

Organisation for Economic Cooperation and Development



Global Corporate Sustainability Report 2024



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Preface

This first OECD Global Corporate Sustainability Report is published at a pivotal moment. The integration of material sustainability matters into the core strategies of companies is not just desirable, but it is now considered as an imperative by investors. This report is an essential tool, illuminating the evolving dynamics and regulatory frameworks governing corporate sustainability. The report offers a wide-ranging overview of current market practices, delving into the nuances of sustainability-related disclosures, the dynamics of shareholder engagement, the evolving responsibilities of corporate boards and the complex web of stakeholder interests.

The insights in this report are the culmination of thorough research and analysis, synthesising the knowledge and perspectives of policy makers, industry experts and academic scholars. It builds on previous work of the OECD Directorate for Financial and Enterprise Affairs on climate change and corporate governance globally, as well as on sustainability policies and practices for corporate governance in Asia and Latin America. The report also benefits from the new chapter on sustainability and resilience of the *G20/OECD Principles of Corporate Governance*, which were recently revised through an inclusive process involving the OECD Corporate Governance Committee, G20 and Financial Stability Board jurisdictions, and numerous participants in a public consultation.

The primary goal of this report is to stimulate dialogue among capital market players – spanning corporate executives, investors, policy makers and thought leaders. It seeks to spur action towards building a more sustainable and resilient corporate governance framework. In crafting this report, we have striven to blend incisive analysis with practical advice, ensuring that it serves both as a mirror to current practices and a compass for future endeavours. The evolving landscape of corporate sustainability presents both challenges and opportunities. This report aims to demystify the complexities of this landscape, offering clarity and direction to businesses, investors and policy makers navigating these uncharted waters.

As the world grapples with acute environmental and social challenges, the role of corporations in fostering a sustainable future becomes increasingly critical. This very notion also served as the driving force behind the recent update of the *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*. This report can be a valuable tool in evaluating companies' adherence to some of the recommendations in the updated Guidelines.

Through this report, we aim to contribute to a deeper understanding of corporate sustainability and to spur a concerted effort towards meaningful and lasting change in the corporate sector. The journey towards sustainability is ongoing and this report is a step towards navigating that journey with robust evidence, responsibility and an unwavering commitment to a better future.



Carmine Di Noia

Director for Financial and Enterprise Affairs, OECD

Foreword

The *OECD Global Corporate Sustainability Report* aims to enhance the adoption of corporate governance policies and practices that promote the sustainability and resilience of companies. It provides easily understandable information to help policy makers, regulators, and market participants understand how sustainability-related practices are evolving and some of the most relevant recent regulatory developments.

The issues covered in this report are related to the recommendations on sustainability in the recently revised *G20/OECD Principles of Corporate Governance*. They embrace recommendations on disclosure, the dialogue between a company and its shareholders, the responsibilities of the board of directors, and the interests of stakeholders. This report complements these recommendations and the comprehensive information on regulatory frameworks in the *OECD Corporate Governance Factbook*. The report may also aid in assessing companies' alignment with the *OECD Guidelines for Multinational Enterprises on Responsible Business Conduct*.

This report is succinct and aimed at an audience of practitioners who are already familiar with the basic concepts related to corporate sustainability. Readers who are not versed in the main legal, economic and accounting issues related to corporate sustainability may benefit from the 2022 report *Climate Change and Corporate Governance*. For more detailed information on regional developments, readers may consult the 2023 report *Sustainability Policies and Practices for Corporate Governance in Latin America* and the corresponding report for Asia published the same year.

This report was authored by Valentina Cociancich, Adriana De La Cruz, Caio de Oliveira and Giulio Mazzone under the supervision of Serdar Çelik, all from the Capital Markets and Financial Institutions Division of the OECD Directorate for Financial and Enterprise Affairs. It was informed by discussions within the OECD Corporate Governance Committee and incorporates comments from delegates. The authors are also grateful for comments from OECD colleagues Daniel Blume, Anna Dawson, Juan Pavajeau and the Centre for Responsible Business Conduct within the OECD Directorate for Financial and Enterprise Affairs. The report was prepared for publication by Flora Monsaingeon-Lavuri and Greta Gabbarini.

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Abbreviations and acronyms

AUM	assets under management	IMF	International Monetary Fund
CEO	chief executive officer	IOSCO	International Organization of Securities Commissions
CN	People's Republic of China	ISAE	International Standard on Assurance Engagements
CPI	consumer price index	ISIN	International Securities Identification Number
CSR	corporate social responsibility	ISSA	International Standard on Sustainability Assurance
CSRD	Corporate Sustainability Reporting Directive	ISSB	International Sustainability Standards Board
EFRAG	European Financial Reporting Advisory Group	JP	Japan
ESG	environmental, social and governance	NFRD	Non-Financial Reporting Directive
ESMA	European Securities and Markets Authority	OECD	Organisation for Economic Co-Operation and Development
ESRS	European Sustainability Reporting Standards	PBC	Public Benefit Corporation
ETF	exchange traded fund	R&D	research and development
EU	European Union	SASB	Sustainability Accounting Standards Board
FSB	Financial Stability Board	SBTi	Science Based Targets initiative
G20	Group of Twenty	SEBI	Securities and Exchange Board of India
GHG	greenhouse gases	SFDR	Sustainable Finance Disclosure Regulation
GRI	Global Reporting Initiative	SICS	Sustainable Industry Classification System
GSS	green, social and sustainability	SLB	sustainability-linked bond
IAASB	International Auditing and Assurance Standards Board	TCFD	Task Force on Climate-Related Financial Disclosures
IFRS	International Financial Reporting Standards	US	United States

Executive summary

This report presents an overview of the main trends and issues related to sustainability policies and practices for corporate governance globally. Through an analysis of key policy issues, its objective is to support the adoption of corporate governance policies and practices that are aligned with the *G20/OECD Principles of Corporate Governance*.

Sustainability-related disclosure. In 2022, out of 43 970 listed companies globally with a total market capitalisation of USD 98 trillion, almost 9 600 companies representing a total market capitalisation of USD 85 trillion disclosed sustainability-related information. The growing urgency in managing climate-related risks and opportunities has generated greater interest by investors about companies' greenhouse gas (GHG) emissions. Globally, 6 308 companies representing 77% of market capitalisation disclosed scope 1 and 2 GHG emissions in 2022, ranging from 43% of companies by market capitalisation in the People's Republic of China (hereafter 'China') to 92% in Europe. Extractives and minerals processing is the industry with the highest share of companies disclosing scope 1 and 2 GHG emissions by market capitalisation (85%). Companies report scope 3 emissions less often. In 2022, companies representing 60% of market capitalisation reported scope 3 emissions, ranging from 9% in China to 87% in Europe.

Globally, an external service provider assures the sustainability disclosure of two-thirds of the companies that disclose sustainability information by market capitalisation. Among the companies that disclose the name of the independent assurance provider, 82% of the sustainability reports were assured by an auditor and the rest by other assurance providers. The share of companies that hire the auditor of the financial statement to assure their sustainability disclosures varies widely across regions: from 17% of companies by market capitalisation in Japan to 70% in Europe. Globally, among the 2 957 sustainability reports subject to an independent assurance, 1 668 (56%) were partially or fully verified under limited assurance, while 405 (14%) were partially or fully verified under reasonable assurance.

Globally, 70% of companies by market capitalisation disclosed a GHG emission reduction target and nearly half of them set 2030 as the target year. However, the baseline year was available in only 37% of companies with a target, which undermines the ability of shareholders and stakeholders to assess what the GHG emission reduction targets mean in practice for a company.

Investor landscape. Climate change is considered to be a financially material risk for listed companies representing 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 companies considered to be facing other sustainability-related risks such as ecological impacts or human rights. These shares of market capitalisation can serve as a reference to policy makers identify and justify priorities when supervising and regulating capital markets.

An analysis of the 100 listed companies with the highest disclosed GHG emissions globally shows that institutional investors hold the largest share of the equity (41%) and that the public sector is also an important shareholder, with 18% of the equity. The ownership distribution is particularly relevant when considering the ability of investors to accelerate the transition to a low-carbon economy through successful

engagement strategies. Globally, the largest shareholder in each of these 100 highest emitting companies owns on average 24% of the shares, and the largest 20 shareholders own on average 54% of the shares.

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 research and development (R&D) expenditure or stock of patents per industry shows that institutional investors own 41% of the equity in these companies. These highly innovative companies have a moderately lower ownership concentration compared to the 100 highest emitting companies.

Some jurisdictions give companies the option to include the pursuit of public benefits in their articles of association. In Delaware, the number of private Public Benefit Corporations (PBCs) grew from 207 in 2021 to 332 in 2023, while the number of listed PBCs doubled from 7 to 14. In France, private *sociétés à mission* increased from 502 in 2021 to 1 276 in 2023, while the number of publicly listed *sociétés à mission* rose from 3 to 8 during the same period.

The boards of directors. Companies representing more than half of the world's market capitalisation have a committee responsible for overseeing the management of sustainability risks and opportunities that reports directly to the board. In the United States, 75% of companies by market capitalisation have a committee responsible for sustainability, and in Asia (excluding China and Japan), Europe and other advanced economies, more than 50% have such a committee. Moreover, in almost 3 000 companies representing 53% of global market capitalisation the boards of directors oversees climate-related issues, with higher shares in Europe, Japan and United States.

To fulfil their key functions in assessing the company's risk profile and guiding its governance practices, boards can also take into consideration sustainability matters when establishing key executives' compensation. This is the case for three-fifths of companies that have executive compensation policies linked to performance measures and also include a variable component based on sustainability-related factors. Executive compensation is linked to sustainability matters in 80% of companies by market capitalisation in Europe and 60% in the United States.

Through lobbying activities, companies can influence climate-related policies, laws and regulations. Among all the companies that self-declared lobbying activities, almost one-third belong to the two industries with the highest GHG emissions (extractives and mineral processing, and resource transformation), while only 2% of companies belong to the renewable resources and alternative energy industry.

The interests of stakeholders and engagement. Among the various ways to promote stakeholder and shareholder engagement, companies may establish mechanisms for employee participation and develop policies on shareholder engagement. Companies representing 14% of 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. In 2022, policies on shareholder engagement were disclosed by 81% of companies by market capitalisation.

Sustainable bonds. Over the past five years, corporate sustainable bonds (including green, social, sustainability and sustainability-linked bonds) have experienced noteworthy growth as a source of capital market financing. In 2023, the outstanding amount of sustainable bonds issued by the corporate sector totalled USD 2.3 trillion globally. Europe has been the most active region in the sustainable bonds market with 45% of the global amount issued by non-financial companies between 2014 and 2023. In 2022-23, unlisted companies issued about half of the sustainable bonds in the non-financial and financial corporate sectors globally.

A similar trend can be observed for investment funds that label themselves as sustainable or climate funds, which have received increasing net inflows since 2016. However, assets under management of sustainable funds still represent only 2.76% of the assets under management of the global investment funds market.

Recent regulatory and standard-setting developments:

- The International Sustainability Standards Board issued its first two standards IFRS S1 and IFRS S2 in June 2023, which were endorsed by the International Organization of Securities Commissions 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, including new recommendations for enterprises to align with internationally agreed goals on climate change and biodiversity, and to ensure lobbying activities are consistent with the Guidelines.
- The International Auditing and Assurance Standards Board published an exposure draft of the proposed International Standard on Sustainability Assurance 5000 in June 2023.
- The International Ethics Standards Board for Accountants approved the exposure drafts of new ethics and independence standards for sustainability reporting and assurance in December 2023.

This report's key policy messages:

- Sustainability-related disclosure frameworks may need to be flexible about the existing capacities of companies.
- Standard-setters should work together to make their standards as interoperable as feasible, reducing the costs for companies that must disclose sustainability-related information according to various standards.
- Regulators in regions where voluntary assurance is a common practice may consider requiring large listed companies to obtain assurance of their sustainability-related information.
- Wherever high-quality assurance for all sustainability-related information disclosed might not be possible or is too costly, jurisdictions may require companies to obtain assurance of specific sustainability-related disclosures, such as GHG emissions.
- Investors and regulators may need to pay special attention to whether executives can choose to hire the company's external auditor to provide sustainability-related assurance without the approval of the board, the audit committee or shareholders.
- Whenever included in a company's reduction targets, market participants and relevant stakeholders should consider ways to encourage the disclosure of scope 3 GHG emissions.
- Regulators may consider requiring or recommending the disclosure of information relevant for investors to assess the potential of companies to develop new technologies that may contribute to the transition to a low-carbon economy.
- 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.
- Boards should ensure that companies' lobbying activities are coherent with their sustainability-related goals and targets.

1 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 examines the evolving landscape of corporate sustainability practices worldwide and some of the most relevant recent regulatory developments, providing easily accessible information especially tailored to policy makers, regulators and other market participants.

The issues covered in this report are related to the recommendations included in the recently revised *G20/OECD Principles of Corporate Governance* (OECD, 2023^[1]). They embrace recommendations on sustainability-related disclosure, the dialogue between a company and its shareholders, the responsibilities of the board of directors, and the interests of stakeholders, such as the workforce, creditors, customers, suppliers and affected communities.

The first chapter of this report compares the main trends and features of corporate sustainability at the global level using the OECD Corporate Sustainability dataset. It presents information, for instance, on whether companies disclose sustainability information, GHG emission reduction targets and executive remuneration linked to sustainability factors. The dataset's coverage varies depending on the specific datapoint and, for instance, includes information on 14 400 companies listed on 83 markets with a total market capitalisation of USD 90 trillion at the end of 2022 with respect to whether they disclosed sustainability information. Unless otherwise mentioned, all shares in the report are calculated over 43 970 worldwide listed companies with a market capitalisation of USD 98 trillion. In the example, the difference of 29 570 listed companies represents the companies for which the information is unavailable in the commercial databases used to develop the Corporate Sustainability dataset.

The second chapter summarises some recent regulatory and standard-setting initiatives by OECD, G20 and Financial Stability Board members, as well as by relevant international institutions, which may be meaningful for policy makers and market participants. A specific development may have been highlighted because of the importance of the jurisdiction or due to the novelty of a potentially effective policy.

The third chapter analyses whether market practices are aligned with the *G20/OECD Principles of Corporate Governance* because or even in the absence of regulatory tools that implement their recommendations. The chapter also suggests how policy makers, regulators and market participants may need to review some of their policies and customs in light of a change in market practices.

2 Market practices

This chapter outlines key trends and market practices of listed companies concerning corporate sustainability. It covers the regional and sectoral distribution of sustainability-related disclosures, common reporting standards and GHG emissions disclosure. Additionally, it explores how listed companies establish emission reduction targets and decide on third-party assurance for sustainability-related information. The chapter examines financially material sustainability risks, the investor landscape, ownership patterns of top-emitting and environmentally innovative companies, and board responsibilities in managing sustainability issues. It also highlights the integration of stakeholder interests in corporate decision-making and recent trends in sustainable bonds and climate investment funds.

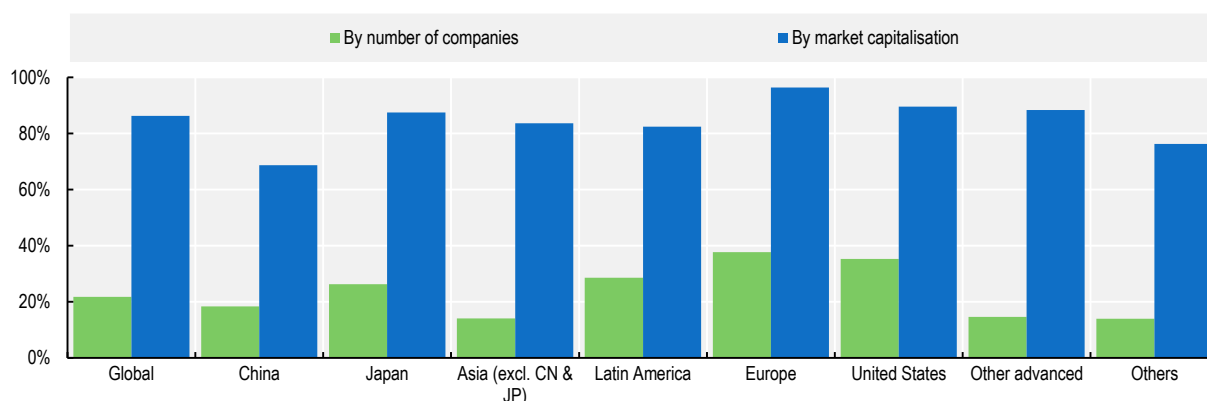
2.1. Sustainability-related disclosure

Information on a company's sustainability-related risks and opportunities and how it manages them can be material for investors' decisions to buy or sell securities, as well as to exercise their rights as shareholders and bondholders. Therefore, access to material sustainability information is crucial for market efficiency and for the protection of investors. Most regulators mandate or recommend the disclosure of sustainability matters (OECD, 2023, p. 23^[2]). However, even in jurisdictions where sustainability disclosure is not mandatory, a significant number of companies have been reporting on sustainability risks and opportunities, driven by the interest from investors in the impact of environmental and social matters on companies' financial performance.

Out of the 43 970 listed companies globally with a total market capitalisation of USD 98 trillion, almost 9 600 disclosed sustainability-related information in 2022 or 2023 (Figure 2.1). The companies that disclosed sustainability-related information represent 86% of the global market capitalisation. Among the 479 listed state-owned enterprises globally, 441 disclosed sustainability-related information in 2022 (the enterprises that disclosed such information represented 98% of the market capitalisation of all state-owned enterprises).

Figure 2.1. Disclosure of sustainability-related information by listed companies in 2022

86% of companies by market capitalisation disclose sustainable-related information globally



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Considered by industry, the share of companies as a percentage of market capitalisation disclosing sustainability information in 2022 ranged from 78% to 91% globally. This share is the largest among extractives and minerals processing companies, and food and beverage companies, in which 91% and 90% by market capitalisation disclosed sustainability information, respectively (Figure 2.2, Panel B). The share of sustainability-related disclosure by industry also varies by region. For instance, in the People's Republic of China (China) companies representing 98% of the financial sector's market capitalisation disclose sustainability information, compared to 75% in the United States and 76% in Latin America.

Figure 2.2. Share of companies disclosing sustainability information by industry

The disclosure of sustainability-related information varies across industries, especially in China

By market capitalisation (in per cent)	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	87	52	83	78	88	99	90	80	56
Extractives & Minerals Processing	91	82	90	88	88	98	94	90	91
Financials	84	98	95	86	76	96	75	92	64
Food & Beverage	90	83	83	84	89	97	96	90	72
Health Care	87	62	89	70	76	98	90	84	32
Infrastructure	82	68	81	82	77	90	90	81	64
Renewable Resources & Alternative Energy	82	77	86	77	84	96	92	20	52
Resource Transformation	80	51	88	76	89	97	90	93	48
Services	78	32	79	69	66	95	82	82	18
Technology & Communications	89	52	86	91	87	96	94	84	79
Transportation	87	69	95	85	76	97	89	94	67

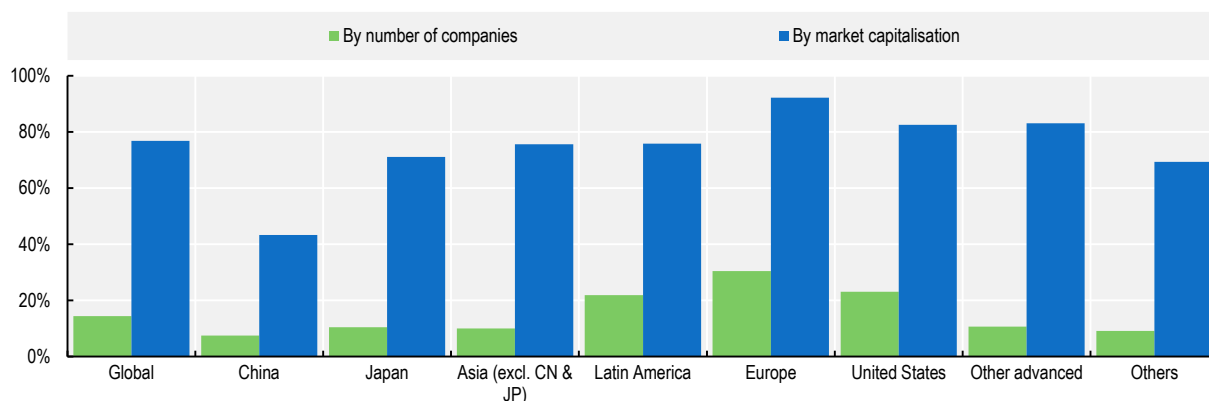
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Public awareness and regulatory actions around climate change have accelerated in recent years. This has generated a greater interest by investors in companies' GHG emissions. A reporting system is an important first step in any effort to reduce GHG emissions. It requires an accurate measuring, reporting and tracking system of the emissions resulting directly from the activities carried out by the company (scope 1), indirect emissions related to energy consumption (scope 2) and emissions generated in the supply chain or by companies financed by financial institutions (scope 3).

