

German Environment Agency

Umwelt   
Bundesamt

Evaluation and further development of CSR reporting

# Climate and environmental reporting by German companies

Summary of the empirical results for decision makers and multipliers

## Imprint

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The responsibility for the content of this publication lies with the authors.

### Basis of this summary

Lautermann, C.; Young, C.; Hoffmann, E. (2021): Climate and environmental reporting by German companies. Evaluation of the CSR reporting obligation for the years 2018 and 2019, Berlin.

Download: <https://www.umweltbundesamt.de/publikationen/klima-umweltberichterstattung-deutscher-unternehmen>

### Project details

The project „Evaluation and further development of CSR reporting “ was carried out on behalf of the German Environment Agency by the Institute for Ecological Economy Research (IÖW) in cooperation with Arqum and the Fair Finance Institute.

Duration: 4/2020 – 9/2021

Research Plan of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety FKZ 3719 14 102 0

## About this summary

### **THIS SUMMARY EVALUATES THE MANDATORY ENVIRONMENTAL REPORTING OF GERMAN COMPANIES FOR THE YEARS 2018 AND 2019.**

Detailed results and methodological approach can be found in the study: "Climate and environmental reporting by German companies . Evaluation of the CSR reporting obligation for the years 2018 and 2019."  
(Lautermann et al. 2021)

Download at [www.umweltbundesamt.de/publikationen](http://www.umweltbundesamt.de/publikationen)  
(in German)



## Regulatory framework

Sustainability reporting was voluntary for German companies for a long time. Through the **CSR-Richtlinie-Umsetzungsgesetz** (CSR-RUG), it has been mandatory for certain large companies since the 2017 financial year. The law goes back to the European Directive 2014/95/EU requiring certain large undertakings and groups to disclose non-financial and diversity information (**Non-financial Reporting Directive – NFRD**).

**Note:**

In Germany, the NFRD is commonly abbreviated as „CSR-Richtlinie“ which translates to „Corporate Social Responsibility-Directive“. The CSR-RUG is the German implementing law for the NFRD.

### COMPANIES SUBJECT TO REPORTING REQUIREMENTS IN GERMANY

Large companies of public interest, especially capital market-oriented companies, with more than 500 employees on an annual average are affected by the reporting obligation. In Germany, the reporting obligation **affects a total of about 500 companies** – half of which are capital market-oriented companies and half of which are non-capital market-oriented credit institutions and insurance companies.

### FURTHER DEVELOPMENT OF THE EU DIRECTIVE

On 21 April 2021, the European Commission presented its proposal for an **amendment of the NFRD**. It also provides for the **introduction of a European standard** for sustainability reporting.

Further information on the page "**Corporate Sustainability Reporting**" of the European Commission:

[https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)

## Focus of the study: Reporting on the environment and climate

The NFRD covers five non-financial matters:

- Environmental matters
- Employee matters
- Social matters
- Respect for human rights
- Anti-corruption and bribery matters

The study takes a look at reporting on **environmental matters**, with a **focus on climate reporting**. Since the NFRD and the CSR-RUG only provide a few specifications on the concrete contents of the report and how these are to be determined, the focus of this study is on the question **to what extent, in what depth and in what quality** the companies subject to reporting requirements have reported on environmental and climate matters.

For the years 2018 and 2019, the reporting practices of all German capital market-oriented companies subject to reporting requirements are evaluated - that is **a total of 477 reports** (249 reports from 2018 and 228 reports from 2019).

The study does not assess the extent to which companies fulfil the current reporting obligation, but evaluates the non-financial reporting as a whole from an environmental perspective. On the basis of the empirical findings, it identifies essential reform needs and **design options for the amendment of the NFRD from an environmental perspective**.

### Background:

So far, there are hardly any in-depth studies on environmental and climate reporting in the context of the implementation of non-financial reporting requirements in Germany.

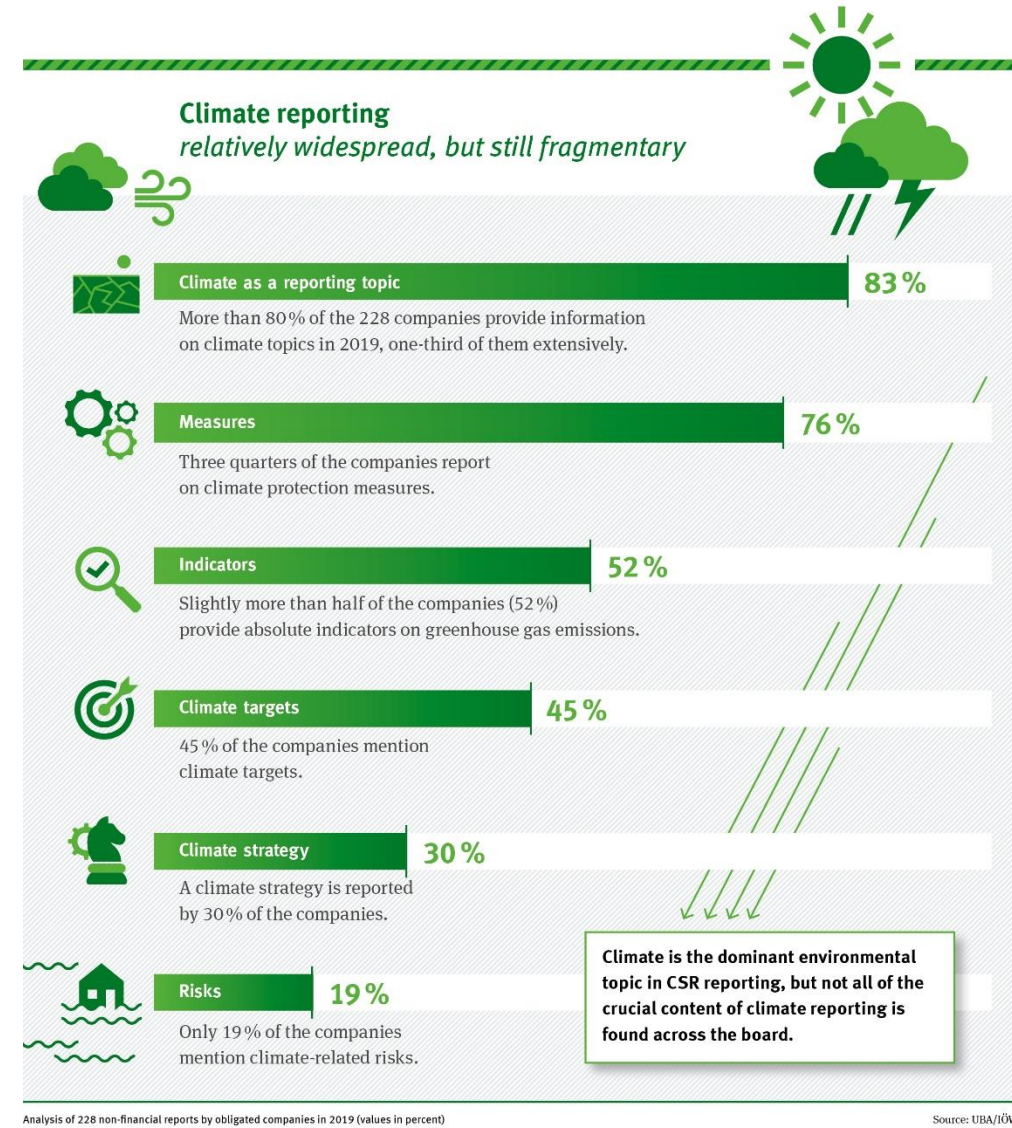
Previous studies focus on the formal implementation of the reporting requirements and do not address environmental issues in detail.



