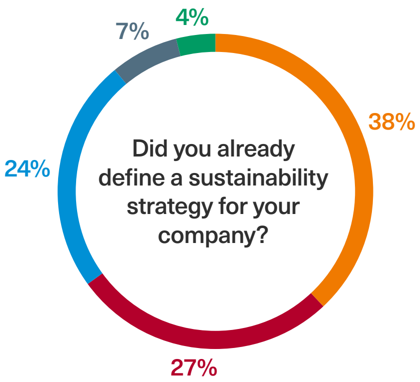


- Value creation (75%)
- Compliance (25%)

What do you consider the most relevant (material) Environmental topics for your company?

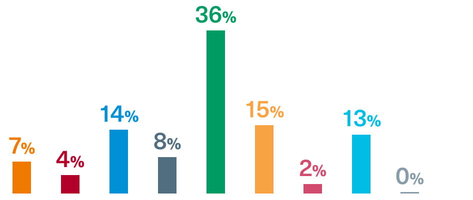


- Biodiversity & land use (2%)
- Circularity (12%)
- Climate change adaptation (7%)
- Climate change prevention (20%)
- Energy efficiency (22%)
- Greenhouse gas emissions (28%)
- Packaging material and waste (6%)
- Pollution prevention (3%)

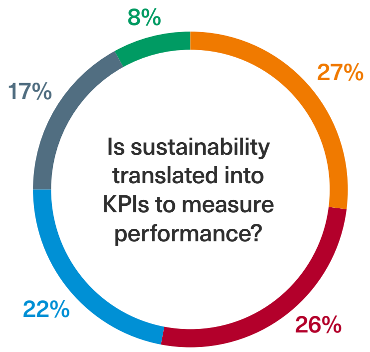


- Yes and it is recent (1–3 years) (38%)
- Yes, more than 3 years ago (27%)
- Under development (24%)
- Not yet but foreseen in the near future (1–2 years) (7%)
- I don't know/Not foreseen in the near future (4%)

What do you consider the most relevant (material) Social topics for your company?

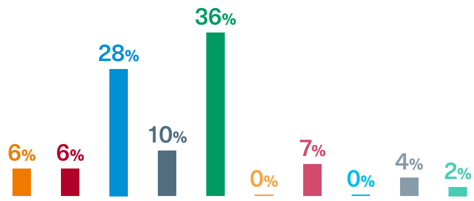


- Community engagement (7%)
- Diversity (4%)
- Employees' well-being (14%)
- Equity & inclusion (8%)
- Health & safety (36%)
- Human capital development (15%)
- Human rights in supply chain (2%)
- Product safety and quality (13%)
- Third party management (0%)



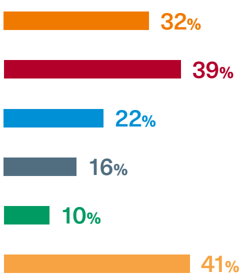
- No, not yet (27%)
- Internal monitoring (26%)
- KPIs selected (22%)
- Public disclosure through reporting (17%)
- Public integrated reporting (8%)

What do you consider the most relevant (material) Governance topics for your company?



- Board diversity (6%)
- Board independence (6%)
- Business ethics (28%)
- Cybersecurity (10%)
- Ethics and compliance (36%)
- Executive incentives (0%)
- Fair & transparent reporting (Financial & Non-financial) (7%)
- Independent monitoring (0%)
- Shareholder engagement (4%)
- Tax transparency (2%)

For which group is sustainability performance linked to incentive schemes?



- CEO (32%)
- Leadership (39%)
- Specific functions (22%)
- Majority of the organisation (16%)
- All employees (10%)
- No one (41%)

3.2 Disclosing ESG information

According to the survey, 60% of respondents are already communicating about their ESG activities (e.g. through a sustainability report), while 20% are currently in the process of disclosing their ESG activities for the first time, and 18% are planning to do so in the near future (in the next 1–2 years).