Globally, 6 308 companies representing 77% of market capitalisation disclosed scope 1 and scope 2 GHG emissions in 2022, ranging from 43% of companies by market capitalisation in China to 92% in Europe (Figure 2.3).

Figure 2.3. Disclosure of scope 1 and 2 GHG emissions by listed companies in 2022

Europe leads in scope 1 and 2 GHG emissions disclosure, but some other regions are close behind



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Globally, extractives and minerals processing is the industry with the highest share of companies disclosing scope 1 and 2 GHG emissions by market capitalisation (85%), with an even higher share in Europe (97%) and a lower share in China (55%). In the United States, the industry with the largest share of companies disclosing scopes 1 and 2 by market capitalisation is food and beverage, with companies representing 94% of the industry's capitalisation, while in the infrastructure industry less than 80% of the industry's capitalisation reports this information (Figure 2.4, Panel B).

Figure 2.4. Share of companies disclosing scope 1 and 2 GHG emissions by industry

Extractives and Minerals lead in emissions disclosure by market capitalisation, while Infrastructure lags below 70% by market capitalisation

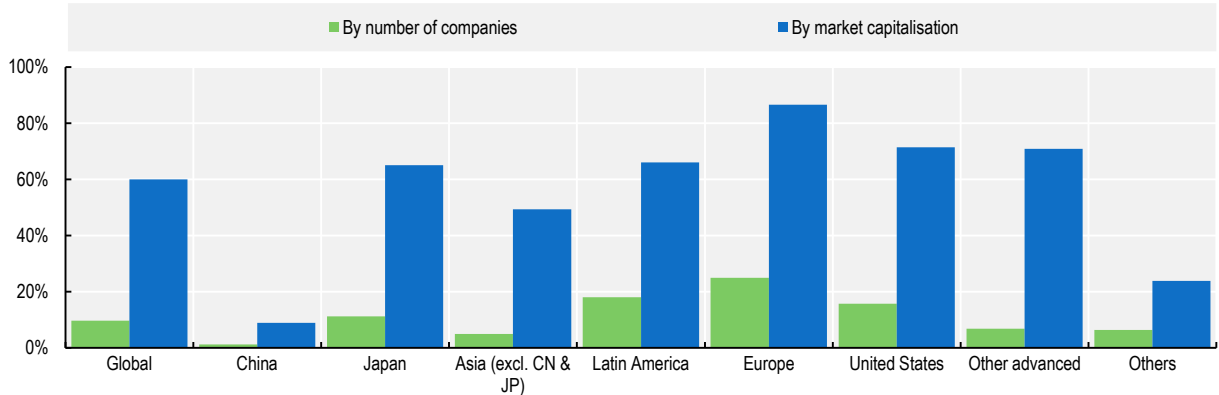
By market capitalisation (in per cent)	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	79	38	65	73	78	97	82	68	39
Extractives & Minerals Processing	85	55	83	79	84	97	88	86	88
Financials	75	88	74	77	69	91	63	90	46
Food & Beverage	76	29	69	74	75	94	94	77	68
Health Care	76	39	73	65	76	95	79	81	27
Infrastructure	69	33	61	73	68	83	79	76	57
Renewable Resources & Alternative Energy	68	59	76	63	83	89	80	20	49
Resource Transformation	67	21	68	65	89	92	84	86	39
Services	66	9	63	60	56	86	70	66	11
Technology & Communications	83	32	70	83	82	92	90	78	74
Transportation	77	40	84	80	75	88	86	81	64

Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

The disclosure of scope 3 emissions is 17 percentage points lower than the disclosure of scope 1 and scope 2 emissions (by market capitalisation) globally. In 2022, 4 246 companies (60% by market capitalisation) reported scope 3 emissions, ranging from 1 548 companies (around 87% by market capitalisation) in Europe to 60 companies (9% of market capitalisation) in China (Figure 2.5).

Figure 2.5. Disclosure of scope 3 GHG emissions by listed companies in 2022

Less than two-thirds of companies by market capitalisation disclose scope 3 GHG emissions globally



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Globally, the technology and communications industry has the largest share of companies by market capitalisation that publish scope 3 emissions data. In Europe, 23% of the companies in the consumer goods industry, accounting for 95% of the industry's market capitalisation, report such information, while in Japan the transportation industry has the biggest share of companies by market capitalisation disclosing scope 3 GHG emissions (78%). In China, the financial industry has the largest share of companies by market capitalisation reporting scope 3 GHG emissions (18%) (Figure 2.6, Panel B).

Figure 2.6. Share of companies disclosing scope 3 GHG emissions by industry

Scope 3 GHG disclosures vary across industries: Technology and Communications lead; Renewables lag

By market capitalisation (in per cent)	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	64	5	62	31	72	95	70	45	38
Extractives & Minerals Processing	47	3	71	38	58	88	66	73	10
Financials	61	18	75	63	69	91	59	89	36
Food & Beverage	61	10	55	35	70	80	86	63	65
Health Care	54	7	64	26	75	83	56	23	22
Infrastructure	52	5	65	43	59	83	69	63	8
Renewable Resources & Alternative Energy	42	16	74	47	83	82	69	18	43
Resource Transformation	50	3	60	37	82	83	66	36	32
Services	49	2	59	22	13	82	49	63	10
Technology & Communications	76	13	62	69	82	88	87	68	40
Transportation	64	6	78	49	51	87	80	75	61

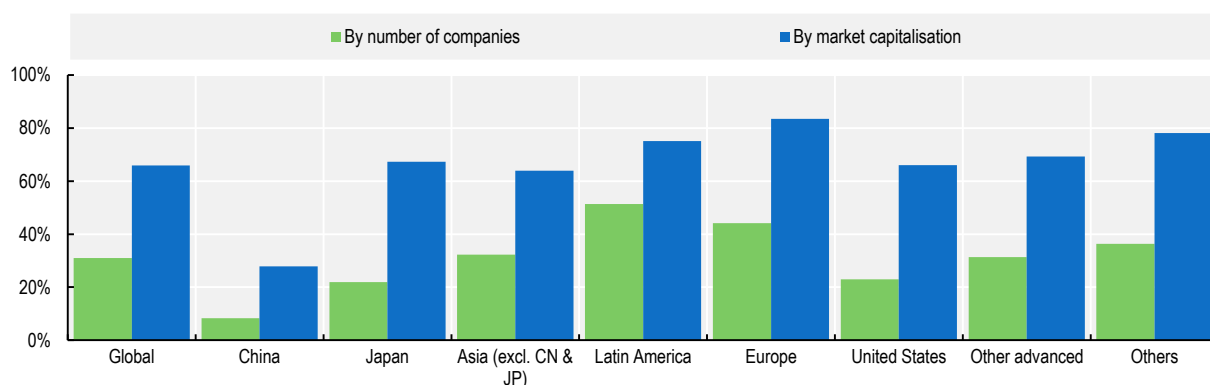
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Although companies representing 86% of the world's market capitalisation disclose sustainability reports, an external service provider assures the sustainability disclosure of only 66% of these companies by market capitalisation. This may reduce investors' confidence in the information disclosed and the possibility of comparing reports between companies.

As shown in Figure 2.7, there is a significant difference between the shares of sustainability reports with assurance over all disclosed reports by the number of companies and by their market capitalisation. For instance, this is the case in China, with 8% of companies making up 28% of the market capitalisation, but also in Japan, where 22% of sustainability reports published by companies representing 67% of market capitalisation are verified by an independent assurance provider. However, in terms of market capitalisation, the share of companies requesting independent assurance is quite similar among regions, apart from China, regardless of whether the verification is mandatory. For instance, external assurance is mandatory for some companies in the European Union, India and Chinese Taipei, but neither in the United States nor most Latin American markets (TWSE, 2022^[3]; SEBI, 2023^[4]; OECD, 2023, p. 58^[5]).

Figure 2.7. Sustainability reports with assurance over all disclosed reports in 2022

Global consistency: companies seek assurance, regardless of the existence of regulatory requirements

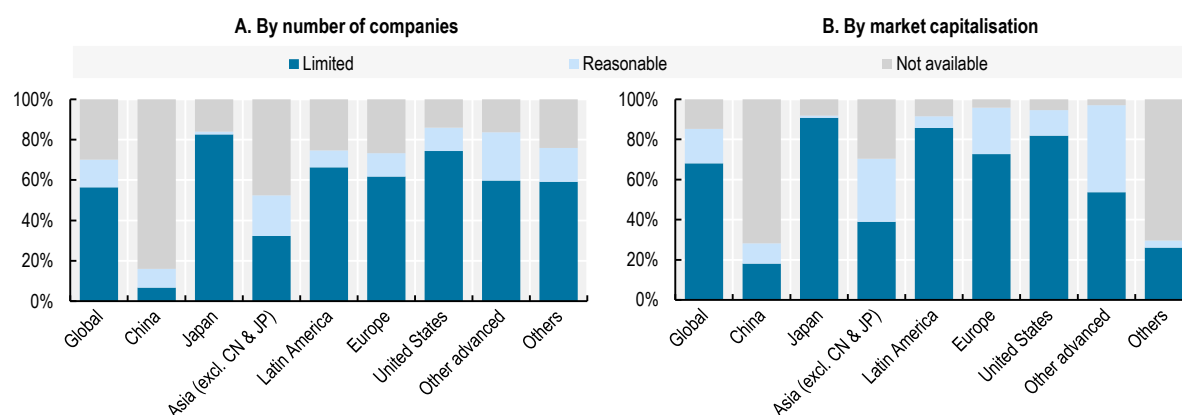


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Based on the depth and the scope of the verification, the level of an assurance engagement can be defined as “limited” or “reasonable” according to the International Standard on Assurance Engagements (ISAE) 3000. Globally, in 2022, of 2 957 sustainability reports subject to an independent assurance, 1 668 were partially or fully verified under limited assurance, while 405 were partially or fully verified under reasonable assurance. In Japan, limited assurance was provided for 83% of the reports (from companies representing 91% of market capitalisation), followed by 74% in the United States (82% by market capitalisation) and 66% in Latin America (86% by market capitalisation). In China and Asia excl. China and Japan, limited assurance was provided for 7% and 32% of the sustainability reports, respectively. In contrast, reasonable assurance engagement of the sustainability report is rare (“reasonable” is the level required, as a rule, from the external auditing of financial reports). In Asia excl. China and Japan, 20% of sustainability reports were verified under a reasonable assurance, and in Europe and the United States around 12% (Figure 2.8, Panel A).

Figure 2.8. Levels of assurance over all assured sustainability reports in 2022

Reasonable assurance of sustainability reports remains uncommon

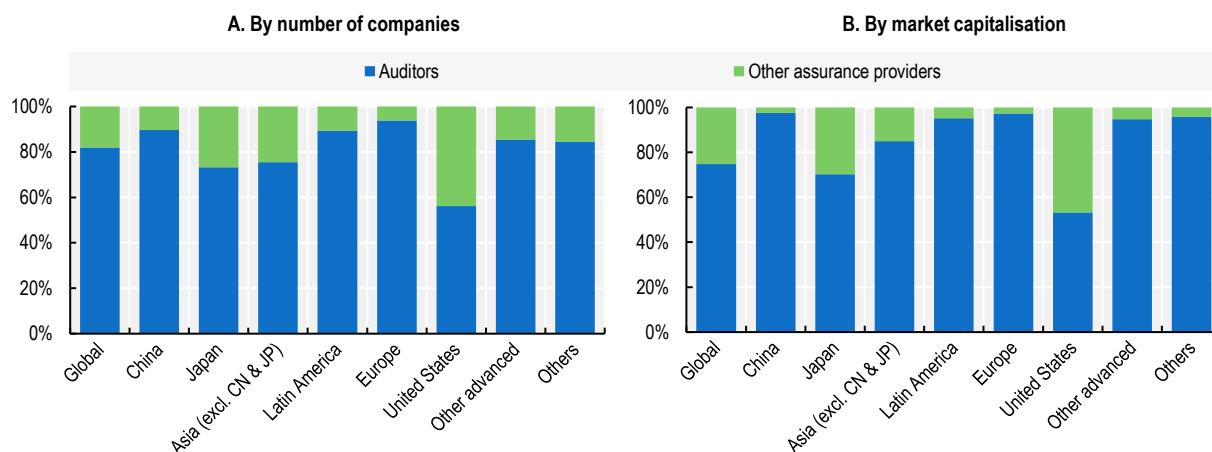


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Among the companies that disclose the name of the independent assurance provider, 82% of sustainability reports with assurance were assured by an auditor (Figure 2.9, Panel A). Auditors assure an important share of sustainability reports in most regions. In Europe, 94% of assurance attestations are provided by auditors, and China (90%) and Latin America (89%) have similar shares. Only the United States significantly diverges from the global average, with 56% of assurance attestations developed by an auditor and the remaining 44% by other assurance providers.

Figure 2.9. Assurance of a sustainability report by auditors or other assurance providers

Auditors dominate the assurance market, except in the United States

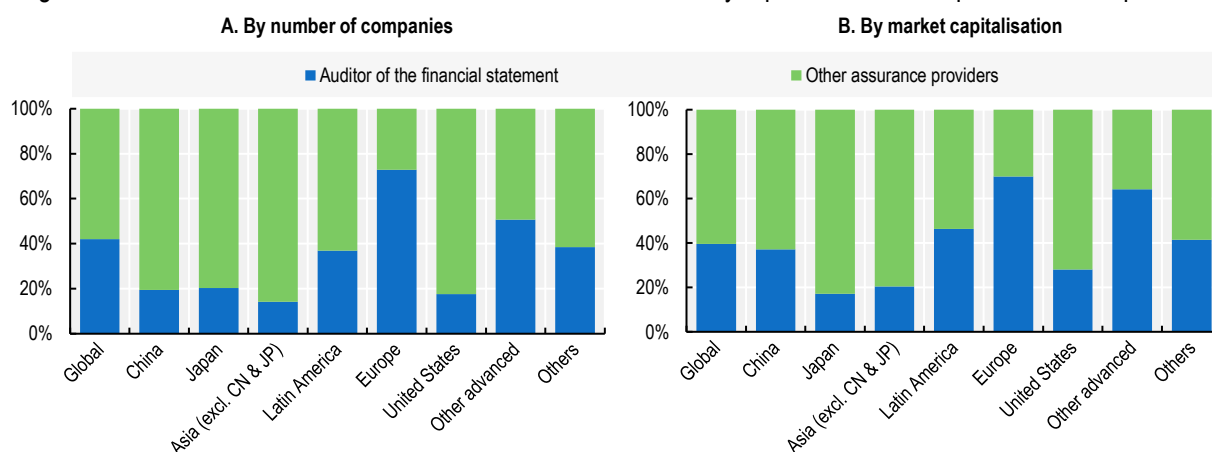


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

When looking at companies that disclose the name of the independent assurance provider, the share of companies that decide to engage the same auditor of the financial statement to verify their sustainability disclosures varies widely across regions. In Europe, 587 companies (70% of companies by market capitalisation) selected their financial auditor, while in Japan, the United States and Asia excl. China and Japan, companies tend to rely on other assurance providers, accounting for 80%, 82% and 86% of the market capitalisation, respectively (Figure 2.10, Panel B). The shares of companies hiring their financial auditor vary significantly between the European Union (83% of companies by market capitalisation), and the rest of Europe (44%).

Figure 2.10. Assurance of the sustainability report by the auditor of the financial statement in 2022

Hiring the auditor of the financial statement to assure the sustainability report is a common practice in Europe



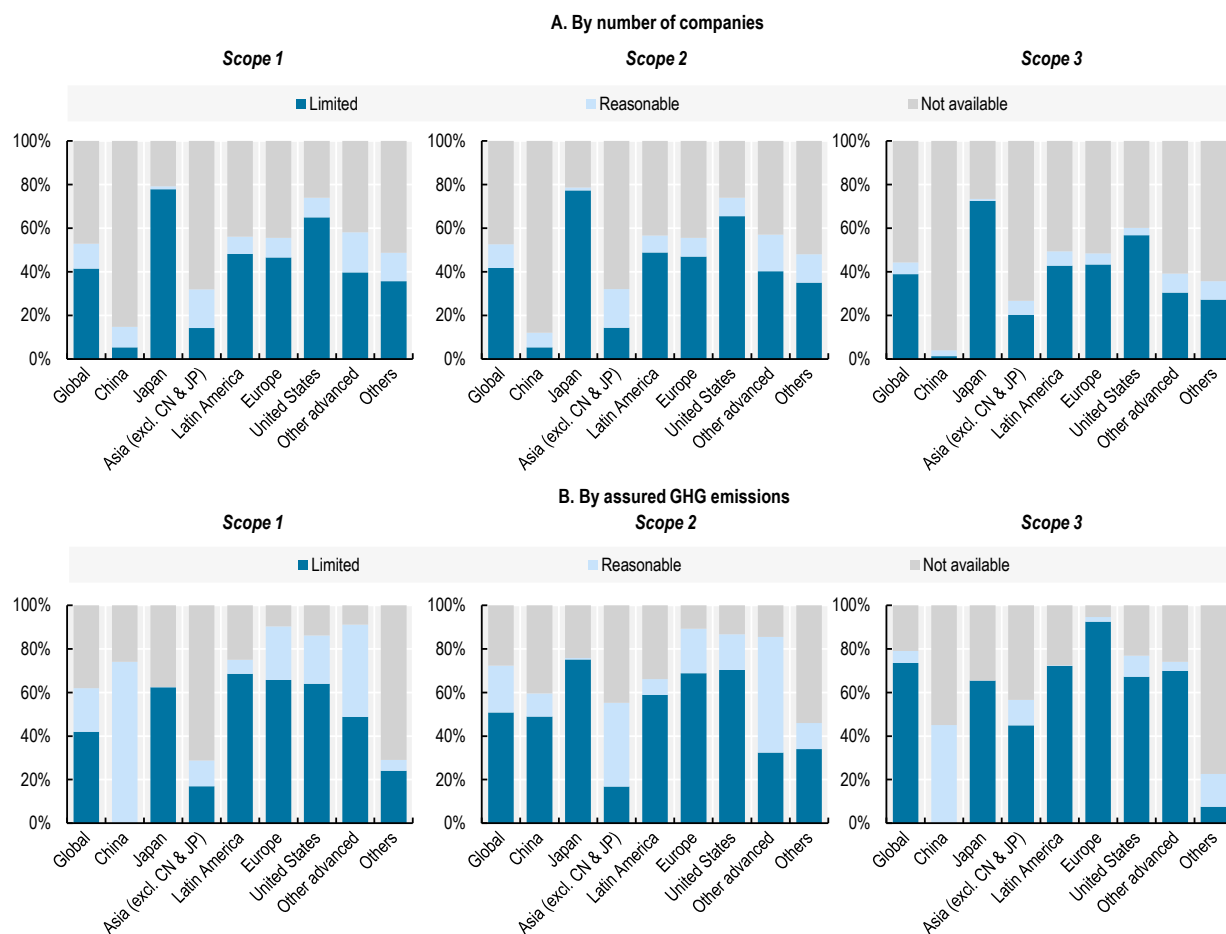
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

GHG emissions may be subject to a different level of assurance than the rest of the sustainability information. In all regions, GHG emissions are mainly verified with a limited level of assurance. Globally, out of the total GHG emissions verified by an independent assurance provider, limited assurance was performed on 42% of scope 1 emissions, 51% of scope 2 and 74% of scope 3 emissions. Only 11% of companies had a reasonable level of assurance for scope 1 and 2, and 5% for scope 3

(Figure 2.11, Panel A). Significant exceptions are China, where 74% of verified scope 1 GHG emissions were assured with reasonable assurance, and Asia (excluding China and Japan), where 39% of scope 2 GHG emissions were assured at a reasonable level, and 17% with a limited assurance. The assurance level for the verification of scope 1 and 2 GHG emissions is very similar across regions, with similar percentages for both limited and reasonable assurance, and slight differences for scope 3 GHG emissions verification.

