ESG 100

Data for decision-makers

Position Green

ESG100
POSITION GREEN | 2022

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Definitions

SUSTAINABILITY

In 1987 the Brundtland Commission defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". For businesses this means addressing how their activities impact society and the environment and running their operations according to the principle of a triple bottom line with the aim to balance financial, environmental and social outcomes.

ESG

ESG – Environmental, Social and Corporate Governance – primarily describes how a business deals with environmental, social and governance issues that may have a financial or strategic impact on the company. It is also used, somewhat erroneously, as a synonym for 'green' or 'sustainable' businesses. It overlaps with 'impact investing', a separate segment for businesses whose business model is designed to help bring about positive change, e.g. developing solar or wind parks.

CSR

CSR – Corporate Social Responsibility – covers the same concepts as sustainability and ESG. The terms are often used interchangeably, although CSR originally focused on social issues. The term CSR is no longer as common as it once was.

SUSTAINABLE DEVELOPMENT GOALS

In autumn 2015 the UN member states adopted 17 goals for sustainable development in the period up to 2030. The goals apply to both developing and industrialised countries and have also had an impact on businesses, which often use the goals as a basis for sustainability strategies and reporting.

Introduction

The fifth edition of the ESG100 lands amid intense criticism of ESG. Elon Musk has labeled it a scam, questioning how global oil major Exxon Mobil could place among the top 10 in a global ESG ranking, while Tesla failed to make the list. The Economist argues that ESG is 'exaggerated superficial guff' that must be ruthlessly streamlined and boiled down to a singular focus on emissions.

The report also arrives just as efforts to strengthen and consolidate sustainability reporting requirements are accelerating within the EU and internationally.

Together, the simultaneous critique and strengthening of ESG reflect a sign of more intense scrutiny and oversight as the concept matures and evolves. Amid the debate, what is not in contention is the growing need for reliable, comparable and consistent corporate sustainability disclosures.

Demand for this data is growing rapidly to support decisions made by investors and a wide range of stakeholders, including policymakers, consumers, employees and civil society organisations. Problems in the quality and reporting of the data can undermine these decisions and open the door to greenwashing.

The data from corporate sustainability reporting also underpins the management of climate and other ESG risks to which companies are exposed, and it is instrumental in the reorientation of public and private capital towards investments that are required to achieve the sustainable transition of the EU's economy and others around the world.

The ESG100 report examines the degree to which the corporate ESG reporting of the 100 largest listed companies in Denmark, Norway and Sweden provides valuable information for relevant and interested decision-makers of both the financial and non-financial kind.

The intention is not to name and shame these companies but to assess the quality of reporting and to highlight weaknesses in current reporting standards and regulations. Are companies providing ESG data on material issues? Do they report according to established standards? Does the reporting include specific targets? In short, does the company provide accurate, clear and relevant ESG data?

As the report explains, investors and other decision-makers relevant to these companies have cause for considerable concern given the large gaps that exist in corporate sustainability reporting.

In short, does the company provide accurate, clear and relevant ESG data?

Practices on ESG reporting still vary greatly from company to company, sector to sector and country to country. Even among Scandinavian countries that have long had a reputation for being at the forefront of supporting sustainability initiatives, decision-makers cannot easily retrieve comparable ESG information from the largest companies in each country.

Key findings

Environment

Reporting on greenhouse gas emissions is well established among Scandinavian companies, but too few companies volunteer sufficient information about Scope 3 emissions, climate risks and decarbonisation plans – all of which are of keen interest to investors and other decision-makers and will soon become mandatory disclosure requirements in the EU's forthcoming Corporate Sustainability Reporting Directive.

- More than half (56 percent) of the companies provided either bare minimum reporting on Scope 3 emissions or failed to report them at all. Scope 3 reporting was weakest among healthcare, financials and technology companies.

- Similarly, 53 percent of companies have not disclosed a plan to achieve net-zero emissions in line with the Paris Agreement and the EU's climate goals.

- Only half (51 percent) of the companies reported on climate risk using the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD). Companies in the basic materials (80 percent), consumer goods (64 percent) and energy (62 percent) scored best. 18 percent of companies make no reference at all to climate risks, with a third (34 percent) of healthcare companies failing to include them in their reports. On a country basis, 66 percent of Norwegian and 66 percent of Swedish companies demonstrated solid TCFD reporting, while only 23 percent of Danish companies did so.

Social

Social issues are a topic of increasing scrutiny among investors and other decision-makers. Company reporting requirements on social issues are set to grow significantly through sustainability disclosure regulations. The ESG100 report finds that in general, Scandinavian companies report well on social topics when required to by law – such as equality and HSE – but pay little attention to topics when reporting is voluntary.

- Reporting on equality, diversity and inclusion is well established amongst Scandinavian companies, partly driven by statutory requirements in each country. Three-quarters (73 percent) of companies provided good reporting overall and only three companies in Scandinavia make no reference to this topic whatsoever.

- Despite the recent adoption of Norway's Transparency Act and with the EU soon to require human rights due diligence across company supply chains, only 16 percent of companies reported on human rights in a meaningful way. Just 3 percent of companies scored well, with Norwegian companies leading the way and Danish companies the weakest at human rights reporting.

Governance

Our assessment does not include a review of traditional corporate governance factors. Instead, we focus on the governance of ESG related issues, such as ESG-linked executive pay, the use of materiality assessments and the use of recognised reporting frameworks. Several gaps remain:

- Few companies link executive pay to sustainability performance. Only four out of 300 companies disclose information on which executives are covered by incentives for sustainability performance and by which KPIs they are measured. Three-quarters (75 percent) of companies make no link at all. Companies in Sweden are somewhat ahead of Denmark and Norway.

- 60 percent of companies reported according to the most established reporting frameworks provided by the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). But among these, only 32 percent were externally verified. Companies in the basic materials (87 percent), consumer goods (77 percent) and real estate (76 percent) scored highest. Healthcare companies scored worst with 69 percent using neither framework. Around four out of five companies in Sweden (81 percent) and Norway (79 percent) used at least one of the standards, while over three-quarters (78 percent) of Danish companies used none.

- A materiality assessment provides the basis for prioritising ESG strategy and management and for dialogue with key stakeholders on sustainability topics. 61 percent of companies have meaningful reporting, with telecommunications (91 percent), real estate (76 percent) and energy (71 percent) companies scoring best. Consumer services scored worst with 32 percent of companies in this sector failing to provide a materiality assessment. Norway and Sweden have a similar distribution of scores, with 80 percent and 73 percent of companies respectively reporting meaningfully. Of the Danish companies, 71 percent did not sufficiently report on materiality, and only 16 percent of companies meet the criteria for a full score.

Key takeaways

Companies

The report finds that many of the top 100 listed Danish, Norwegian and Swedish companies have considerable gaps to close in their ESG reporting. They must act quickly to lift their ESG maturity as these gaps will grow larger with the enhanced reporting requirements that will kick in when the EU's CSRD comes into force from 1 January 2024 onwards (for reporting in 2025) and the standard being developed by the International Sustainability Standards Board (ISSB) is finalised and launched. Danish companies have larger gaps to close in general.

Boards

With ESG data set to be assured from 2024 onwards under the CSRD, the Board and Audit committee have an important oversight role to play in ensuring that companies are able to close the gaps and meet the enhanced reporting requirements.

Boards also have an opportunity to rethink their existing executive remuneration models by linking executive pay to sustainability performance. Only five out of three hundred companies disclose if and how executive pay is linked to sustainability performance. If more boards put their money where their mouth is, this number would increase significantly by next year and be an important driver in company ESG performance in the short to medium term.

Investors

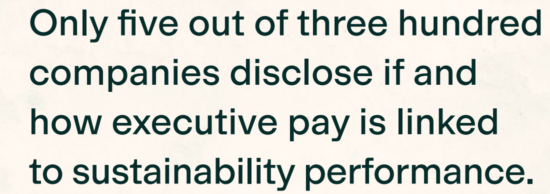
Asset managers, banks and other financial market participants seeking meaningful data in order to meet their SFDR requirements will find this difficult, if not impossible, to obtain from many Scandinavian companies.

It is reasonable to assume that the Scope 3 data required by 1 January 2023 for SFDR compliance would be available from fewer than half of the companies analysed in this review. There is a strong need to engage with boards and management teams to fundamentally reduce the ESG information gaps that exist between companies and their investors.

Policymakers and regulators

For policymakers, the report finds that there are large gaps between the current reporting practices among the 100 largest listed companies in Denmark, Norway and Sweden and the requirements of the EU's forthcoming CSRD. Companies must be encouraged to close these gaps before it applies from 2024 onwards.

Additionally, the report makes it clear that even the sustainability-conscious Scandinavian companies tend not to disclose ESG topics that are voluntary. This suggests that prescriptive ESG disclosure regulations will have better success at improving the breadth and quality of ESG reporting than voluntary approaches.



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Conclusion

The corporate sustainability disclosure landscape is evolving rapidly. Position Green has long advocated for the strengthening and consolidation of ESG reporting standards in order to put an end to the 'alphabet soup' of voluntary standards that is confusing for companies and decision makers.

The progress made by the by the CSRD and ISSB represent a major step towards convergence of the currently fragmented reporting landscape. They also represent a significant expansion of ESG reporting requirements for companies.

Much rides on this. Given the core role that data plays, how effectively companies tackle the gaps identified in this review and respond to the enhanced reporting requirements over the next year will affect not only their own futures but also the interests of investors, other decision-makers and ultimately the prospects for a sustainable transition.

The value of ESG has never been more on the line.

1 Background and methodology

The history of sustainability reporting

A sustainability report often provides concrete 'proof' of a company's systematic ESG efforts. Many businesses choose to produce a separate sustainability report as an appendix to their annual report, while others incorporate information about sustainability into the main report. The annual directors' report also contains information about ESG issues to varying degrees.

In the past 20 years a number of companies have opted to give added prominence to sustainability reporting as analysts increasingly include additional ESG parameters in their analyses. Funds with a combined value of more than USD 35,000 billion are now managed according to ESG criteria.[1] However, it is still unclear how well sustainability reporting works as an element in investment analyses – even though there has been substantial progress made since the 1990s.[2]

PHASE 1: Flowers and happy children (1998-2008)

Companies originally began reporting on sustainability for reputational reasons. The reports were often wordy and illustrated with pictures of green countryside and happy children. They had more in common with the companies' marketing materials than their annual reporting. At the turn of the century a number of voluntary international reporting standards began to emerge, making reporting practices more rigorous. The most commonly used standards are the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), although there are a string of standards for different sectors and areas of activity. There are also different standards for sustainability reporting verification.

PHASE 2: Vague attempts at regulation (2009–2014)

Alongside the growth in voluntary reporting, a range of national and regional regulations were introduced which required companies to account for their sustainability efforts. Denmark was quick to order the boards of listed companies to account for their guidelines and outcomes on issues such as the environment, anti-corruption, working conditions and human rights. The Norwegian authorities soon followed, introducing Section 3-3c of the Accounting Act which requires the boards of all major companies to report on the very same issues. In 2014 the EU adopted a similar provision in its accounting directive. The reporting requirements were generally vague and inadequately enforced by the authorities.

PHASE 3: An epiphany for the financial sector (2014–2017)

The combination of reputation-driven and statutory reporting created a confused landscape for sustainability reporting. Sustainability reporting during this period was inconsistent – ranging from mandatory and reluctant minimum reporting to detailed reports running into hundreds of pages. From this chaotic scene, a third driving force began to emerge: the financial sector's desire for concrete and intelligible sustainability information which could be used for investment analyses and pricing purposes in credit and insurance processes.[3]

It was triggered by investors looking for candidates for ethical or green funds or wanting to rule out the worst offenders. During this period a growing number of 'traditional' investors also began including ESG criteria in their regular company analyses, as it was thought that a good ESG rating would lead to improved financial results.

PHASE 4: From noise to substance (2017–2019)

The documented correlation between returns and ESG performance becomes more credible, and the financial sector tightens its ESG rules in a way that creates new challenges for corporate communications departments. At the same time, legal opinion makes it clear that failing to consider ESG factors may be a direct breach of fiduciary duties. The board's and the auditor's legal obligations, in regard to correct ESG information, are being debated, and there is a general increase in investor activism in the financial markets.[4]

The early sustainability reports – with its anecdotal descriptions – falls short as the financial sector demands substance. An ever-growing part of sustainability reporting is focused on ESG assessment from analysts such as Sustainalytics, MSCI, Bloomberg and ISS. Their assessments are based on information in the public domain and impose new demands for accessibility, relevance and precision in reporting. The market for ESG data has seen a growth rate of 20–30 percent over the past five years. In 2021 it exceeded USD 1 bn in sales and is expected to reach USD 5 bn in 2025.[5]

PHASE 5: Concrete regulations are introduced (2019–)

The authorities in several countries are increasingly preparing ESG regulations. The implications of the EU's Green Deal, the classification system for sustainable economic activity (the EU Taxonomy) and the international partnership on climate risk (TCFD) are beginning to take shape in various ESG disclosure regulations. The US Securities and Exchange Commission is also tightening its grip and initiates a raft of measures linked to both reporting obligations around ESG performance and oversight activities in order to "allow us to better police the market, pursue misconduct, and protect investors".[6]

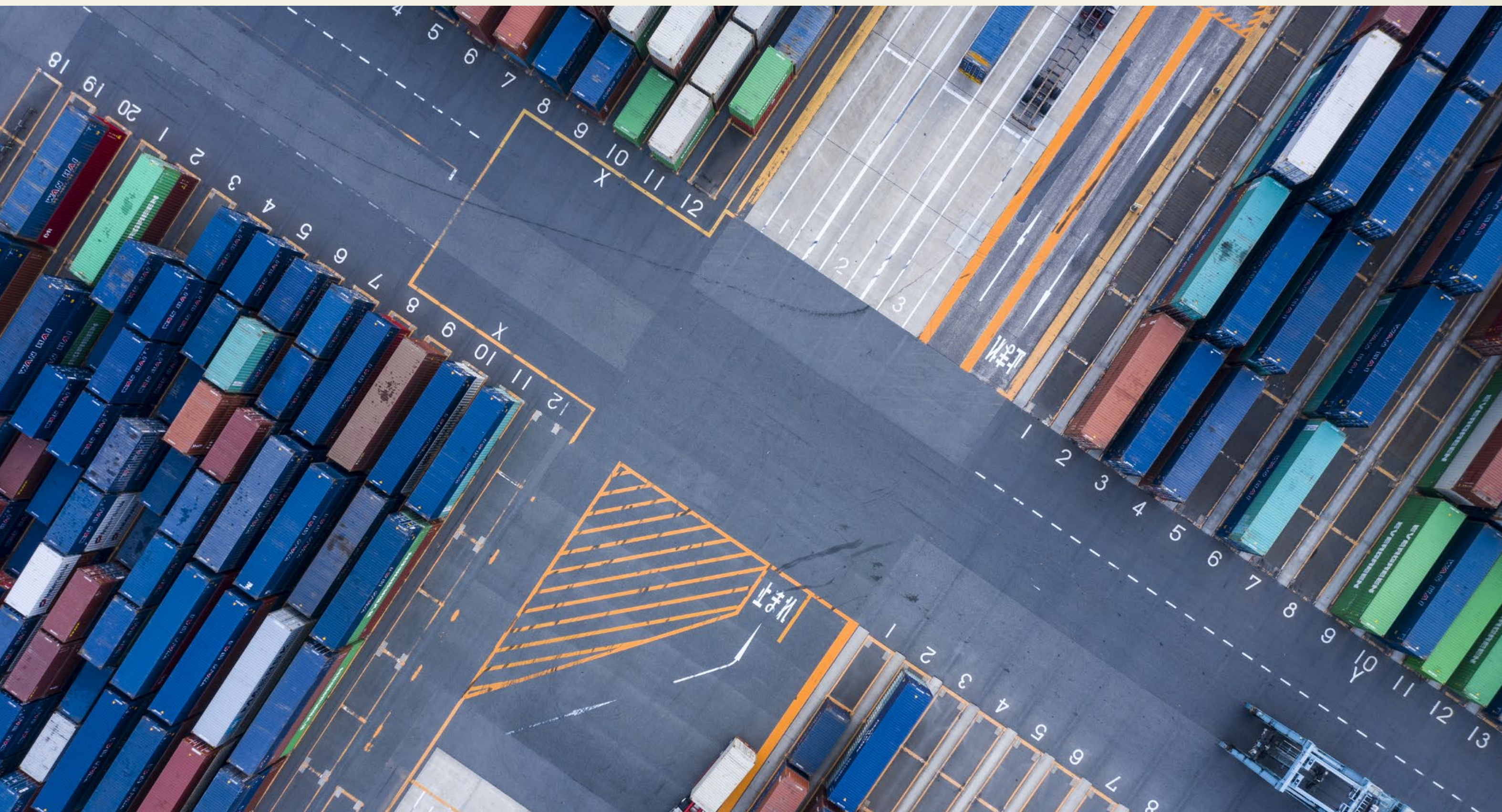
The most important disclosure regulations that impact ESG reporting in Europe are the EU Taxonomy Regulation,[7] the Sustainable Finance Disclosure Regulation (SFDR)[8] and the Directive on Corporate Sustainability Reporting (CSRD).[9] All these regulations are also relevant to the European Economic Area (EEA) and are therefore incorporated into law in every Scandinavian country.