The disclosure of ESG information seems to be a challenging area for many companies, declaring that they would appreciate potential external support to develop their non-financial report (17% of respondents) and would like to seek external help to guarantee legal and regulatory compliance (15%). In the short term, companies would also value support for the definition of their sustainability transition strategy (13%), and for the organisation of awareness-raising activities and training courses for their employees and governing bodies (12%).

EXPERTS' INSIGHTS:

In 2022, the EU institutions strengthened corporate transparency by adopting the EU Corporate Sustainability Reporting Directive (CSRD), which creates mandatory ESG reporting requirements for many companies, both large and SMEs.

The CSRD includes a standardised reporting framework, the European Sustainability Reporting Standards (ESRS), which creates more comparability among companies.

- This will enable stakeholders to more easily evaluate performances, identify best practices and hold companies **accountable** for their sustainability commitments.

- This increased transparency will create **competitive pressure** that will incentivise companies to improve their ESG performance over time.

Moreover, the CSRD mandates a **double materiality approach**, which requires companies to systematically evaluate their ESG-related impacts, risks and opportunities.

- As mentioned before, this helps to identify the sustainability matters that are most material to the organisation and its stakeholders.

- Therefore, this exercise is crucial in determining the topics that the business should **prioritise**.

However, very often companies see the ESG reporting process only as a compliance exercise, not tapping into its **transformative potential**.

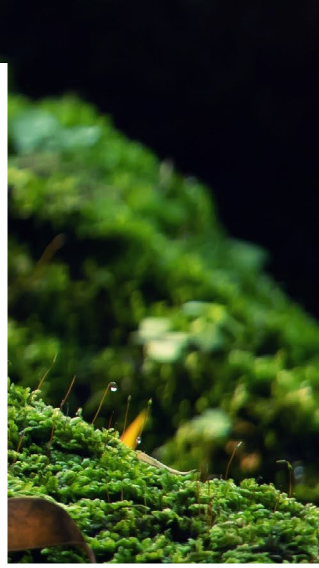
- By using ESG reporting as a tool for **internal transformation** instead, companies can identify areas for improvement, set targets and monitor progress towards ESG goals.

- This will foster a **culture of sustainability** within the organisation, leading to improved ESG performance and stakeholder engagement.

To achieve this result, companies must take a **proactive approach** and understand that significant time and resources may be required (for instance, for collecting all the relevant data for the disclosure).

- Therefore, it is crucial to **start early** and create a **multidisciplinary internal team** responsible for developing the report.

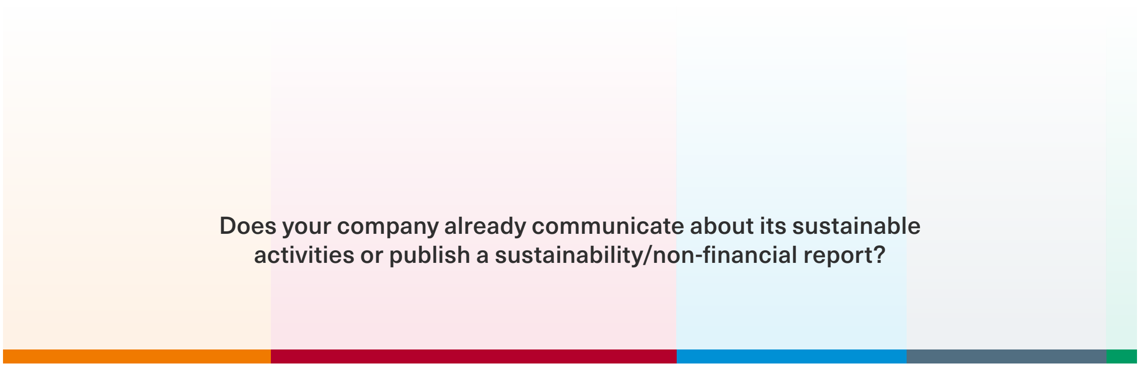
- The reporting team could consist, for example, of your ESG experts, together with your strategy, finance, legal, internal audit, and communication specialists.