Figure 2.11. Levels of assurance over all assured reports on GHG emissions in 2022

Only 11% of companies have a reasonable level of assurance for scope 1 and 2 GHG emissions globally



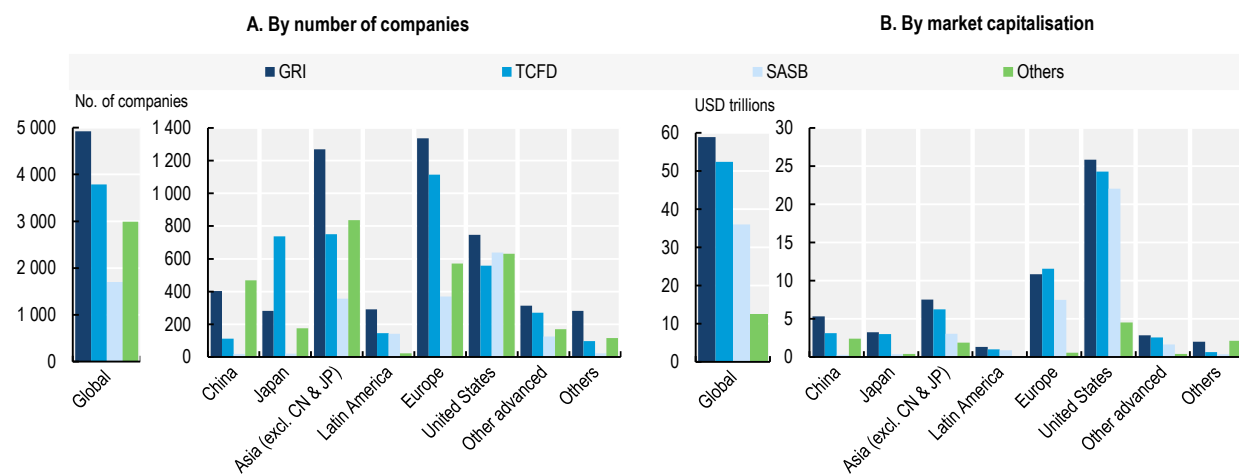
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

The comparability of sustainability-related information disclosed by companies in different jurisdictions enhances the efficiency of the capital market. In this regard, companies have been using different accounting standards and frameworks to disclose sustainability information. Globally, the Global Reporting Initiative (GRI) Standards are used by 4 925 companies, accounting for 60% of global market capitalisation. Task Force on Climate-Related Financial Disclosures (TCFD) recommendations are used by 3 786 companies representing 54% of market capitalisation, and SASB Standards are used by 1 694 companies representing 37% of market capitalisation. Some of these companies use more than one standard or framework when reporting sustainability information (Figure 2.12).

In Europe and Japan, 1 114 companies (78% of market capitalisation) and 737 companies (56% of market capitalisation), respectively, fully or partially followed TCFD recommendations. SASB Standards are mainly used in the United States, where 639 companies use them to disclose sustainability information. However, almost all regions show a predominant use of GRI Standards in their sustainability reporting compared to other standards: 1 336 companies in Europe (73% of market capitalisation), 292 companies in Latin America (79% of market capitalisation), 403 companies in China (44% of market capitalisation) and 1 270 companies in the Asia excl. China and Japan (61% of market capitalisation).

Figure 2.12. Use of sustainability standards by listed companies in 2022

Larger companies tend to use global reporting standards, while smaller companies often use other frameworks

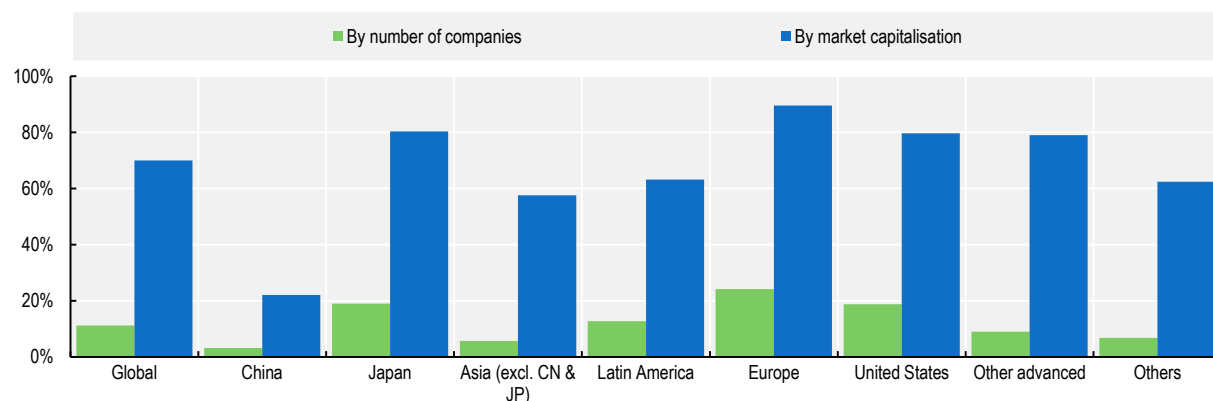


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Globally, more than two-thirds of the companies by market capitalisation disclose a GHG emission reduction target. In Europe, Japan and the United States, the share of companies is larger, representing 90%, 80% and 80%, respectively. Latin America (63%), Asia excl. China and Japan (57%) and China (22%) stand below the average (Figure 2.13).

Figure 2.13. Disclosure of GHG emission reduction targets by listed companies

More than two-thirds of companies by market capitalisation disclose a GHG emission reduction target

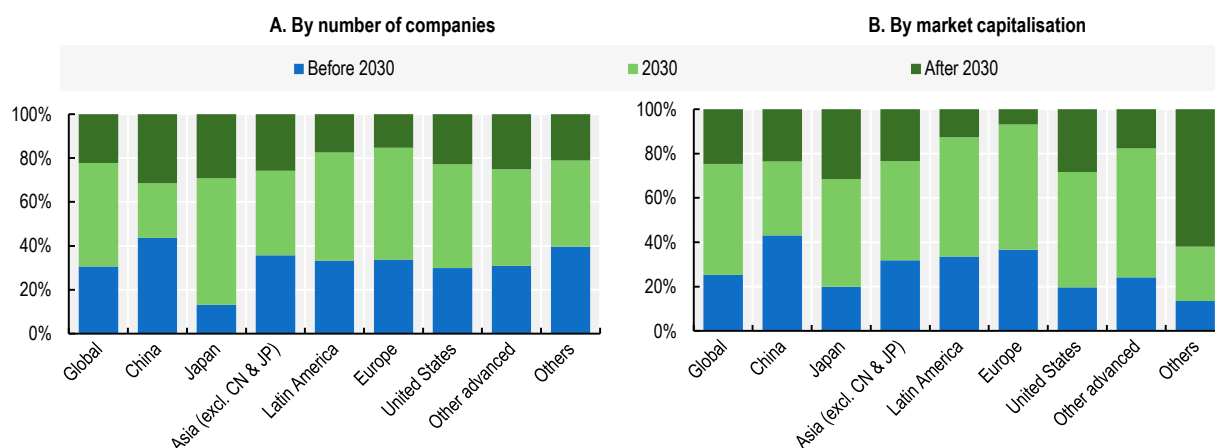


Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex A for details.

Nearly half of the GHG emission reduction targets reported by companies set 2030 as the target year (Figure 2.14). In Japan, 58% of companies (49% by market capitalisation), 51% in Europe (57% by market capitalisation), and 49% in Latin America (54% by market capitalisation) have committed to reducing their GHG emissions by 2030, while in China 44% of companies (43% by market capitalisation) have set their targets before 2030. Globally, only a small portion of the market by the number of companies discloses targets with a longer perspective, except the “Others” category where 62% of companies by market capitalisation set the target year after 2030.

Figure 2.14. Length of the existing GHG emission reduction targets by listed companies

Globally, 22% of companies set GHG emission reduction targets beyond 2030

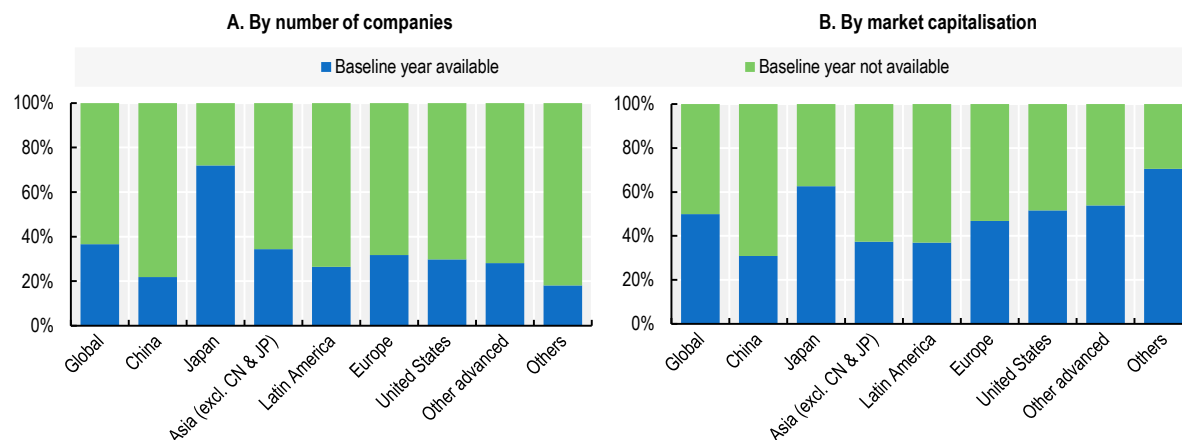


Source: OECD Corporate Sustainability dataset, Bloomberg. See Annex A for details.

Globally, among the companies that set a specific year for their GHG emission reduction targets, the baseline year is available for only 37% of the companies in a widely-used commercial database (Bloomberg). Remarkably, the main exception is Japan, where, out of 741 companies, 533 define a baseline year, representing 63% of market capitalisation (Figure 2.15). The base year is necessary for shareholders and stakeholders to assess what the GHG emission reduction targets (both in relative and absolute terms) effectively mean for an individual company.

Figure 2.15. Disclosure of a baseline year by listed companies with GHG emission targets

Investors often lack baseline data for assessing GHG emission targets

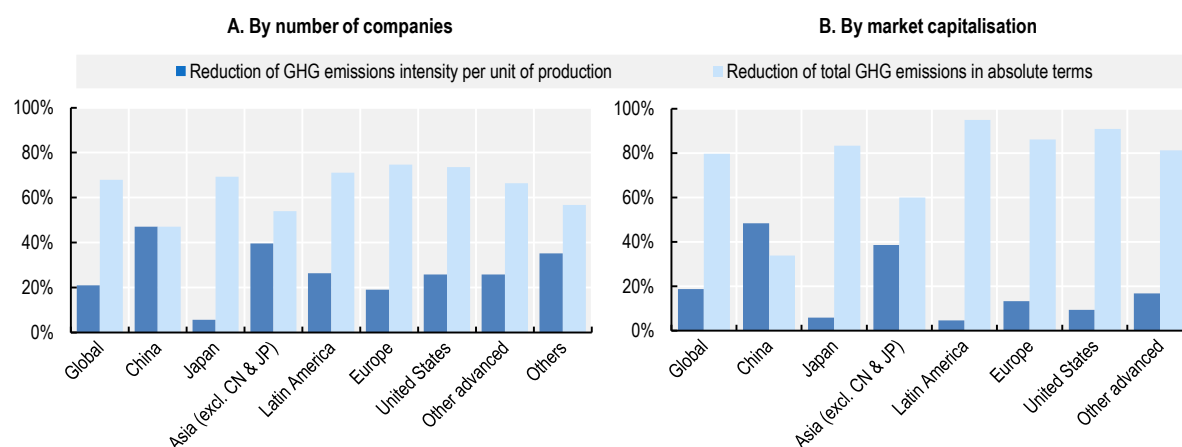


Source: OECD Corporate Sustainability dataset, Bloomberg. See Annex A for details.

When setting GHG emission reduction targets, companies can select different metrics to measure the progress of their reduction path. Notably, most companies calculate the reduction of their GHG emissions over the baseline year either as the reduction of GHG emissions intensity for each unit of production or the GHG emission reduction in absolute terms. Globally, 21% of companies that have a target commit to reducing their GHG emissions intensity and 68% set a reduction target in absolute terms (Figure 2.16, Panel A). In Japan, reductions in absolute terms are used more often than in other regions, with 83% of companies by market capitalisation choosing them, against 6% choosing GHG emission intensity metrics. In Latin America, almost all companies that disclose a target with a baseline year (99% by market capitalisation) provide metrics with a strong predominance for reduction metrics in absolute terms (94%).

Figure 2.16. Metrics of the GHG emission targets by listed companies

Most companies with GHG emission targets set them in absolute terms



Source: OECD Corporate Sustainability dataset, Bloomberg. See Annex A for details.

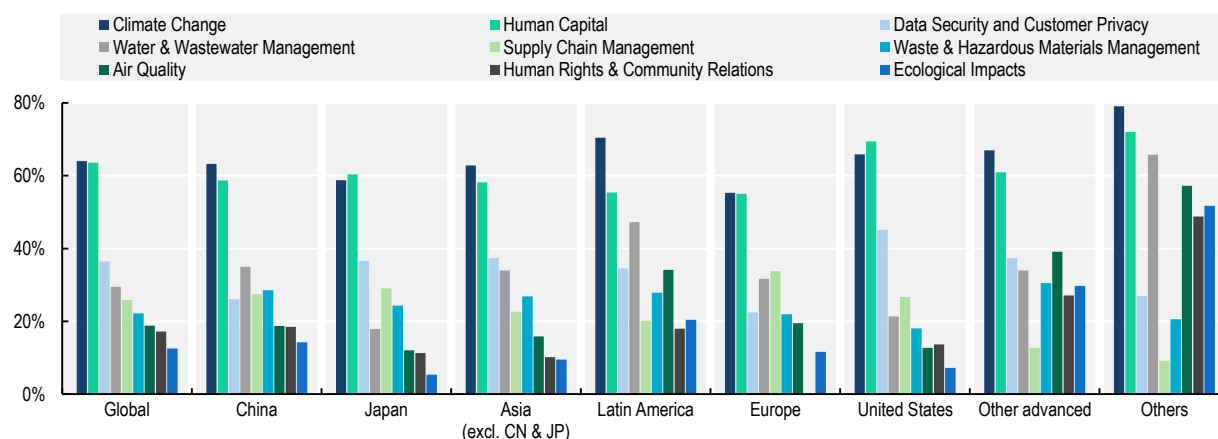
2.2. Investor landscape

Equity markets play a pivotal role in fostering innovation and facilitating long-term investments, both of which are essential for sustainable economic growth. For the ordinary household, participation in these equity markets offers a dual benefit: it allows for a stake in value-creating corporate activities and provides alternative avenues for financial planning and retirement savings. Therefore, understanding the interplay between corporations and sustainability within the framework of equity markets is crucial for a well-rounded view of global sustainable development. The G20/OECD Principles of Corporate Governance aim to provide a framework that incentivises companies and their investors to make decisions and manage their risks in a way that contributes to the sustainability and resilience of the corporation.

An analysis of the sustainability risks that companies are considered to be facing according to the SASB Sustainable Industry Classification System® Taxonomy (“SASB mapping”) shows that climate change is considered to be a financially material risk for listed companies that account for 64% of global market capitalisation (Figure 2.17). In particular, this risk is considered to be financially material for companies representing 70% of market capitalisation in Latin America, 66% in the United States, 59% in Japan and 55% in Europe. Human capital risks are currently the second most important sustainability risk with companies representing nearly 64% facing such risks as financially material. In the United States, this share is even higher, where companies representing 69% of market capitalisation are considered to face human capital risks as financially material.

Figure 2.17. The share of market capitalisation by selected sustainability risks in 2022

Climate Change and Human Capital pose financially material risks for most companies by market capitalisation



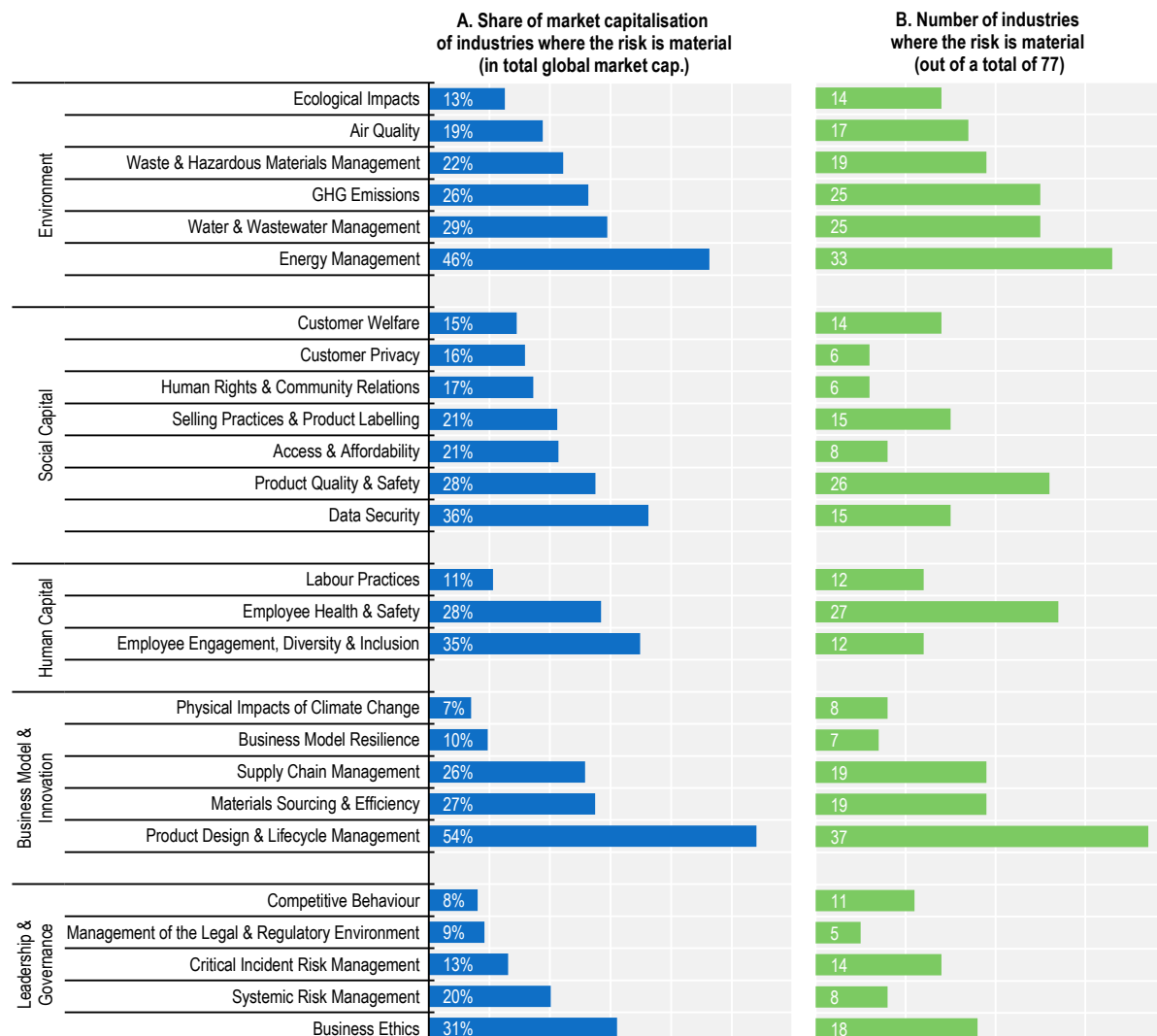
Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping. See Annex A for details.

Concerning sustainability risks, there are differences globally in the sensitivity to both ecological impacts and data security and customer privacy. Globally, companies representing only 13% of total market capitalisation are considered to face ecological impacts as a financially material factor. This share is even smaller in Japan (5%) but higher in Latin America with 20% (Figure 2.17). Globally, companies representing 36% of total market capitalisation are considered to face data security and customer privacy as financially material factors. In the United States, companies representing 45% of market capitalisation are considered to face data security and customer privacy as a financially material risk.

The analysis of the share of market capitalisation by all sustainability issues (Figure 2.18) reveals that product design and lifecycle management, with 54% market capitalisation share across 37 (out of 77) industries, emerges as a pivotal factor. Meanwhile, business ethics within the leadership and governance dimension is a risk considered to be faced by companies representing 31% of market capitalisation across 18 industries.

Figure 2.18. Indicators for sustainability issues where risks are likely to be financially material

Social risks are considered to be financially material for many industries



Note: The industry classification is according to SASB mapping.

Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping. See Annex A for details.

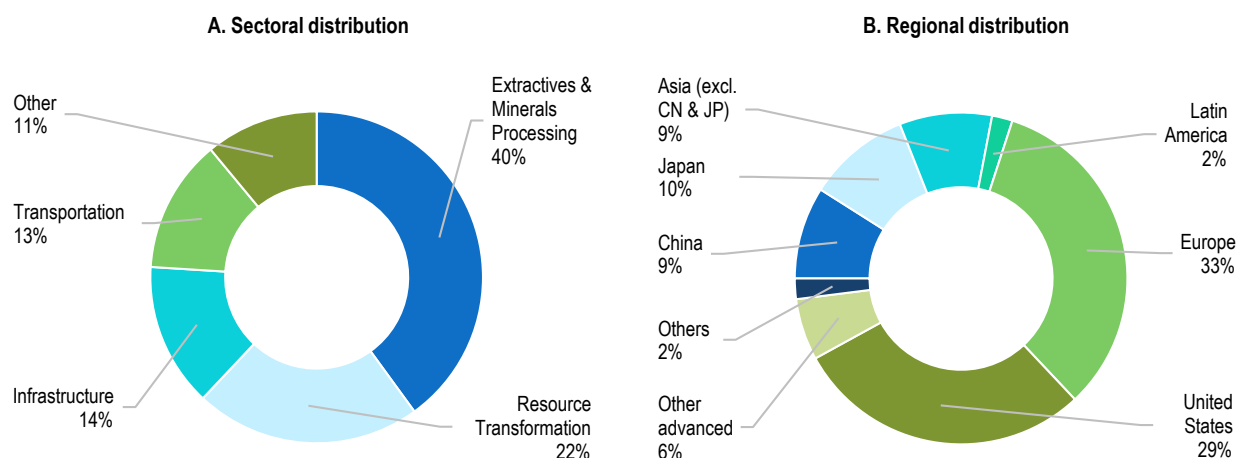
Notwithstanding, mapping of the sustainability risks cannot be equated as the market value at risk, which would depend on an individual assessment of each company's financial exposure to these risks. However, the share of market capitalisation can serve as a reference for policy makers to assess the differences in economic sectors' distribution among locally listed companies that may justify priorities when supervising and regulating their capital markets (OECD, 2023^[5]).

