CECP

Companies Worldwide Are Not Setting Near-Term Goals to Radically Change Business and Save the Planet

Study finds companies are increasing the disclosure of material ESG data year over year, yet lack short-term targets that will make an impact

NEW YORK, April 17, 2023- Ahead of Earth Day, a new Chief Executives for Corporate Purpose® (CECP) *Investing in Society* report finds environment, social, and governance (ESG) disclosure rates among top companies are increasing: Fortune 500® companies increased ESG disclosures 6.21% between 2019 to 2021, and Global 3,000 companies[1] increased by 7.89% over the same period. Given the increased importance of a company's management of climate-related impacts and its transition to a post-carbon economy, specifically the amount of environmental data disclosed by Fortune 500® companies rose by 13.67% between 2019 and 2021.

Investing in Society is the must-read source for trends on the corporate sector's shift to be increasingly purpose driven. Developed from CECP's premier research on, thought leadership for, and strategic engagements with more than 200 of the world's largest companies, this report brings to light the state of corporate purpose in an evidence-based way and assesses corporate purpose-driven actions around environmental, social and governance (ESG) and sustainable business.

"This report highlights the evolution of corporate ESG strategy over time, pinpointing what's working and what is not," said **Jenna Moore, Manager, ESG & Sustainable Business Insights, CECP**. "CECP's *Investing in Society* research provides a playbook for what counts when it comes to corporate purpose, including where companies are falling short. Our analysis helps companies realign their strategies to focus on the vital areas where they can uniquely make an impact. While there are headwinds, the report can help companies prioritize what matters to them and their stakeholders."

The study found ESG reporting is moving steadily from voluntary to mandatory, with new rules and regulations proposed and adopted within multiple jurisdictions across the globe. Other ESG findings include:

> E: Companies are dedicating greater resources to climate-related issues. The number of Fortune 500® companies that have set a net-zero emissions target rose by 38.65 percentage points between 2019 and 2021 **with almost half (48.99%) of the Fortune 500® now reporting a net-zero target.** Yet, interestingly, **of the 94% of the companies analyzed that have set long-term targets extending over the next few decades, only 43% have set the short-term targets vital to achieving the long-term targets**. This finding implies that some companies are simply setting a target now without a clear pathway to meeting those goals.
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> And despite **90.55% of Fortune 500® companies and 87.53% of the Global 3,000 having adopted a waste-reduction policy, the study found due to a lack of recycling infrastructure, the amount of waste recycled has continued to decrease**. Fortune 500® companies, who reported a decrease of 9.1% between 2019 and 2021 and the Global 3,000 fell by 5.19% between 2019 and 2021.

[1] The Fortune 500 data is also reflected in the Global 3,000 data set.

S: Median community spending in the Fortune 500® increased from $17.6M in 2019 to $20M in 2021. Driven by the corporate responses to the COVID- 19 pandemic and the global racial equity awakening, **community spend rose substantially between 2019 and 2021, by 13.44% among Fortune 500® companies and by 14.75% among the Global 3,000.**

Women have largely regained the representation in the workplace that they lost during the COVID-19 pandemic, and corporate efforts to increase the number of women in leadership positions are slowly paying off. **The median number of women working in Fortune 500® companies rose marginally between 2019 and 2021, by just 0.1 percentage point to 37%, recouping the representation lost during the COVID-19 pandemic.** Among Global 3,000 companies, the median number of women in the workforce also rose 1.29 percentage points to 32.30% over the same period.

G: Representation of women in the corporate C-Suite and on boards is rising, but at a slow pace, with women much more likely to secure a board seat than a CEO title. Investors, both in the U.S. and globally, have become more focused on ensuring gender diversity on boards. For example, leading institutional investors—BlackRock, State Street, and Vanguard—launched campaigns to increase gender diversity on corporate boards and their influence has made a large impact on boards' gender diversity. **The median percentage of women on boards increased by 5 percentage points among Fortune 500® companies, rising to 30% by the end of 2021**. Global 3,000 companies also enjoyed a similar increase, with the number of women on boards rising to 25% between 2019 and 2021.

However, the most senior executive position, the CEO, is still male dominated, with very little improvement in gender diversification. **By the end of 2021, only 10.37% of Fortune 500® companies employed a woman as CEO, a 1.51-percentage point increase over 2018. There has been no movement in gender diversity at the CEO position in the Global 3,000 over the past three years.**

Integration of sustainability into the business decision-making process has become a Board of Directors priority, with most corporate sustainability committees reporting directly to the board. **By the end of 2021, 78.17% of Fortune 500® companies formally managed ESG through a dedicated committee that reported directly to the board, an increase of 27.5 percentage points over 2019.**

The study summarizes these findings through a proprietary quantitative tool, the CECP ESG Scorecard. The scorecard breaks down each Key Performance Indicator (KPI) and analyzes the three-year (FY 2019-2021) median performance on each metric, which is enhanced by CECP's thought leadership and a review of sector-wide opinion and research.[2]

As companies face increasing pressure from investors, customers, society, and government, there will also be heightened expectations to demonstrate forward-looking goals and policies that create

[2] *Investing in Society* analyzes the latest trends in ESG metrics for companies in the Fortune 500® as ranked by *Fortune* ® Magazine and the top global 3,000 companies by revenue as listed in the Bloomberg Terminal (the Global 3,000).

net positive environmental and social impact. CECP helps organizations navigate the evolving ESG landscape by providing research, benchmarking, and tools, such as the Integrated Long-Term Plan Framework, to guide companies in setting near-term and long-term goals to make a positive social impact.

The 2023 edition of *Investing in Society* is available for free on cecp.co.

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About Chief Executives for Corporate Purpose (CECP)

Chief Executives for Corporate Purpose® (CECP) is a trusted advisor to companies on their corporate purpose journeys. Working with CEOs and leaders in corporate responsibility, sustainability, foundations, investor relations, finance, legal, and communications, CECP shares actionable insights with its CEO-led coalition to address stakeholder needs.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders, CECP is a movement of more than 200 of the world's largest companies that represent $7.7 trillion in revenues, $37.4 billion in total community investment, 14 million employees, 22.5 million hours of employee engagement, and $21 trillion in assets under management. CECP helps companies transform their strategy by providing benchmarking and analysis, convenings, and strategy and communications in the areas of societal/community investment, employee engagement, environmental social governance/sustainable business, diversity equity inclusion, and telling the story.

For more information, visit http://cecp.co.