With the EU's adoption of the Corporate Sustainability Reporting Directive (CSRD), mandatory ESG reporting requirements will soon apply to a larger number of companies, further increasing transparency and accountability.

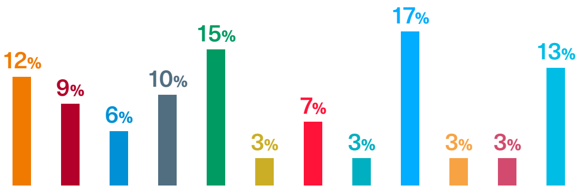
However, it is important for companies to approach ESG reporting as more than just a compliance exercise and to recognise its transformative potential. By starting early, building a cross-sectorial internal team and performing a good double materiality exercise, companies can gain a deeper understanding of their impacts and prioritise their ESG actions.

Does your company already communicate about its sustainable activities or publish a sustainability/non-financial report?



- Yes, more than 3 years ago (23.6%)
- Yes and it is recent (1–3 years) (35.8%)
- Under development (20.3%)
- Not yet but foreseen in the near future (1–2 years) (17.6%)
- I don't know/Not foreseen in the near future (2.7%)

Where would you most value support (in the short term)?



- Awareness and training of employees/governing bodies (12%)
- Communication and reporting (9%)
- Development and training of Board members and leaders (6%)
- Energy transition roadmap (10%)
- Legal and regulatory compliance (15%)
- Materiality analysis (3%)
- Product design and innovation (7%)
- Product life cycle (3%)
- Reporting on sustainability/ESG performance (17%)
- Risks & opportunities management (3%)
- Stakeholder engagement (3%)
- Sustainability transition strategy (13%)

4. The Way Forward

4.1 Key takeaways

With **75%** of respondents seeing the ESG transition as a means for value creation, and over **97%** believing that sustainability will change their activities, it is clear that companies strongly believe in the importance and impact of sustainability on future business models and practices.

Clients are the primary stakeholder applying pressure to be more sustainable for the majority of respondents **(67%)**. Most companies **(78%)** have already received specific sustainability-related questions from clients, followed by employees and future talents, and public authorities/governments.

The key obstacles for companies hampering their ESG journey include cost and resource constraints **(26%)**, complex supply chains **(16%)**, cultural and behavioural barriers **(15%)**, and a lack of awareness and understanding **(12%)**.

Embedding sustainability into the business strategy **(26%)**, leadership commitment **(18%)**, and employee engagement and empowerment **(18%)** are the three key factors ensuring the success of a company transition to sustainability.

ESG disclosure is becoming mainstream. **60%** of respondents already disclose information about their ESG activities, while **20%** are currently in the process of developing their report for the first time, and **18%** are planning to do so in the near future.

The internal monitoring of ESG-related KPIs remains a significant challenge for many companies, as shown by the fact that around **28%** of non-listed large companies and **38%** of SMEs have yet to translate their sustainability strategy into operational targets.

4.2 Your checklist to move forward

Based on the key findings from this study, we suggest a checklist for companies to not only navigate but also thrive in the evolving landscape of ESG expectations:

1. **Enhance value creation through ESG:** Prioritise integrating sustainability into the core business strategies of your company.

   This involves implementing ESG practices that not only comply with regulations, but also drive innovation, enhance brand reputation and open new market opportunities.

2. **Disclose ESG information, but watch out for greenwashing:** Both consumers and legislators alike are becoming more vigilant of companies making false or exaggerated sustainability claims and commitments.

   This trend will be reinforced by the implementation of the upcoming Green Claims Directive at EU level. Therefore, make sure to always substantiate your claims about the ESG merits of your products and services.