Methodology

Our main aim is to identify the degree to which listed companies share decision-relevant sustainability information. The information must be clear and based on established standards and frameworks where such exist.

One important criterion for achieving a top mark in our assessment is that the company must communicate concrete targets for each sustainability theme and for the targets to be linked to business strategy, risk and performance. A sustainability report that fails to provide clear information about the company's status and direction makes it difficult for the reader to ascertain whether sustainability forms part of the actual governance of the company.

The main point scale is from 0 to 4. Zero means the issue is not mentioned. Four means there is a good description of how the company deals with the issue, transparent reporting of results, clear targets and a company strategy for reaching the targets.



1 Global Sustainable Investment Alliance (GSIA), 2021. GSIR-2020. http://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf
2 OECD Business and Finance Outlook 2020: Sustainable and Resilient Finance.
3 S&P Global Ratings, Our Approach to Assessing ESG in Ratings. https://www.spglobal.com/ratings/en/
4 Harvard Business Review, 05 2019. https://hbr.org/2019/05/the-investor-revolution
5 Environmental Finance 2022: ESG data market 'to more than double, to $5bn' – Environmental Finance (environmental-finance.com), and Opimas 2022: ESG Data is Now Worth it (opimas.com).
6 Kelly L Gibson, Head of SEC Climate and ESG Task force: SEC.gov | SEC Announces Enforcement Task Force Focused on Climate and ESG Issues.
7 https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en#what
8 REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector.
9 Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014

Criteria

The criteria cover the three ESG dimensions:

Environmental criteria

- **E1** Greenhouse gas emissions
- **E2** Climate risk (TCFD)
- **E3** Green growth and Taxonomy disclosures
- **E4** Emerging disclosure trends

Social criteria

- **S1** Human rights
- **S2** Sustainability competence
- **S3** Sickness absence and injury statistics
- **S4** Equality, diversity and inclusion

Governance criteria

- **G1** Materiality assessment
- **G2** Reporting framework – GRI or SASB
- **G3** System for supplier monitoring
- **G4** Whistle-blower mechanism
- **G5** Corruption risk
- **G6** Executive pay linked to ESG performance

Scoring system

The analysis uses the term 'good reporting' to describe companies which have scored 3 or 4 points and 'inadequate reporting' for companies which have scored 0, 1 or 2 points.

0	1	2	3	4
Nothing	**Mentioned briefly**	**Lacks substance**	**Good reporting**	**Complete reporting**
No information	The topic is barely mentioned, but no information is provided on how the company actually works with these topics or any quantitative data.	The topic is mentioned, and the company writes simply about how they work with the topic and/or presents some basic quantitative data.	The company provides good information on how it works with the topic and presents relevant data that shows qualitative/quantitative results for the year. There are no quantified goals for the topic, and it is unclear how the topic is included in the company's plans/strategies.	The company provides information about how the company works with the topic and presents quantitative/qualitative data. Additionally, the company has established clear, quantified targets for the topic, and the topic is connected to plans/strategies.

These fourteen criteria used in the scoring system are applied to the three dimensions of ESG, and in the following, each criteria is explained briefly. Additional details are presented in chapter two.

Environment

E1 Greenhouse gas emissions: To achieve a top score, the company must provide standard GHG accounting, concrete reduction targets and a stated climate change strategy.

E2 Climate risk: To achieve a top score, the company must report on climate risk, covering key items recommended by TCFD (see separate fact box, page 19).

E3 Green growth and EU Taxonomy: To achieve a top score, the company must report on green revenues in accordance with the EU Taxonomy. (This criteria is not part of the final score per company).

E4 Emerging disclosure trends reporting: To achieve a top score, the company must produce relevant reporting in accordance with emerging environmental reporting regulations and frameworks related to four topics: nature-based risk (TNFD), circular economy, decarbonisation plans and Scope 3 emissions. (TNFD is not part of the final score per company).

Social

S1 Human rights: For a top score, the company must have identified relevant human rights risks and reported on how it deals with them according to the UN Guiding Principles (UNGP), including due diligence processes and relevant results and targets.

S2 Sustainability competence: To achieve a top score, the company must report on competence initiatives linked to sustainability along with relevant results, targets and strategies.

S3 Sickness absence and injuries: To achieve a top score, the company must report in full on injury statistics and sickness absence as well as on concrete targets and strategies and how to realise them. Companies posing a considerable risk of causing harm are expected to provide more in-depth reporting.

S4 Equal opportunity: To achieve a top score, the company must have adopted differentiated gender statistics for the board, management and company as a whole along with clear targets and strategies for equality and diversity.

Governance

G1 Materiality assessment: To achieve a top score, the company must account for material sustainability themes and how they are identified, including stakeholder perspectives and involvement in the process. The materiality assessment must be no more than two years old in order to achieve a top score.

G2 Reporting standard: For a top score, the company must be using a recognised reporting standard, and the report must have been externally verified.

G3 Supplier monitoring: To achieve a top score, the company must account for relevant risks in the supply chain and how they are dealt with, e.g. what requirements are in place, how to verify compliance and relevant results.

G4 Whistle-blowing mechanisms: For a top score, the company must describe internal and external whistle-blowing channels, reported incidents and how they have been dealt with.

G5 Corruption risk: To achieve a top score, the company must report on how it evaluates and deals with corruption risks within the company and its value chain.

G6 ESG-linked executive pay: For top scores, the company must report on whether it links executive pay to ESG performance, which executives are covered and which KPIs they are measured by.

Selection and data sources

The assessment looks at the 100 largest companies by market value listed on the Oslo Stock Exchange, Nasdaq Stockholm and Nasdaq Copenhagen.[10] The analysis is based on annual and sustainability reports for 2021 and includes information in the public domain in cases where the information is clearly referenced in the annual reporting.

Company information is easily accessible in most cases. If the information is not clearly referenced or published after mid-June 2022, it may have been left out of the assessment. Communications in other channels have not been assessed. In instances where a subsidiary refers to reporting via the parent company, we have incorporated the parent company's reporting in the analysis even if it is not formally part of the subsidiary's reporting.

Weighting

E, S and G are rarely given equal weighting in the financial sector. Environmental factors, especially climate change, are generally heavily weighted since there is a great deal of attention and increased regulatory pressure in this particular area. Governance issues have traditionally also been heavily weighted because poor risk management and performance management, especially linked to corruption, can have severe financial implications for the companies. We have opted to adhere to this practice in our evaluation of the companies and therefore weighted environmental and governance factors with 35 percent each and social factors with 30 percent.

There is no specific weighting for the individual criteria for E, S and G, and only the total sum for the individual scores is given.

10 Market value as of 31 December 2021 for Denmark and Norway, June 2022 for Sweden.

Impartiality and independent quality control

Denmark, Norway and Sweden are all small countries, and Position Green Group has 67 of the 300 companies in this analysis as our customers. Rating our own clients will not provide objective and credible results, and we have therefore engaged external partners to ensure quality and independence of analysis.

The report, methodology and criteria were developed by Position Green Advisory[11] and have been quality-assured and refined over the past five years in collaboration with academic partners and investor communities as well as through feedback from individual companies.

To ensure independence and objectivity in the ratings, we engaged teams at the Norwegian School of Economics (NHHS Consulting) to undertake the actual rating process in Norway and Denmark and Sustainergies in Sweden. The analytics team received in-depth training and conducted pilot-testing of the methodology and criteria. The analysts have collaborated as a team to ensure consistent application of the scoring criteria between countries and industries. All instances of doubt are evaluated internally by the analytics team before compiling the results and discussing them with Position Green. Position Green has also performed spot checks of the data set to verify consistency in the analytics team's application of the criteria.

Position Green is not responsible for any misinterpretation of data, and we should point out that the analytics team may have overlooked information. Points and scores published in this report are not intended to be used as a basis for decision-making or third-party analyses.

11 The first four versions of the methodology and report were developed by The Governance Group AS, which merged into Position Green Group in April 2022.

2 Analysis

Environmental

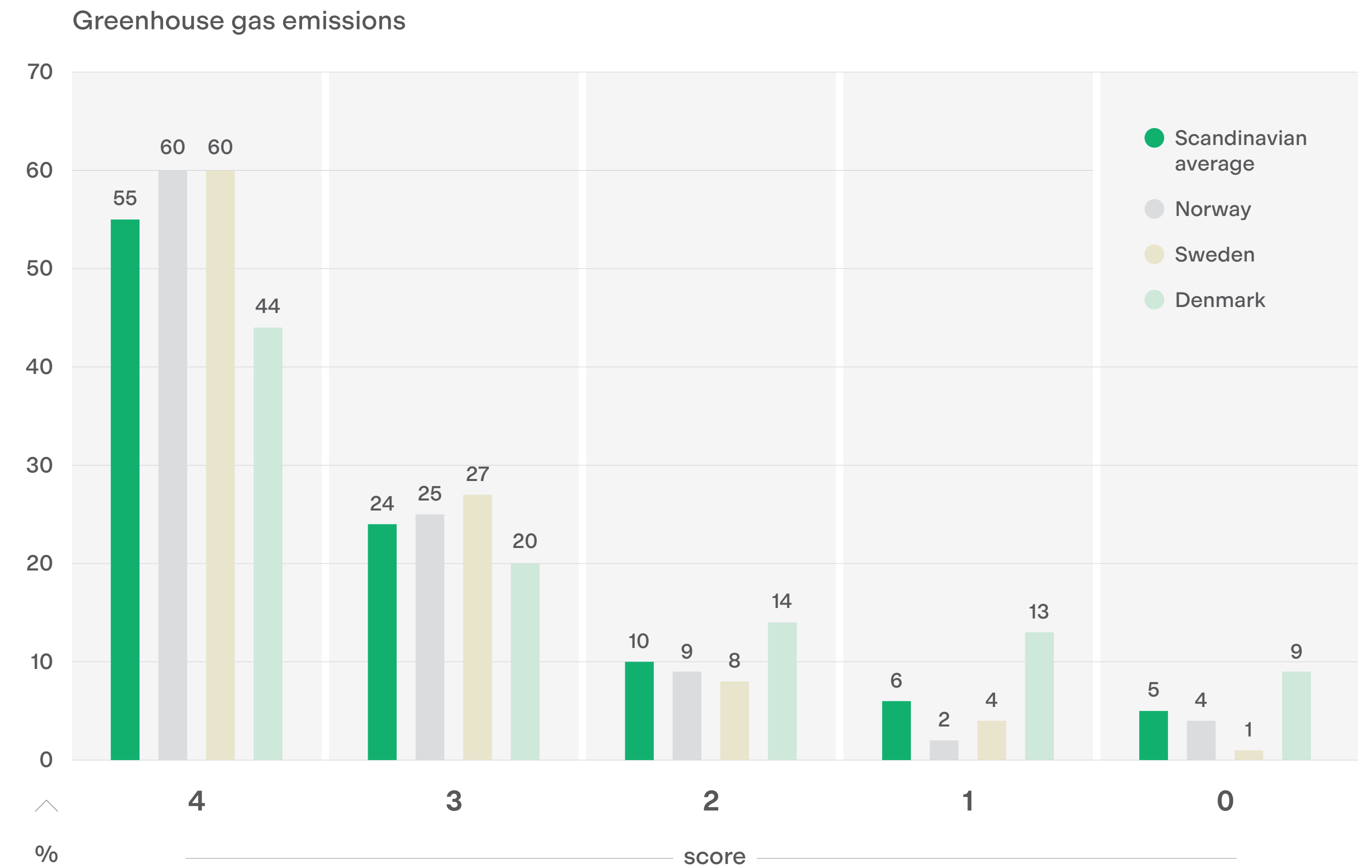
Environmental impact is a key aspect of ESG reporting. There are general reporting principles for climate change and climate-related risks based on the GHG protocol and TCFD framework.

However, in terms of other environmental impacts linked to waste, pollution, use of materials, biodiversity etc., there are few frameworks that can be applied across companies and industries. In the long term, the EU Taxonomy and the CSRD can generate adequate reporting parameters, but at this stage we do not see that there is a meaningful way of evaluating a company's environmental reporting at a general level for any environmental dimension other than climate change.

We have therefore developed a more innovative category which seeks to capture the degree to which companies appear to include emerging regulations and frameworks linked to nature-related risk (TNFD framework), circular business models, net zero transition plans and Scope 3 reporting.

The broader picture is that reporting on greenhouse gas emissions and climate risks are well established in every country covered by the analysis. As the EU Taxonomy regulation comes fully in to force in the coming years, we are of course expecting to see improvements in this area as well as reporting in accordance with the TNFD framework.

E1 Greenhouse gas emissions



It is hardly necessary to justify the need to deal with and report on greenhouse gas emissions in a trustworthy way. We have placed emphasis on companies' reporting on the status of their own emissions in line with the GHG principles for climate change reporting, including an account of how the question of emissions is being tackled.

To achieve a top score, the companies must have adopted standard GHG accounting for Scopes 1 and 2, concrete reduction targets and an explicit climate change strategy.

As the graph shows, a large proportion (78 percent) of companies are reporting in a good and meaningful way on their greenhouse gas emissions (score of 3 or 4). However, Norway and Sweden are outperforming Denmark, with 87 percent of Swedish companies and 85 percent of Norwegian companies providing good reporting. This compares with 64 percent in Denmark. Looking at the 100 largest companies in Norway,[13] this is an increase of 18 percent from 2020 and 39 percent from 2019.

All in all, there is solid reporting on greenhouse gas emissions. This is the category where companies provide the best reporting. Yet a fifth of the companies will be facing major challenges as they begin to deal with the reporting requirements of the EU Taxonomy. The report shows that 65 of the 300 companies seem to be lacking even the most basic of climate change data (0, 1 and 2 points), with Denmark representing more than half of those. Given the size of the companies in this selection, this can hardly be seen as anything other than insufficient risk management.

13 There has been a positive trend with an increase of 18% since 2020 and a total increase of 39% since 2019. 44 companies scored 4 points and 23 companies 3 points for their climate risk mitigation in 2020. In 2019 the figures were 22 and 24 companies respectively. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

EUs classification system for sustainable economic activity

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The EU Taxonomy for sustainable economic activities is a set of criteria designed to ensure that investors, companies and issuers benefit from a single definition of what constitutes sustainable economic activity. The aim is to create transparency and clarity as to which activities can be deemed sustainable in an investment context and to give companies incentives to transition.

The Taxonomy defines what constitutes sustainable activity. For an activity to be classed as environmentally sustainable, it must meet the following criteria:

- Make a substantial contribution to at least one of six environmental objectives
- Not cause harm to any of the other environmental objectives
- Meet minimum standards for corporate responsibility

The Taxonomy defines thresholds to assess if activities make a substantial contribution towards achieving at least one of six defined environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The activity must not cause significant harm to any of the other environmental objectives or tie investment to something that undermines long-term environmental objectives. Nor may the activity be in breach of fundamental labour and human rights conventions and principles (as outlined in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises).