## Overall picture on climate reporting

More than 80 percent of the 228 companies disclosure information on **climate** in 2019, a third of them extensively. The **extent** of reporting on climate has increased slightly from 2018 to 2019.

Three quarters of the companies report on the measures with which they contribute to climate protection. Slightly more than half of the companies report absolute indicators of greenhouse gas emissions. 45 percent of the companies state climate targets. 30 percent of the companies report on a climate strategy. Only 19 percent of the companies mention climate-related risks.



Source: Lautermann et al. 2021

## Reporting on climate and environmental strategies

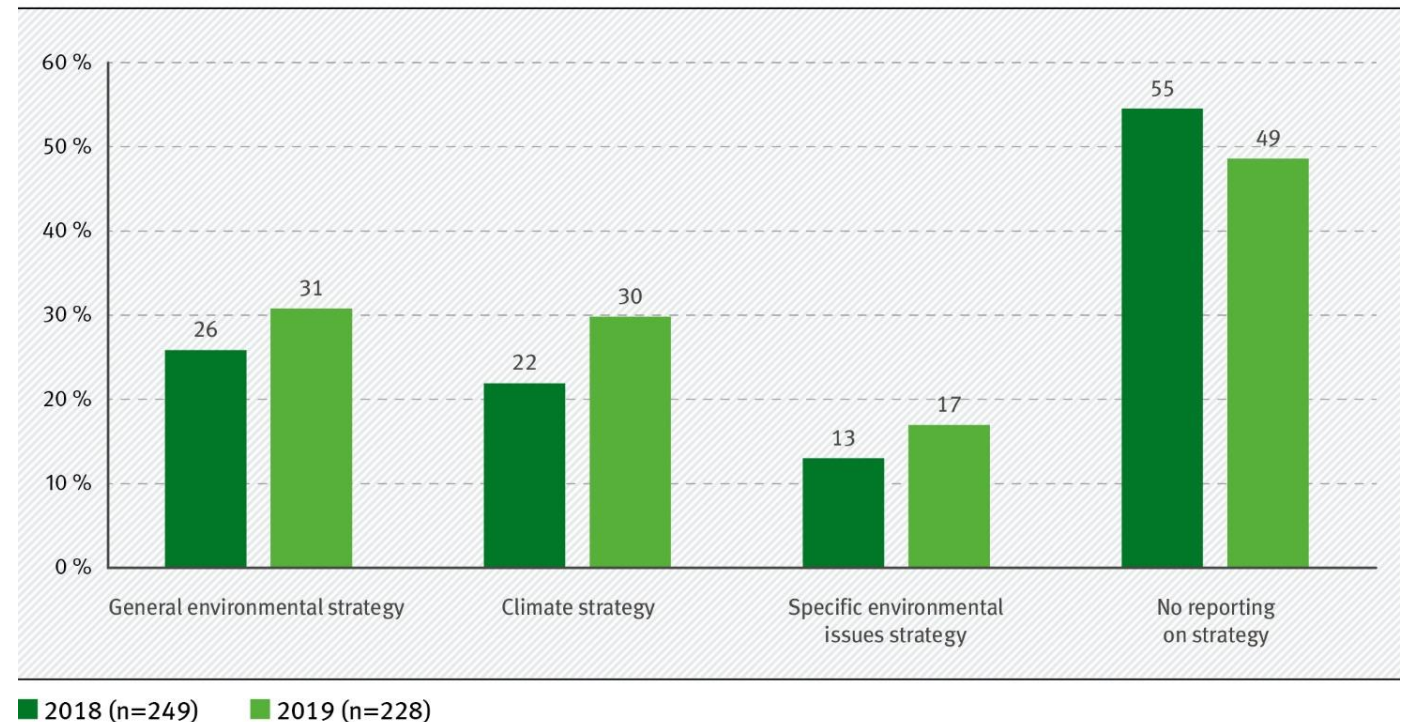
The analysis of whether companies report on an environmental or climate strategy was based on the following **understanding of "strategy"**:

- A strategy clarifies how the company is aligning itself in terms of environmental protection, climate protection or climate adaptation.
- It is clearly directed at specific environmental issues or environmental protection as a whole, centrally organised and formulated for the entire company and not (only) site- or segment-specific.

Around 30 percent of the companies report a general environmental strategy or a climate strategy. In addition, 17 percent report on specific environmental strategies, for example on resource efficiency or water.

Figure 1

### How many companies report on an environmental or climate strategy?



Multiple response item  
Analysis of 447 non-financial reports by obligated companies in 2018 and 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021



# Climate reporting

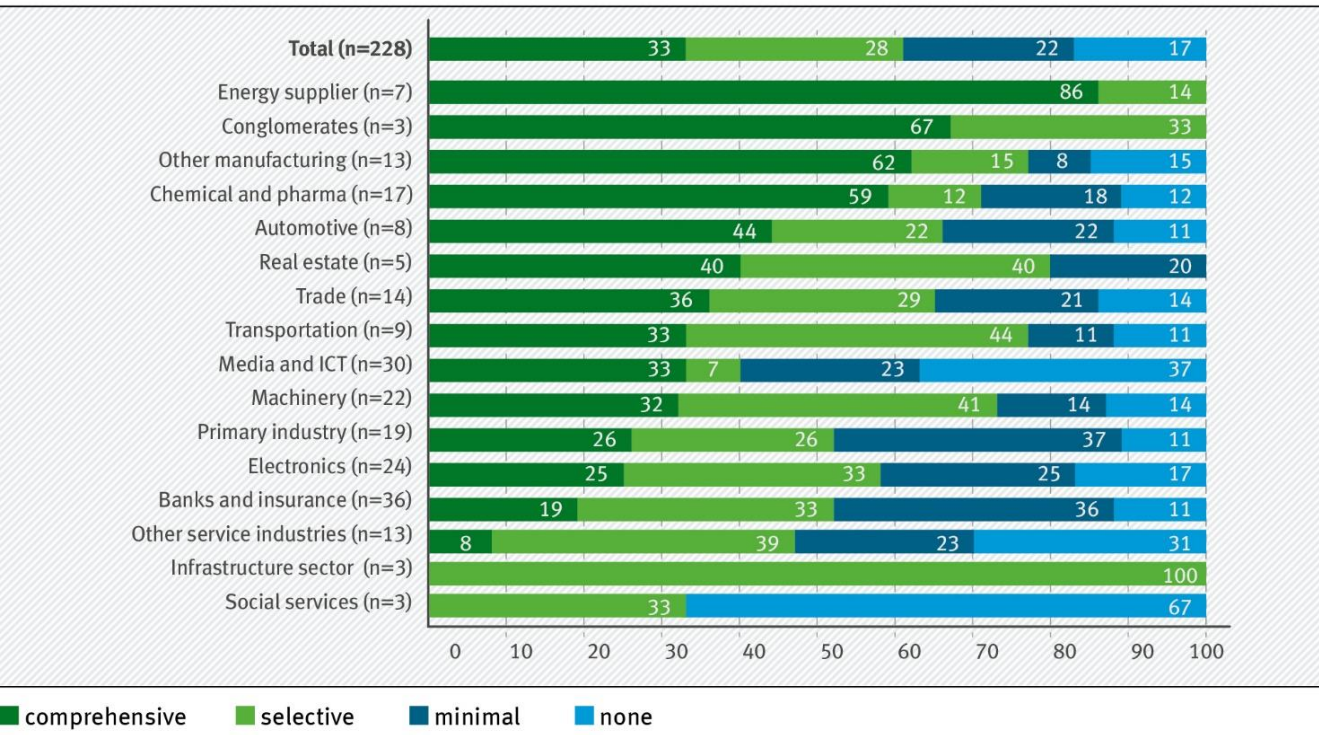
Energy suppliers, conglomerates, real estate and utility companies all report on climate. More than half of the companies in the chemical, pharmaceutical and other manufacturing sectors also report **extensively**.