3. **Take account of your value chain:** Often companies have limited visibility across their value chain and struggle to ensure that their business partners meet high environmental and social standards. Therefore, start by mapping your value chain to identify potential risks and violations.

   Make sure to engage with all relevant stakeholders and affected communities throughout this process, to gain further insights on your impacts.

4. **Enhance the capabilities of your leaders:** Provide training to your board members on essential sustainability topics to allow them to fully understand and set ambitious ESG targets.

   This is essential to make sure that they can take the right decisions and embed ESG consideration into the company business model.

5. **Engage your employees:** Offer training programmes to inform employees about your company's approach to sustainability and explain how they can have an active role.

   This will also allow you to retain employees and attract top talents. Job seekers (especially from Generation Z) are increasingly looking for employers that care about their environmental and social impacts.

6. **Set KPIs and start collecting relevant ESG data:** Set tangible targets to implement your ESG strategy and establish a system to collect relevant ESG metrics needed to monitor your progress.

   Adopting a systematic approach to data collection and KPI monitoring will also facilitate your reporting efforts. If possible, leverage digital technologies to automate data collection and analysis, in order to boost the reliability and accuracy of your information.

7. **Use ESG reporting as a tool for internal transformation:** ESG reporting is much more than just a legal obligation. It can be a real driver for change and value creation.

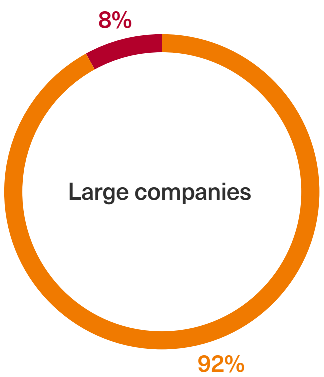
   To be able to fully benefit from the reporting exercise, it is essential to start early and built a cross-sectorial internal team (ESG team, risk analysis, finance, communication, internal auditor, etc.) with sufficient resources dedicated to reporting.

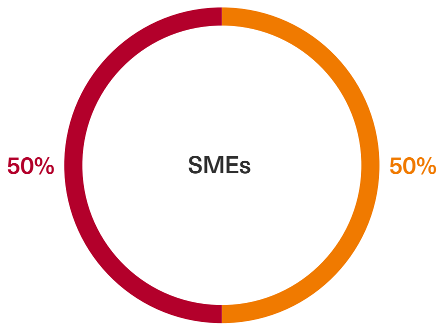
Annex 1: Spotlight on SMEs

In analysing the survey's results, we noticed some interesting differences between large companies and SMEs:

Fewer SMEs already have a sustainability strategy:

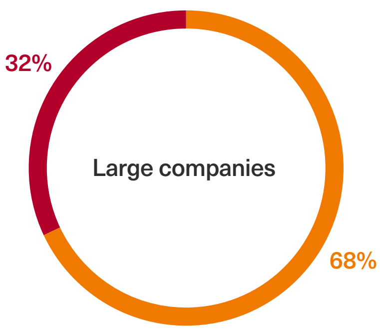
92% of large companies already have an ESG strategy, while only 50% of non-listed SMEs are implementing one.

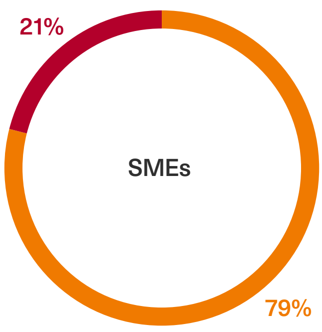




- Already have an ESG strategy (92%)
- Do not currently have an ESG strategy (8%)

- Already have an ESG strategy (50%)
- Do not currently have an ESG strategy (50%)





Large companies tend to be slightly more driven by compliance:

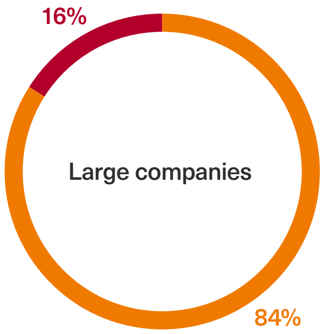
32% of large companies describe the ambitions of their ESG strategy as led mostly by compliancy considerations against legislative requirements. In contrast, only 21% of SMEs prioritise compliancy considerations over value creation.