The introduction of the EU Taxonomy is creating a common legal framework for environmentally sustainable activities. It is being implemented in stages and the first stage was applied this year, with companies who are currently subjected to the EU Non-Financial Reporting Directive (NFRD) having to report on eligibility, i.e. the share of economic activities that is described and have technical screening criteria set out in the Taxonomy. The next stage will be applied next year and require companies to also report on the share of alignment, i.e. the share of taxonomy-aligned economic activities.

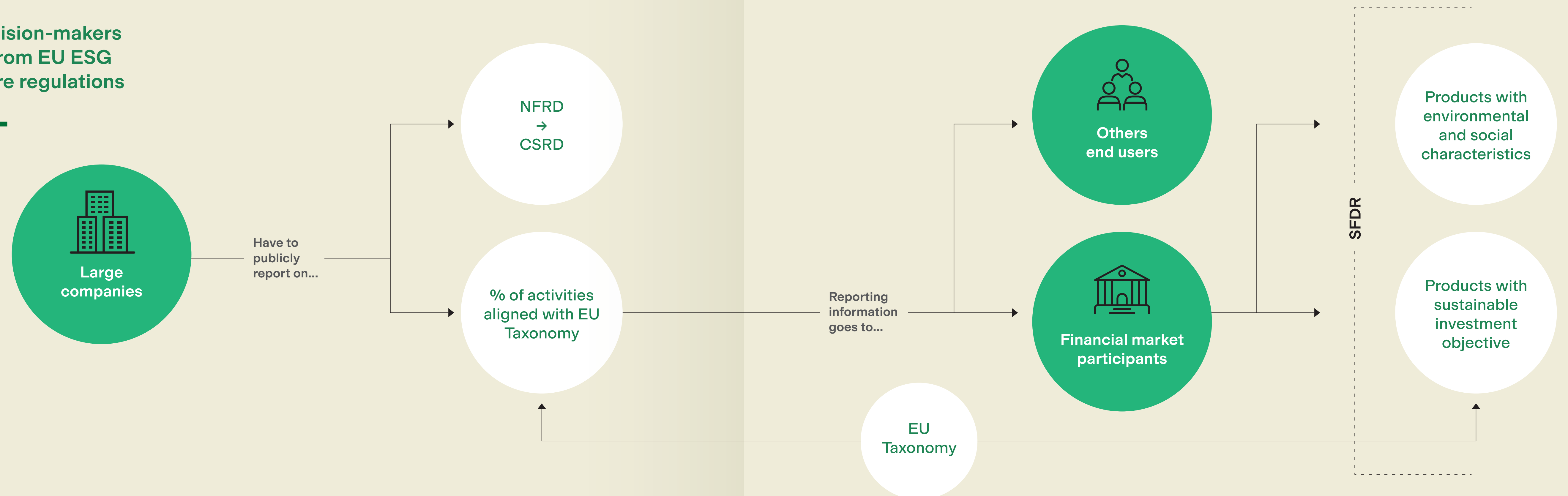
As of next year, the Taxonomy regulation will affect all Scandinavian countries due to Norway absorbing the Taxonomy regulation into Norwegian law, and it is expected to come into force under the EEA Agreement in the third quarter of 2022.[12]

Many more companies will be affected by the taxonomy requirements once the EU's new Corporate Sustainability Reporting Directive (CSRD) comes into force and replaces NFRD in the coming years. The taxonomy requirements will also continue to develop when criteria for more environmental objectives and economic activities are being added.

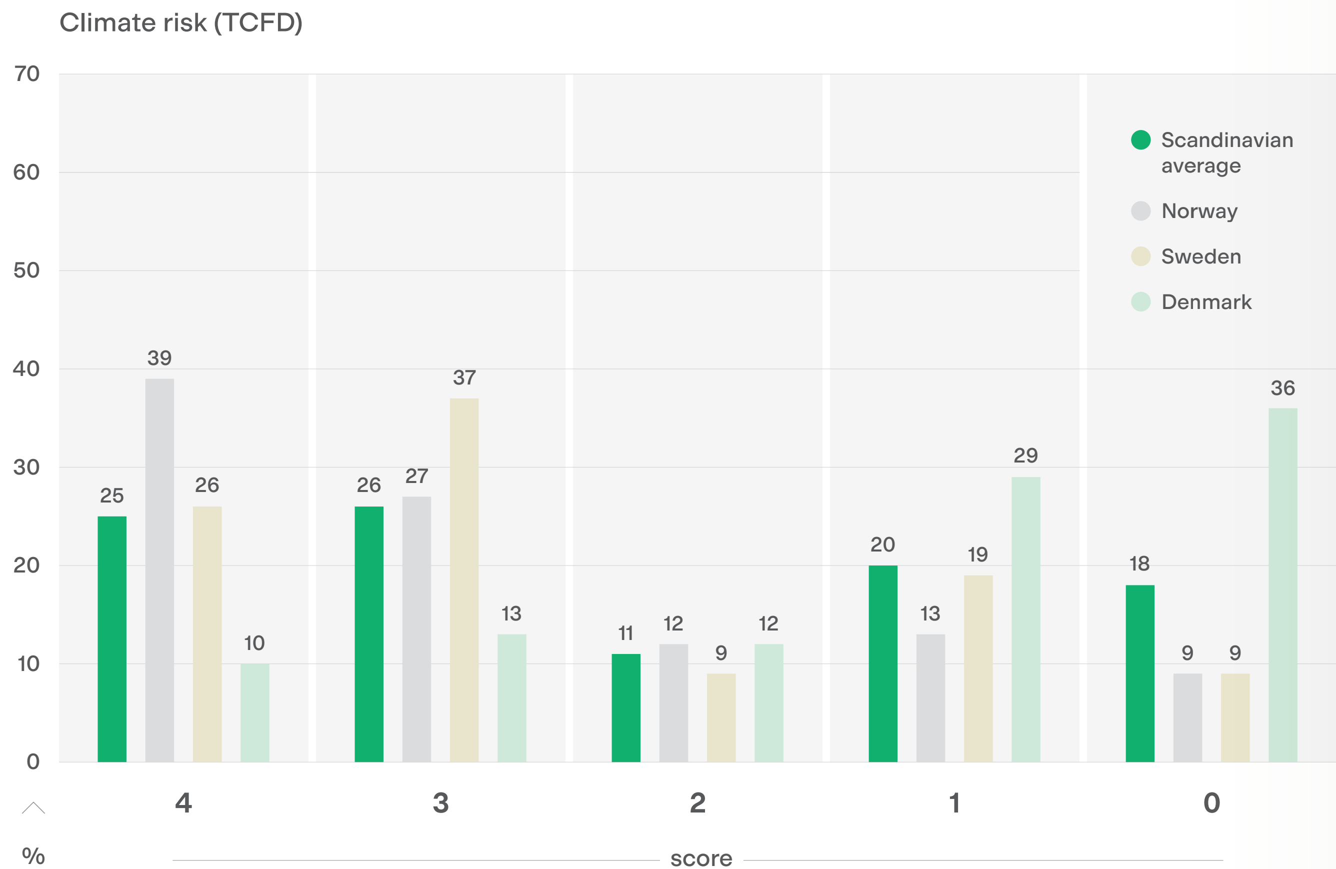
The EU taxonomy has already brought about major changes to financial analyses and the understanding of risk amongst investors and creditors. This will also have a ripple effect in a number of sectors as financing models and capital pricing will reward genuine environmental improvements. The financial markets are already showing signs of change whereby investors who previously paid little attention to environmental factors have started to rebalance their portfolios with explicit references to the Taxonomy.

12 Regjeringen.no. 2022. https://www.regjeringen.no/no/aktuelt/forordninger-om-barekraftig-finans-innlemmet-i-eos-avtalen/id2910828/

How decision-makers benefit from EU ESG disclosure regulations



E2 Climate risk (TCFD)



Banks, insurance companies, investors and authorities are fearing the economic consequences of climate change. Climate risk reporting therefore focuses on the financial impact of climate change on the companies' bottom line. This includes physical climate change which can cause damage to property, shutdowns and raw material shortages as a result of extreme weather and changes to ecosystems.

It also extends to transition risks, which are changes in operating conditions as a result of more stringent climate regulations, technological advances and changes in market preferences during the transition to a low-carbon society.

Exhaustive reporting provides an insight into the board and management's role in dealing with climate risk, the company's strategy, how risks are identified, analysed and handled, their concrete targets and results. It is then up to investors to determine which companies are best positioned to generate healthy returns when transitioning to a low-carbon society.

The most established framework for reporting corporate climate risk, the Task Force on Climate-related Financial Disclosures (TCFD), was developed at the behest of the Financial Stability Board (see fact box on page 19). The recommendation specifies what to report on in relation to governance, strategy, risk management and targets. The recommendations were published in 2017, making this the fifth year of annual reporting.

Companies in both Sweden and Norway have demonstrated solid reporting in this area with well over half of Norwegian (66 percent) and Swedish (63 percent) businesses applying the TCFD framework in a constructive manner (score of 3 or 4). However, to achieve a score of 4, the reporting must address every issue described in the framework.

TCFD recommendations

Governance

- Describe the board's oversight of climate-related risks and opportunities.
- Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

- Describe the organisation's processes for identifying and assessing climate-related risks.
- Describe the organisation's processes for managing climate-related risks.
- Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

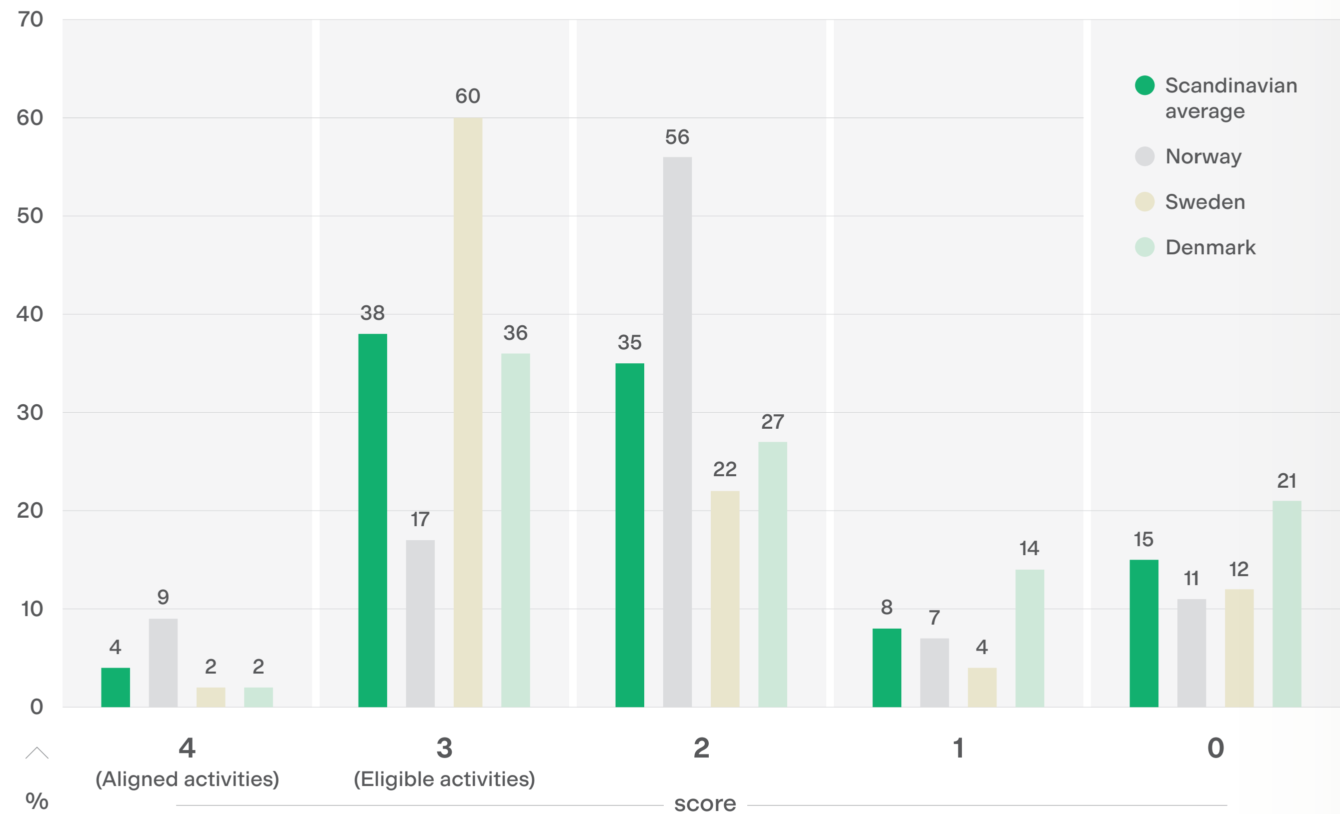
Targets and metrics

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

As graph E2 shows, 39 percent of Norwegian companies meet this requirement compared with 26 percent of Swedish companies. As far as Norway is concerned,[14] that is an increase on last year. The analysis identifies inadequate reporting amongst Danish companies for this factor as well, with only 23 percent of companies meeting the criteria for good reporting (3 or 4 points). As many as 65 of the 77 companies with inadequate TCFD reporting practices do not provide basic information about climate risk (0 and 1 point).

14 There has been a positive trend with an increase of 63% since 2020 and a total increase of 70% since 2019. 24 companies scored 4 points for climate risk (TCFD) in 2020 compared with 23 companies in 2019. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

E3 Green growth and EU Taxonomy



ESG analyses are primarily risk-oriented. However, there is increasing investor interest in growth opportunities within the green transformation, such as renewable energy, low-carbon solutions, circular business models, 'green' products or services as well as green technology in general.

Business models centred on social impact are also seeing increased interest. This makes strategic ESG opportunities an important factor for stakeholders in ESG reporting.

It is difficult to assess opportunity and upside scenarios in the ESG field, mainly due to the fact that reporting requirements are primarily risk-oriented. To achieve 1 or 2 points, the company must describe green growth opportunities in general terms. With the introduction of the EU Taxonomy, it is becoming easier to assess a company's ability to capture opportunities in a more comparable way. We have therefore used the EU Taxonomy reporting requirements as a basis for the scoring criteria for scores 3 and 4.

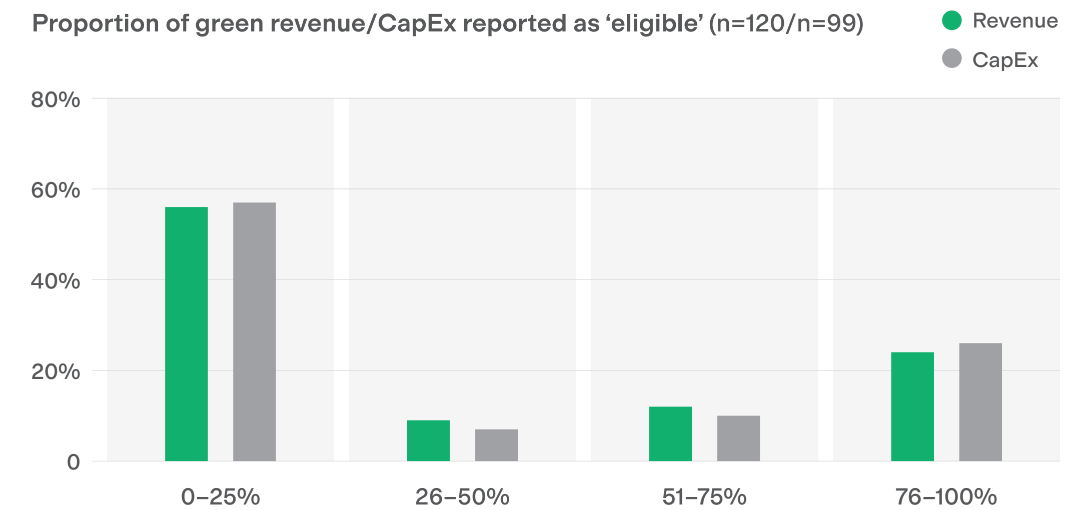
Only revenue and capital expenditure were included, as we deem these factors to describe the current state and future direction of the company. It is important to underline that the scoring does not reflect compliance with the Taxonomy reporting requirements. As the Taxonomy regulation implementation is in its first year and differs in the three countries (for example, it is not implemented in Norway yet), we have chosen to award the score of 3 to companies that report data on eligible revenue and capital expenditure (CapEx), whereas score 4 can be achieved if the company reports on aligned revenue and CapEx.