These findings acquire a critical dimension when considering the 100 listed companies with the highest disclosed GHG emissions, which collectively amount to a market capitalisation of approximately USD 5.8 trillion and emit a total of 28 Gt of carbon dioxide equivalent emissions considering all scopes. While there is double counting in this calculation since, for instance, scope 2 GHG emissions of one company may be the scope 3 GHG emissions of another, the 28 Gt emissions of these 100 companies are against the backdrop of global 36.8 Gt emissions from energy combustion and industrial processes in 2022 (IEA, 2023^[6]). Both the regional and sectoral distributions, however, are affected by the higher or lower disclosure rates in different markets and industries. For instance, while 92% of European companies by market capitalisation disclose scope 1 and 2 GHG emissions, only 43% of Chinese companies do so as shown in Figure 2.3.

Companies from Europe (33%) and the United States (29%) represent the largest portion of companies with the highest disclosed GHG emissions (Figure 2.19, Panel B). Extractives and minerals processing sector account for 40% of the companies with the highest disclosed GHG emissions.

Figure 2.19. 100 listed companies with the highest disclosed GHG emissions

Extractives and Minerals: 40% of top 100 GHG emitters



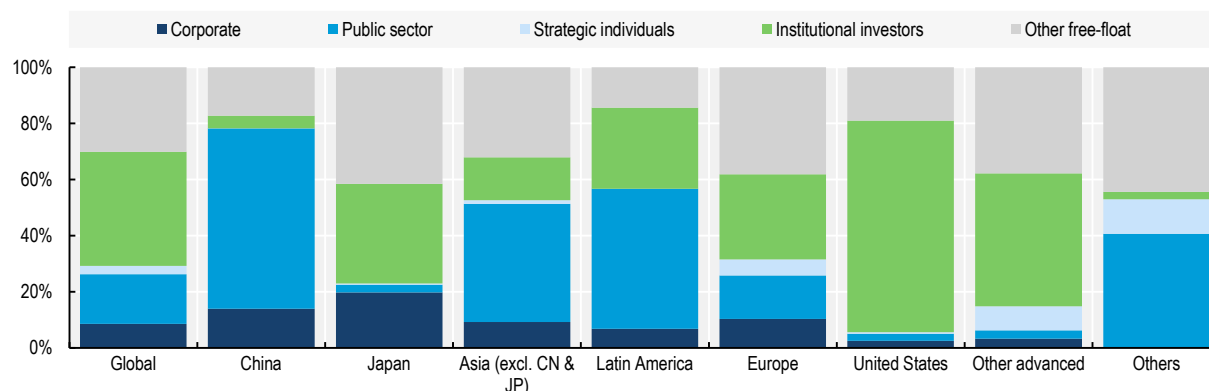
Note: The highest disclosed GHG emissions include scope 1, scope 2, and scope 3 GHG emissions. The shares in this figure are calculated using the number of companies, and not their market capitalisation.

Source: OECD Corporate Sustainability dataset, OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg. See Annex A for details.

Figure 2.20 shows the ownership distribution for the top 100 high-emitting companies among different categories of owners for the selected regions, using the categories in the report *Owners of the World's Listed Companies* (De La Cruz, Medina and Tang, 2019^[7]). Globally, institutional investors hold the largest share at 41%. In the United States, institutional investors hold a 75% share, in line with broader trends of institutional ownership in the US equity market. In China, the public sector plays a major role, holding 64% of equity in these high-emitting companies. Japan demonstrates a more balanced ownership structure with corporate holdings at 20% and institutional investors at 35%. In Latin America, the public sector is important with a 50% share, while Europe shows a more diversified investor base, including corporate and institutional investors with 10% and 30%, respectively.

Figure 2.20. Investor holdings of the 100 high-emitting companies

Institutional investors hold the highest share of equity in top-emitting listed companies, followed by the public sector



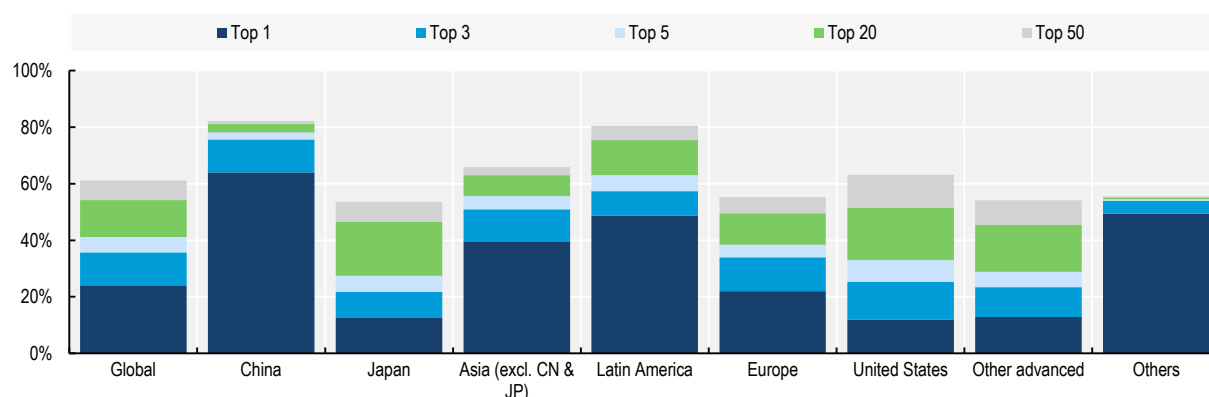
Note: "Other free-float" refers to the holdings by shareholders that do not reach the threshold for mandatory disclosure of their ownership records or retail investors that are not required to do so.

Source: OECD Capital Market Series dataset, OECD Corporate Sustainability dataset, FactSet, LSEG, Bloomberg. See Annex A for details.

The degree of concentration and control by shareholders at the company level is important when considering investors' engagement activities and effective change in the strategy of a company (e.g. about its climate-related goals). Figure 2.21 shows the distribution of ownership concentration among the 100 companies with the highest disclosed GHG emissions. Globally, the largest shareholder in each of these 100 companies owns on average 24% of the shares and the largest 20 shareholders own on average 54% of the shares. This means that in markets such as China and Latin America most (if not all) high-emitting companies have a well-defined controlling shareholder and, therefore, any changes in their strategy will most likely depend on the decision of this controlling shareholder. In other markets such as the United States and Japan, while several high-emitting companies do not seem to have a controlling shareholder (the top 3 shareholders own 25% or less of the shares), the 20 largest shareholders own around 50% of the shares on average, which suggests that these investors may be able to alter the sustainability-related goals of some high-emitting companies' strategies.

Figure 2.21. Ownership concentration at the company level in the 100 high-emitting companies

The 20 largest shareholders of the 100 high-emitting listed companies would often be able to change their strategy



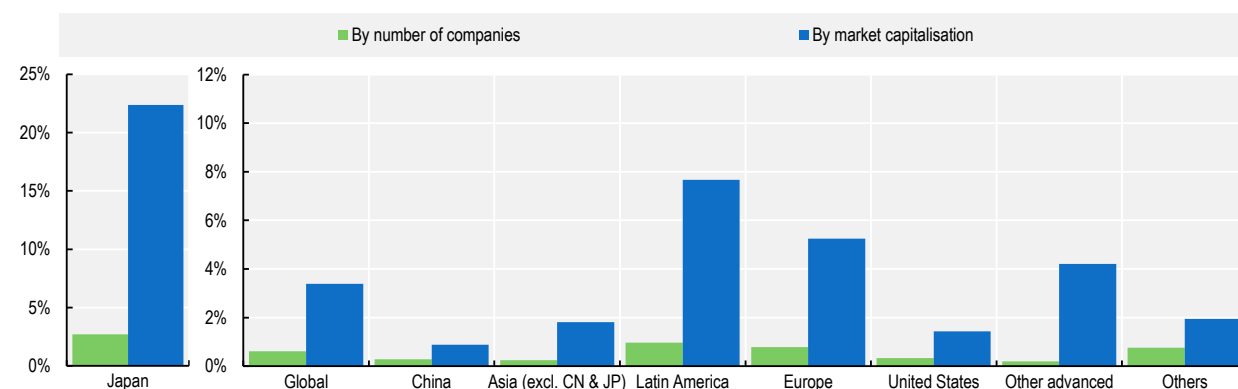
Source: OECD Capital Market Series dataset, OECD Corporate Sustainability dataset, FactSet, LSEG, Bloomberg. See Annex A for details.

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 to guarantee the transition while maintaining high standards of living. To provide an overview of sustainability and innovation in the corporate landscape, Figure 2.23 shows 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. Moreover, to avoid a possible selection bias (i.e. industries that structurally have low emissions and are therefore not as susceptible to transition risks) only industries with emissions above one Gt of carbon dioxide equivalent emissions have been selected. However, the renewable resources and alternative energy industry has been included since its R&D and stock patents aim to reduce, as a rule, mitigation risks (see the Annex A for the complete methodology).

The ranking of companies by their relative GHG emissions in each industry is used as a proxy of whether the companies' patents and R&D investments may be considered green. It is an imperfect proxy, because a company may currently be a high emitter but plan to become greener in the future, but adopting such a proxy is the best solution in the absence of information on green R&D investment and patents. In the LSEG commercial database, for example, there is information on "environmental R&D costs" for only 267 listed companies globally, representing 3.4% of global market capitalisation, of which 106 are Japanese and account for more than 20% of the country's market capitalisation (Figure 2.22).

Figure 2.22. Disclosure of environmental R&D costs by listed companies in 2022

Investors lack data on environmental R&D costs, hindering innovation assessment, with Japan as an outlier

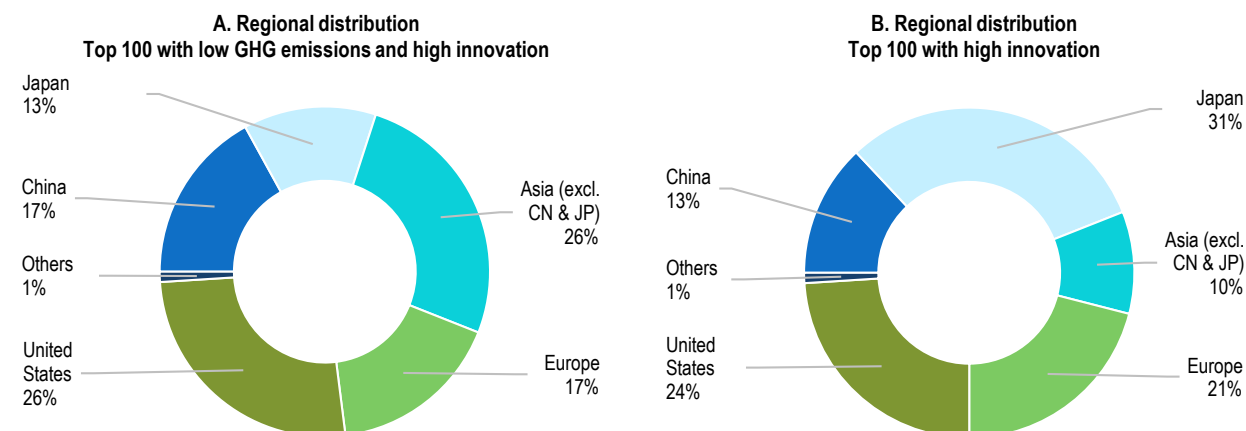


Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

Looking at the regional distribution of the 100 listed companies with low GHG emissions and high innovation, the United States and Asia excl. China and Japan represent the highest portion of companies (26% each), while Japan, China and Europe represent respectively 13%, 17% and 17% (Figure 2.23, Panel A). When comparing this distribution with the top 100 companies with the highest R&D expenditure or stock of patents, China, Europe and the United States show similar shares as for the top 100 companies with low GHG emissions and high innovation. In contrast, companies from Japan have a larger share (31%) of highly-innovative companies than companies with low relative GHG emissions and high innovation (Figure 2.23, Panel B).

Figure 2.23. The 100 listed companies with low relative GHG emissions and high innovation

Asia leads with over half of top 100 low GHG emission, high innovation listed companies



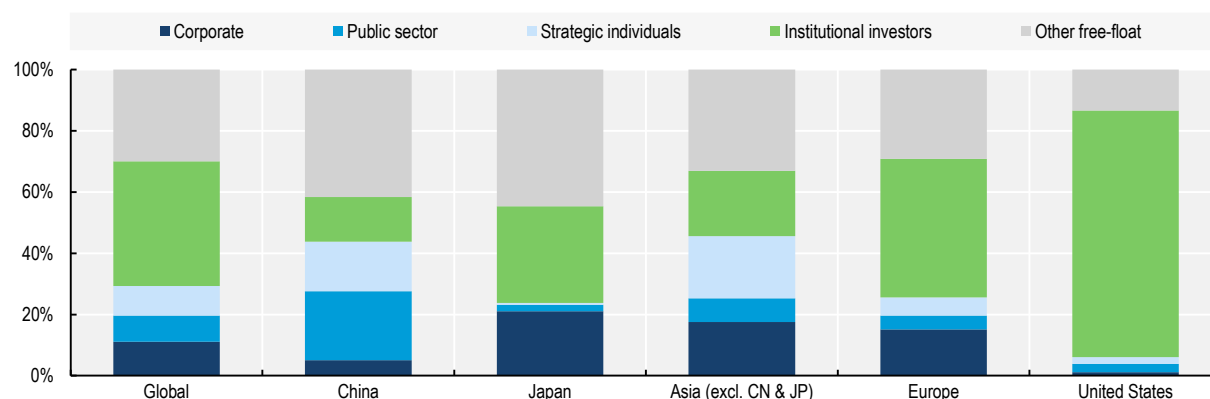
Note: The shares in this figure are calculated using the number of companies, and not their market capitalisation.

Source: OECD Corporate Sustainability dataset, OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg. See Annex A for details.

At a global level, institutional investors own 41% of the 100 highly-innovative and low-emitting companies' total market capitalisation, which is exactly the same ownership by institutional investors of the 100 high-emitting companies (Figure 2.24). The United States is characterised by a high concentration of institutional investors, who own 80% of the equity in the 100 highly-innovative and low-emitting companies. This is in line with the pattern of institutional ownership in US high-emitting companies of 75% (as seen in Figure 2.20). In contrast, China's ownership landscape for highly-innovative and low-emitting companies is quite different than for high-emitting companies, with the public sector making up a smaller portion at 23% and a higher presence of institutional investors and other free-float investors (15% and 42%, respectively). Japan has a diversified structure with 21% of corporate holdings and 32% from institutional investors among highly-innovative and low-emitting companies. Europe mirrors this diversification, albeit with institutional investors holding 45% and corporate holdings 15%. Notably, institutional investors have a significantly higher share of ownership of highly-innovative companies than high-emitting companies in Europe.

Figure 2.24. Investor holdings of the 100 companies with low emissions and high innovation

Institutional investors hold the largest share of the top 100 low GHG emission, high innovation listed companies



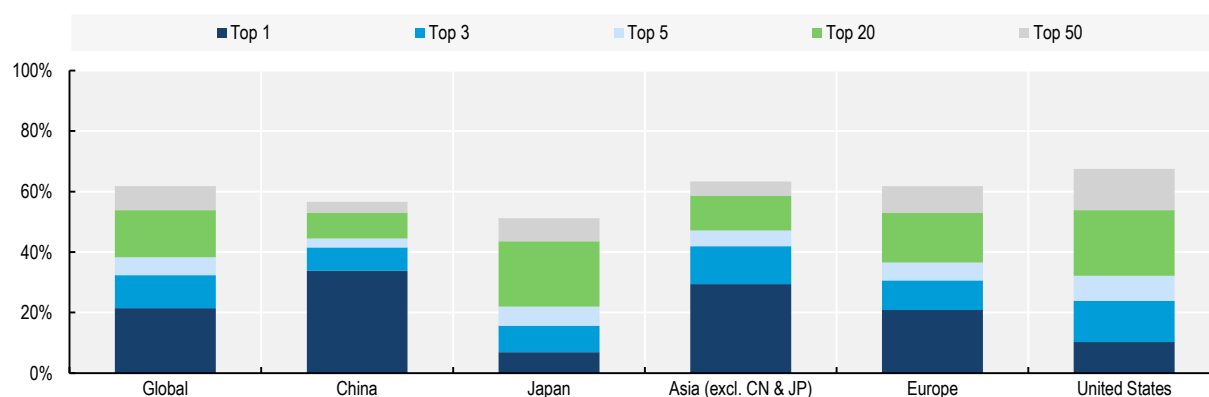
Note: "Other free-float" refers to the holdings by shareholders that do not reach the threshold for mandatory disclosure of their ownership records.

Source: OECD Capital Market Series dataset, OECD Corporate Sustainability dataset, FactSet, LSEG, Bloomberg. See Annex A for details.

Figure 2.25 shows the ownership concentration among the 100 companies with low relative emissions and the highest R&D expenditures or filed patents. In China, the largest single shareholder owns an average of 34%, contrasting with the much lower figure of 7% in Japan and 10% in the United States. Examining the top 20 shareholders, however, concentration rises to more than 50% of the shares on average in all regions except in Japan (44%). The ownership concentration of the highly-innovative companies is moderately – but not significantly – smaller than the ownership concentration of high-emitting companies, which suggests greater potential for non-controlling shareholders to effectively engage with highly-innovative companies.

Figure 2.25. Ownership concentration at the 100 companies with low emissions and high innovation

Highly innovative listed companies show moderately lower ownership concentration than high emitters



Source: OECD Capital Market Series dataset, OECD Corporate Sustainability dataset, FactSet, LSEG, Bloomberg. See Annex A for details.

2.2.1. Companies with public benefit objectives

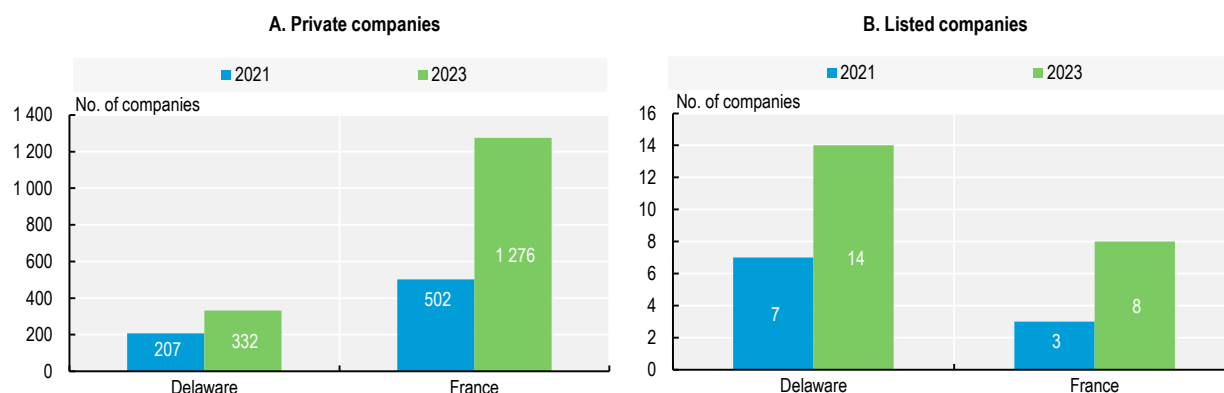
Since 2013, Delaware in the United States has allowed for-profit corporations to register as Public Benefit Corporations (PBCs), which represents a legal obligation for them to balance shareholder interests with the public benefits identified in their certificates of incorporation. PBCs must disclose their status in stock certificates and report biennially on their public benefit objectives, potentially with third-party verification.

In France, companies can register as a *société à mission* since 2019 if they meet five key conditions: defining the company's *raison d'être*, which are the principles that the company has adopted and for which it intends to allocate resources; specifying social and environmental objectives in their articles of association; forming a monitoring committee; undergoing third-party verification of whether the company fulfilled its non-financial goals; and registering the *société à mission* in the Trade and Companies Register.

Between 2021 and 2023, there was a notable increase in the number of both private and listed companies with public benefit objectives in Delaware and France (Figure 2.26). In Delaware, the number of private PBCs grew from 207 in 2021 to 332 in 2023, while the number of listed PBCs doubled from 7 to 14. Similarly, France saw a rise in *sociétés à mission* with private entities increasing from 502 in 2021 to 1 276 in 2023. The number of publicly listed *sociétés à mission* also rose from 3 in 2021 (OECD, 2022^[8]) to 8 in 2023 (Observatoire des sociétés à mission, 2022^[9]).