- Value creation (68%)
- Compliance (32%)

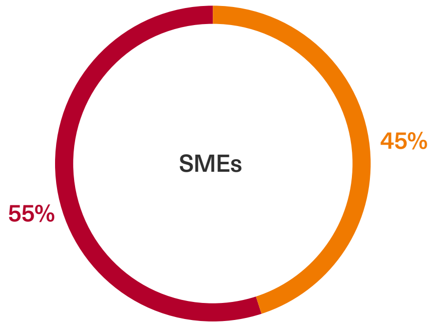
- Value creation (79%)
- Compliance (21%)

Fewer SMEs already disclose information on sustainability:

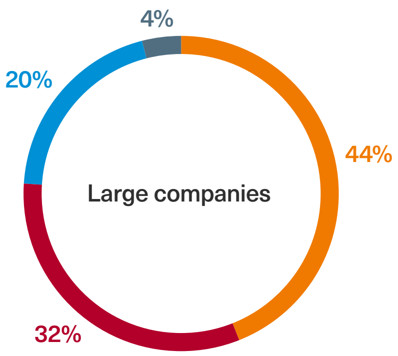
84% of large companies declare to already publish a sustainability report, while only 45% of respondents from SMEs are currently doing so. This is because the [EU Non-Financial Reporting Directive]() already required large public interest entities with over 500 employees to disclose certain non-financial information since 2018.



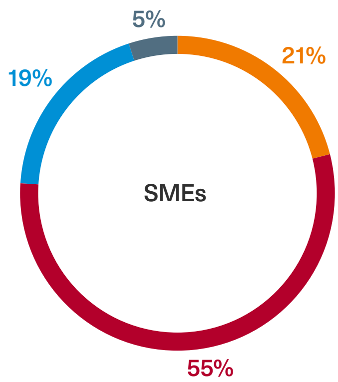
- Already disclose ESG information (84%)
- Do not yet disclose ESG information (16%)



- Already disclose ESG information (45%)
- Do not yet disclose ESG information (55%)



- Regulations (44%)
- Stakeholders' pressure (32%)
- Risks and opportunities (20%)
- Access to finance (4%)

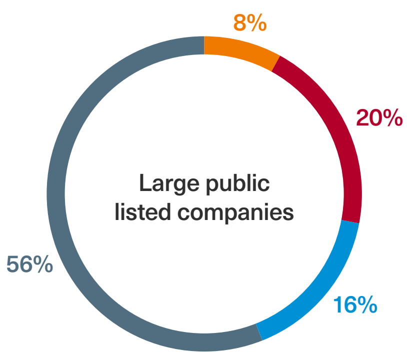


- Regulations (21%)
- Stakeholders' pressure (55%)
- Risks and opportunities (19%)
- Other (5%)

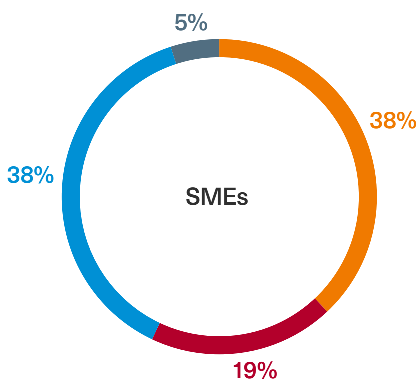
SMEs are mostly driven by the external pressure from stake-holders (e.g. clients in the value chain), while large companies are mostly driven by policies and legislation.

Fewer SMEs already have KPIs in place to measure their ESG performance:

38% of SMEs declare not to track metrics to assess their performance, while only 8% of large public listed companies lack specific KPIs to measure progress towards their ESG targets.