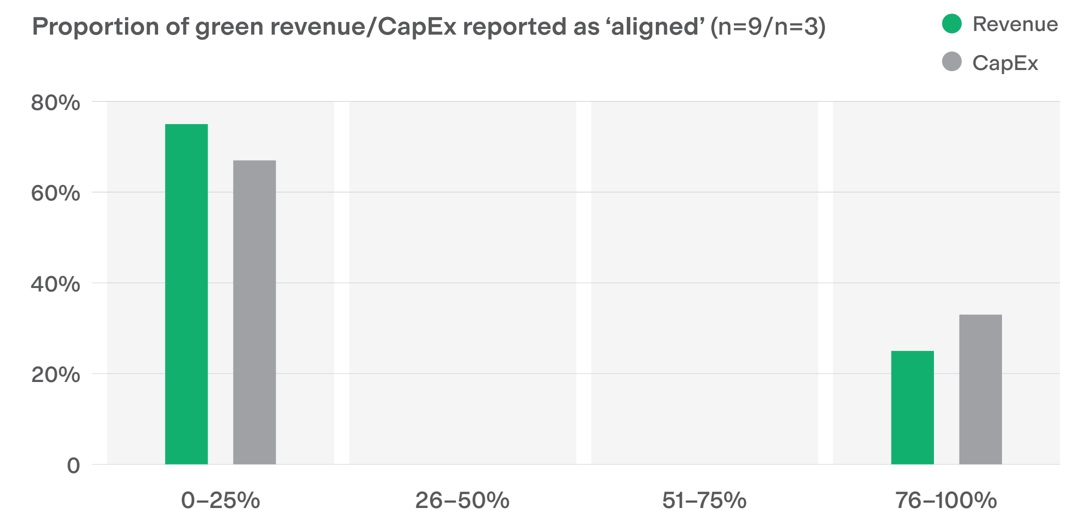
Norsk Hydro, Maersk, MT Højgaard Holding, Atrium Ljungberg and Volvo Cars are examples of companies that have provided good Taxonomy reporting.

The data selection[15] shows that 41 percent of the companies report on eligible activities based on revenue, and 33 percent based on CapEx. Fewer than 3 percent have started reporting on aligned activities.

However, in general, the reporting on eligible activities is more mature in Sweden, while Norway has the largest number of companies reporting on aligned activities – despite the fact that Norwegian companies are still not legally obliged to report on any Taxonomy related KPIs.

Note that assessing Taxonomy KPIs is challenging. Companies have made assumptions that seem inconsistent and not necessarily in line with the Taxonomy reporting regulation, and the information is often difficult to locate and interpret. We therefore did not include the Taxonomy criterion in the aggregated company scores.





Of the 8 percent of companies that do report, it is the companies with exceptionally high or low values that disclose aligned activities. Over time it would be interesting to look into how CapEx affects aligned revenue.

15 Not all companies are obliged to report on Taxonomy KPIs – still, the whole population is used as the denominator (all companies are assessed independently of actual requirements).

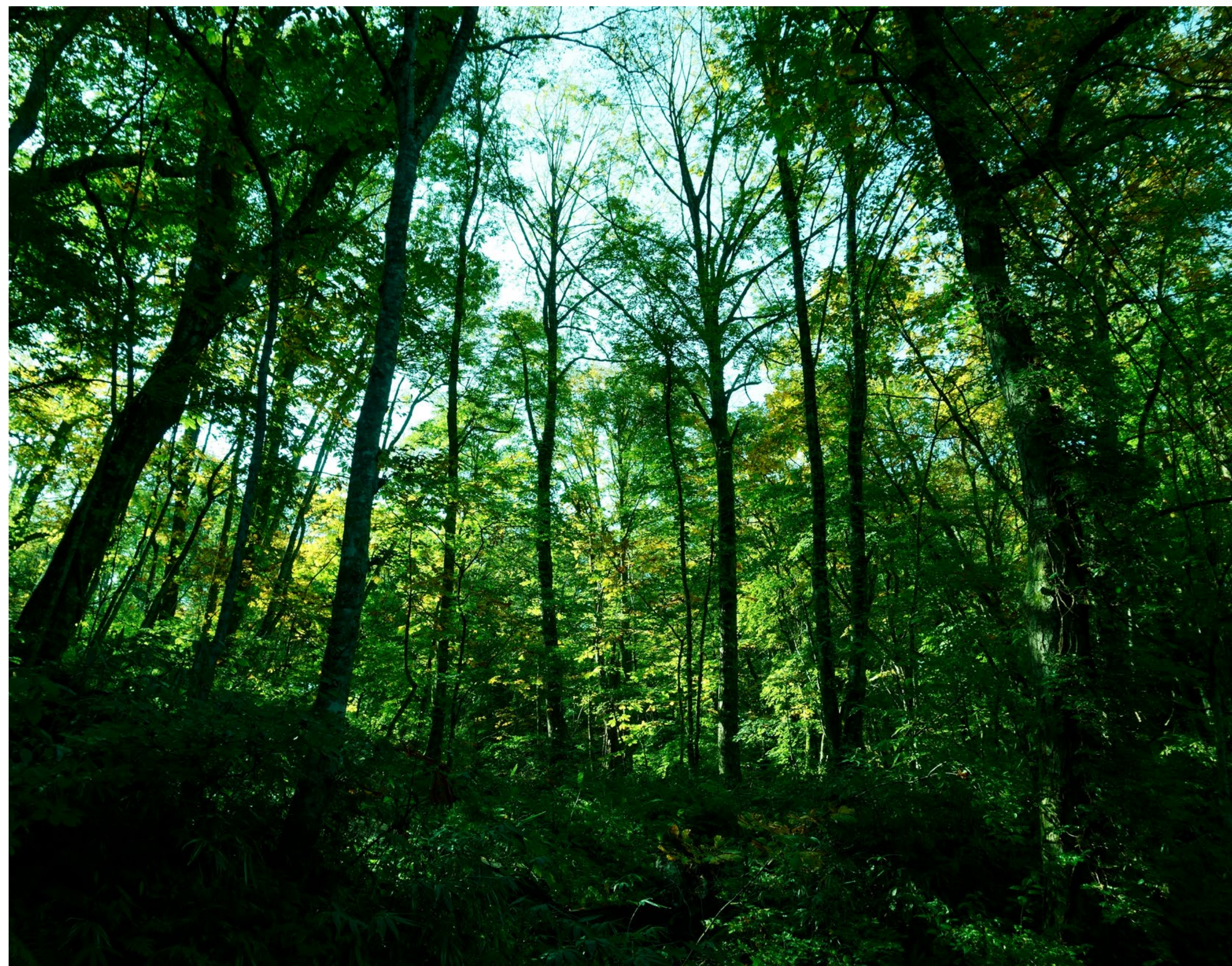
E4 Emerging disclosure trends

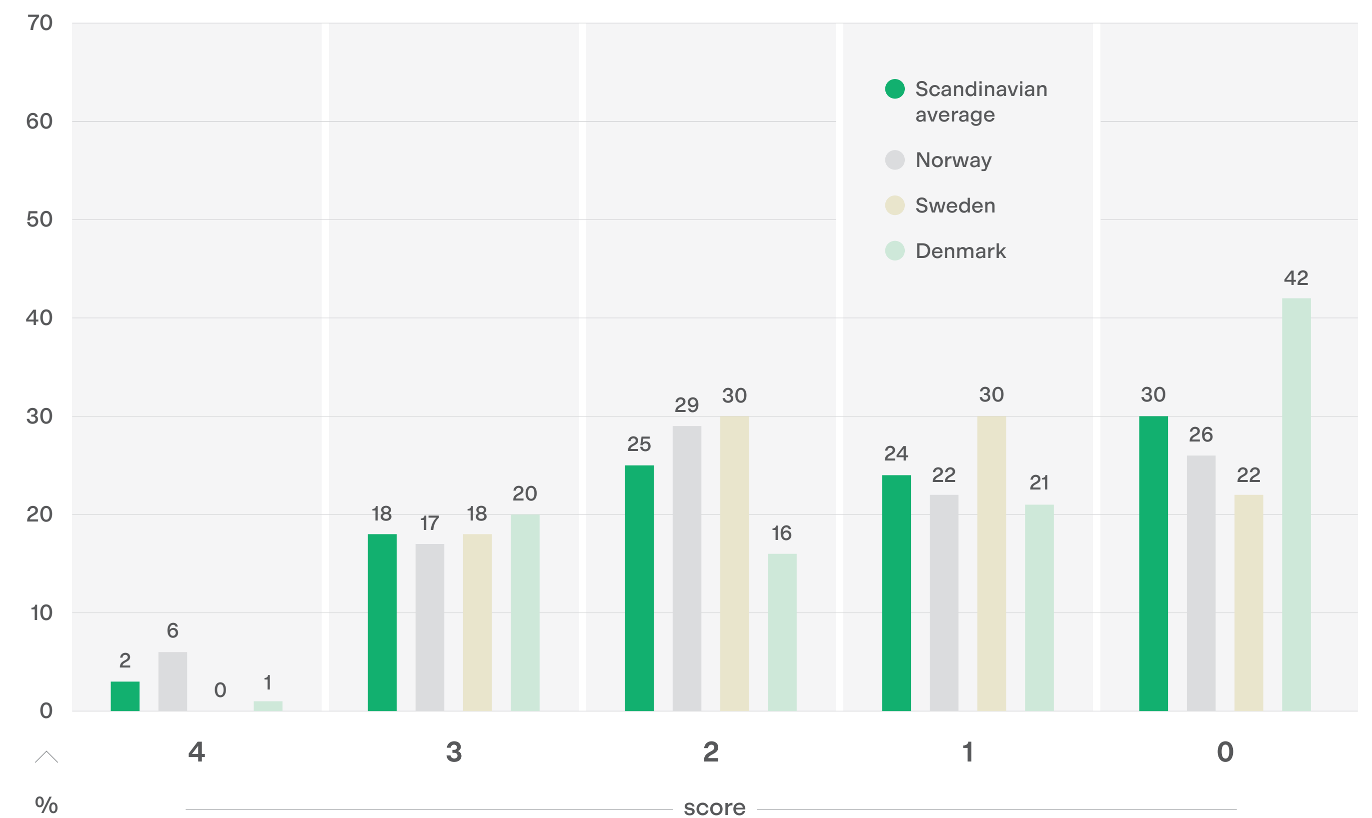
This criterion is new this year. It is a more forward-looking element, which assesses how companies appear to be integrating emerging regulations and frameworks relating to both climate change and a broader environmental perspective linked to the circular economy and nature-related risks. This is important in order to get an indication of how proactive and forward-looking the selected companies are. We have studied the following parameters:

Taskforce on Nature-related Financial Disclosures (TNFD): This is a new and broader framework based on the TCFD logic which also includes nature-related risks as a whole and not solely climate risk. The main focus is on ecosystem degradation and loss of biodiversity. The framework has yet to be completed, but a number of companies have begun the process and are either citing it in their reporting or including biodiversity aspects in their risk assessment. This indicates that the companies have adopted a forward-looking and broader environmental agenda.

Scope 3: Here we look at whether the companies are taking a proactive approach to emissions in their value chain and report more Scope 3 data than the typical bare minimum of data on business travel, waste and logistics.

Net zero transition plan: With the growing focus on climate-related risks, investors are seeking information about more than just emission status and reduction targets. They also want to know that the companies have comprehensive and concrete plans in place for transitioning to a low-carbon economy.





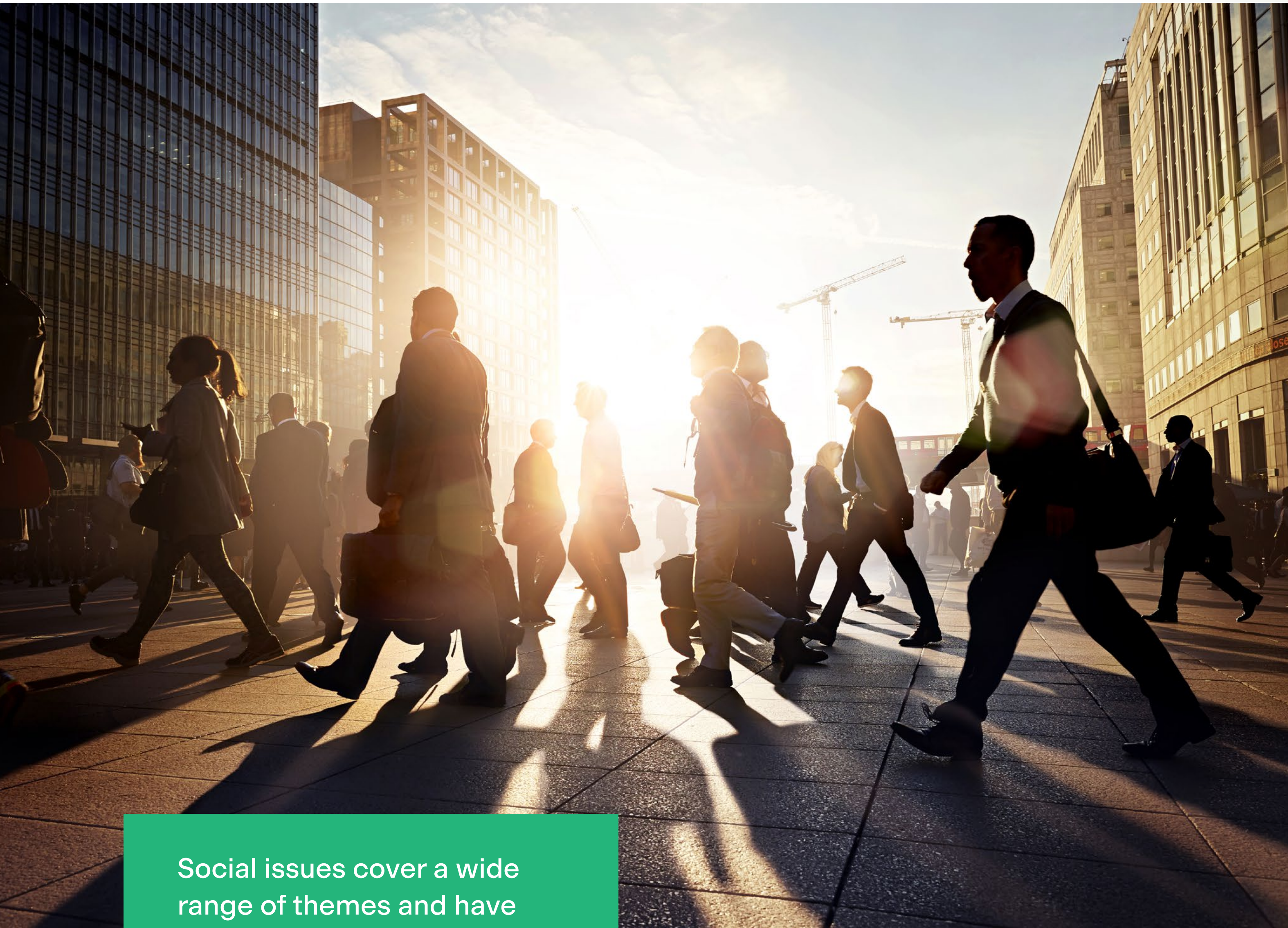
Circular economy: Circular business models are key to keeping within planetary boundaries. Here we look at whether the company defines a circular business model with relevant descriptions of key challenges, targets and concrete solutions.

The company scores 1 point for each topic it describes with minimal substance. Since TNFD does not cover every industry, we have not included these points in the total score. The maximum score here is therefore 3 points towards the total score for each company.

The analysis found that very few companies focus on these issues in their reporting. Around 30 percent of the Scandinavian companies do not mention any of the issues, while a large share of companies report on one or more issues. The following companies mention all four issues: Sparebank 1 Østlandet, Veidekke, Tomra, Elopak, Norsk Hydro, Storebrand (Norway), and H&M and OX2 (Sweden). This finding is not entirely unexpected since this parameter identifies challenging issues which are attracting increasing attention but are currently not subject to established reporting practices or statutory reporting requirements.