Figure 2.26. Private and listed companies with public benefit objectives

Delaware and France saw a rise in companies with public benefit objectives, yet market relevance remains limited



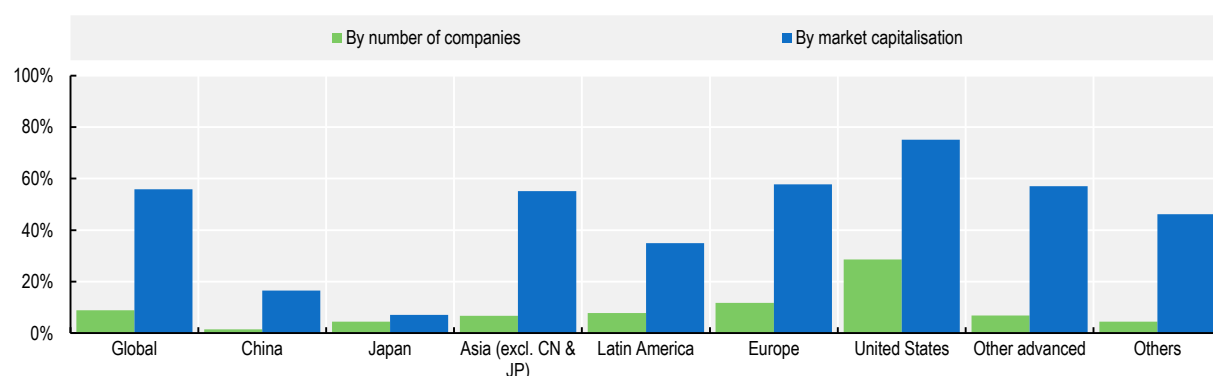
Source: OECD Corporate Sustainability dataset, Observatoire des sociétés à mission, LSEG. See Annex A for details.

2.3. The board of directors

Establishing a board committee responsible for sustainability is not the only way for a company to manage its sustainability risks and a committee, if not well structured, may even be ineffective in doing so. However, the existence of a sustainability board committee may be a proxy for the importance given by boards to sustainability risks. Companies representing more than half of the world's market capitalisation have established a committee responsible for overseeing the management of sustainability risks and opportunities reporting directly to the board (Figure 2.27). In the United States, 75% of the companies by market capitalisation have a committee responsible for sustainability and in Asia excl. China and Japan, Europe and Other advanced economies, more than 50% have such a committee.

Figure 2.27. Board committees responsible for sustainability in 2022

Over half of companies by market capitalisation have board committees overseeing sustainability risks

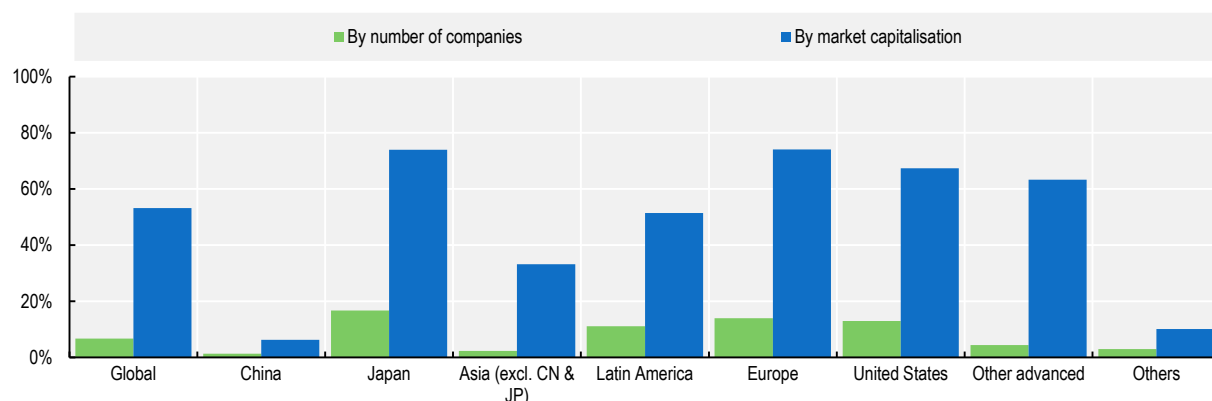


Source: OECD Corporate Sustainability dataset, Bloomberg. See Annex A for details.

The board of directors may consider specifically climate-related issues when overseeing management, although not necessarily via the establishment of a dedicated board committee. Globally, almost 3 000 companies representing 53% of global market capitalisation indicated their boards of directors oversee climate-related issues (Figure 2.28). In Japan and Europe, more than 70% of companies by market capitalisation reported a board-level oversight of climate-related issues.

Figure 2.28. Self-reported board-level oversight of climate-related issues in 2022

3 000 listed companies globally have boards overseeing climate issues, but developing economies lag

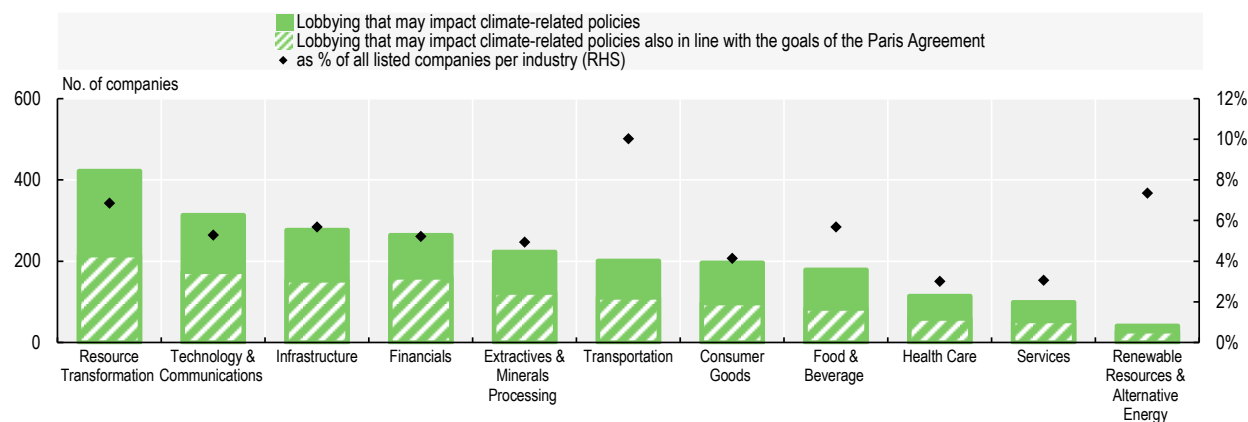


Source: OECD Corporate Sustainability dataset, CDP, Bloomberg. See Annex A for details.

The board of directors might also play a pivotal role in overseeing the lobbying activities conducted and financed by the company that could either directly or indirectly influence climate-related policies, laws or regulations. Figure 2.29 shows the information on self-declared lobbying activities, and whether these are self-reported to be aligned with the goals of the Paris Agreement. Among 2 329 companies involved in lobbying specifically on climate-related policies, 645 companies belong to the two industries with the highest emissions, respectively extractives and mineral processing and resource transformation. On the contrary, only 41 companies belong to the renewable resources and alternative energy industry, but they represent a greater share of the total number of companies per industry.

Figure 2.29. Self-declared lobbying activities related to climate in 2022

Of 2 329 companies lobbying on climate, 645 are from the two highest emitting industries

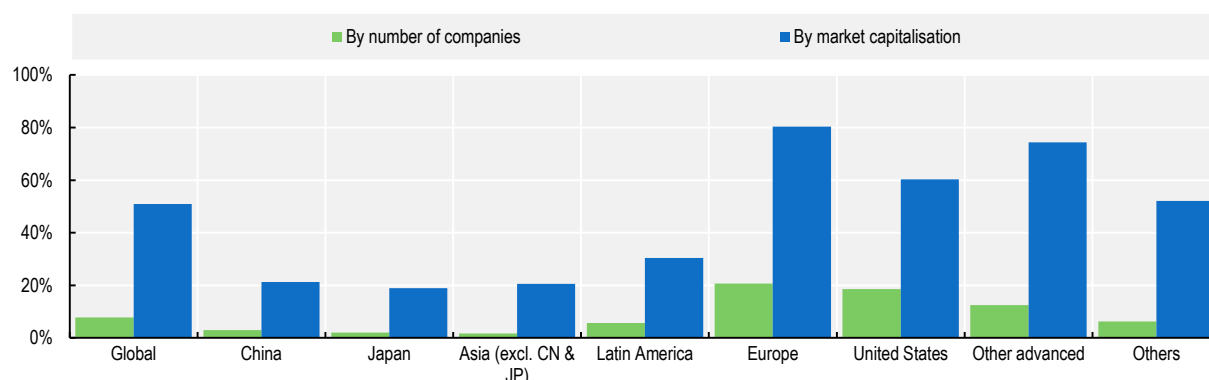


Source: CDP, OECD calculations. See Annex A for details.

To fulfil their key functions in assessing the company's risk profile and guiding its governance practices, boards can also take into consideration sustainability matters when establishing key executives' compensation. While companies representing 85% of global market capitalisation have executive compensation policies linked to performance measures, three-fifths of these include a variable executive remuneration based on sustainability factors (Figure 2.30). Executive compensation is linked to sustainability matters in 80% of the companies by market capitalisation in Europe, followed by Other advanced economies (74%) and the United States (60%). In Asia, executive compensation is linked to sustainability matters, on average, in 20% of the companies by market capitalisation.

Figure 2.30. Executive compensation linked to sustainability matters in 2022

Sustainability-linked executive compensation has become common in large European and US listed companies



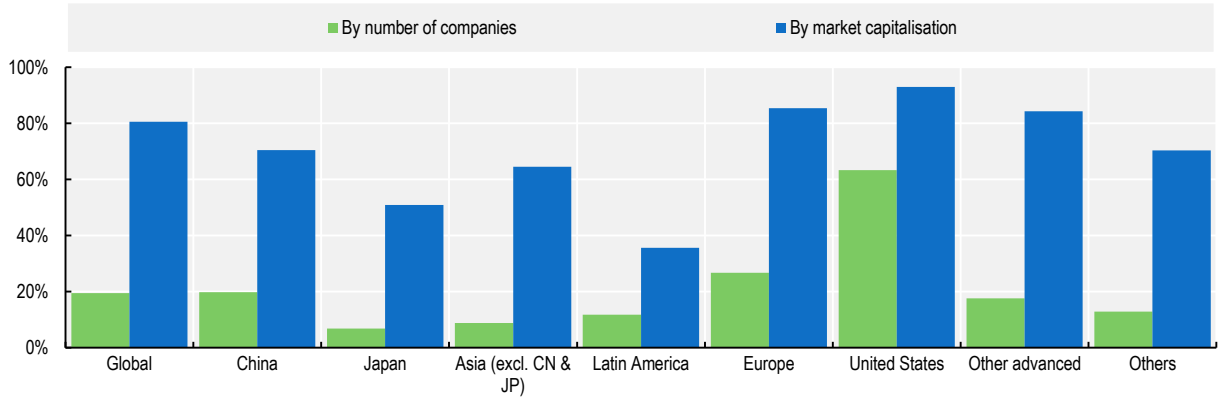
Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

2.4. The interests of stakeholders and engagement

To build trust in a long-term business strategy, companies may establish policies to facilitate shareholder engagement. Globally, 81% of companies by market capitalisation disclose policies on shareholder engagement, including, for instance, how shareholders can question the board or the management or table proposals at shareholder meetings (Figure 2.31). The share of companies that establish policies on shareholder engagement is the highest in the United States (93% of market capitalisation) and in Europe (85%), while relatively lower in Japan (51%) and Latin America (36%).

Figure 2.31. Policies on shareholder engagement in 2022

81% of companies by market capitalisation disclose policies on shareholder engagement



Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

To promote a co-operation with employees, companies may establish mechanisms for employee participation, such as workers' councils that consider employee viewpoints in certain key decisions, or employee representation on the board. Companies representing 14% of global market capitalisation have employee representatives on the board of directors (Table 2.1). There are notable differences across regions, ranging from 62% in China, 38% in Europe and 11% in Latin America, to negligible amounts in other regions.

Table 2.1. Employee representation on boards in 2022

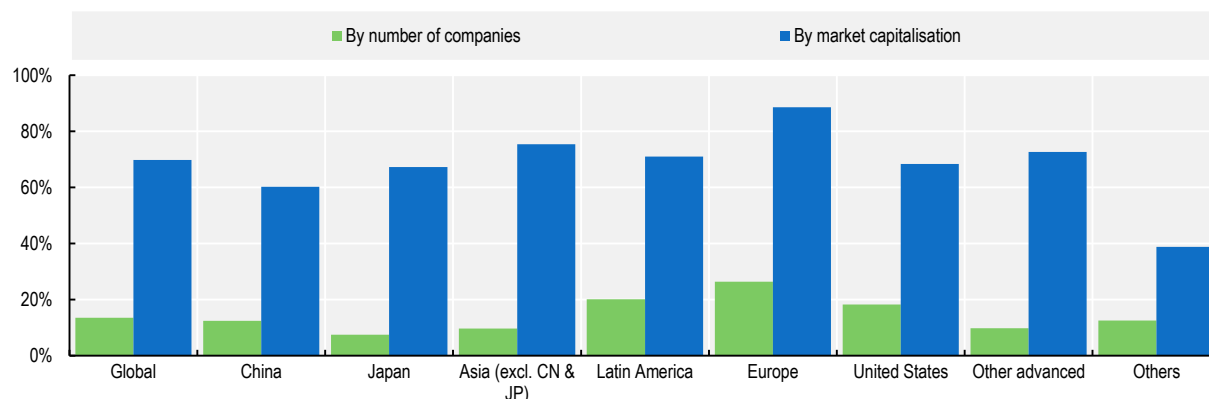
	By number of companies	By market capitalisation
Global	4.53%	14.05%
China	26.17%	62.24%
Latin America	0.80%	10.92%
Europe	10.58%	37.90%

Source: OECD Corporate Sustainability dataset, Bloomberg. See Annex A for details.

Globally, almost 6 000 companies representing 70% of market capitalisation disclose information on whether they engage with their stakeholders and how they involve them in decision-making (Figure 2.32). In every region, apart from the "Others" category, at least 60% of companies by market capitalisation disclose such information, and in Europe almost 90% do so.

Figure 2.32. Disclosure on stakeholder engagement in 2022

Nearly 6 000 companies disclose stakeholder engagement globally, with small differences across regions



Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

2.5. Sustainable bonds

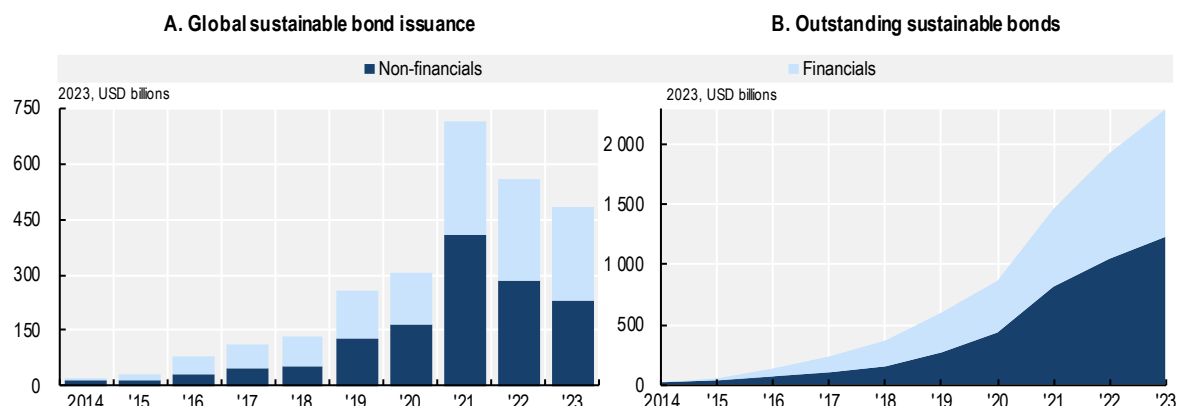
Sustainable bonds fall into two main categories: “Use of Proceeds Bonds” and “Sustainability-Linked Bonds” (SLBs). The former are bonds where the proceeds are earmarked for financing or refinancing eligible green, social, or sustainable projects. SLBs have variable financing costs based on the issuer meeting specific sustainability targets, but the proceeds do not have to be allocated to sustainable projects. “Use of Proceeds Bonds” specifically include green, social and sustainability bonds (GSS bonds). Green bonds fund environmentally beneficial projects, including specific categories like “blue bonds” and “climate bonds”. Social bonds target projects addressing social issues, while Sustainability Bonds finance a mix of both green and social projects (OECD, 2024_[10]).

Over the past five years, corporate sustainable bonds have experienced notable growth as a source of capital market financing. The total amount issued through corporate sustainable bonds was six times larger in 2019-23 than in 2014-18. Moreover, in 2021, a record amount of USD 713 billion was issued by corporates, of which 57% was issued by non-financial companies (Figure 2.33, Panel A). In 2023, corporate sustainable bond issuance decreased by 32% compared to 2021.

In 2023, the outstanding amount of sustainable bonds issued by the corporate sector totalled USD 2.3 trillion. The outstanding amount of sustainable bonds issued by the non-financial corporate sector accounted for USD 1 230 billion, representing 8% of the outstanding amount of the bonds issued in this sector. Similarly, financial companies’ outstanding amount of corporate bonds totalled USD 1 068 billion, which is 6% of the outstanding amount of all corporate bonds issued by financial companies (Figure 2.33, Panel B).

Figure 2.33. Global sustainable bonds issuance and outstanding amount

Corporate sustainable bond issuances surged 6-fold from 2014-18 to 2019-2023

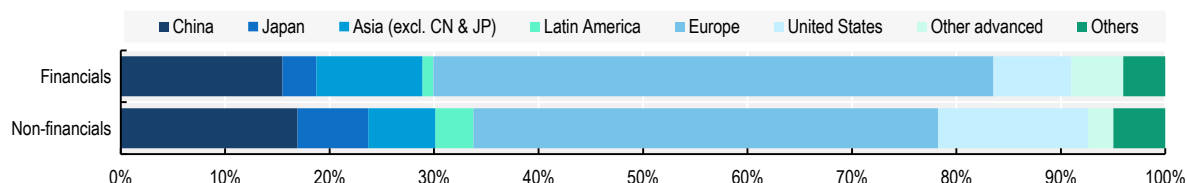


Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

Europe has been the most active region in the sustainable bonds market in the corporate sector. From 2014 to 2023, 45% of the global amount issued through corporate non-financial sustainable bonds was raised by European companies. China and the United States follow with 17% and 14%, respectively (Figure 2.34). Similarly, the issuance of sustainable bonds by financial corporates has been more important in Europe (54%), followed by China (15%), Asia excl. China and Japan (10%) and the United States (7%).

Figure 2.34. Global sustainable bond issuance by region, 2014-23

Europe dominates the issuance of corporate sustainable bonds, followed by China

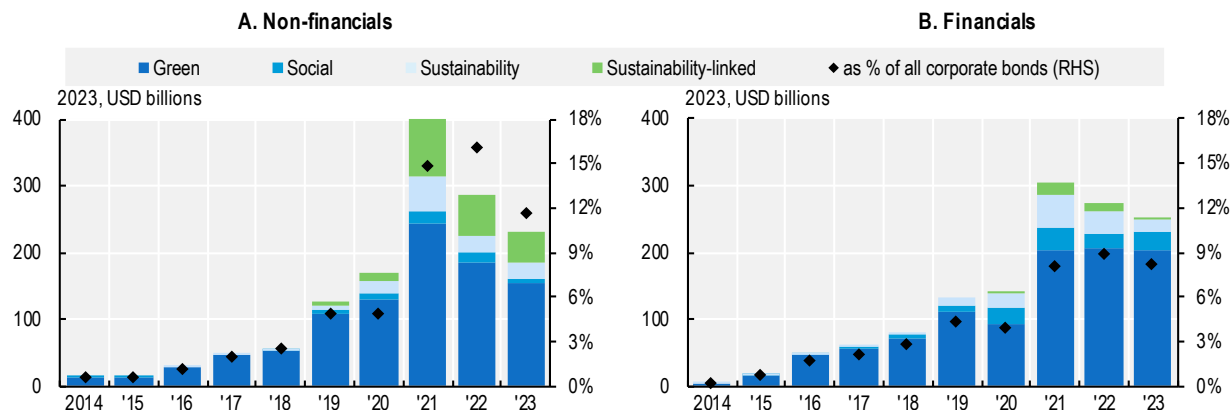


Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

In 2014, sustainable bonds accounted for only 0.6% of the total amount issued by all non-financial companies. In 2023 this ratio reached 11.7%, after reaching 16% in 2022 (Figure 2.35, Panel A). This rising trend has also been visible for corporate bonds issued by financial companies, whose equivalent ratio surged from 0.2% in 2014 to 8.1% in 2023. In 2023, every category experienced a drop in issuance except for social bonds issued by financial companies, which presented a 23% increase from the year before (Figure 2.35, Panel B). Moreover, despite a decrease of 27% in SLBs issued by non-financial companies in 2023 in comparison to the previous year, the share of this type of bond still accounted for 20% of the amount issued by non-financials in 2023.