In the midfield are companies in the automotive, transportation and machinery sectors.

Service sector companies report significantly less on climate issues. Overall, the share of companies that report **only slightly** on the topic of climate is particularly high at over a third among banks and insurance companies as well as primary sector companies.

Figure 2

To what extent do companies report climate-related information?



Percentages may not add up to 100 due to rounding errors  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW



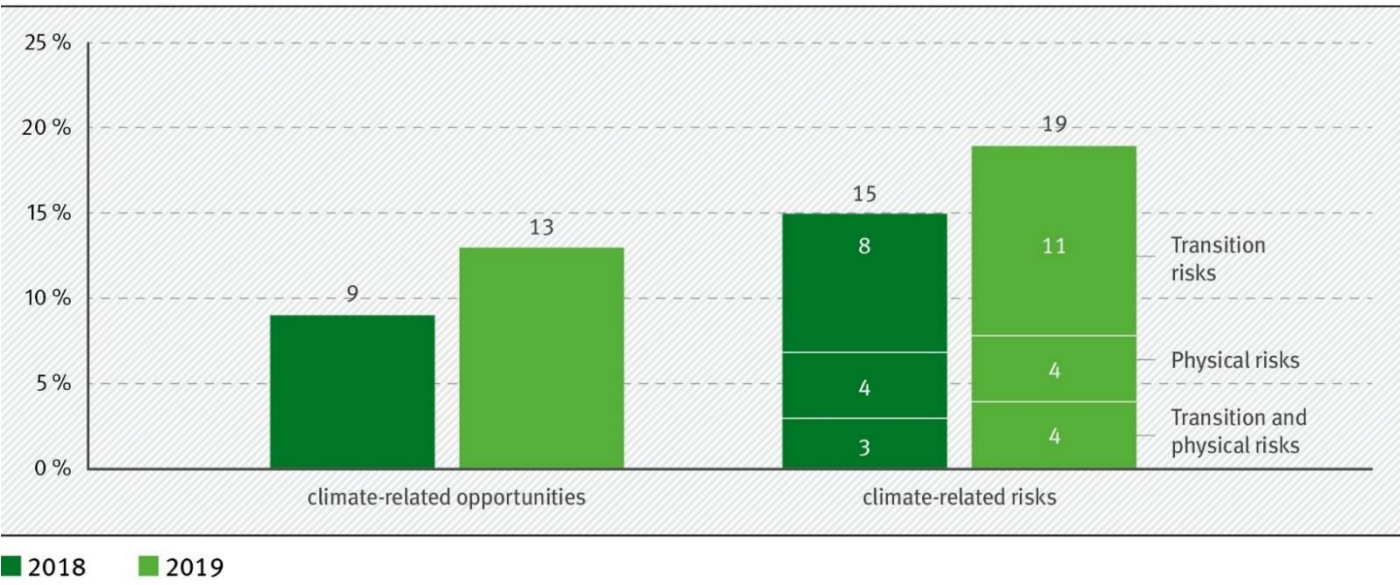
# Climate-related risks and opportunities

Overall, **only a small proportion of companies report on climate-related risks and opportunities**, with a slight increase in 2019: 19 percent of reports contain information on climate-related risks and 13 percent on climate-related opportunities. Banking and insurance (31 percent), energy supply and electronics (29 percent each) and real estate (20 percent) sectors report somewhat more often.

All companies that report on climate-related risks take **an outside-in perspective**, one third of them additionally describe risks from an inside-out perspective. When considering risks, the focus is on **transition risks**, i.e. those risks that arise from the transition to a decarbonised economy.

Figure 4

Do companies report climate-related risks and opportunities and if so, which ones?



Analysis of 477 non-financial reports by obligated companies from 2018 and 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

# Climate targets

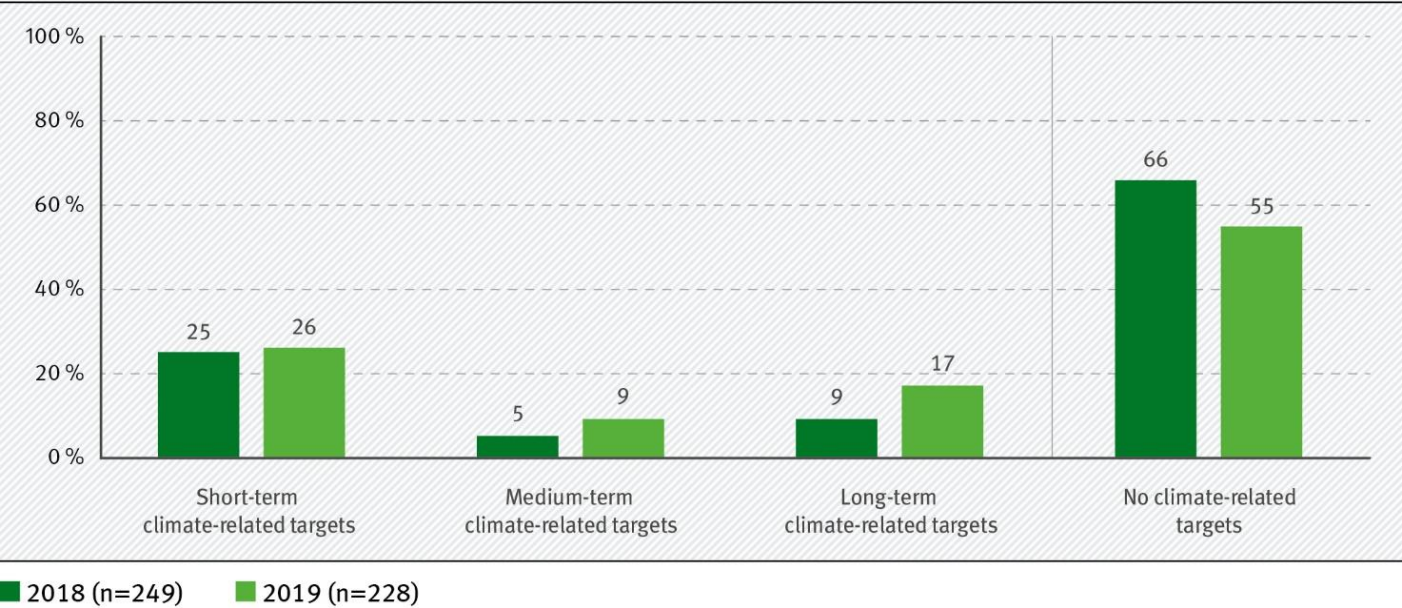
Although more and more companies are stating climate targets, more than half of the companies do **not state any climate targets**. For 19 percent, the climate targets are **science-based**.

Short-term climate targets (< 5 years) are mentioned most frequently, long-term targets (> 10 years) second most frequently and medium-term climate targets (5 to 10 years) least frequently.

32 companies, including eleven DAX 30 companies, also state the goal of climate neutrality, although it often remains unclear what exactly their understanding of it is.

Figure 6

What time horizon do companies use for setting climate targets?