TNFD is the issue receiving the least attention from the companies. The issue is not included in the total score. Only 6 percent of the selected companies report on nature-related risk, while more than 40 percent report on Scope 3, net zero transition plans and circular business models. There are no major differences between the countries in terms of thematic weighting. Please note that TNFD does not apply to all industries; therefore, we did not include this criterion in the aggregated company scores.

Social



Social issues cover a wide range of themes and have traditionally attracted less scrutiny than environmental factors.

There is much to suggest that this is about to change with a growing volume of regulations and frameworks, including Norway's new Transparency Act and an increased GRI focus on human rights. We have opted to include those themes typically weighted heavily in ESG analyses, namely human rights, ESG competence development, Health and Safety and equal opportunities. Our overall impression is that topics explicitly regulated by law – equality and health and safety – are being reported much more thoroughly and meaningfully than less unequivocally regulated areas such as human rights and professional development.

Transparency Act

The business impact on human rights has been receiving increased focus in recent years, with a growing number of laws and regulations focusing on this. The UK's Modern Slavery Act of 2015 was the first such national law, with Norway, Australia, France, Germany and the Netherlands now all having laws that require companies to assess human rights risks, although the scope of the requirements varies.

The EU has also turned its focus to the business impact on human rights. For example, in order to be aligned with the EU Taxonomy, corporates must carry out human rights due diligence. The EU is also moving forward with its own environmental and human rights due diligence directive, which will require large companies to carry out human rights due diligence regardless of whether they are seeking Taxonomy alignment.

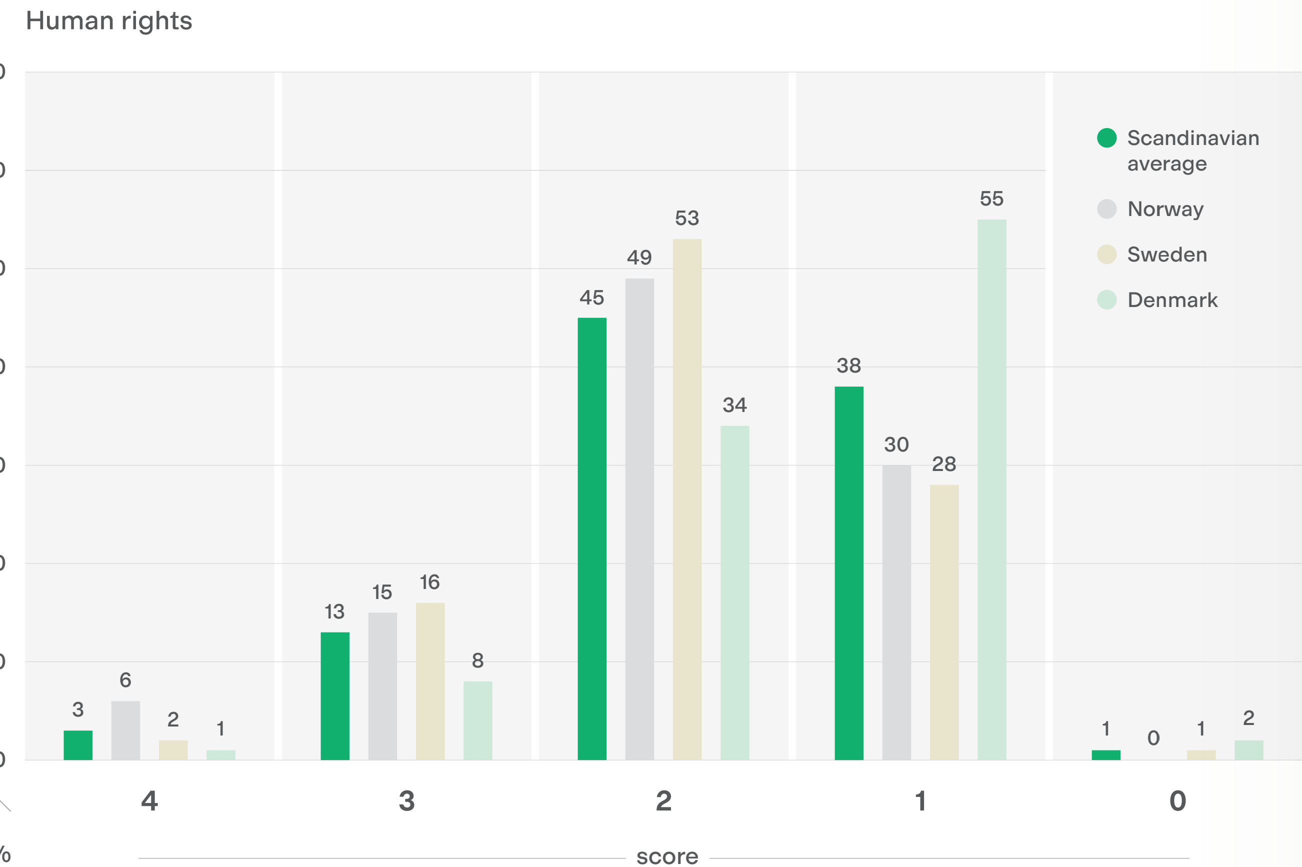
The requirements in the proposed EU Directive are similar to those in the Norwegian Transparency Act (an act relating to enterprises' transparency and work on fundamental human rights and decent working conditions), which came into force in July 2022.[16] The law promotes companies' respect for human rights and decent working conditions within their own operations and their value chains.

The Transparency Act requires large companies to carry out human rights due diligence in line with the OECD Guidelines for Multinational Enterprises and publish reports on the due diligence, including what actions they took and how effective they were. In addition, the law introduces a right to information for the public, which means companies will have to respond to requests from the public about their human rights due diligence. This creates an opportunity for public interest organisations to highlight failings in a company's human rights management.

The similarities between the Norwegian law and the EU proposal mean that companies that work to comply with the Transparency Act will be well placed to meet the requirements of the upcoming EU Directive as well as the EU Taxonomy.

16 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145

S1 Human rights



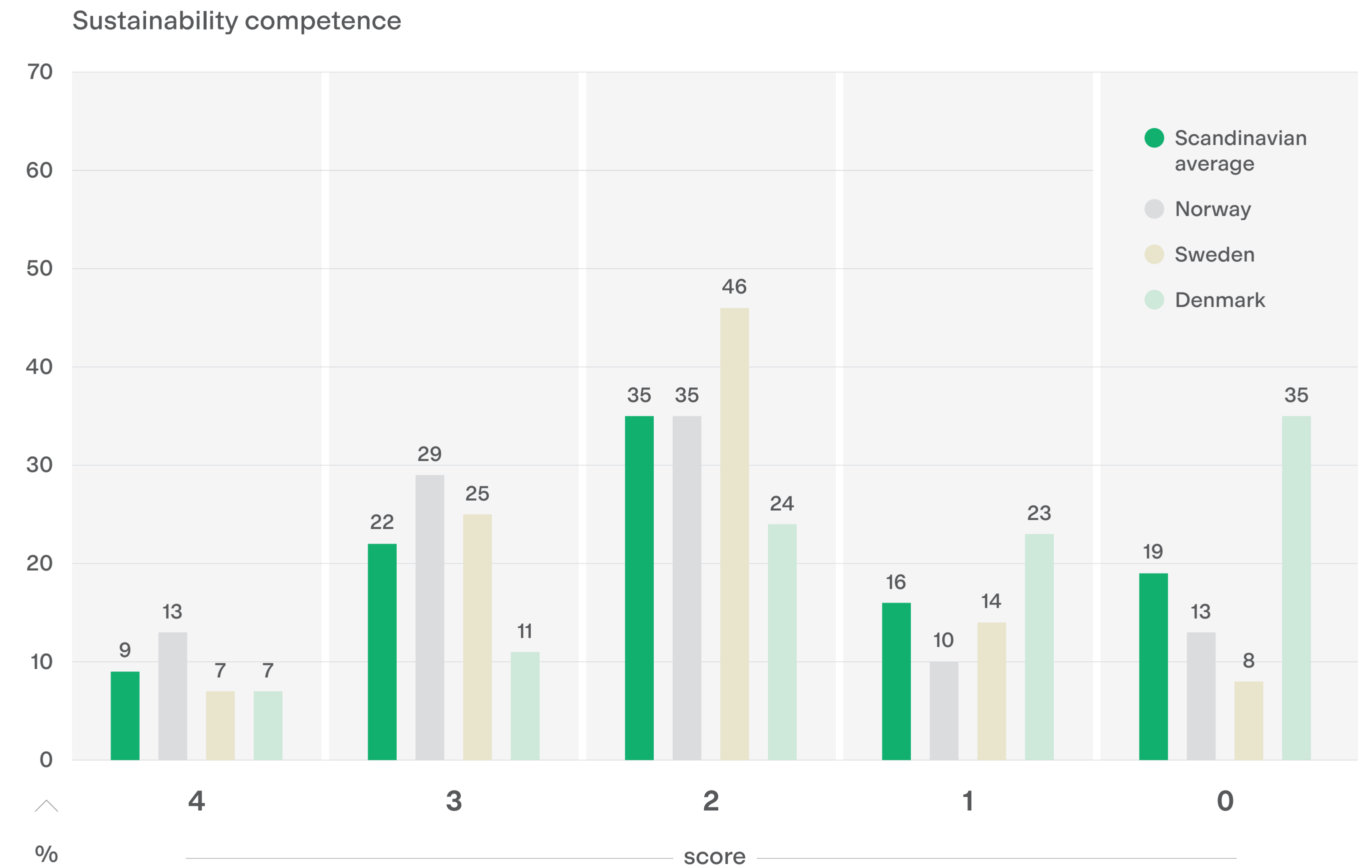
Growing regulatory pressure and investor recognition of human rights indicate that it is increasingly important for companies to report well on human rights.

To achieve a top score, companies should describe their material human rights risks within their operations and value chain, provide relevant data and targets on these issues including the company's performance and account for how human rights are managed through stakeholder dialogue, governing documents and due diligence.

Reporting on human rights is still quite new to the majority of companies in Scandinavia, with only 16 percent reporting on this in a meaningful way (score of 3 or 4). Very few companies achieved top marks (3 percent), with Norwegian companies achieving the most 4's (6 percent). Danish companies were the weakest at human rights reporting (91 percent scored 0, 1 or 2).

The increasing focus in this area, such as the Norwegian Transparency Act and the EU Directive, means that reporting on human rights will have to improve in the coming years in order to ensure compliance. The 10 top scorers in human rights reporting are Yara International, Borregaard, Bakkafrost, Norsk Hydro, Equinor and Subsea 7 from Norway; Telia Company and Volvo Group from Sweden; and Össur hf. in Denmark.

S2 Sustainability competence



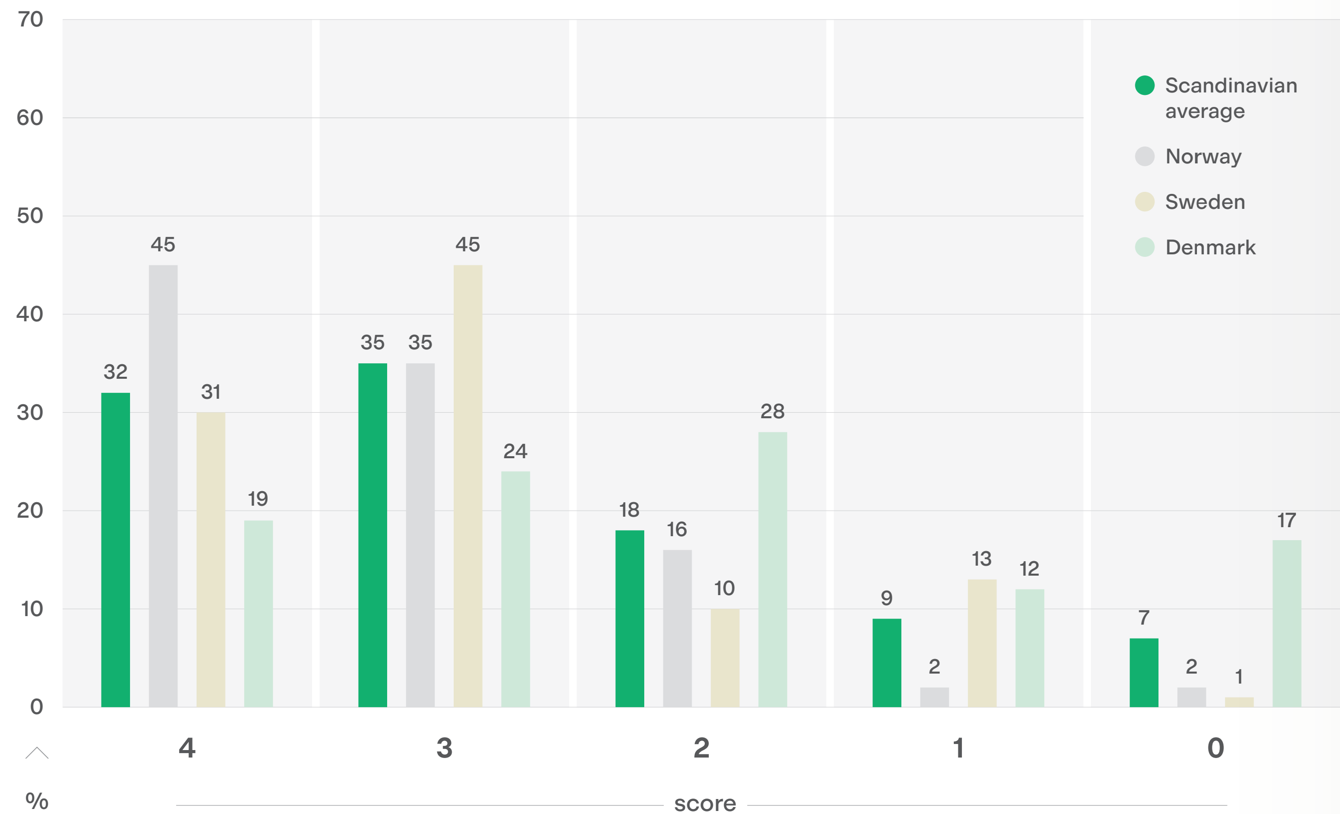
Companies may adopt ambitious sustainability targets, but that is of little help if their employees are not aware of them or do not have the skills needed to convert targets into action.

Skills development initiatives are thus a good indication of the general implementation of the companies' sustainability targets and their desire to further the maturity of their organisations. For this factor we therefore look only at what the companies are reporting on professional development specifically linked to sustainability, not skills development in general.

Good reporting must include a clear description of which training programmes have been introduced and data on completion. To achieve a top score, we also require clear targets and/or information about ESG competence amongst the management/board.

Scandinavian companies still have a way to go in this area. Only 30 percent achieve 3 or 4 points.