Figure 2.35. GSS bonds and SLBs issuance by corporates

Sustainability-linked bonds accounted for 20% of the amount issued by non-financial companies in 2023



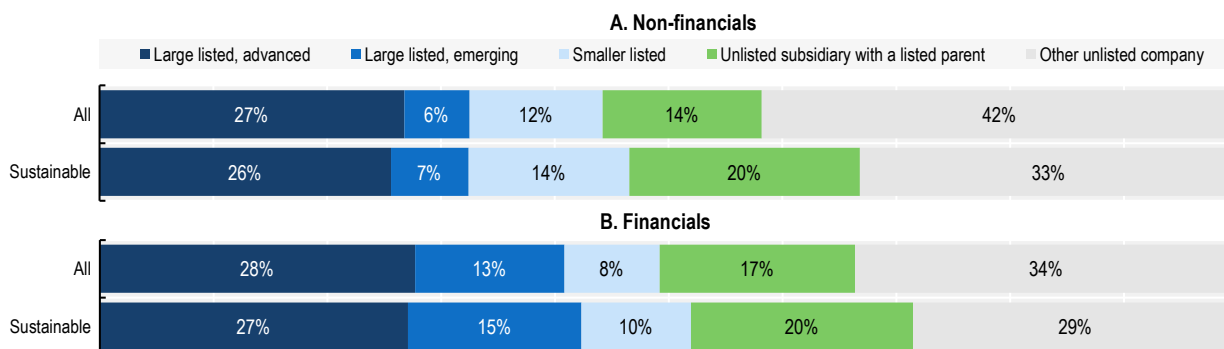
Note: The black dots correspond to the share of sustainable corporate bonds over all corporate bonds.

Source: OECD Corporate Sustainability dataset, OECD Capital Market Series dataset, LSEG. See Annex A for details.

In 2022-23, unlisted companies (i.e. companies that do not list their equity) issued more than half of the sustainable bonds in both the non-financial and financial corporate sectors, following the same pattern in the issuance of conventional bonds. In the non-financial corporate sector, unlisted companies issued 53% of all sustainable corporate bonds, followed by large, listed companies that issued 26% of the amount and smaller listed companies with 14% (Figure 2.36, Panel A). Similarly, unlisted financial companies issued 48% of the sustainable corporate bonds, and 27% was issued by large companies (Figure 2.36, Panel B). Interestingly, sustainable bonds have been issued to a larger extent by unlisted subsidiaries with a listed parent than other unlisted companies when compared to the issuance of all corporate bonds. For instance, while 14% of the amount of non-financial corporate bonds was issued by an unlisted subsidiary with a listed parent, 20% of the amount issued through non-financial sustainable corporate bonds was issued by the same type of issuer.

Figure 2.36. Corporate issuance by listed and unlisted issuers in 2022-23

Unlisted companies issued half of the sustainable bonds in the corporate sector in recent years



Note: The inclusion of a company in the MSCI World Index or the MSCI Emerging Markets Index is considered a proxy for a listed company being large. Unlisted companies were classified as either a subsidiary with a listed parent company or "other unlisted companies".

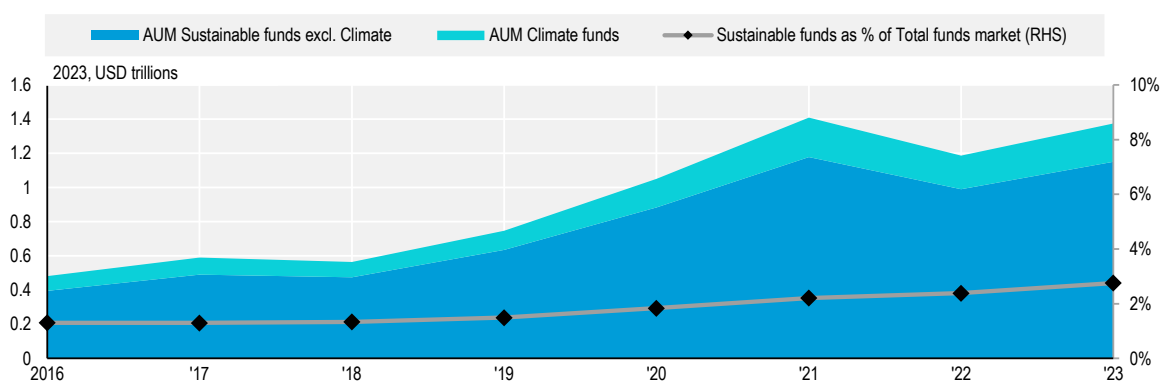
Source: OECD Corporate Sustainability dataset, OECD Capital Market Series dataset, LSEG, MSCI. See Annex A for details.

2.5.1. Sustainable and climate investment funds

Since 2016, investment funds that label themselves as sustainable or climate funds – by including “ESG”, “sustainable”, “Paris alignment”, “climate transition” or similar terms in their labelling – have received increasing net inflows. In 2016, assets under management (AUM) of these funds totalled USD 481 billion against USD 1 373 billion in 2023 (Figure 2.37). After a slight decline in 2022, assets under the management of all sustainable funds represented 2.76% of the AUM of the entire funds market, while climate funds averaged USD 151 million over the 2016-23 period. With respect specifically to climate funds, their AUM were almost three times larger in 2023 with USD 224 billion when compared to 2016 (USD 85 billion).

Figure 2.37. Assets under management for climate and sustainable funds vs traditional funds

Sustainable funds, despite a long-term rise, make up only 2.76% of global AUM



Note: Funds retrieved from Morningstar Direct classified as ETF and open-ended funds. Sustainable and climate funds have been selected based on the labelling, which included some keywords like “Climate”, “ESG”, “Sustainable”, “Paris alignment” and “Climate transition”, including the translations in other languages. Climate funds include all the funds that specifically refer to “climate change”, “Paris alignment” and “climate transition”. Funds without any asset value are excluded.

Source: Morningstar Direct, OECD calculations. See Annex A for details.

3

Recent regulatory and standard-setting developments

This chapter presents a selection of recent regulatory and standard-setting initiatives by OECD, G20 and Financial Stability Board members, as well as by some international institutions. It focuses on the main efforts to strengthen sustainability-related disclosure, the regulation of investment funds, and the guidance for ESG rating and data providers.

This chapter summarises some regulatory initiatives and proposals by OECD, G20 and Financial Stability Board members, as well as by relevant international institutions, which may be meaningful for policy makers, regulators and market participants globally. The developments summarised below took place between October 2022 and September 2023, and they have been selected either because of their international importance or due to the novelty of a potentially effective policy.

The International Sustainability Standards Board (ISSB) issued its first two standards IFRS S1 and IFRS S2 in June 2023 (IFRS Foundation, 2023^[11]). IFRS S1 includes general disclosure requirements to enable companies to communicate sustainability-related matters to investors. IFRS S2 sets out detailed climate-related disclosure requirements and it is designed to be used together with IFRS S1. Both standards incorporate TCFD recommendations. Even before publishing these standards, the IFRS Foundation opened a consultation on the ISSB's next 2-year agenda priorities, including beginning new standard-setting projects on four reporting matters: (i) biodiversity, ecosystems and ecosystem services; (ii) human capital; (iii) human rights; (iv) integration in reporting (IFRS Foundation, 2023^[12]).

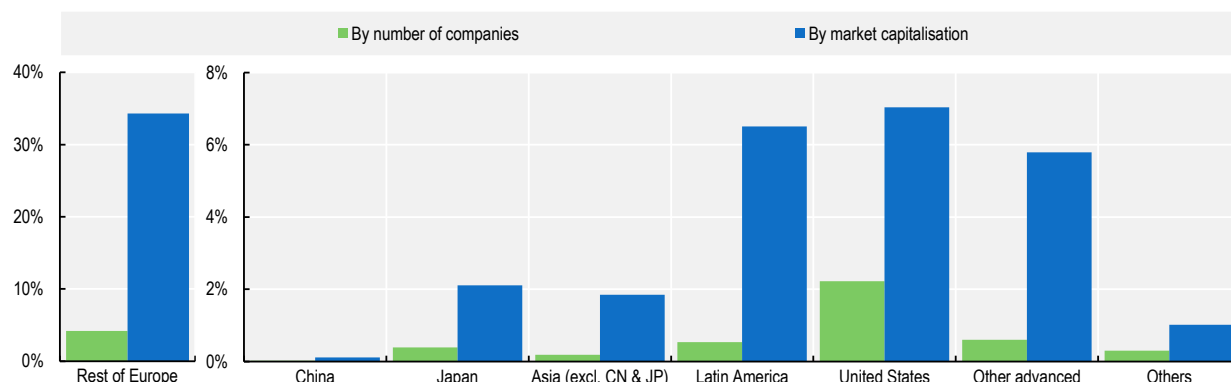
The International Organization of Securities Commissions (IOSCO) endorsed in July 2023 the IFRS S1 and IFRS S2 standards (IOSCO, 2023^[13]). This included a call “on its 130 member jurisdictions [...] to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements”. The **United Kingdom's** Financial Conduct Authority declared in June 2023 that their “intention is to update our climate-related disclosure rules to reference the ISSB standards” (UK FCA, 2023^[14]).

The **European Union's 2022** Corporate Sustainability Reporting Directive (CSRD) will generate some important changes in EU member countries' regulatory frameworks. One of the most relevant innovations brought by the CSRD is that companies subject to the new Directive will have to disclose sustainability-related information according to the EU Sustainability Reporting Standards (ESRS), which are being developed by the European Financial Reporting Advisory Group (EFRAG). The first set of ESRS was adopted by the European Commission in July 2023, and they embarked on a full range of sustainability matters, including climate, pollution, water, biodiversity, workers and business conduct (European Commission, 2023^[15]). The CSRD also establishes that sustainability-related disclosure will need to be assured at a “limited” level by registered service providers, and the European Commission has the authority to require by 2028 a “reasonable” level of assurance if such a level is considered to be feasible for auditors and for reporting companies. The application of the new Directive will take place in four stages: (i) reporting in 2025 for companies already subject to the 2014 Non-Financial Reporting Directive (NFRD); (ii) reporting in 2026 for large companies that are not currently subject to the NFRD; (iii) reporting in 2027 for listed small and medium enterprises; (iv) reporting in 2029 for third-country undertakings with net revenues above EUR 150 million in the European Union (EU) if they have at least one subsidiary or branch in the EU exceeding certain thresholds.

A preliminary analysis of the share of non-EU companies that will be required to report sustainability information under the CSRD starting from fiscal year 2028 shows that the EU regulation will impact several regions. In European countries outside of the EU, 34% of listed companies by market capitalisation have a total revenue of more than EUR 150 million generated in either 2021 or 2022 in the EU and may need to comply with the CSRD in the future. In the United States and Latin America, a smaller share of companies, representing 7% of the market capitalisation in both regions, generate revenues within the thresholds set by the EU. Companies located in Asia would be less affected, with small percentages both in terms of the number of companies and market capitalisation. As the analysis is based on the geographical distribution of companies' revenue, the results may be underestimated because several companies do not report such information (Figure 3.1).

Figure 3.1. Share of listed companies with net revenues above EUR 150 million in the EU

CSRD's global impact may be more important in non-EU countries, the United States, and Latin America



Source: OECD Corporate Sustainability dataset, LSEG. See Annex A for details.

ISSB's Sustainability Standards Advisory Forum met for the first time in April 2023. The Forum brings together representatives from different regions – including EFRAG – with the goal of contributing to the development of “standards that provide a comprehensive global baseline of sustainability-related disclosures that is interoperable with jurisdictional standards on sustainability reporting”. Moreover, the ISSB declared in July 2023 that “the European Commission, EFRAG and the ISSB have worked jointly to improve the interoperability of their respective climate-related disclosure requirements in the overlapping climate disclosure standards” (IFRS Foundation, 2023^[16]).

The European Union requires companies subject to NFRD – and those that will be subject to CSRD – to disclose how and to what extent the company's activities are aligned with the climate-related objectives in the EU Taxonomy, which is a classification system for environmentally sustainable activities. Currently, the companies must report the share of their total revenues and capital expenditure (as well as operational expenditure for non-financial companies) that meet the criteria set in the EU Taxonomy. In June 2023, the European Commission proposed new disclosure requirements for the remaining four objectives in the EU Taxonomy starting from 2024: the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. The proposal still needs to be approved by both the European Parliament and Council (European Commission, 2023^[17]).

The **OECD** updated in June 2023 its Guidelines for Multinational Enterprises on Responsible Business Conduct, which are recommendations jointly addressed by governments to multinational enterprises to enhance the business contribution to sustainable development and address adverse impacts associated with business activities on people, the planet, and society (OECD, 2023^[18]). Key updates include recommendations (i) for enterprises to align with internationally agreed goals on climate change and biodiversity; (ii) for risk-based due diligence on the development, financing, sale, licensing, trade and use of technology, including gathering and using data; (iii) on how enterprises are expected to conduct due diligence on impacts and business relationships related to the use of their products and services; (iv) for enterprises to ensure lobbying activities are consistent with the Guidelines.

The **European Securities and Markets Authority** (ESMA) launched a consultation on guidelines on funds' names using “ESG” or “sustainability” related terms in November 2022 (ESMA, 2022^[19]). The consultation sought feedback on the proposal that, if a fund has any “ESG” related words in its name, “at least 80% of its investments should be used to meet the environmental or social characteristics or sustainable investment objectives” in accordance with the definitions in the Sustainable Finance Disclosure Regulation (SFDR). Moreover, “if a fund has the word ‘sustainable’ or any other term derived from the word

‘sustainable’ in its name, it must allocate within the 80% of ‘ESG’ investments” at least 50% in “sustainable investments” as defined by SFDR.

In the **United States**, the Security and Exchange Commission (SEC) adopted amendments to the “Names Rule” under the “Investment Company Act” of 1940, which addresses fund names that are likely to mislead investors about a fund’s investments and risks (SEC, 2023^[20]). The Names Rule generally requires registered funds whose names suggest a focus in a particular type of investment to adopt a policy to invest at least 80% of the value of their assets in those investments (an “80% investment policy”). Among other things, the amendments to the Names Rule are designed to enhance the rules’ protections by requiring more funds to adopt an 80% investment policy, including funds with names that include terms suggesting a focus in investments that have, or whose issuers have, particular characteristics. This includes, for example, names with terms such as “growth”, “value” or certain terms that reference a thematic investment focus, such as the incorporation of one or more environmental, social and governance factors.

In July 2023, the SEC also introduced new rules to enhance and standardise public companies’ disclosure regarding cybersecurity risk management, strategy, governance and incidents (SEC, 2023^[21]). The SEC adopted amendments to require current disclosure about material cybersecurity incidents and to require periodic disclosures about a company’s processes to assess, identify and manage material cybersecurity risks, management’s role in assessing and managing material cybersecurity risks, and the board oversight of mentioned risks.

In **Japan**, all listed companies are recommended to develop a basic policy and disclose initiatives on the company’s sustainability. However, companies listed in the Prime Market should also enhance the quality and quantity of climate-related disclosure based on TCFD recommendations or equivalent international frameworks. The relevant ordinances were revised in January 2023 to make specific disclosure of sustainability information in the Annual Securities Report mandatory, including the company’s responses to climate change and human capital, effective from the financial year ending in March 2023.

In **Hong Kong (China)**, the Stock Exchange of Hong Kong Limited published a consultation paper seeking market feedback on proposals to enhance climate-related disclosures under the environmental, social and governance (ESG) framework in April 2023. It proposed that all issuers be mandated to make climate-related disclosures in their ESG reports based on the provisions of the ISSB Climate Standard in respect of financial years commencing on or after 1 January 2024. The consultation period ended in mid-July 2023 and the Stock Exchange of Hong Kong Limited has since postponed the implementation date of the amendments of the listing rule to 1 January 2025 to allow issuers more time to familiarise themselves with the new climate-related disclosure requirements (HKEX, 2023^[22]).

In **India**, the Securities and Exchange Board of India (SEBI) introduced in July 2023 a requirement for the largest listed entities by market capitalisation to obtain external assurance at a “reasonable” level of a set of Key Performance Indicators, and they embark a full range of sustainability matters, including GHG footprint, water, energy, circularity, employee well-being, gender diversity, and fairness in engaging with customers and suppliers, among others. The requirement will initially apply to the largest 150 listed entities for the 2023-24 financial year, and it will gradually be extended to the largest 1 000 listed entities from the 2026-27 financial year onwards. Notably, the new regulation specifies that the “board of the listed entity shall ensure that the assurance provider [...] has the necessary expertise” and that the “listed entity shall ensure that there is no conflict of interest with the assurance provider” (SEBI, 2023^[41]). Additionally, there are other Key Performance Indicators that must be disclosed but for which assurance is voluntary, including, for instance, the “percentage of R&D and capital expenditure investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity”.

SEBI also introduced a regulatory framework for ESG rating providers in July 2023 following a principles-based approach. Particular attention has been given in the regulations to transparency, conflicts of interest, rating process, monitoring of the ESG rating, procedure for reviewing the ESG rating and internal procedures. SEBI's approach for ESG ratings and ESG rating providers envisages a detailed disclosure of the rationale behind the assigned ESG rating.

In **Singapore**, the Monetary Authority of Singapore launched a public consultation on a voluntary code of conduct for ESG rating and data providers in June 2023 (MAS, 2023^[23]). The code was co-developed with industry representatives and it covers good practices on governance, disclosure of ratings methodologies and management of conflicts of interest. It is modelled along the recommendations set out in the IOSCO's call for action to promote good practices among their members to counter the risk of greenwashing related to asset managers and ESG rating and data providers (IOSCO, 2022^[24]). Following the public consultation which ended in August 2023, the Monetary Authority of Singapore published, in December 2023, its finalised Code of Conduct for ESG rating and data product providers and an accompanying checklist for providers to self-attest their compliance to the Code of Conduct (MAS, 2023^[25]).

In **Brazil**, the Securities and Exchange Commission established in December 2022 requirements that investment funds whose names contain a reference to environmental, social and governance matters, such as "ESG" or "green", should specify in their legal documents the following: (i) which ESG benefits are expected and how the fund aims at fulfilling them; (ii) which standards or methodology will be used to classify the fund in a specific ESG-related category; (iii) who is going to verify whether the fund has been correctly classified in the chosen ESG-related category; (iv) information about the content and frequency of the ESG-related performance disclosure of the fund (CVM, 2022^[26]).

International Auditing and Assurance Standards Board (IAASB) published an exposure draft of the proposed International Standard on Sustainability Assurance (ISSA) 5000 in June 2023. The aim of IAASB with the proposed standard is to define a reliable framework for sustainability assurance engagements that applies to all sustainability topics and reporting frameworks with the sole exception of assurance on separate GHG emissions statements (for which ISAE 3410 would apply). The proposed ISSA 5000 would cover both limited and reasonable assurance engagements, identifying general requirements for pre-engagement responsibilities (such as engagement acceptance, quality management, and planning activities), performing procedures (such as identifying and managing risks, obtaining evidence, testing, and addressing material misstatements) and for the assurance conclusion. Final approval of the standard is targeted for September 2024 (IAASB, 2023^[27]).

The International Ethics Standards Board for Accountants (IESBA) held four global roundtables in March and April 2023 to obtain stakeholder input to help in the development of new ethics and independence standards for sustainability reporting and assurance (IESBA, 2023^[28]). The exposure drafts were approved in December 2023 and the announced goal is to finalise the standards by the end of 2024 (IESBA, 2023^[29]).

4

Key policy issues

This chapter evaluates market practices against the G20/OECD Principles of Corporate Governance, examining regulatory tools used in some jurisdictions, and suggests policy, regulatory and market practice adjustments in response to evolving market dynamics.

This chapter analyses whether market practices are aligned with the *G20/OECD Principles of Corporate Governance* (*G20/OECD Principles* hereafter) and highlights regulatory tools used in some jurisdictions that implement their recommendations. The chapter also suggests how policy makers, regulators and market participants may need to review some of their practices and policies in light of changes in market practices.

4.1. Sustainability-related disclosure

As presented in Figure 2.1, companies representing 86% of global market capitalisation disclose sustainability-related information. Nevertheless, the number of companies that disclose sustainability-related information is only 22% of all listed companies, which indicates that larger companies have greater incentives and capacity to collect and report such data. This raises the issue highlighted in the annotations to *Subprinciple VI.A of the G20/OECD Principles* that sustainability-related **disclosure frameworks may need to be flexible** about the existing capacities of companies. Such flexibility is present, for instance, in India's SEBI regulation mentioned in the previous chapter. The disclosure of sustainability information represents a cost for companies, which may be relatively fixed regardless of their size. In the case of smaller companies, therefore, the costs of accounting and reporting on sustainability information may not be compensated by the benefits a company will have in attracting more funding from sustainability focused investors.