Multiple response item  
Analysis of 477 non-financial reports by obligated companies from 2018 and 2019 (values in percent)

Source: UBA/ITÖW

Source: Lautermann et al. 2021

# Climate-related performance indicators

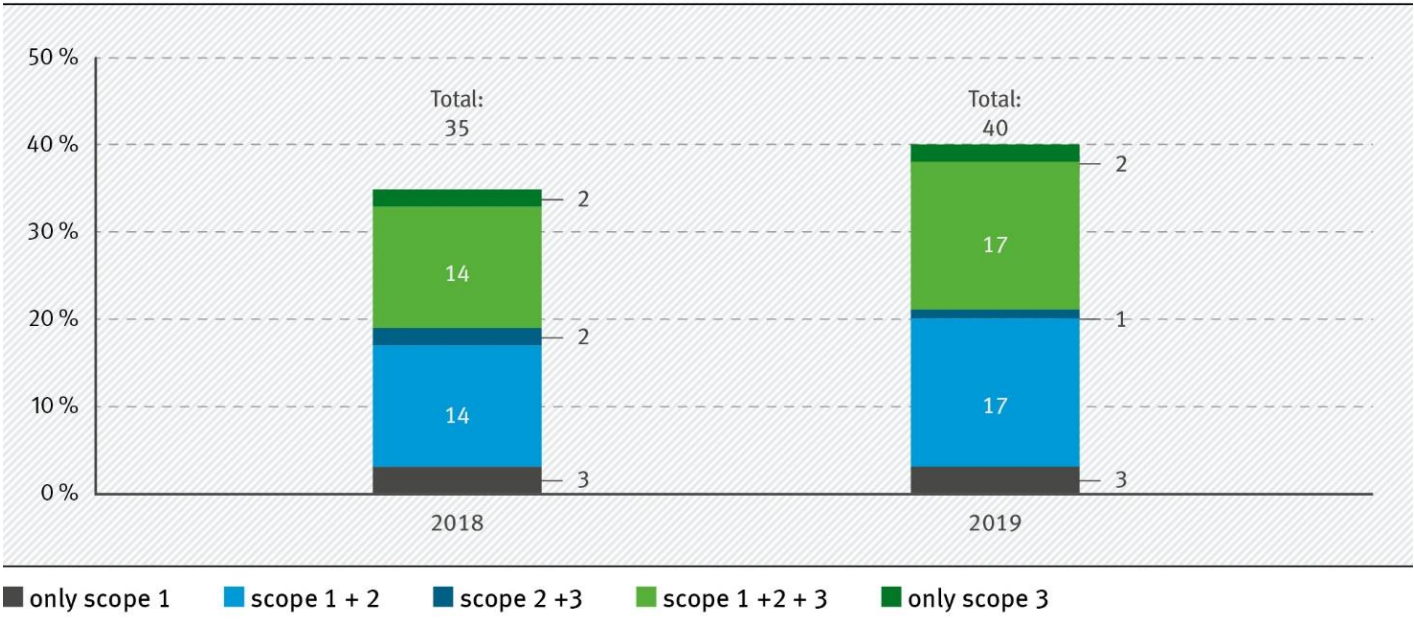
In total, **58 percent of the companies mention performance indicators on climate**, whereby the indicators mentioned vary greatly.

Slightly more than half of the companies (52 percent) report **absolute indicators** on greenhouse gas emissions. 40 percent of the companies report their emissions according to the scopes of the GHG Protocol Corporate Standard.

Overall, however, only 31 percent of the companies report on the **triad of climate targets, measures and indicators**. At the same time, only 15 percent of the companies compare the current climate-related performance indicators to their targets. This is a slight increase compared to 2018.

Figure 10

Which greenhouse gas emissions according to GHG Protocol do companies report on?



Analysis of 477 non-financial reports by obligated companies from 2018 and 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021



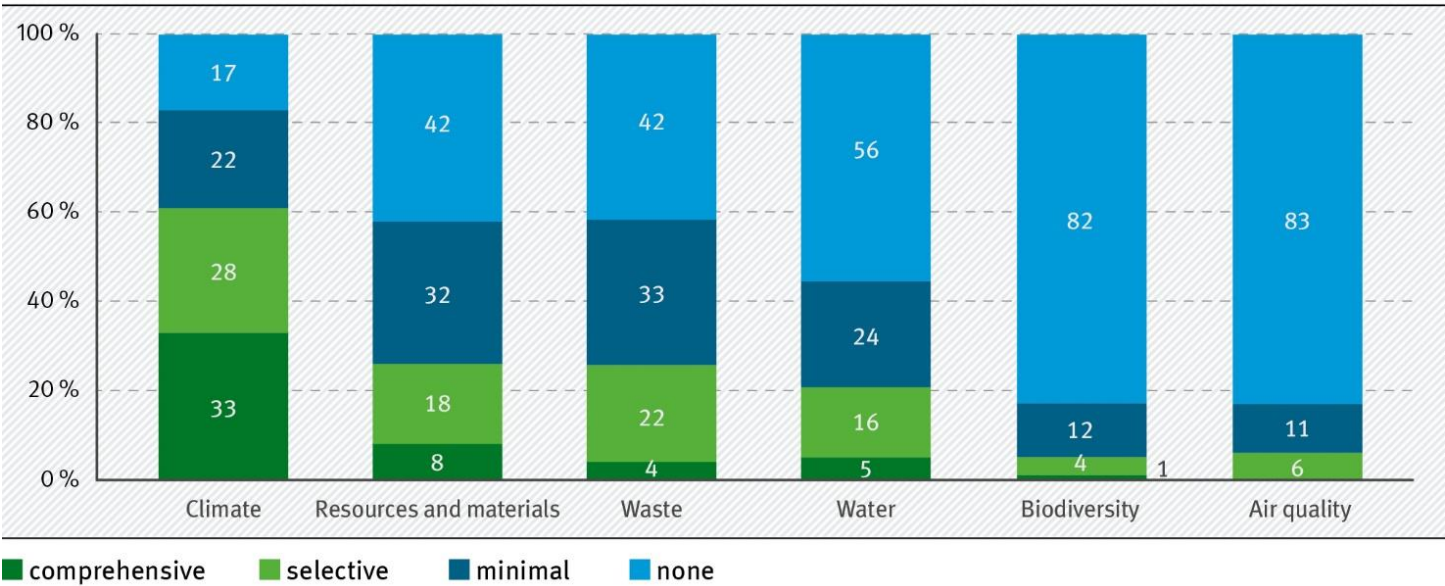
## Reporting on other environmental topics

The **extent** of reporting on **other environmental topics** such as **resources and materials**, **biodiversity**, **air**, **water** and **waste** falls sharply compared to climate reporting.

Between 42 and 83 percent of the companies do not report at all on any of these topics in 2019. Biodiversity and air are the worst performers. Overarching strategies are also missing in two thirds of all reports.

Figure 11

To what extent do companies report on various environmental issues?



Percentages may not add up to 100 due to rounding errors  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021