S3 Sickness absence and injury statistics

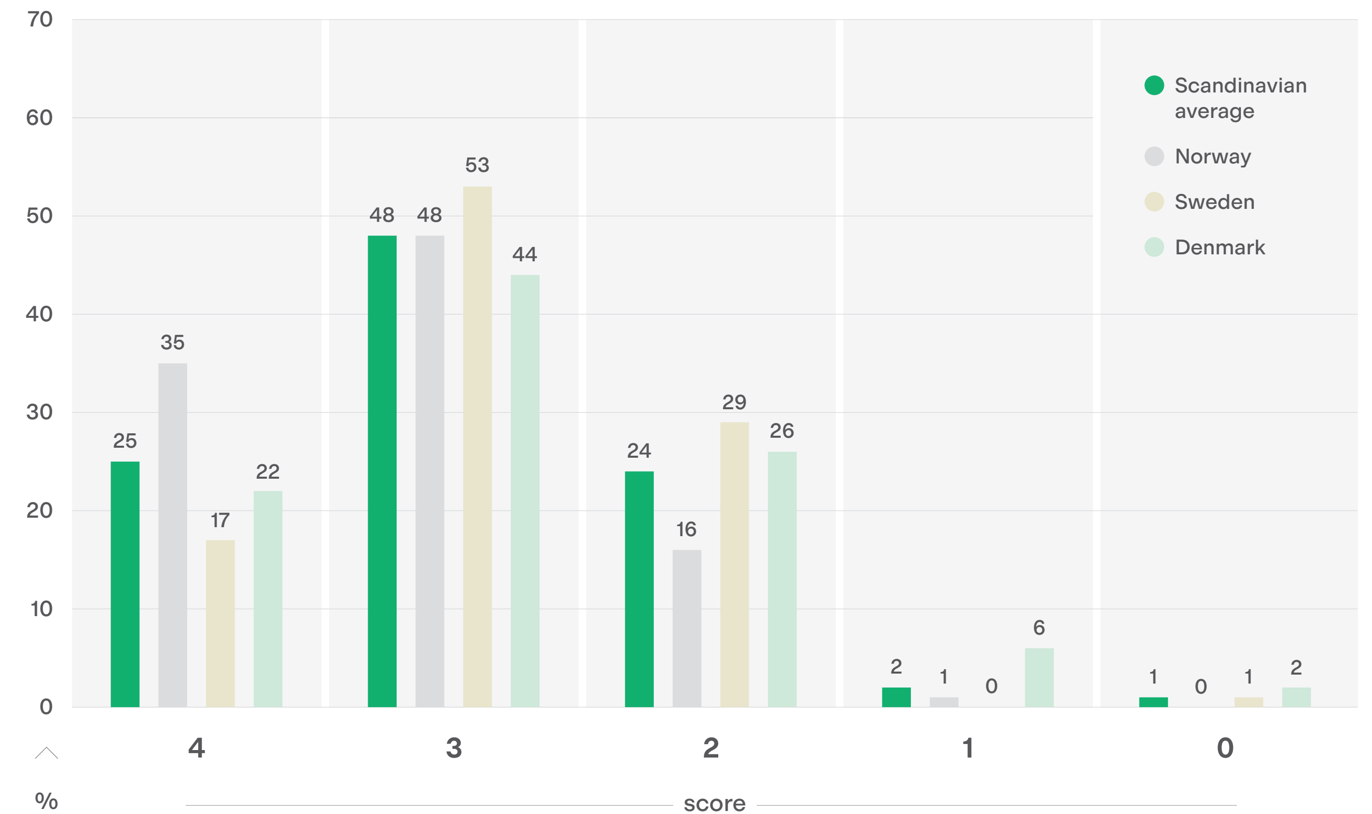


This topic covers traditional HSE governance and statistics and is subject to stricter reporting requirements than many other ESG themes.

To achieve a top score, the company must report in full on injury statistics and sickness absence as well as on concrete targets and strategies and how to realise them. Companies posing a considerable risk of causing harm are expected to provide more in-depth reporting.

At a Scandinavian level this is one of the factors with the best reporting overall; 67 percent of the companies provide good reporting (score of 3 or 4). However, there are differences between the countries. As many as 57 percent of the Danish companies provide inadequate reporting on sickness absence and injury statistics, and 17 percent provide no information.

S4 Equality, diversity and inclusion



Reporting on equality, diversity and inclusion is well established amongst Scandinavian companies, partly driven by statutory equality reporting by major companies.

To achieve a top score, the company must account for gender balance not only across the company as a whole but also in the boardroom and management team. It must also provide a good description of measures and results, and it must disclose data on the pay gap between women and men.

The analysis found good reporting on equality across Scandinavia, with 73 percent of companies providing good reporting overall (score of 3 or 4). The main reason for companies not achieving a full score is inadequate reporting on the pay gap between women and men as well as on concrete targets. Only three companies in Scandinavia make no reference to this topic whatsoever. We suspect that the ten of the 300 companies with inadequate or no reporting (0 and 1 point) would not satisfy the reporting requirements on equality and discrimination in the three countries.

Governance

Every company listed on each Scandinavian stock exchange is required to account for their corporate governance and management.[17]

Given the rules of the Scandinavian stock exchanges and the maturity that exists around corporate governance, our analysis aims to specifically emphasise the governance, monitoring and control of sustainability as well as how business ethics are being followed up on. We have therefore weighted the company's approach to ESG governance and assessed its explanation of how it has identified key ESG themes, whistleblowing arrangements, anti-corruption measures, use of ESG reporting standards and supplier monitoring in this category.

17 https://www.nasdaq.com/solutions/rules-regulations-copenhagen
https://www.euronext.com/sites/default/files/2020-11/Euronext%20Rule%20Book%20II_Oslo_EN%20112020.pdf
A Company listed on Nasdaq Stockholm must also comply with Nasdaq Main Market Rulebook for Issuers of Shares and the Swedish Corporate Governance Code (Sw. Svensk kod för bolagsstyrning).

Consolidation of sustainability standards

Voluntary sustainability standards are being consolidated and incorporated into various pieces of legislation. During the climate summit in November 2021, the IFRS Foundation announced the creation of the International Sustainability Standards Board (ISSB). The aim of the ISSB is to ensure consistent ESG information in the same way that IFRS ensures comparable financial data. The ISSB has stated that it will base its standard on the SASB framework and the principles for integrated reporting.

This points towards more consistent sustainability reporting, although history does not give cause for immediate optimism. It took several decades from the launch of IFRS until an agreement was reached on a standard that a sufficient number of countries chose to absorb into their respective accounting rules. There is still not complete consistency in financial reporting by companies in different countries with IFRS-based rules.[18]

If there is any cause for confidence, it would be the fact that the ISSB was established against the backdrop of the climate summit in 2021 and the growing concern about the risks to the global economy, corporate earnings, future wealth prospects and political stability if products and services do not become more sustainable.

In addition, and irrespective of how quickly the ISSB is able to roll out its standard, the Commission has adopted a proposal for a Corporate Sustainability Reporting Directive (CSRD) which will clarify and develop the rules on sustainability information that must be reported on by comapnies.

Directive on Corporate Sustainability Reporting (CSRD)

In April 2021 the EU Commission published its proposed new Directive on Corporate Sustainability Reporting (CSRD). The Directive has been debated by the EU Parliament and Council and will come into force in the 2023 reporting year with publication due in 2024.

The CSRD will replace the current Non-Financial Reporting Directive and is much more far-reaching than its predecessor in terms of the number of companies it covers, new rules for information audits and reporting items codified as a separate European Standard for Sustainability Reporting (ESRS). The information must also be machine-readable, and the ESEF reporting format must be used. ESEF is designed to make it easier to obtain and compare data electronically, something which will make the analysis process more efficient.

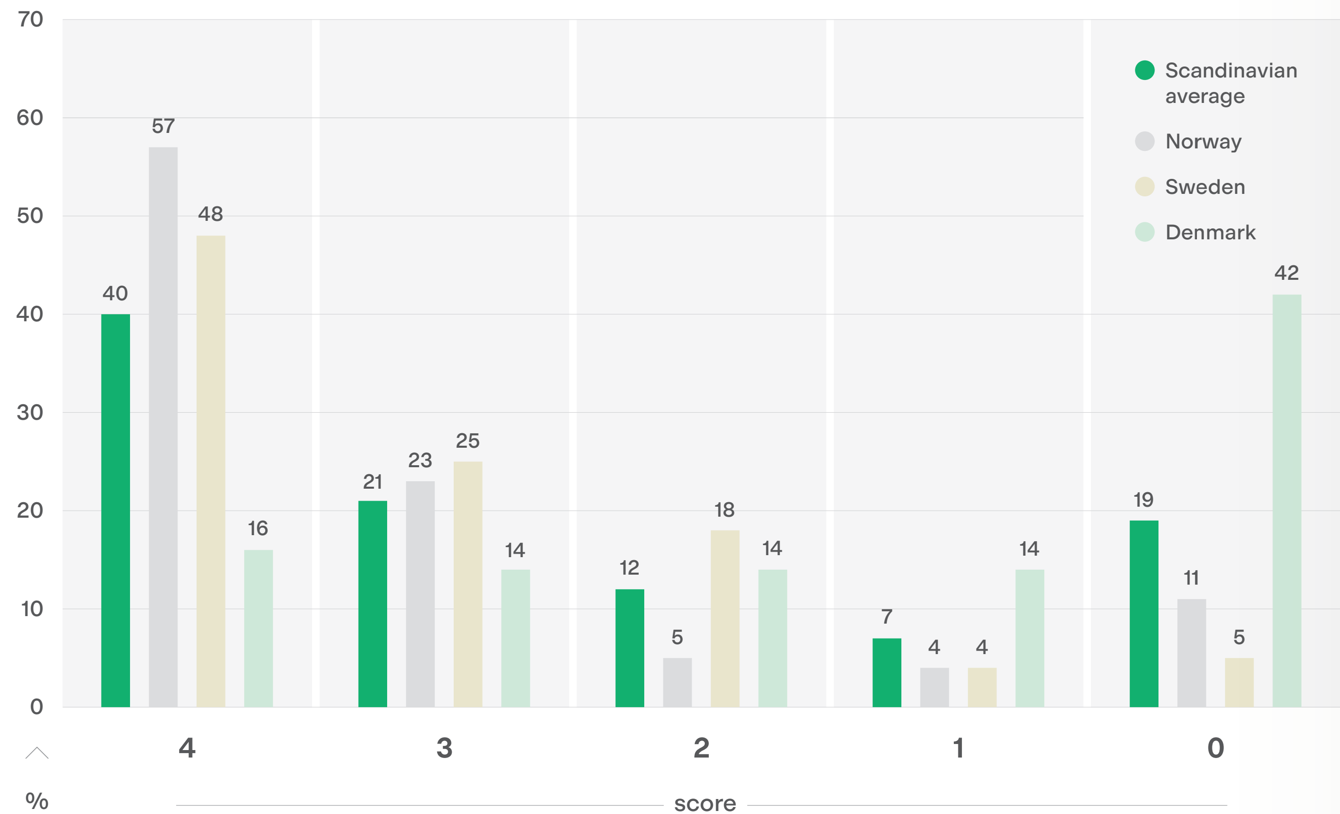
Another initiative which will have a big impact on sustainability information is the EU's classification system for sustainable activities, the EU Taxonomy.

Companies subject to the EU reporting requirements must state how much of their revenues and investments meet the Taxonomy's criteria for sustainable economic activity as defined by the EU (see separate section on the taxonomy regulation on pages 16–17). In other words, there will be concrete figures calculated according to specific industry criteria.

The EU's Disclosure Regulation is also highly likely to entail more stringent requirements for consistent sustainability information. The Regulation requires financial institutions offering financial services to disclose how sustainability risk is integrated into their portfolio management. If a financial product is marketed as being 'sustainable', they must provide advance information about how the product would live up to this characteristic. In the longer term it is expected that portfolio managers' share of sustainable revenues and investments will be used to determine how sustainable their financial products can be claimed to be – cf. the rules set out in the Taxonomy.

18 Prather-Kinsey, De Luca and Phan 2022.

G1 Materiality assessment



A materiality assessment provides a basis for prioritising ESG strategy and management and for dialogue with key stakeholders on sustainability topics. Without proper information on what the company's material impacts are, the rest of its ESG reporting becomes less meaningful for external readers.

To receive the highest score, the company must account for significant sustainability issues and how these are identified, including stakeholders' perspectives and involvement in the process. These companies include Borregaard and Storebrand in Norway, Castellum and TietoEvry in Sweden, and Maersk and SAS in Denmark.

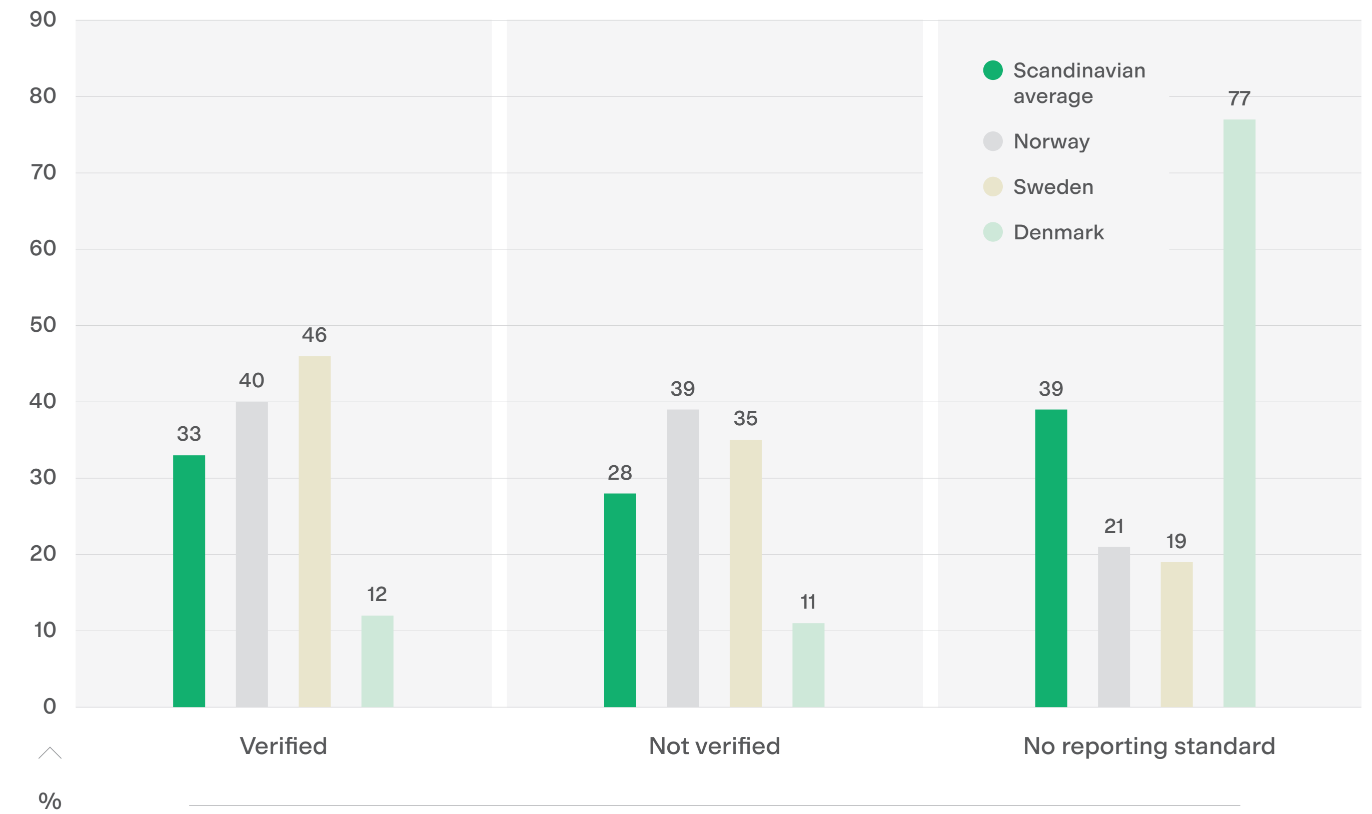
The analysis shows that the practice of conducting materiality assessments differs among the Scandinavian countries. Norway[19] and Sweden have a similar distribution of scores, with 80 percent and 73 percent, respectively, having meaningful reporting (score 3 or 4).

Around half of Norwegian companies (57 percent) and Swedish companies (48 percent) have conducted a materiality assessment that fulfils the criteria for the highest score, i.e. material topics are reported, the process behind the identification of topics is explained, stakeholder dialogue is included and the analysis seems recent (within the past two years).

Of the Danish companies, 70 percent do not sufficiently report on materiality, and only 16 percent of companies meet the criteria for a full score.

19 There has been a positive trend with an increase of 10% since 2020 and a total increase of 82% since 2019. 69 companies scored 3 or 4 points for materiality assessment in 2020 compared with 44 companies in 2019. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

G2 Use of voluntary reporting framework – GRI or SASB



There are a number of different standards for reporting sustainability information. Using a reporting standard ensures a minimum of methodological quality as well as consistent information across companies, industries and time.

Two of the most established general standards are the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Both have detailed requirements for what kind of information must be reported. The use of GRI or SASB is not a prerequisite for designing a good report but ensures a minimum of relevance, methodological robustness and consistency in the data reported.

In order to receive a score of 3, the reporting should be in line with either SASB or the GRI standard.

To receive a top score in our analysis, the report must also be verified by an independent party.