Different sustainability accounting and reporting standards are currently in use globally. As presented in Figure 2.12, GRI Standards, TCFD recommendations and SASB Standards are among the most often used, but some other frameworks are also a reference for a non-negligible number of listed companies. The sustainability standards set by the ISSB, Global Reporting Initiative and other standard-setters may eventually be recognised by policy makers and market participants as international standards capable of facilitating the comparability of sustainability-related disclosure across companies and markets, as mentioned in *Subprinciple VI.A.2 of the G20/OECD Principles*. As mentioned in the previous chapter, the standards set by the ISSB have incorporated the TCFD recommendations and they require companies to consider the SASB industry specific standards, all having a common focus on the interests of investors. One advantage of the GRI Standards is their current high level of use in many regions. It is essential, though, that **standard-setters work together to make their standards as interoperable as feasible**, reducing the costs for companies that must disclose sustainability-related information according to different standards. Jurisdictions would also be incentivised to carefully assess the costs of creating a new local reporting standard which could potentially reduce the comparability of the disclosure of local companies with foreign ones.

Companies and their service providers, as well as institutions setting reporting standards, may experience a learning path in their understanding of sustainability matters and might need time to develop adequate processes and good practices. This may justify prioritising disclosure requirements of some of the most relevant sustainability matters. As analysed in Figure 2.17 and Figure 2.18, **companies facing risks related to climate change, human capital and data security have larger market capitalisation than the groups of companies facing other sustainability-related risks** such as ecological impacts or human rights. Japan's January 2023 regulatory reform focusing on climate change and human capital, which was mentioned in the previous chapter, is aligned with these findings. The same may be considered, among other issues, by other standard-setters and regulators when setting their priorities for the future.

As recognised in the annotations to *Subprinciple VI.A.5 of the G20/OECD Principles*, "[s]ustainability-related disclosures reviewed by an independent, competent and qualified attestation service provider may enhance investors' confidence in the information disclosed and the possibility to compare sustainability-related information between companies". Globally, external service providers assure the sustainability disclosures of two-thirds of the companies disclosing sustainability information by

market capitalisation (Figure 2.7). It is also notable that, as seen in Figure 2.8 and Figure 2.11, for the year 2022, “limited” assurance is considerably more common than “reasonable” assurance. In some large markets, such as in Europe and India, external assurance over sustainability information is or will become mandatory as mentioned in the previous chapter. Regulators in other regions where voluntary assurance is a common practice, such as in Latin America (Figure 2.7), may also **consider requiring large listed companies to obtain assurance over their sustainability-related information**. The proposed International Standard on Sustainability Assurance (ISSA) 5000 may contribute to consistent, high-quality assurance engagements that enhance the degree of confidence of intended users about sustainability reporting. Wherever high-quality assurance for all disclosed sustainability-related information might not be possible or is too costly, some jurisdictions may require companies to **obtain assurance over specific sustainability-related disclosures**, such as GHG emissions (Figure 2.3 shows that companies representing 77% of market capitalisation disclose scopes 1 and 2 GHG emissions).

The relatively frequent use of executive compensation linked to sustainability-related matters in Europe, Other advanced economies and the United States adds a potential conflict of interest for executives responsible for accounting and reporting sustainability-related information (Figure 2.30). Such sustainability-linked remuneration may increase executive incentives to portray the sustainability-related performance of the company as positively as possible and to hire a third-party reviewer who is more likely to provide a favourable opinion. The common practice in some markets (e.g. Europe and Other advanced economies) for companies to engage the same auditor of the financial statements to assure sustainability-related disclosures may give rise to some concerns (Figure 2.10). While there may be some economies of scope in such a practice, the fact that an executive may be able to hire the external auditor of the company to provide sustainability-related assurance services may limit the autonomy of the auditing firm. In these cases, investors and regulators may need to **pay special attention to whether, for instance, executives can choose to hire the external auditor to provide sustainability-related assurance without the approval of the board, the audit committee or shareholders**. The new SEBI regulation in India allocating the responsibility to the board for the choice of the external assurance provider may be an effective one (see the previous chapter).

Globally, 70% of companies by market capitalisation disclose a GHG emission reduction target (Figure 2.13). Sustainability related goals, such as net-zero GHG emission targets, can strongly affect an investor’s assessment of the value, timing and certainty of a company’s future cash flows. Both from a market efficiency and investor protection perspective, if a company publicly sets a sustainability-related goal or target, policy makers may decide to require sufficient disclosure of reliable metrics as recommended by *Subprinciple VI.A.4 of the G20/OECD Principles*. This would allow investors to assess the credibility of the announced goal and management’s progress toward meeting it. Specifically concerning GHG emission reduction targets, there are two reassuring market practices: (i) 77% of companies by market capitalisation disclose scope 1 and scope 2 GHG emissions (Figure 2.3), which is more than the 70% that disclose a GHG emission reduction target; (ii) 75% of the disclosed targets are by 2030 or before, which are reasonably short or medium-term targets (Figure 2.14). There are two less reassuring market practices: (i) companies representing only 60% of market capitalisation disclose their scope 3 GHG emissions as shown in Figure 2.5 (a problem would therefore exist if most GHG emission reduction targets included all scopes); (ii) the baseline year – which may often be necessary to assess what GHG emission targets effectively mean – is available only in 37% of the cases in a widely used commercial database (Figure 2.15). In line with the recommendations of the *G20/OECD Principles*, **whenever included in a company’s reduction targets**, market participants and relevant stakeholders should consider ways to encourage **the disclosure of scope 3 GHG emissions and clear reporting of the baseline year of the targets**.

The methodological effort to select a sample of **companies that develop new green technologies** highlighted in Section 2.2 has also unveiled **a disclosure gap that regulators may – and do already in some cases – consider**. In the LSEG commercial database, which is widely used by investors, there is

currently information on “**environmental R&D costs**” only for 267 listed companies globally (Figure 2.22). Investors, therefore, may find it difficult to build a portfolio of investments that consider the potential of investee companies to develop new technology that will contribute to the transition to a low-carbon economy. As mentioned in the previous chapter, the European Union already requires the disclosure of the share of companies’ capital expenditure (as well as operational expenditure for non-financial companies) that meet the climate related criteria set in the EU Taxonomy. In India, large companies will need to disclose the “percentage of R&D and capital expenditure investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments made by the entity” according to SEBI regulation introduced in May 2021.

4.2. The rights of shareholders and institutional investors

An analysis of the group of the 100 listed companies with the highest disclosed GHG emissions offers three insights (see Figure 2.19 for the companies’ characteristics). First, **institutional investors hold the largest equity portion in these high-emitting companies** with 41% of the shares, with above-average shares in the United States and Other advanced economies (Figure 2.20). This highlights the importance of corporate governance frameworks in facilitating and supporting shareholders’ engagement with their investee companies, as recommended in *Subprinciple III.A of the G20/OECD Principles*. The second insight is that investors’ engagement activities may be less successful in markets where most (if not all) high-emitting companies have a well-defined controlling shareholder (China and Latin America) than in other markets such as Japan and the United States where, while several high-emitting companies do not seem to have a controlling shareholder, the largest 20 shareholders own around 50% of the shares on average (Figure 2.21). The final insight is that the public sector is an important shareholder in the 100 high-emitting companies holding 18% of the shares globally, and significantly higher shares in China (64%), Latin America (50%), and the “Others” category (41%). This stresses the **significance of the governance of state-owned enterprises in the transition to a low-carbon economy** in some jurisdictions and, concurrently, the relevance of the ongoing review of the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, which aims to include specific recommendations on sustainability.

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 to support a successful transition while maintaining high standards of living. An analysis of a group of 100 listed companies with low GHG emissions and high R&D expenditure or stock of patents per industry offers two insights (see Figure 2.23 for the companies’ characteristics). First, **institutional investors hold the largest equity portion in these highly-innovative companies** with 41% of the shares (identical to their share in the previously mentioned high-emitting companies), but the public sector owns a much smaller equity share in these highly-innovative companies (9%) than they do in the high-emitting companies. Notably, strategic individuals own 10% of the shares in the highly-innovative companies (Figure 2.24). The second insight is that, while the ownership concentration of high-emitting and highly-innovative companies is similar, the latter ones have a slightly smaller concentration by the three or five top shareholders (Figure 2.25), suggesting a probably higher opportunity for institutional investors to engage with the highly-innovative companies. This indicates that the initiatives created by institutional investors, such as Climate Action 100+, for their engagement actions with high-emitting companies can be complemented with **new initiatives of institutional investors focusing on highly innovative companies**.

The number of companies that incorporate both for-profit and public benefit objectives in Delaware (United States) and France increased from 2021 to 2023 (Figure 2.26). In Delaware, the number of private Public Benefit Corporations (PBCs) grew from 207 in 2021 to 332 in 2023, while the number of listed PBCs doubled from 7 to 14. Similarly, private *sociétés à mission* increased from 502 in 2021 to 1 276 in 2023 in

France, while the number of publicly listed *sociétés à mission* rose from 3 to 8 in the same period. **While the current numbers of PBCs and *sociétés à mission* is still relatively low, the rise in their numbers may raise the attention of policy makers and regulators** to the recommendation in *Subprinciple VI.B.1 of the G20/OECD Principles* that corporate governance frameworks should provide for due consideration of shareholders dissenting from a transformation into such corporate forms.

In 2023, AUM of investment funds that label themselves as sustainable or climate funds totalled USD 1 373 billion against USD 481 billion in 2016 (Figure 2.37). This indicates an increasing interest of asset owners in investing in funds that consider sustainability matters in their decision-making process. The rapid change in the investment funds market also raised suspicion that some asset managers have labelled their funds as sustainable without necessarily integrating sustainability matters as inputs or goals in their portfolio selection. As a response, ESMA in Europe, the SEC in the United States, and CVM in Brazil have launched consultations or enacted new regulation on funds' names using "ESG" or "sustainability" (see previous chapter for more information). **Greater alignment between asset managers' investment and engagement decisions with the names of their sustainable funds may eventually impact their investee companies.**

4.3. The board of directors

Subprinciple VI.C of the G20/OECD Principles recommends that "the corporate governance framework should ensure that boards adequately consider material sustainability risks and opportunities when fulfilling their key functions". Notably, such consideration should be in the best interest of the company and the shareholders, as recommended by *Subprinciple V.A*. The assessment of whether boards are fulfilling their functions can be adequately done only on a case-by-case basis. However, globally, companies representing 53% of the global market capitalisation indicated that their boards of directors oversee climate-related issues (Figure 2.27). This is less than the companies representing 64% of market capitalisation considered to be facing climate change as a financially material risk (Figure 2.17), which may suggest **the need for more boards to consider climate-related risks** when reviewing, monitoring, and guiding governance practices, disclosure, strategy, risk management and internal control systems of their respective companies.

The board of directors may play a pivotal role in overseeing the lobbying activities conducted and financed by the company that could influence climate-related policies, laws or regulations. The fact that, among all the companies that self-declared lobbying activities, almost one-third belong to the two industries with the highest emissions possibly raises a red flag (Figure 2.29). The executives in these companies may have a short-term interest in avoiding new climate-related regulations, even in cases where their companies' long-term strategy is to align their businesses with an orderly transition to a low carbon economy. In these circumstances, the recommendation of the *Subprinciple VI.C.1 of the G20/OECD Principles* is especially relevant: "[b]oards should ensure that companies' lobbying activities are coherent with their sustainability-related goals and targets".

4.4. The interests of stakeholders and engagement

Globally, almost 6 000 companies representing 70% of market capitalisation disclose information on whether they engage with their stakeholders and how they involve them in the company's decision-making (Figure 2.32). Likewise, more than 8 000 companies representing 81% of the market capitalisation disclose policies on shareholder engagement, including, for instance, how shareholders can question the board or the management or table proposals at shareholder meetings (Figure 2.31). The mere disclosure of engagement activities and policies does not mean that engagement is effective, but it is a sign that the company may care about engaging with relevant stakeholders and shareholders (especially in cases

where such disclosure is not a regulatory requirement). The disclosure of insufficient openness to stakeholders and shareholders may also foster pressure for directors and executives to engage more effectively. **The two mentioned market practices are, therefore, a good sign about the implementation of Subprinciple VI.B, which favours the “dialogue between a company, its shareholders and stakeholders to exchange views on sustainability matters as relevant for the company’s business strategy”, and Subprinciple VI.D of the G20/OECD Principles, which encourages the “active co-operation between companies, shareholders and stakeholders in creating value, quality jobs, and sustainable and resilient companies”.**

Subprinciple VI.D of the G20/OECD Principles recommends that “the corporate governance framework should consider the rights, roles and interests of stakeholders”. To promote a value-creating co-operation specifically with employees, companies may establish mechanisms for employee participation, such as workers councils that consider employee viewpoints in certain key decisions, or employee representation on the board. Companies representing 14% of the world’s market capitalisation include employee representatives on the board of directors (Table 2.1). There are notable differences across regions, ranging from 62% in China, 38% in Europe and 11% in Latin America, to negligible amounts in other regions. **In China and Europe, therefore, the Subprinciple VI.D.4 of the G20/OECD Principles recommendation that stakeholders participating in the corporate governance process “should have access to relevant, sufficient and reliable information” may be particularly relevant with respect to employee participation in boards.**

4.5. Sustainable bonds

The total amount issued through corporate sustainable bonds was six times larger in 2019-23 than in 2014-18 (Figure 2.33). In 2023, the outstanding amount of sustainable bonds issued by the corporate sector totalled USD 2.3 trillion. Specifically, sustainability-linked bonds (SLBs) accounted for 20% of the amount issued by non-financial companies in 2023 (Figure 2.35). The growth of the sustainable bond market is reason for optimism. If the proceeds of all sustainable bond issuances are invested in projects that deliver positive environmental and social benefits for relatively small costs, investors and society at large will benefit. However, the regulatory frameworks and relevant institutions must promote efficient functioning of markets and the protection of the interests of investors. This is especially relevant because unlisted companies are important issuers of sustainable bonds, having issued about half of the sustainable bonds in both the non-financial and financial corporate sectors in 2022 and 2023 (Figure 2.36). The **stewardship codes** suggested by *Subprinciple III.A of the G20/OECD Principles* could provide **specific recommendations related to the investment in sustainable bonds** including, for instance, the importance of analysing whether SLBs’ performance targets are ambitious. SLBs are a promising tool for aligning investors’ sustainability-related preferences with investee companies’ impact on the environment and society. However, an SLB with an unambitious target functions *de facto* as a conventional bond because it does not change the decision-making process of the issuer’s leadership.

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Further reading

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Annex A. Methodology for data collection and classification

A.1. OECD Corporate Sustainability dataset

A.1.1. Regional classification

The category “Asia excl. China and Japan” includes jurisdictions in the continent excluding China and Japan (therefore this category includes Hong Kong (China), India, Korea, Singapore, and Chinese Taipei). “Latin America” includes jurisdictions both in Latin America and in the Caribbean. “Europe” includes all jurisdictions that are fully located in the region, including the United Kingdom and Switzerland but excluding Russia and Türkiye. “Other advanced” includes all jurisdictions that are classified as advanced economies in IMF’s World Economic Outlook Database but that are not represented in the other categories in the figure (e.g. Australia, Canada, and Israel). “Others” includes mostly jurisdictions that are classified as emerging market and developing economies in IMF’s World Economic Outlook Database but that are not represented in the other categories in the figure (e.g. Saudi Arabia and South Africa).

A.1.2. Listed companies

The dataset contains information for 43 970 worldwide listed companies with a market capitalisation of USD 98 trillion at the end of 2022. The raw financial dataset contains all security observations listed on each stock exchange. The following cleaning steps are applied:

1. Firms listed on an over-the-counter (OTC) market are excluded.
2. Firms listed on a multilateral trading facility (MTF) are excluded.
3. Security types classified as “units” and “trust” are excluded.
4. Security types identified as “REITs” and “investment funds” are excluded.
5. Firms identified as delisted are excluded.
6. For firms with multiple observations but different countries of domicile, their true country of domicile is manually checked to remove duplicate observations.
7. For firms listed on several stock exchanges, only the primary listing is kept.

A.1.3. Corporate sustainability

This firm-level dataset presents information on whether companies disclose sustainability information and the used accounting standards, the external assurance of sustainability information, GHG emission reduction targets, the presence of a sustainability committee reporting directly to the board, self-reported board level oversight of climate-related issues, executive remuneration linked to sustainability factors, employee representation on the board, disclosure on stakeholder engagement and policies on shareholder engagement.

The dataset’s coverage varies depending on the specific datapoint but, for instance, it includes information on 14 400 companies listed on 83 markets with a total USD 90 trillion market capitalisation at the end of

2022 with respect to whether they disclosed sustainability information or not in 2022 or 2023. In the example, the difference of 29 570 listed companies represents the companies for which the information is unavailable in the commercial databases used to develop the Corporate Sustainability Dataset.

The main data sources (LSEG and Bloomberg) were controlled against each other to ensure consistency. Information was retrieved as of mid-September 2023.

Sustainability disclosure by trusts, funds or special purpose acquisition companies was excluded from the universe under analysis. Sustainability disclosure for years prior to 2021 was also excluded.

Figure 2.1 displays the shares of companies that disclosed sustainability-related information (by no. of companies and by market capitalisation) among all listed companies within each region. It includes the disclosure in either English or another language of a sustainability report, an integrated annual report with sustainability data, a corporate social responsibility report with substantial data and a full or partial report of GHG emissions scope 1 and 2 or scope 3.

Figure 2.2 displays the share of companies that reported sustainability information (by market capitalisation and by no. of companies in Annex Figure A.1) among all listed companies in each industry. For instance, out of the 4 734 consumer goods companies globally with a total market capitalisation of USD 8.5 trillion, 854 consumer goods companies with USD 7.4 trillion of market capitalisation report sustainability information, accounting for 87% of the total market capitalisation of the industry.

Annex Figure A.1. Share of companies disclosing sustainability information by industry

A. By number of companies									
<i>In per cent</i>	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	18	13	23	9	28	39	46	19	12
Extractives & Minerals Processing	22	32	38	17	42	32	58	13	19
Financials	24	84	51	15	22	35	31	18	15
Food & Beverage	22	22	24	16	26	33	44	21	14
Health Care	18	21	29	13	28	36	18	6	13
Infrastructure	24	24	28	17	38	34	56	24	10
Renewable Resources & Alternative Energy	27	28	47	13	38	52	50	6	30
Resource Transformation	22	13	29	13	20	47	50	19	11
Services	18	9	15	10	11	32	33	19	8
Technology & Communications	22	14	20	16	36	43	33	10	23
Transportation	28	17	40	18	35	46	49	39	17

B. By market capitalisation									
<i>In per cent</i>	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	87	52	83	78	88	99	90	80	56
Extractives & Minerals Processing	91	82	90	88	88	98	94	90	91
Financials	84	98	95	86	76	96	75	92	64
Food & Beverage	90	83	83	84	89	97	96	90	72
Health Care	87	62	89	70	76	98	90	84	32
Infrastructure	82	68	81	82	77	90	90	81	64
Renewable Resources & Alternative Energy	82	77	86	77	84	96	92	20	52
Resource Transformation	80	51	88	76	89	97	90	93	48
Services	78	32	79	69	66	95	82	82	18
Technology & Communications	89	52	86	91	87	96	94	84	79
Transportation	87	69	95	85	76	97	89	94	67

Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

Figure 2.3 displays the shares of companies that disclosed scope 1 and 2 GHG emissions (by no. of companies and by market capitalisation) among all listed companies within each region. Only the companies that reported both scope 1 and scope 2 GHG emissions are counted in the analysis.

Figure 2.4 displays the shares of companies that disclosed scope 1 and 2 GHG emissions (by market capitalisation and by no. of companies in Annex Figure A.2) among all listed companies in each industry. For instance, out of the 4 734 consumer goods companies globally with a total market capitalisation of USD 8.5 trillion, 541 consumer goods companies with USD 6.8 trillion of market capitalisation report scopes 1 and 2 emissions information, accounting for 79% of the total market capitalisation of the industry. Only the companies that reported both scope 1 and scope 2 emissions are counted in the analysis.