## Environmental targets, measures and performance indicators

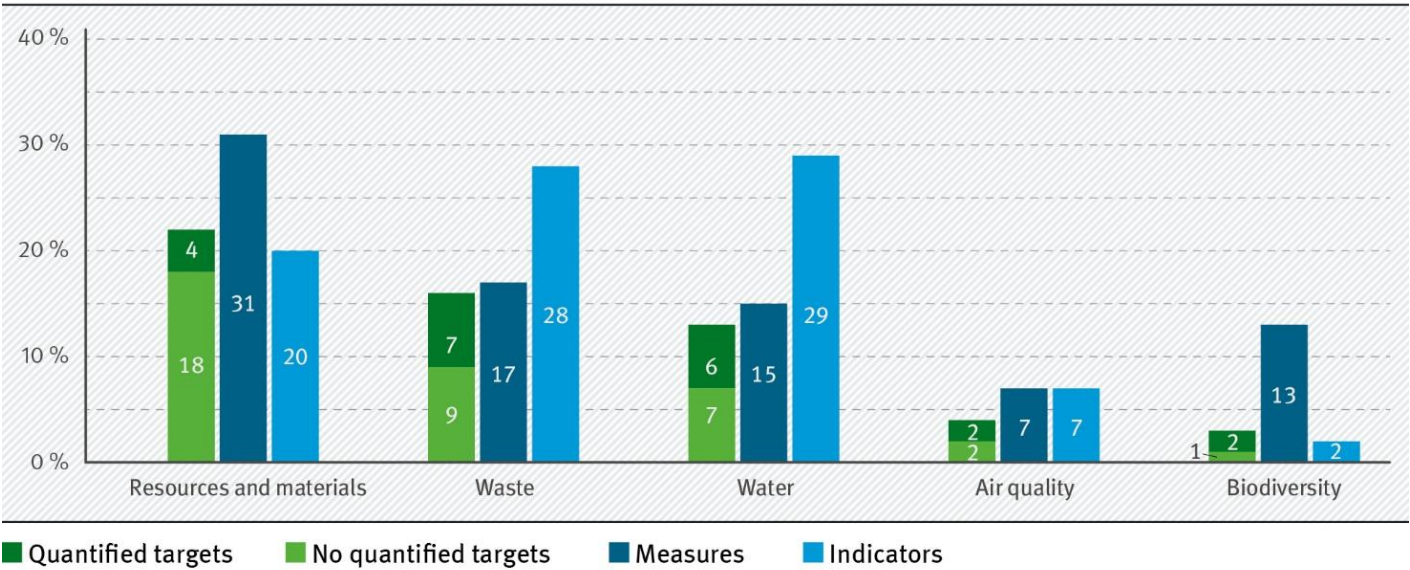
Depending on the topic, between 3 percent (biodiversity) and 22 percent (resources and materials) of the companies name concrete **targets** for the environmental topics, but mostly do not quantify them.

**Measures** are reported somewhat more frequently than goals, but only sporadically.

When it comes to naming **performance indicators**, there are major differences between the environmental topics examined. Technically and regulatory well-structured topics such as water and waste are mentioned in one third of the reports. In the case of air and biodiversity, only 7 percent and 2 percent of the companies respectively mention indicators.

Figure 12

How many companies report targets, measures, and KPIs related to environmental issues?



Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

# Supply chain reporting with a focus on the environment

**Transparency about supply chains** has so far been selective and inconsistent. 46 percent of companies provide at least basic information on supply chain structure, 9 percent on upstream suppliers and 24 percent on high-risk supply chains, for example due to conflict minerals.

There is a **great deal of inconsistency of information** between companies providing information on their supply chain.

On average, 24 percent of all companies have provided **information on environmental concerns in the supply chain**. Specifically, just 4 percent of companies have provided **information on environmental risks in the supply chain**.

Table 4

How do companies establish supply-chain transparency?

| Supply-chain transparency aspect                   | Frequency (all reports) | Frequency (DAX-30 companies) |
|----------------------------------------------------|-------------------------|------------------------------|
| Information on supply-chain structure is provided  | 46 %                    | 50 %                         |
| Information on presuppliers is provided (> tier 1) | 9 %                     | 11 %                         |
| Information on high-risk supply chains is provided | 24 %                    | 46 %                         |
|                                                    | n=228                   | n=28                         |

Multiple response item  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

## Supply chain management measures

The companies provide information on various **measures of sustainability-oriented supply chain management**. The most frequently mentioned instrument is the supplier code of conduct (64 percent), followed by supplier audits and evaluations (61 percent). About one third of the companies report on targets and the handling of non-compliance.

Significantly fewer companies report on the measure categories "supplier management concepts" (15 percent), "risk assessment" (15 percent), "participation in industry initiatives" (11 percent) and "supplier training" (7 percent).

The **DAX 30 companies** report more than the average on all measure categories.

Table 5

### What sustainability-oriented supply-chain management measures are reported?

| Aggregated measures<br>(ranked by frequency)                                                | Frequency<br>(all reports) | Frequency<br>(DAX-30 companies for<br>comparison) |
|---------------------------------------------------------------------------------------------|----------------------------|---------------------------------------------------|
| Supplier codes of conduct                                                                   | 64 %                       | 79 %                                              |
| Supplier audits and evaluations                                                             | 61 %                       | 79 %                                              |
| Targets                                                                                     | 34 %                       | 36 %                                              |
| Handling of non-compliance                                                                  | 33 %                       | 57 %                                              |
| Approaches to supplier management                                                           | 15 %                       | 29 %                                              |
| Risk assessment                                                                             | 15 %                       | 32 %                                              |
| Participation in industry initiatives                                                       | 11 %                       | 25 %                                              |
| Supplier trainings                                                                          | 7 %                        | 25 %                                              |
| Other measures and activities                                                               | 44 %                       | 71 %                                              |
| <b>Reports including information on sustainability-oriented<br/>supply-chain management</b> | <b>79 %</b>                | <b>89 %</b>                                       |
| <b>Reports with no information on sustainability-oriented<br/>supply-chain management</b>   | <b>21 %</b>                | <b>11 %</b>                                       |
|                                                                                             | n=228                      | n=28                                              |

Multiple response item  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

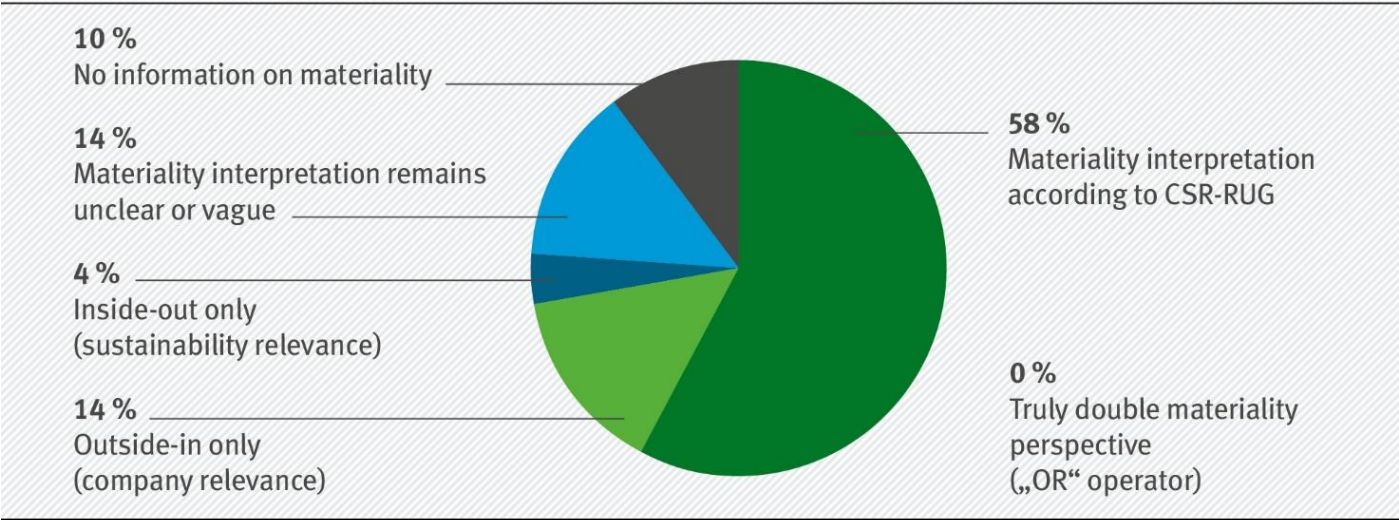
# Understanding of materiality

In more than half of the reports, the presentation of material reporting topics follows the limited **understanding of materiality of the CSR-RUG** (intersection of financial and impact materiality).

Furthermore, the understanding of materiality in the reports is **inconsistent** and to a certain extent also **unclear or missing**.