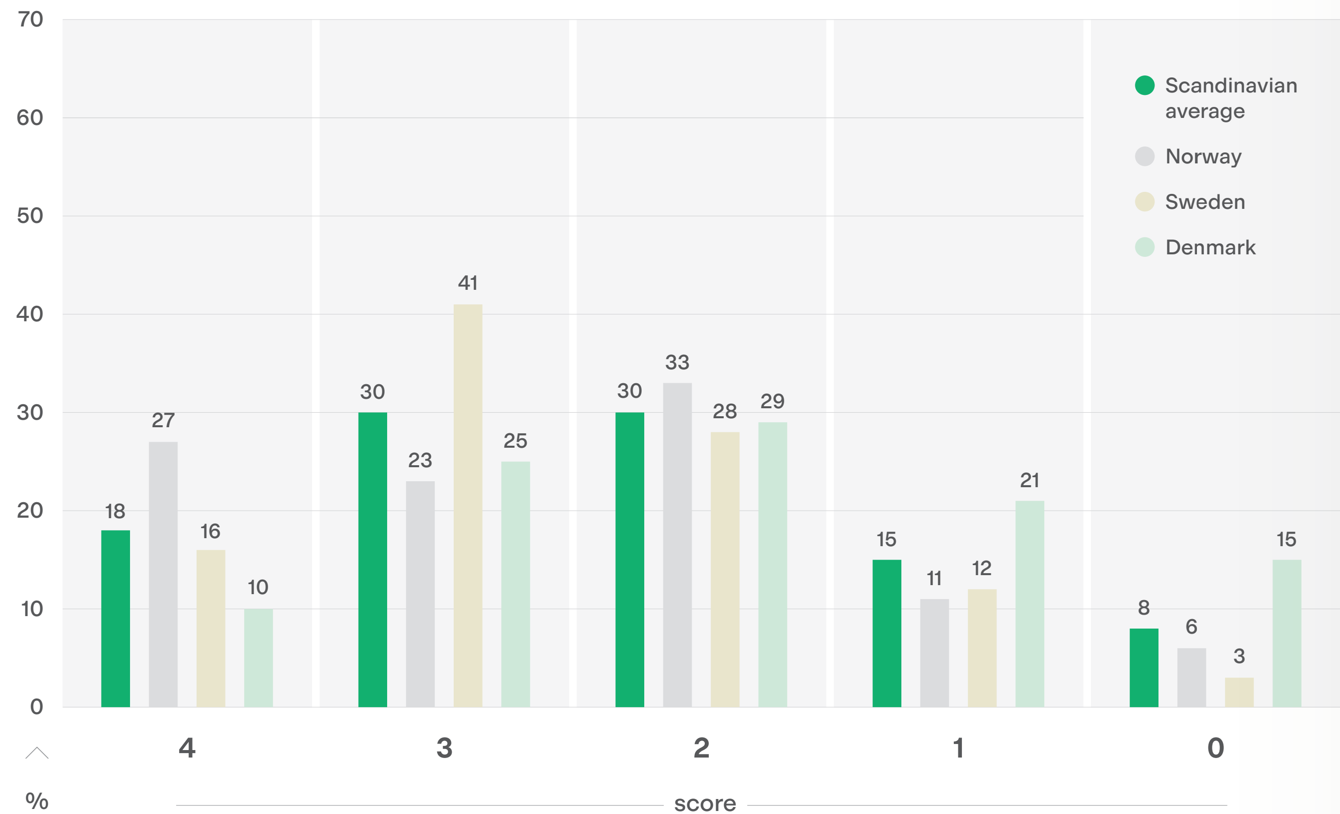
On average, 39 percent of the companies do not report according to the GRI or SASB standards. However, there are significant differences between the countries: in Sweden a total of 81 percent of the companies follow the reporting standards, while in Norway[20] 79 percent of the companies follow a standard. Of those, 45 Swedish companies and 40 Norwegian companies are verified externally.

By comparison, only 23 percent of the Danish companies are following a standard, and among those only 12 percent are verified.

20 This is a positive change over the past two years with an increase from 44 companies in 2019 to 64 companies in 2020, and to 79 companies receiving 3 or 4 in 2021. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

G3 System for supplier monitoring

System for supplier monitoring



Most large companies have extensive supply chains with significant risks associated with corruption, human rights, working conditions and the environment. Reporting on how the company approaches and performs in this area is therefore important to understand whether the company takes responsibility for its entire value chain.

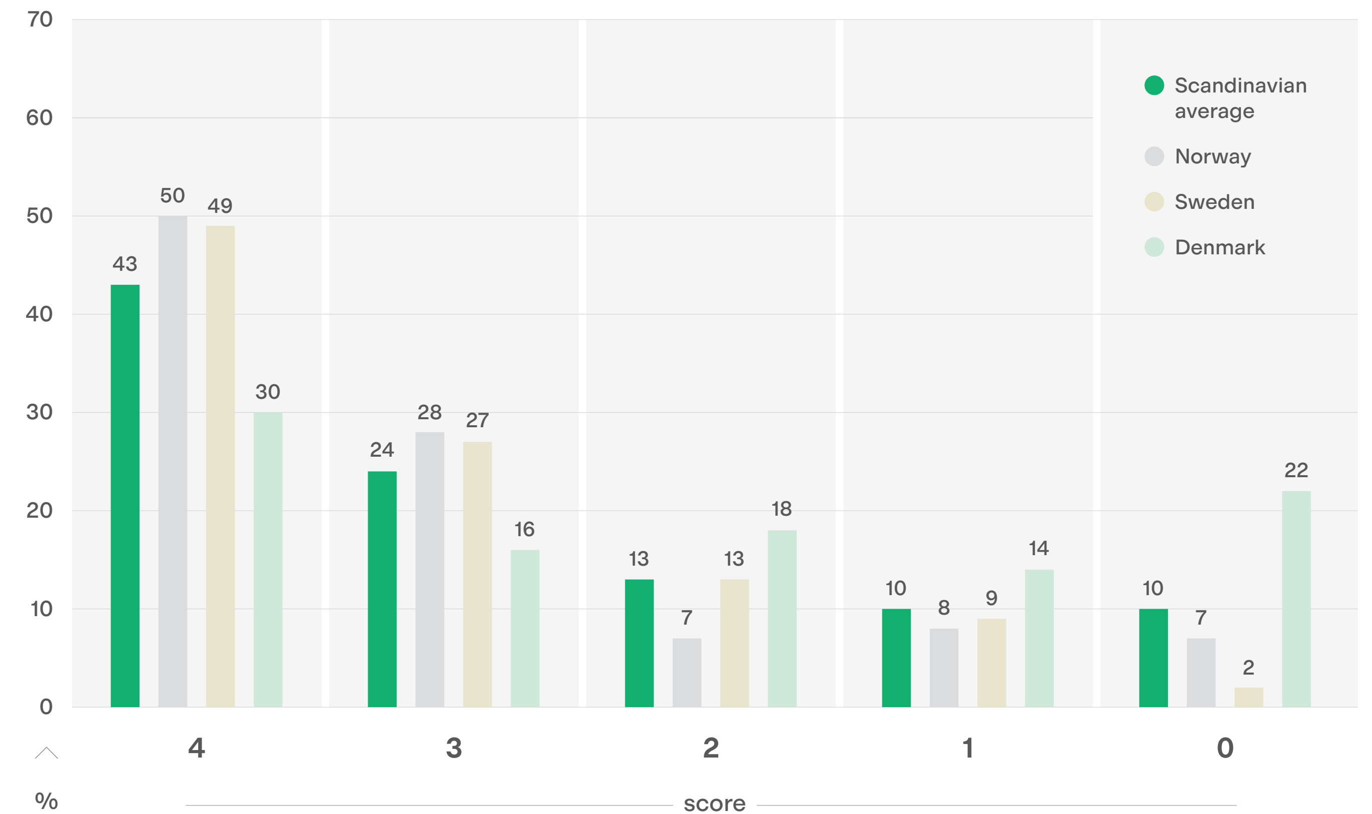
For top scores, the company must disclose which criteria it applies in supplier selection, how it monitors and audits new and existing suppliers, processes for supplier development and targets for improved supply chain management. The companies that did this include Anora Group and Telenor in Norway, AstraZeneca and Ericsson in Sweden and DSV and BioPorto in Denmark.

There is an even distribution between the Scandinavian companies with meaningful reporting (48 percent) and inadequate reporting (57 percent). Sweden has the highest number of companies with good reporting (57 percent achieve a score of 3 or 4), while Norway[21] has the highest number of companies with the top score (27 percent). Denmark lags behind with only 33 percent of companies providing good reporting.

21 There has been an increase of 13% since 2020 and a total reduction of 16% since 2019. 24 companies received 4 points for their supplier monitoring systems in 2020 compared with 32 companies in 2019. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

G4 Whistle-blower mechanisms

Whistle-blower mechanisms



An efficient whistle-blowing mechanism is crucial in ESG management. If a company does not ensure that stakeholders can report on breaches of regulations, company policies, guidelines or other wrongdoings, situations may arise where the management and the board are not properly informed and as a result cannot rectify unjustifiable activities.

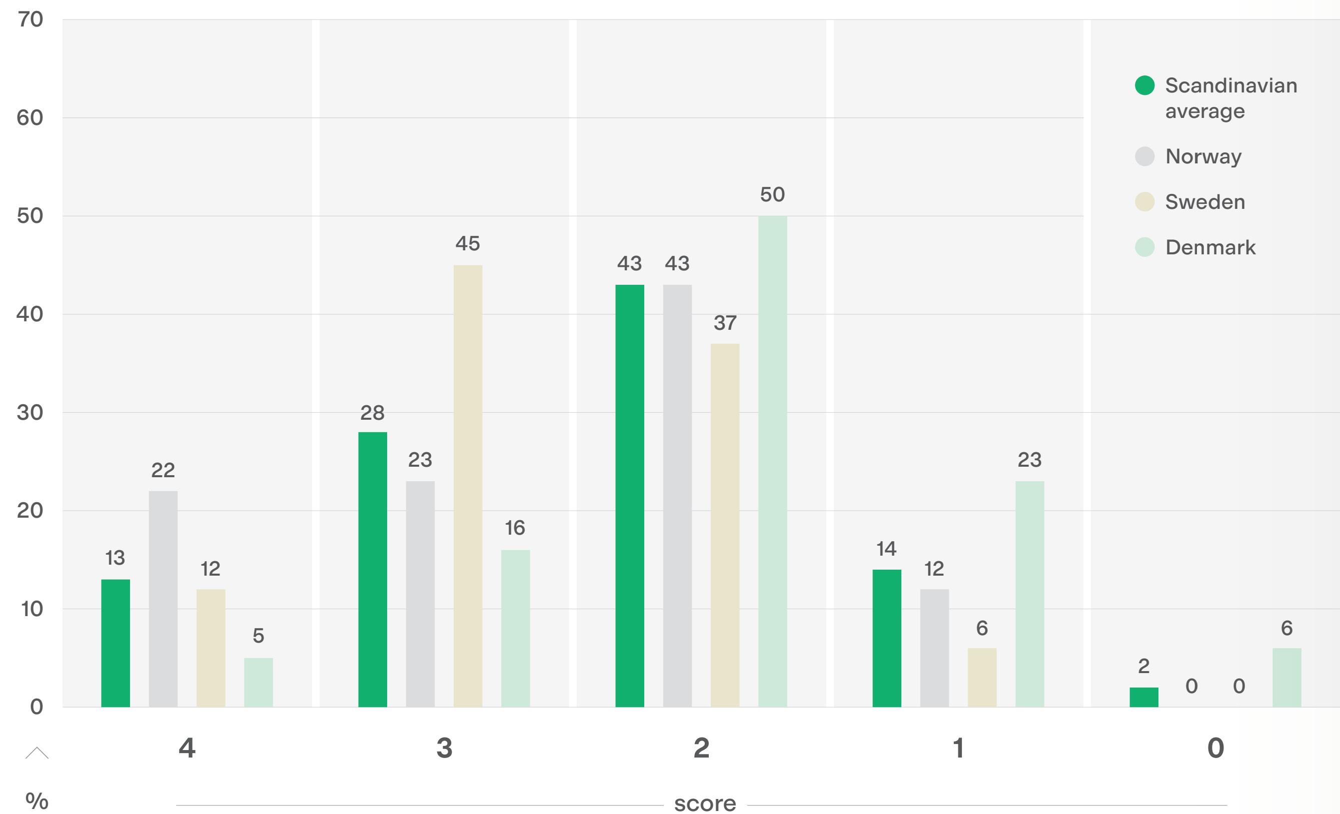
As a result, it is crucial that a company's board and management can rely on a reporting system that captures information on potential breaches, and it is also important that the whistle-blowing facility is available to external stakeholders.

To receive the highest score, the company must have an internal and external whistle-blower facility and provide data on reported incidents.

In general, 67 percent of the Scandinavian companies have satisfactory/meaningful reporting. Around half of the companies in Norway[22] (50 percent) and Sweden (49 percent) achieve the highest score in this category. Only 7 Norwegian companies and 2 Swedish companies do not report having a complaint mechanism, compared to 22 companies in Denmark.

22 There has been an increase of 63% since 2020 and a total increase of 123% since 2019. 30 companies received 4 points for their whistle-blower mechanisms in 2020 compared with 22 companies in 2019. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

G5 Corruption risk



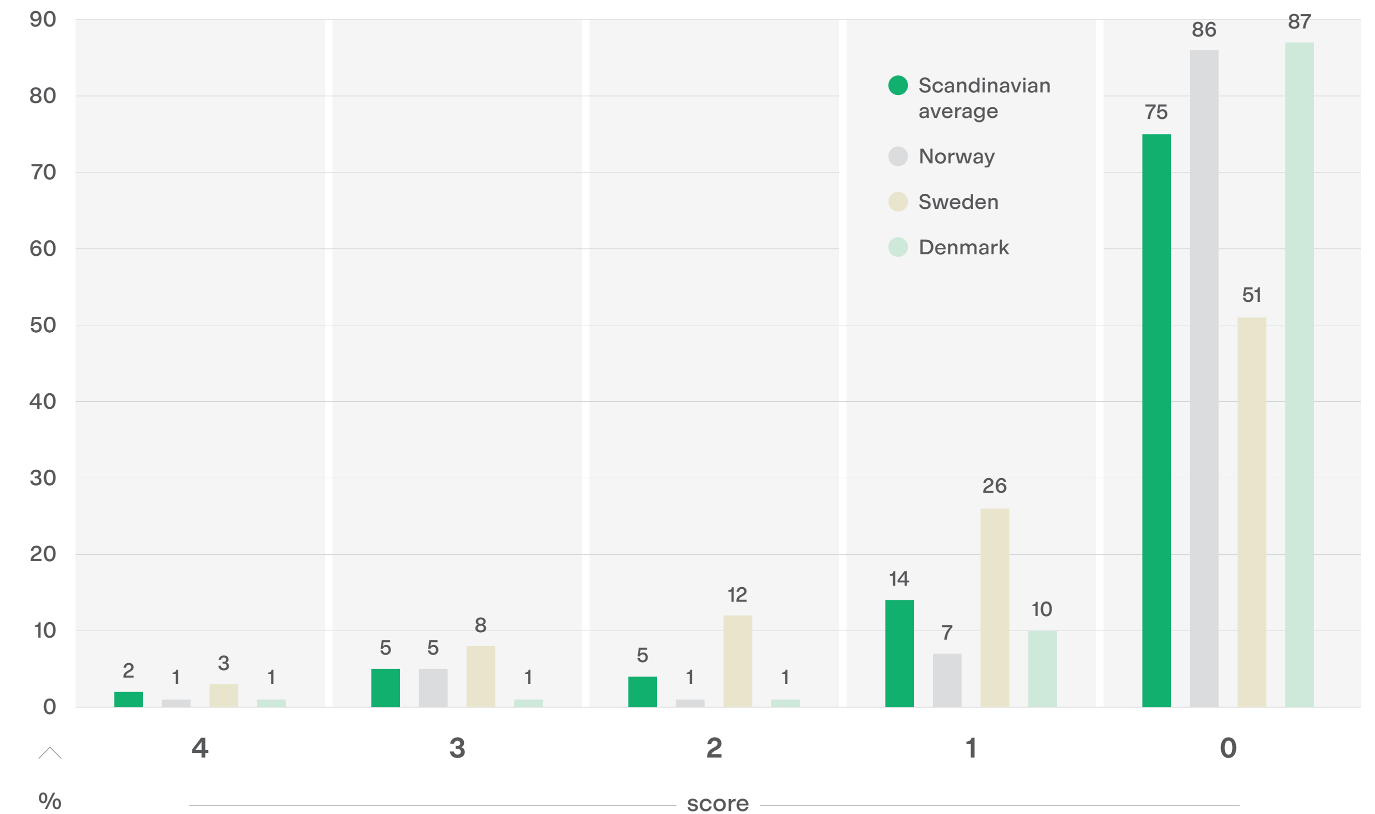
Corruption, either internally or related to business partners and suppliers, is severely penalised by authorities and society. Therefore, the company's system for detecting, assessing and counteracting corruption is a key reporting theme in all ESG analysis.