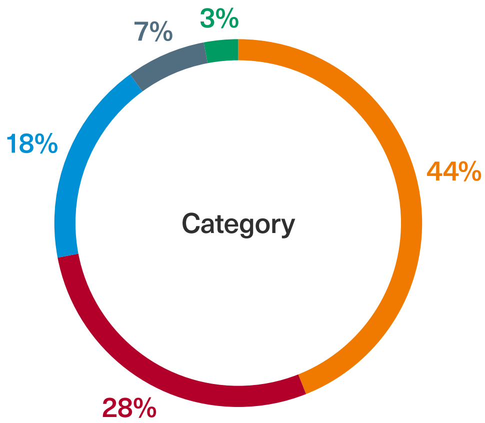
- No KPIs to measure ESG performance (8%)
- KPIs selected (20%)
- Internal monitoring of ESG KPIs (16%)
- Public disclosure of ESG KPIs (56%)



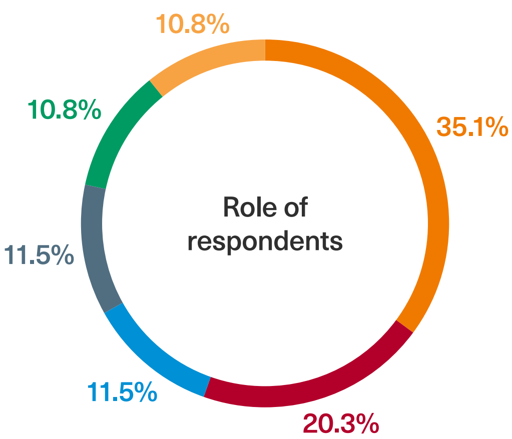
- No KPIs to measure ESG performance (38%)
- KPIs selected (19%)
- Internal monitoring of ESG KPIs (38%)
- Public disclosure of ESG KPIs (5%)

Annex 2: Methodology

This report draws on the results of a survey conducted jointly by BDO Belgium and Mercuri Urval in Q4 2023. The research used a questionnaire methodology, and reached around 150 companies across Europe with the following profile:

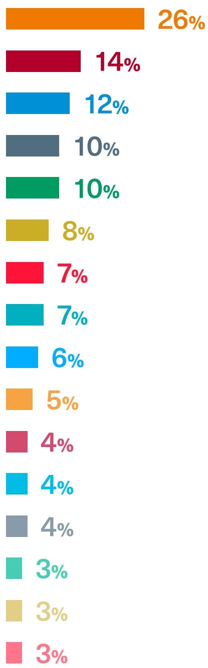


- Non-listed large company (44%)
- SME (28%)
- Large publicly listed company (18%)
- Listed SME (7%)
- Other (3%)



- (Senior) Executive (35.1%)
- General Manager (20.3%)
- Board Member (11.5%)
- Head of Sustainability (11.5%)
- Manager (10.8%)
- Other (10.8%)

Industries



- Manufacturing & Industrial Processes (26%)
- Other (14%)
- Professional Services (12%)
- Construction (10%)
- Financial Services (10%)
- Utilities (8%)
- Automotive (7%)
- Healthcare (7%)
- Consumer Goods (6%)
- Real Estate (5%)
- Information & Technology (4%)
- Life Sciences (4%)
- Retail (4%)
- Hospitality & Tourism (3%)
- Technology, Media and Telecoms (3%)
- Transport & Logistics (3%)

CONTACTS

TESSY MARTENS
ESG Competence Centre Lead
BDO Belgium
tessy.martens@bdo.be

DR. ANJA BEHRENS
Partner & ESG Practice Expert
MU Germany
anja.behrens@mercuriurval.com

ELISA CASAZZA
ESG Advisor
BDO Belgium
elisa.casazza@bdo.be

NATHALIE MAZY
Director & ESG Practice Expert
MU Belgium
nathalie.mazy@mercuriurval.com