Figure 15

## How do interpretations of materiality differ?



Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021



# Material environmental topics

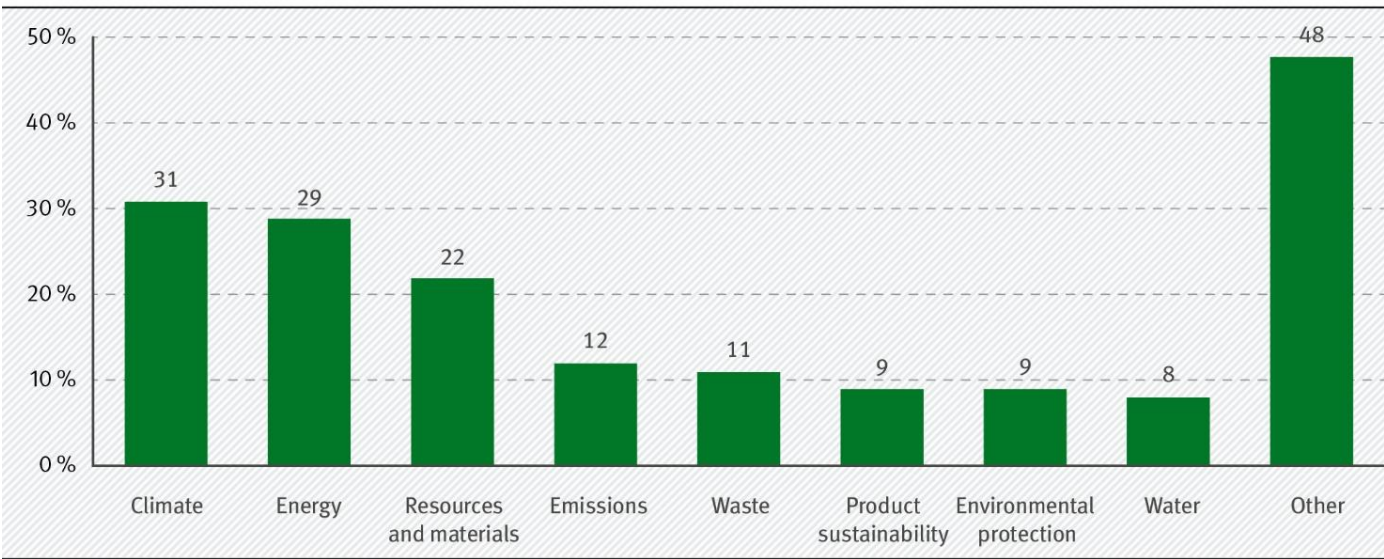
Climate (31 percent), energy (29 percent), resources and materials (22 percent) and emissions (12 percent) are **most frequently identified as material topics for reporting**.

It is also noticeable that product sustainability and environmental protection are mentioned relatively frequently as overarching descriptions.

The important environmental topics of **biodiversity and the circular economy**, which are central to the EU Taxonomy, are declared as material in not even 5 percent of the cases. Water is also classified as material in only 8 percent of the reports.

Figure 16

## Which environmental issues do companies consider material?



Multiple response item  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

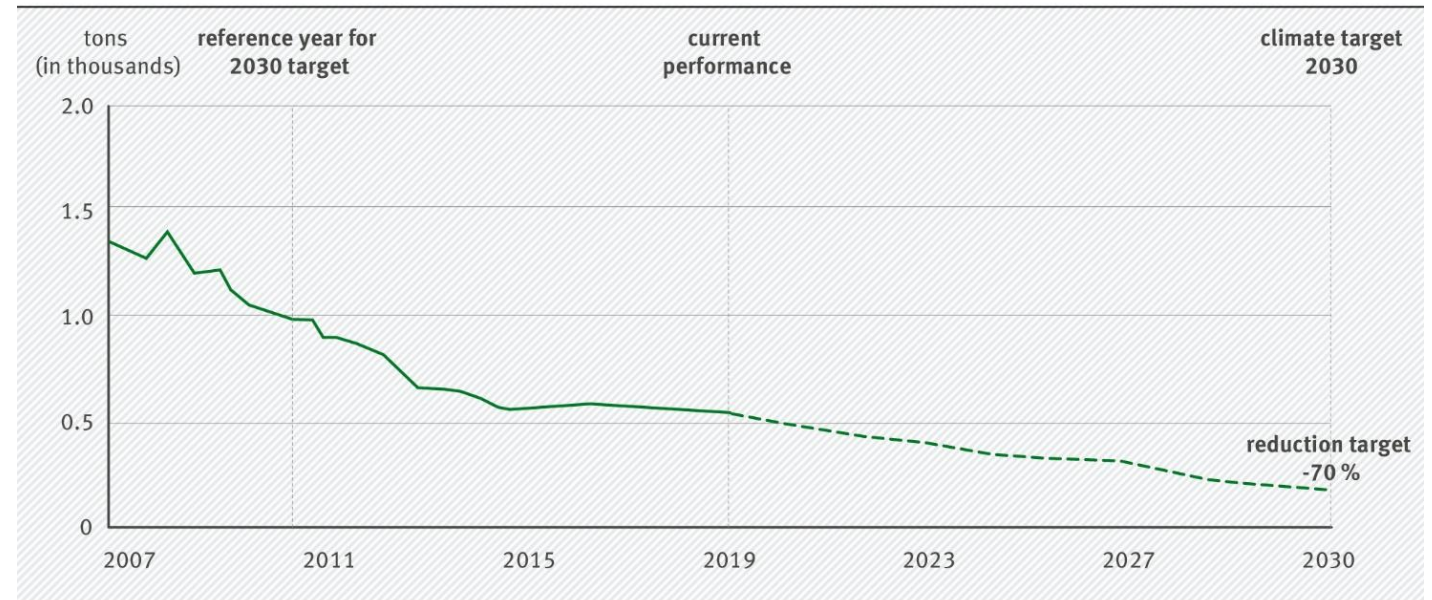
## Representation of temporal relationships

45 percent of the companies compare key performance indicators with values from the past, **but often only with the previous year**. This limited practice is also common for environmental indicators.

Reporting that shows **longer-term trends** and indicates a **base year** against which target achievement and developments can be measured is the exception. Individual examples show what good reporting can look like that meaningfully presents **indicator development and the degree of target achievement over time**.