Annex Figure A.2. Share of companies disclosing scope 1 and 2 GHG emissions by industry

A. By number of companies									
<i>In per cent</i>	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	11	6	9	6	21	31	28	10	7
Extractives & Minerals Processing	16	12	18	12	35	27	46	10	13
Financials	16	56	25	10	18	30	15	13	8
Food & Beverage	15	7	8	11	19	27	35	16	9
Health Care	11	8	12	10	25	27	8	4	8
Infrastructure	16	9	9	12	25	28	38	19	7
Renewable Resources & Alternative Energy	20	16	35	10	31	38	38	6	26
Resource Transformation	14	4	11	8	17	37	39	15	9
Services	12	3	5	7	7	27	20	10	3
Technology & Communications	14	5	7	12	25	33	22	7	18
Transportation	20	7	21	14	33	36	36	26	15

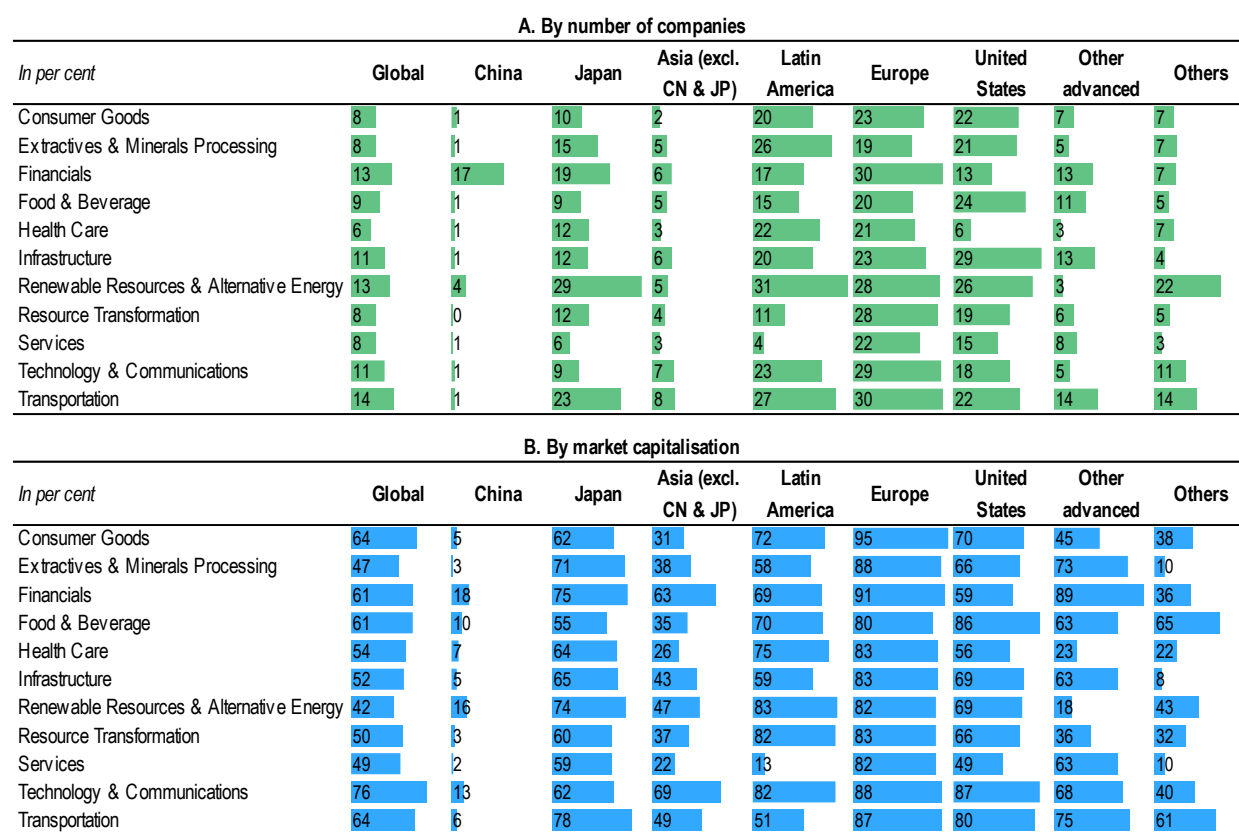
B. By market capitalisation									
<i>In per cent</i>	Global	China	Japan	Asia (excl. CN & JP)	Latin America	Europe	United States	Other advanced	Others
Consumer Goods	79	38	65	73	78	97	82	68	39
Extractives & Minerals Processing	85	55	83	79	84	97	88	86	88
Financials	75	88	74	77	69	91	63	90	46
Food & Beverage	76	29	69	74	75	94	94	77	68
Health Care	76	39	73	65	76	95	79	81	27
Infrastructure	69	33	61	73	68	83	79	76	57
Renewable Resources & Alternative Energy	68	59	76	63	83	89	80	20	49
Resource Transformation	67	21	68	65	89	92	84	86	39
Services	66	9	63	60	56	86	70	66	11
Technology & Communications	83	32	70	83	82	92	90	78	74
Transportation	77	40	84	80	75	88	86	81	64

Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

Figure 2.5 displays the shares of companies that disclosed scope 3 GHG emissions (by no. of companies and by market capitalisation) among all listed companies within each region.

Figure 2.6 displays the shares of companies that disclosed scope 3 GHG (by market capitalisation and by no. of companies in Annex Figure A.3) among all listed companies in each industry. For instance, out of the 4 734 consumer goods companies globally with a total market capitalisation of USD 8.5 trillion, 372 consumer goods companies with USD 5.5 trillion of market capitalisation report scope 3 emissions information, accounting for 64% of the total market capitalisation of the industry.

Annex Figure A.3. Share of companies disclosing scope 3 GHG emissions by industry



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg.

Figure 2.7 displays the shares of companies that had their sustainability information verified by an independent third party (by no. of companies and by market capitalisation), among all listed companies disclosing sustainability information within each region. For instance, in the case of the global category, the share is calculated over 9 957 worldwide listed companies that disclosed sustainability-related information with a market capitalisation of USD 85 trillion. In the 372 cases globally where there was a discrepancy between LSEG and Bloomberg databases (“Yes” in one and “No” in the other one), it was considered that the company did not assure its sustainability-related information.

Figure 2.8 displays the level of assurance of the sustainability information (by no. of companies and by market capitalisation), among all listed companies that had their sustainability information verified by an independent third party within each region. For instance, in the case of the global category, the share is calculated over 2 957 worldwide listed companies that had their sustainability information verified by an independent third party with a market capitalisation of USD 56 trillion. The figure indicates (by no. of companies and by market capitalisation) whether the level of assurance is “limited” or “reasonable”, or whether the information is not available. The analysis was conducted by recognition of the words “limited” and “reasonable” within the assurance reports, translated into the local language when necessary. When, within the same sustainability report, some information was verified with a limited level of assurance and other information with a reasonable level, the verification was considered as reasonable assurance.

Figure 2.9 displays the shares of companies (by no. of companies and by market capitalisation) with sustainability information assured by auditors against those assured by other assurance providers, among all listed companies that verified their sustainability information by an independent third party and for which

the name of the independent third party was disclosed, within each region. For instance, in the case of the global category, out of the 2 957 companies that had their sustainability information assured by an independent third party with a market capitalisation of USD 56 trillion, 2 165 disclosed the name of the independent third party, among which 1 773 identified an auditor and 392 other assurance providers. The independent third party was classified as an auditor if the third party audited the financial statement of any of the 43 970 companies comprising the sample globally.

Figure 2.10 displays the shares of companies (by no. of companies and by market capitalisation) that engaged their financial statement's auditor for the assurance of their sustainability information compared to the shares of companies that rely on other assurance providers, among those reporting the name of the independent third party. For instance, in the case of the global category, the share is calculated over 2 165 companies that disclosed the name of their assurance provider with a market capitalisation of USD 46 trillion. The independent third party was classified as the same auditor of the financial statement if the third party was part of the same group that audited the financial statement.

Figure 2.11 displays the level of assurance of the GHG emissions (by no. of companies and by assured GHG emissions). The share by number of companies is computed among all listed companies that had their sustainability information verified by an independent third party within each region. For instance, in the case of the global category, the share is calculated over 2 957 worldwide listed companies that had their sustainability information verified by an independent third party with a market capitalisation of USD 56 trillion. The figure indicates (by no. of companies and by assured GHG emissions) whether the level of assurance of the GHG emissions is "limited" or "reasonable", or whether the information is not available, for each emissions scope. The level of assurance identified for the GHG emissions corresponds to the level of assurance that has been predominantly applied to the verified scope 1, 2 and 3 GHG emissions. In relatively few cases, the assurance level was classified as "high" or "moderate", which are not levels of assurance recognised by the ISAE 3000. In the figure, "high" was considered as "reasonable" and "moderate" as "limited".

Figure 2.12 displays the number of companies (and their market capitalisation) that use one or more sustainability standards for their sustainability information, within each region. The sustainability disclosure can be either partially or fully compliant with a reporting standard. Likewise, a single company can report compliance with one or more reporting standards. The category "Others" contains all companies that disclosed sustainability information but that did not report compliance with any specific reporting standard among the three highlighted in the figure.

Figure 2.13 displays the shares of companies that disclosed GHG emission reduction targets (by no. of companies and by market capitalisation) among all listed companies within each region.

Figure 2.14 displays the shares of companies that set GHG emission reduction targets before 2030, by 2030 or after 2030 (by no. of companies and by market capitalisation) among all listed companies that disclosed GHG emission reduction targets, within each region. For instance, in the case of the global category, the share is calculated over 4 917 listed companies that disclosed GHG emission reduction targets with a market capitalisation of USD 69 trillion.

Figure 2.15 displays the shares of companies that disclosed a baseline year (by no. of companies and by market capitalisation) among all listed companies that disclosed GHG emission reduction targets, within each region. For instance, in the case of the global category, the share is calculated over 4 917 listed companies that disclosed GHG emission reduction targets with a market capitalisation of USD 69 trillion.

Figure 2.16 displays the use of two different types of targets among companies that disclose both a GHG emission reduction target and a baseline year for their target, within each region. For instance, in the case of the global category, the shares are calculated considering the metrics disclosed by 1 799 listed companies with a market capitalisation of USD 34 trillion. The analysis includes 15 companies that

disclosed their GHG emission reduction target both as intensity per unit of production and as an absolute reduction.

Figure 2.19 displays the 100 listed companies with the highest total disclosed GHG emissions, which include scope 1, 2 and 3 GHG emissions.

Figure 2.22 displays the shares of companies that disclosed environmental R&D costs (by no. of companies and by market capitalisation) among all listed companies within each region. The environmental R&D costs include the data on research and development costs for the development of products and services focusing on improving the environmental impact reduction and innovation.

Figure 2.23 displays the 100 listed companies with the lowest disclosed GHG emissions, which include scope 1, 2, and 3 GHG emissions relative to the companies' revenues, and the highest level of R&D and number of patents. To select these 100 companies, 50 companies have been selected among the companies with the lowest disclosed relative GHG emissions and the highest number of stocked patents. The same rationale has been applied to the R&D expenditure to select the other 50 companies. Moreover, to avoid possible selection bias when selecting the top 100 companies with low GHG emissions (i.e. industries that structurally have low emissions and are therefore not as susceptible to transition risks), only industries with emissions above one Gt of carbon dioxide equivalent emissions have been selected. However, the renewable resources and alternative energy industry has been included since its R&D and stock patents aim to reduce, as a rule, mitigation risks. The figure also displays the top 100 companies with the highest number of stocked patents (50 companies) and the highest level of R&D (50 companies) without any consideration to their GHG emissions within each selected industry,

Figure 2.26 displays private and listed companies with public benefit objectives incorporated in Delaware and France in 2021 and 2023. The analysis was conducted by selecting all listed companies registered in Delaware with either the "PBC", "P.B.C.", or "public benefit" included in the company name. Information on other US states that allow for the incorporation of companies with public benefit objectives was not shown in the figure due to low data coverage. Data for France have been retrieved, upon request, from the Observatoire des sociétés à mission. The eight listed *sociétés à mission* are (in alphabetic order) Compagnie de Forage Arverne Drilling, Danone S.A., Frey, Les Agences de Papa France, Obiz S.A., REALITES, Voltalia and Vranken Pommery Monopole.

Figure 2.27 displays the share of companies that disclosed having a board committee responsible for sustainability (by no. of companies and by market capitalisation) among all listed companies within each region. A company is considered to have such a committee if its responsibilities explicitly include oversight of CSR, sustainability, health and safety, and energy efficiency activities, regardless of the name of the committee. For example, a company with a "risk management committee" would be included in the categorisation if it mentioned the committee is responsible for managing sustainability risks.

Figure 2.28 displays the share of companies that indicated in the CDP questionnaire having a board level oversight of climate-related issues (by no. of companies and by market capitalisation) among all listed companies within each region. OECD licenses CDP data.

Figure 2.29 displays the number of companies that indicated in their response to CDP's 2022 climate change questionnaire having conducted lobbying activities that may impact climate-related policies, including the companies whose lobbying activities are self-reported to be in line with the goals of the Paris Agreement within each industry. OECD licenses CDP data.

Figure 2.30 displays the share of companies that indicated establishing their executive compensation linked to sustainability matters (by no. of companies and by market capitalisation) among all listed companies within each region. The compensation policy includes remuneration for the CEO, executive directors, non-board executives, and other management bodies based on "ESG or sustainability factors".

Table 2.1 displays the share of companies that indicated having an employee representation on the board (by no. of companies and by market capitalisation) among all listed companies within each region. The employee representation includes the board members who serve as designated employee representatives mainly based on the company's primary corporate governance filing, and the data is complemented with information from other corporate filings, company websites or other sources.

Figure 2.32 displays the share of companies that disclosed information on whether they engage with their stakeholders (by no. of companies and by market capitalisation) among all listed companies within each region. The disclosure on stakeholder engagement takes account of the company's disclosed information on how it is engaging with its stakeholders, and how it is involving the stakeholders in its decision-making process. In the latter case, the information notably includes what procedures are in place for engagement and if a two-way communication has been established between the company and its various stakeholders.

Figure 2.31 displays the share of companies that disclosed their policies on shareholder engagement (by no. of companies and by market capitalisation) among all listed companies within each region. The disclosure of policies on shareholder engagement considers whether the company has a policy to facilitate shareholder engagement, resolutions, or proposals. It also takes into account whether the company facilitates shareholders to have the right to ask a question to the board or management or allows shareholders to table resolutions or shareholder proposals at shareholder meetings.

A.1.4. Sustainable bonds

Sustainable bonds are mainly collected from LSEG. This dataset contains deal-level information of nearly 14 400 bonds issued by both the corporate and official sectors from 103 jurisdictions since 2013. This dataset provides a detailed set of information for each sustainable bond issue, including the identity, nationality, and industry of the issuer; the type, interest rate structure, maturity date and rating category of the bond, the amount of and "use of proceeds" obtained from the issue. The issuance amounts were adjusted by 2023 US Consumer Price Index (CPI).

For sustainable bonds, values for corporations correspond to the "gross proceeds" (i.e. the amount paid by investors to acquire the bonds) in most cases. Where the information on the gross proceeds could not be retrieved, the "original amount issued" (i.e. the face value of the bonds in their legal documentation) has been used as follows: 22% of the amount issued from 2013 to 2023 corresponds to the original amount issued, whereas the remaining 78% corresponds to the gross proceeds. For that 78% in which the gross proceeds are used, the original amount issued is 2.9% higher. However, the amount issued in "all corporate bonds", which includes conventional bonds, corresponds to the gross proceeds amounts in all cases.

LSEG data contains both Regulation S and Rule 144A sustainable bonds. Rule 144A presents a safe harbour from the registration requirements of the Securities Act for resales of securities not fungible with securities listed on a US securities exchange to qualified institutional buyers. Regulation S provides a safe harbour from the registration requirements of the Securities Act for offerings made outside the United States (Bruckhaus, 2017_[30]). The calculations presented take account of this factor, and an exercise to eliminate the duplication when a single bond was issued both under Regulation S and Rule 144A was performed.

When calculating the outstanding amount of bonds in a given year, issues that are no longer outstanding due to being redeemed earlier than their maturity should also be deducted. Outstanding values refer to the "principal amount" or otherwise to the "original amount issued" (i.e. the face value of the bonds in their legal documentation) when the "principal amount" could not be retrieved. The early redemption data are obtained from LSEG and cover bonds that have been redeemed early due to being repaid via final default distribution, called, liquidated, put or repurchased. The early redemption data are merged with the primary bond market data via international securities identification numbers (i.e. ISINs).

In Figure 2.36, the values correspond to the sum of the amounts issued in 2022 and 2023. The five displayed categories stand for: Large listed, advanced (bond issuers that are MSCI World Index constituents as of September 2023), Large listed, emerging (bond issuers that are MSCI Emerging Markets Index constituents as of September 2023), Smaller listed (bond issuers that are listed on a stock exchange but that are not constituents of the MSCI World nor the MSCI EM indexes), and Unlisted subsidiary with a listed parent (bond issuers that were delisted prior to 2022, or that have never listed their equity, and which have their immediate or ultimate parent listed), Other unlisted company (other bond issuers that were delisted prior to 2022, or that have never listed their equity). The bond issuer is categorised as listed if an International Securities Identification Numbering (ISIN) exists and if it is associated with a valid LSEG Identification Code (RIC) made up of the bond issuer's ticker symbol and an exchange code (based on the name of the stock exchange). If the bond issuer does not display an ISIN coupled with a RIC or its RIC shows a delisting year prior to 2022 (e.g. SPS.N^H97), it is classified as unlisted.

A.2. Sustainable investment funds

Open-ended and Exchange Traded Funds (ETF) data have been retrieved from Morningstar Direct. Funds retrieved as “Sustainable Funds” in the case their names contain climate or ESG relevant acronyms and words such as “ESG”, “sustainable”, “responsible”, “ethical”, “green”, “social”, “environment”, “Paris align” and “climate” (and their translation in other languages). For climate funds the following keywords have been selected: “low-carbon”, “green”, “climate”, “climate transition” and “Paris alignment”. Consequentially, climate funds are a subset of sustainable funds. Funds that contain both sustainability-related keywords and climate in their names have been considered in the climate category.

Funds without any asset value are excluded. Assets under management (AUM) were adjusted by the 2023 US Consumer Price Index (CPI).

A.3. SASB Sustainable Industry Classification System® Taxonomy

© 2021 Value Reporting Foundation (merged into the IFRS Foundation in July 2022). All Rights Reserved. OECD licenses the SASB SICs Taxonomy (or “SASB Mapping”). The SASB Mapping presents 26 sustainability issues categorised into 5 dimensions, classifying which issues would be financially material in each of 77 industries in total.

Figure 2.17 merges some sustainability issues in the SASB mapping: “Climate Change” is a merger of “energy management”, “GHG emissions” and “physical impacts of climate change” in the SASB mapping; “Human Capital” merges all three sustainability issues within this dimension in the SASB mapping; “Data Security and Customer Privacy” are two different issues in the SASB mapping.

A.4. Ownership data

The main source of information is the FactSet Ownership database. This dataset covers companies with a market capitalisation of more than USD 50 million and accounts for all positions equal to or larger than 0.1% of the issued shares. Data are collected as of March 2023 in current USD, thus no currency nor inflation adjustment is needed. The data are complemented and verified using LSEG and Bloomberg. Market capitalisation information for each company is collected from LSEG. The dataset includes the records of owners for 30 871 companies listed on 92 markets covering 98% of global market capitalisation. For each of the economies/regions presented, the information corresponds to all listed companies in those economies/regions with available information.

The information for all the owners reported as of the end of 2022 is collected for each company. Some companies have up to 5 000 records in their list of owners. Each record contains the name of the institution,

the percentage of outstanding shares owned, the investor type classification, the origin country of the investor, the ultimate parent's name, among other things.

The table below presents the definitions of the five categories of owners used in this report. In many cases, when the ultimate owner is identified as a Government, a Province or a City and the direct owner was not identified as such, ownership records are reclassified as public sector. For example, public pension funds that are regulated under public sector law are classified as government, and sovereign wealth funds (SWFs) are also included in that same category.

Investor category	Categories of owners – Investor type	
Private corporations and holding companies	Business Association	Operating Division
	Employee Stock Ownership Plan	Private Company
	Holding Company	Public Company
	Joint Venture	Subsidiary
	Non-profit organisation	
Public sector	Government	Regional Governments
	Sovereign Wealth Manager	Public Pension Funds
Strategic individuals and family members	Individual (Strategic Owners)	Family Office
Institutional investors	Bank Investment Division	Mutual Fund Manager
	Broker	Other
	College/University	Pension Fund
	Foundation/Endowment Manager	Pension Fund Manager
	Fund of Funds Manager	Private Banking/Wealth Management
	Fund of Hedge Funds Manager	Private Equity Fund/Alternative Inv.
	Hedge Fund	Real Estate Manager
	Hedge Fund Manager	Research Firm
	Insurance Company	Stock Borrowing/Lending
	Investment Adviser	Trust/Trustee
	Market Maker	Umbrella Fund
	Mutual Fund-Closed End	Venture Capital/Private Equity
Other free float including retail investors	Shares in the hands of investors that are not required to disclose their holdings. It includes the direct holdings of retail investors who are not required to disclose their ownership and institutional investors that did not exceed the required thresholds for public disclosure of their holdings.	

Global Corporate Sustainability Report 2024

The OECD Global Corporate Sustainability Report aims to enhance the adoption of corporate governance policies that promote the sustainability and resilience of companies. It examines the evolving landscape of corporate sustainability practices worldwide and includes a focus on key dimensions outlined in the G20/OECD Principles of Corporate Governance, such as sustainability-related disclosure, shareholder-company dialogue, board responsibilities, and stakeholder interests. It offers comprehensive data analysis specifically designed to meet the needs of policymakers, regulators, and market participants.



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