To score 3, the company needs to provide information on how it works with anti-corruption with disclosure of reported cases regarding potential corruption. For a full score, the company must also disclose the management of corruption risk in its operations, including the value chain. These companies include Orkla and Golden Ocean Group in Norway, Saab and Boliden in Sweden, and Demant and H+H International in Denmark.

Almost all the Scandinavian companies mentioned anti-corruption in their reports, with only 6 percent of Danish companies not mentioning it at all. In Sweden 57 percent of the companies reported meaningfully on corruption, compared to the Scandinavian average of only 40 percent.[23]

23 There has been an increase of 18% since 2020 and a total increase of 23% since 2019. 44 Norwegian companies scored 3 or 4 points on corruption risk in 2020 compared with 52 companies in 2019. We do not have corresponding figures from Sweden and Denmark since this is the first year of ESG100 in those countries.

G6 Executive pay linked to ESG performance



This category was introduced in the analysis for the first time this year and reflects an emerging concern over the general lack of consequences, both positive and negative, related to ESG targets and sustainable business conduct.

Linking executive compensation to sustainability targets is therefore seen as a hallmark of companies that set clear targets and are willing to put their money where their mouth is. It also means that the Board must be actively engaged and assess the sustainability performance of the company by measurable KPIs.

To achieve good scores here, the company must provide information on whether executive pay is linked to ESG and which executives are covered. To receive a 4, the company must also provide descriptions of the KPIs/targets included in the bonus scheme.

The four companies that did this are Entra in Norway, ABB, Dometic Group and Traton in Sweden and SimCorp in Denmark.

As the graph clearly shows, this is not an established practice: on average, 75 percent of the companies do not mention this at all, and only 7 percent have any concrete reporting (score 3 and 4) on ESG-linking of executive pay.

However, there are signs that this concept is gaining traction, especially in Sweden, where 38 percent mention or provide some basic information (score of 1 or 2), and 11 percent provide more meaningful information (score of 3 and 4). The majority of the companies in Norway (86 percent) and Denmark (87 percent) do not mention this at all.

3 Summary

What do the grades mean?

A Excellent reporting in line with best practice. Good description of material issues and performance in these areas. Clear strategy and specific, quantifiable targets.

B Good reporting that covers important issues. Includes a materiality assessment, is based on a recognised reporting standard, and provides some specific, quantifiable targets.

C Includes basic sustainability reporting with insufficient data or targets for some criteria.

D Reporting on some issues but lacks a systematic approach.

E An attempt at sustainability reporting but no recognised standard is followed. Difficult to gauge priorities and quantifiable information is lacking.

F No reporting or very incomplete reporting.

Denmark

Company	Grade
Danske Bank	A
DSV	A
FLSmidth & Co.	A
HusCompagniet	A
Vestas Wind Systems	A
Coloplast	A-
Mærsk	A-
H. Lundbeck	B+
NKT	B+
Novo Nordisk	B+
Ambu	B
Bavarian Nordic	B
Brødrene Hartmann	B
Carlsberg	B
GN Store Nord	B
H+H International	B
ISS	B
Nilfisk Holding	B
Novozymes	B
Ørsted	B
Össur hf.	B
Pandora	B
Rockwool	B
SAS	B
Topdanmark	B
TORM	B
ALK-Abelló	C
cBrain	C
Chr. Hansen Holding	C
Demant	C
Flügger Group	C
Jeudan	C
Københavns Lufthavne	C
Matas	C
NTG Nordic Transport Group	C
Royal Unibrew	C
Sanistål	C
Schouw & Co.	C
SimCorp	C
SP Group	C
TCM Group	C
Aquaporin	D
Bang & Olufsen	D
BankNordik	D
Boozt	D
Brødrene A & O Johansen	D
D/S Norden	D
DFDS	D
Djurslands Bank	D
FirstFarms	D
Gabriel Holding	D
Genmab	D
Green Hydrogen Systems	D
GreenMobility	D
Gyldendal	D
Harboes Bryggeri	D
Jyske Bank	D
Lån & Spar Bank	D
MT Højgaard Holding	D
Netcompany Group	D
NNIT	D
North Media	D
Per Aarsleff Holding	D
Ringkjøbing Landbobank	D
RTX	D
Scandinavian Tobacco Group	D
Skjern Bank	D
Solar	D
Spar Nord Bank	D
Sparekassen Sjælland-Fyn	D
Sydbank	D
The Drilling Company of 1972	D
Tivoli	D
Tryg	D
Zealand Pharma	D
Alm. Brand	E
BioPorto	E
ChemoMetec	E
Columbus	E
Copenhagen Capital	E
Danske Andelskassers Bank	E
Fast Ejendom Danmark	E
Fynske Bank	E
German High Street Properties	E
Kreditbanken	E
Lollands Bank	E
Orphazyme	E
Prime Office	E
Totalbanken	E
Trifork Holding	E
UIE	E
Vestjysk Bank	E
Ennogie Solar Group	F
Grønlandsbanken	F
Luxor	F
Møns Bank	F
Nordfyns Bank	F
Parken Sport & Entertainment	F
Strategic Investments	F

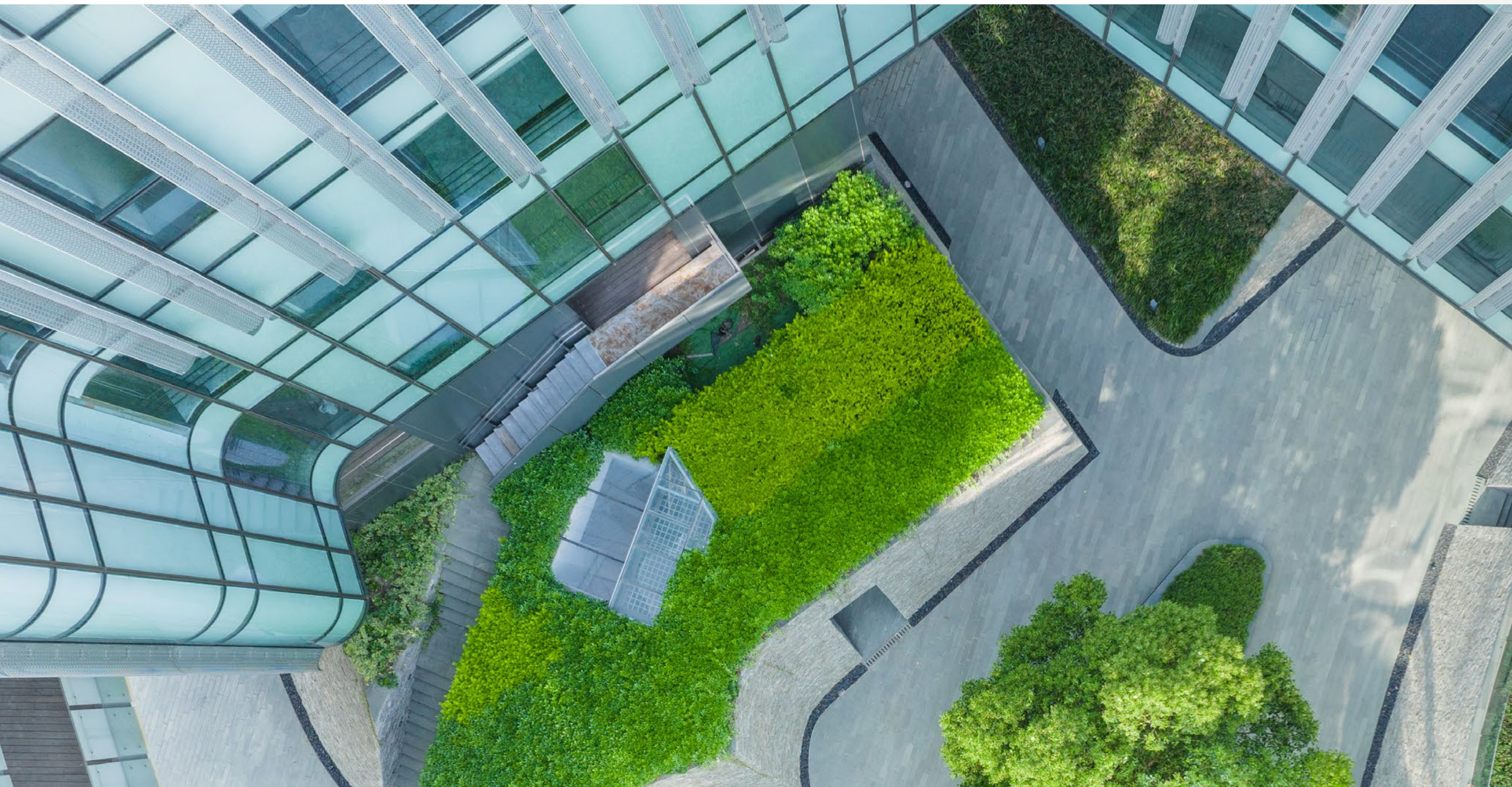
Norway

Company	Rating
Aker BP	A+
Aker Solutions	A+
Borregaard	A+
Equinor	A+
Yara International	A+
Aker Horizons	A
Anora Group	A
Bakkafrost	A
DNB Bank	A
Elkem	A
Entra	A
Gjensidige Forsikring	A
Grieg Seafood	A
Kongsberg Gruppen	A
Mowi	A
Multiconsult	A
Nordic Semiconductor	A
Norsk Hydro	A
Orkla	A
Scatec	A
Schibsted	A
SpareBank 1 Østlandet	A
SpareBank 1 SR-Bank	A
Storebrand	A
Telenor	A
TGS	A
Veidekke	A
Aker	A-
Aker Carbon Capture	A-
SpareBank 1 Nord-Norge	A-
Sparebanken Vest	A-
TOMRA Systems	A-
Atea	B+
Crayon Group Holding	B+
Lerøy Seafood Group	B+
Selvaag Bolig	B+
Subsea 7	B+
AF Gruppen	B
Aker BioMarine	B
Austevoll Seafood	B
B2Holding	B
BEWI	B
BW LPG	B
BW Offshore	B
Cloudberry Clean Energy	B
Elopak	B
Europris	B
Fjordkraft Holding	B
Flex LNG	B
Frontline	B
Golden Ocean Group	B
Hexagon Composites	B
Kitron	B
Komplett	B
MPC Container Ships	B
Norway Royal Salmon	B
Odfjell Drilling	B
Olav Thon Eiendomsselskap	B
Pexip Holding	B
SalMar	B
Sbanken	B
SpareBank 1 Østfold Akershus	B
SpareBank 1 SMN	B
SpareBank 1 Sørøst-Norge	B
Sparebanken Møre	B
Wallenius Wilhelmsen	B
Wilh. Wilhelmsen	B
Adevinta	C
Arendals Fossekompani	C
Atlantic Sapphire	C
Bonheur	C
Bouvet	C
BW Energy	C
Kid	C
Nel	C
SpareBank 1 Ringerike Hadeland	C
Stolt-Nielsen	C
Volue	C
AutoStore Holdings	D
Cadeler	D
Frøy	D
Hafnia	D
Kahoot!	D
LINK Mobility Group	D
Medistim	D
Norwegian Air Shuttle	D
Norwegian Energy	D
NTS	D
Pareto Bank	D
Polaris Media	D
Protector Forsikring	D
REC Silicon	D
Treasure	D
ABG Sundal Collier	E
ArcticZymes Technologies	E
DNO	E
Ultimovacs	E
Meltwater	F

Sweden

Company	Rating
Castellum	A+
Epiroc	A+
Telia Company	A+
ABB	A
AstraZeneca	A
Atlas Copco	A
Boliden Group	A
Electrolux	A
Ericsson	A
Essity	A
Fabege	A
Lundin Energy	A
Saab	A
SCA	A
SEB	A
Skanska	A
SKF	A
Stora Enso	A
Swedbank	A
Tele2	A
Volvo	A
Volvo Cars	A
Wihlborgs Fastigheter	A
Corem Property Group	A-
Hufvudstaden	A-
OX2	A-
Alfa Laval	B+
Axfood	B+
BillerudKorsnäs	B+
H&M	B+
Investor	B+
Pandox	B+
Samhällsbyggnadsbolaget i Norden	B+
Sandvik	B+
SSAB	B+
Sweco	B+
Thule Group	B+
AAK	B
Addtech	B
Akelius Residential Property	B
Arion Banki SDB	B
Assa Abloy	B
Atrium Ljungberg	B
Autoliv	B
Balder	B
Elekta	B
EQT	B
Fortnox	B
Getinge	B
Handelsbanken	B
Hexpol	B
Holmen	B
Husqvarna	B
Kinnevik	B
Millicom	B
NIBE Industrier	B
Peab	B
Storskogen Group	B
Swedish Orphan Biovitrum	B
Trelleborg	B
Viaplay Group	B
Arjo	C
Avanza Bank Holding	C
Bravida Holding	C
Dometic Group	C
Electrolux Professional	C
Hexagon	C
HMS Networks	C
Industrivärden	C
Indutrade	C
Intrum	C
Kindred Group	C
L E Lundbergföretagen	C
Loomis	C
Lundin Gold	C
Lundin Mining	C
Nordnet	C
Sagax	C
Swedish Match	C
Wallenstam	C
Beijer	D
Embracer Group	D
Lagercrantz Group	D
Latour	D
Lifco	D
Medicover	D
Nyfosa	D
Paradox Interactive	D
Sectra	D
Securitas	D
Sinch	D
Traton	D
Truecaller	D
Vitrolife	D
AddLife	E
Evolution	E
Vimian Group	E
Vitec Software Group	E

We make ESG measurable and actionable



The need to shape a more sustainable future is urgent. Our mission is to assist companies in accelerating their sustainability agenda. Position Green helps its clients address material issues using internationally recognised standards that communicate efficiently with relevant stakeholders and decision makers.

The Position Green Group was created through a merger in April 2022 between software company Position Green and advisory firms The Governance Group and Velocity, creating a sustainability services powerhouse offering support related to ESG reporting, strategy and target development, verification, training and due diligence processes.

The Group supports 400+ clients worldwide and has 100+ employees with expertise within strategy, communication, software development, environmental studies, engineering, corporate governance and social sciences.

positiongreen.com

Advisory | Build ESG strategies that drive change

To develop an impactful ESG strategy, you need to identify your baseline and understand what is important. We help you gain an understanding of where your company stands against its competitors, what is material for your investors, customers and employees and what the upcoming regulatory requirements are within your industry.

Position Green
Advisory

Position Green Advisory may assist you with:

- Gap analysis and peer benchmarking
- Ambition and target setting
- Emissions mapping
- Climate risk and scenario analysis
- Stakeholder and materiality assessment
- EU Taxonomy assessment and readiness review
- Science-based and net-zero targets
- Roadmap and initiatives
- Human rights saliency assessment

Platform | All sustainability data consolidated

Corporate sustainability approaches vary. Position Green Platform empowers organisations with a data-driven approach to sustainability through a platform that is adaptable according to different levels of ambition.

By consolidating all sustainability data on the same platform, Position Green enables a proactive sustainability approach.

Position Green
Platform

Import: The platform supports manual and automated imports of qualitative and quantitative sustainability data from within the organisation, from suppliers, partners and holdings.

Analyse: Imported data offers a full progress overview according to your defined KPIs, reporting standards and stakeholder interests. Visualise data in line with standardised models – or build tailored visualisations.

Export: Readily available customised exports segment data by KPIs, organisational structure, time interval or data type. You can link the chosen visualisations to other corporate platforms or your company website.

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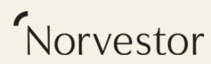

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