Figure 17

### Best practice: Targets and KPIs on a timeline in a greenhouse gas emissions example



Source: UBA/IÖW, based on anonymized examples from reports

Source: Lautermann et al. 2021

# Governance

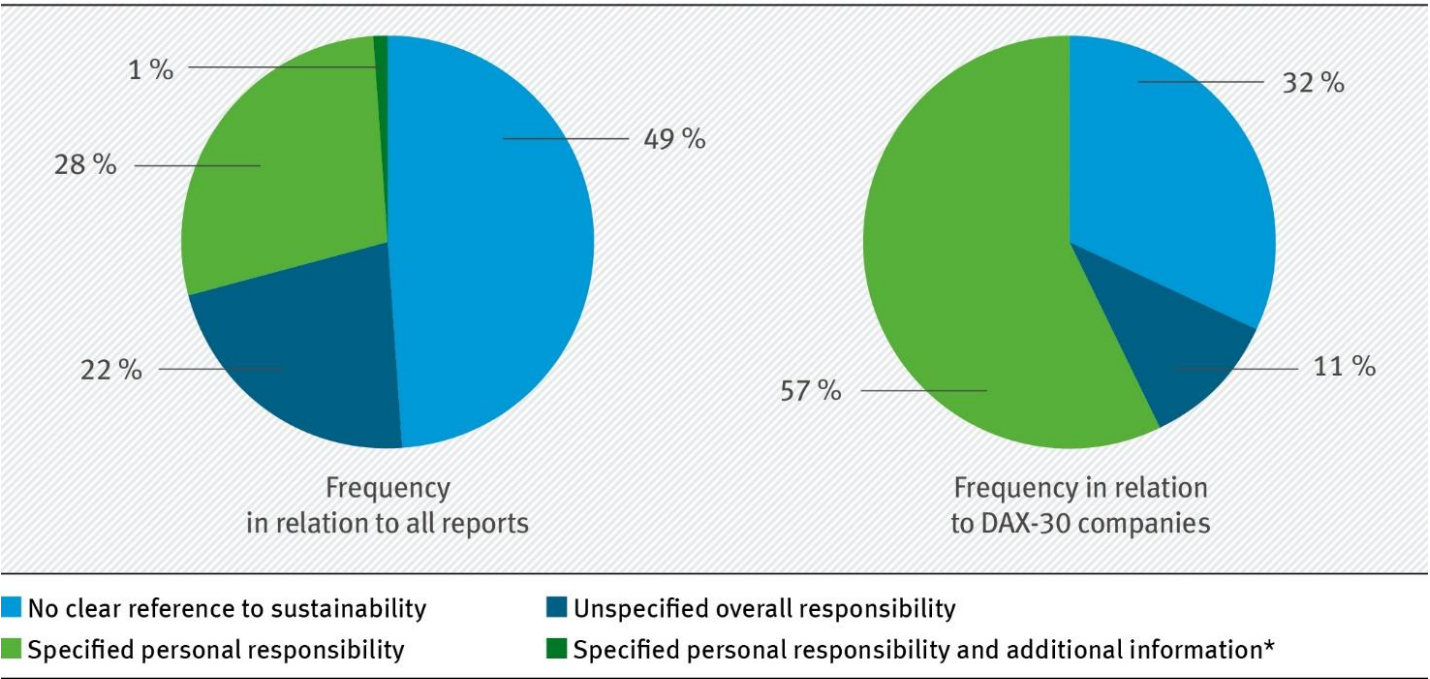
A key aspect of sustainability governance is the **accountability of top management for sustainability issues**.

Almost half of the companies state whether or to what extent the top management has a clear responsibility for CSR or sustainability.

In contrast, no more than a dozen companies report that the **remuneration** of management is informed by **sustainability criteria**.

Figure 18

How is top-management responsibility for sustainability reported?



\* Additional information includes competences and activities of referenced personnel.  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent), DAX-30 companies: n = 28.

Source: UBA/IÖW

Source: Lautermann et al. 2021



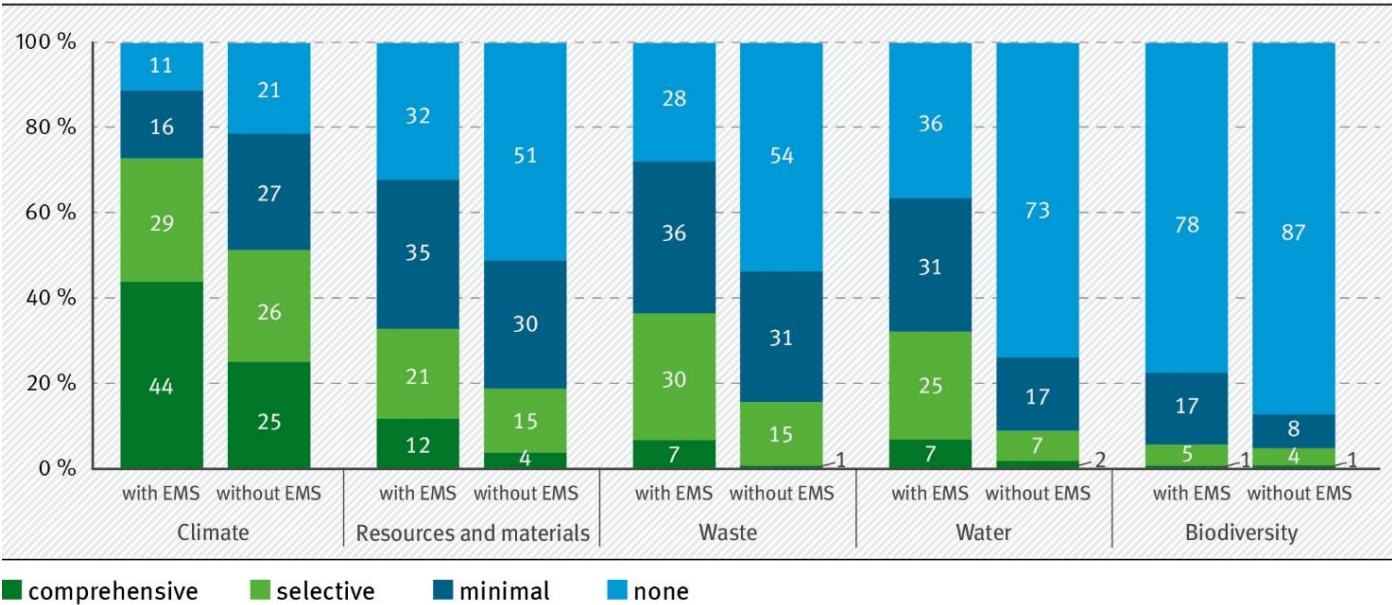
## Environmental and sustainability management systems

Numerous companies report on **environmental and energy management systems**. The use of ISO 14001 (48 percent) and ISO 50001 (40 percent) is reported significantly more often than EMAS (7 percent). The guidance on social responsibility ISO 26000 plays practically no role (1 percent).

The study compares companies with and without environmental management systems with regard to their environmental reporting. Especially for the topic of climate, it becomes apparent that **companies with environmental management systems report significantly more extensively** on this topic. But this tendency also applies to the other environmental topics.

Figure 21

To what extent do companies report on environmental issues?  
By usage of environmental management system



Percentages may not add up to 100 due to rounding errors  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021



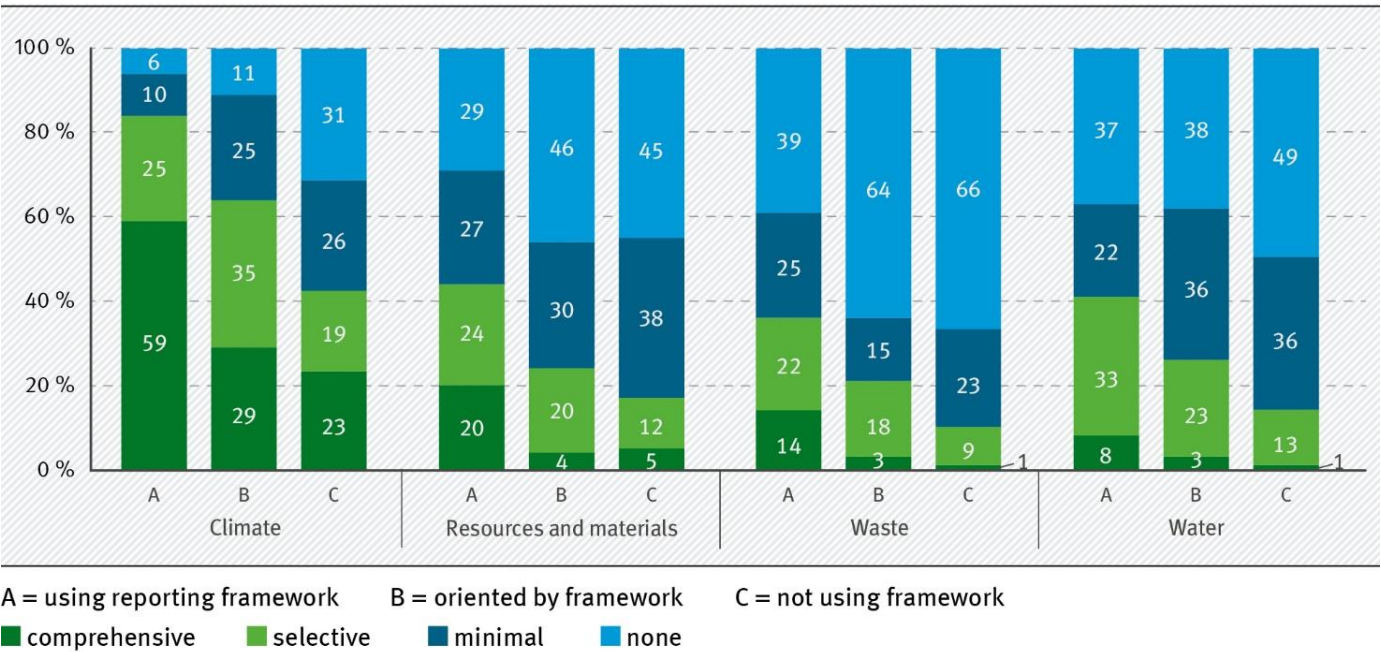
# Reporting frameworks

The five most commonly used **frameworks** are the Standards of the Global Reporting Initiative (GRI) (2018: 53 percent/2019: 56 percent), the United Nations Global Compact (41/45 percent), the International Labour Organisation's Core Labour Standards (37/40 percent), the United Nations Sustainable Development Goals (SDGs) (24/36 percent), the CDP (19/21 percent) and the German Sustainability Code (DNK) (both years 19 percent).

The use of frameworks such as GRI or DNK is **positively related to more extensive reporting** on climate and, to a lesser extent, on other environmental issues.

Figure 22

To what extent do companies report on environmental issues?  
By usage of reporting frameworks (GRI and DNK)



Percentages may not add up to 100 due to rounding errors  
Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

# External auditing

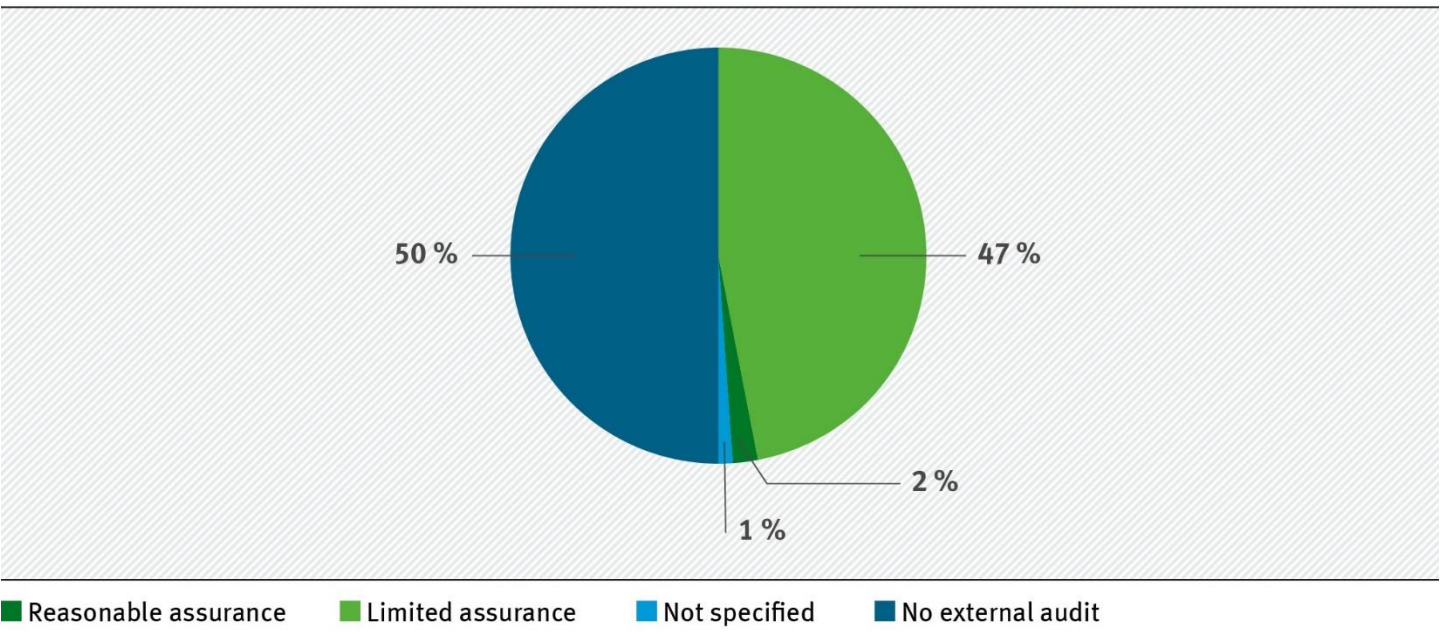
The external audit of the contents of the report is **not prescribed by the CSR-RUG**, but is voluntary.

Almost half of the companies use the option of an **external audit** of their non-financial reporting, the vast majority of them with limited assurance.

There is a clear **positive correlation** between an external audit and the **extent of climate reporting**.

Figure 23

What audits do companies perform on their non-financial reports?



Analysis of 228 non-financial reports by obligated companies in 2019 (values in percent)

Source: UBA/IÖW

Source: Lautermann et al. 2021

## Recommendations for action to further develop sustainability reporting obligations

Climate is reported on more frequently, more extensively and more systematically than other environmental topics. This does not reflect the global relevance of topics such as water or biodiversity. Therefore:

- I. Demand comprehensive reporting on all key environmental topics.

The reports contain very different ideas and definitions of the risks to be taken into account. The current understanding of reportable risks appears too restrictive from an environmental perspective. Therefore:

- II. Unconditionally include negative impacts on the environment in the understanding of risk in CSR reporting.

The determination of material environmental topics is extremely inconsistent in terms of the understanding of materiality, the methodology of the materiality analysis, and the scope and binding nature of the presentation. Therefore:

- III. Strengthen the inside-out understanding of materiality and set minimum methodological standards for the materiality analysis.

The fact that companies consistently deal with environmental issues and embed their activities in overarching strategies can only be seen in some of the reports. Therefore:

- IV. Require reporting on corporate strategies in relation to environmental topics and clearly define the term strategy.

## Recommendations for action to further develop sustainability reporting obligations

While reporting on climate targets is increasing significantly, there is no focus on medium- and long-term targets so far. There is much less reporting on targets in other environmental areas. Even when environmental targets are reported, quantitative information is often missing. Therefore:

V. Demand quantification, time horizons and level of ambition in reporting on environmental targets.

The reporting on measures in the individual environmental areas varies greatly. Moreover, the measures presented vary in terms of relevance and scope. Therefore:

VI. Ensure reporting on relevant environmental measures.

In many cases, no (robust) indicators on climate and environmental topics are given. This is partly due to a lack of standards, but also to a lack of legal requirements. Therefore:

VII. Set binding standards for performance measurement and presentation of results for all environmental areas.

Just under a third of the companies report on targets, measures and indicators. A systematic linking of these three reporting elements has not become common so far. Therefore:

VIII. Require reporting on these central elements of environmental management for material environmental topics.



## Recommendations for action to further develop sustainability reporting obligations

The overall picture of non-financial reporting on supply chains shows that the scope, content and quality of the information provided is far from sufficient for an informed view on the respective situation. Therefore:

IX. Specify reporting obligations on value chains by applying the due diligence approach.

In the reporting year 2019, half of the reports were externally audited, of which the vast majority had limited assurance. The use of frameworks is inconsistent in terms of selection and stringency of application. At the same time, the results show that both external audit and the use of comprehensive frameworks are positively related to the extent or quality of reporting. Therefore:

X. Set comprehensive reporting standards and require external auditing.

# Further Information

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