

GLOBAL ESG MONITOR 2024: ENGINEERING COMPANIES UNDER PRESSURE TO PERFORM: FULL STEAM AHEAD FOR BETTER REPORTING QUALITY

- **Engineering as the backbone of industrial production and a driver of sustainability: Engineering is crucial for value creation and contributes to achieving the Green Deal goals through sustainable standards. However, the industry does not yet fully live up to this central role in current sustainability reporting.**
- **GEM 2024 examines the sector's reporting quality: Sustainability reporting by ten engineering companies from the MDAX and SDAX shows only moderate quality on average, with 46 out of 100 possible points.**
- **Potential for improvement in value and climate reporting: More details are needed in key areas such as value processes and climate reporting to enable stakeholders to fully, reliably and thoroughly evaluate the sustainability information.**

Wiesbaden, October 16, 2024 – Engineering is the backbone of many industries and, by setting sustainable standards, makes a significant contribution towards achieving the Green Deal targets. But despite this central role, the industry's sustainability reporting does not yet fully live up to this potential. This is the conclusion of the Global ESG Monitor (GEM) 2024, which evaluated the sustainability reporting of 194 companies from the DAX, MDAX and SDAX, as well as an international sample, including 10 major companies from the engineering sector that serve as role models for the industry, which is characterized by medium-sized companies, in terms of their sales volume and number of employees.

The quality of sustainability reporting for the engineering sample only reached an average of 46 out of 100 points overall, with only one company standing out clearly with 63 points. The majority of the companies are close to the average and two companies fall slightly below it. Overall, the quality of sustainability reporting is average, with a lot of catching up to do in view of the upcoming European Sustainability Reporting Standards (ESRS).

The ESRS, as the new European reporting framework, are already taken into account in the GEM methodology, and here the sector is showing slightly worse results: on

average, the degree of fulfillment for the mechanical engineering sample is 42 percent, while the best result achieved is 58 percent.

Even on core topics such as value creation, sustainability reporting in the engineering sector falls short of expectations. Although the mechanical engineering sample is above the overall average here, the companies still need to provide more detailed information in order to better fulfill their pivotal role in the value chain. Many important topics are addressed, but points are lost, mainly due to a lack of detail and transparency – for example, in topics such as upstream and downstream value chain processes or the level of detail on adaptation to climate change.

Ariane Hofstetter, co-founder of the Global ESG Monitor, identifies clear starting points for engineering companies to improve their sustainability reporting: “The analyzed engineering companies should make greater use of their market position and report more transparently. Sustainability reporting is something like a ‘functional requirements and specifications sheet’ of the future for them, with which the industry can offer its stakeholders a sound basis for decision-making. Overall, we see that the engineering companies examined already have good approaches in place, but there is still a lack of detail on important sustainability topics.”

Mechanical and plant engineering companies play a special role not only regarding supply chains. They also play a significant role in the area of climate, as their machines and systems help other industrial companies to meet the requirements in this area. Although the reports of the companies in the mechanical engineering sample show some promising approaches, the average assessment quality of sustainability reporting in the area of climate is only 45 out of a possible 100 points (and thus exactly at the level of the overall sample). The results again vary greatly: the range of reporting quality in this area extends from just 12 points to 65 points for the company with the best rating in this area. Here, too, the wide range of results is not specific to the industry sample but is a recurring finding in the overall study.

In the area of climate for example, only three out of ten companies provide precise information on their resilience analyses regarding climate change-related risks. Half of the mechanical engineering sample provides details of their plans for mitigating or preventing the damage caused by these risks in an emergency. Finally, all ten companies disclose their greenhouse gas emissions according to Scope 1 and 2.

Although seven companies already provide data on the tricky Scope 3 emissions, the quality and quantity of this data varies greatly.

Michael Diegelmann, co-founder of GEM and Board Member of the IR and ESG consulting firm cometis, sums up: “In order to be sufficiently prepared for the ESRS, our engineering sample needs to improve again. With more detailed reporting on the materiality analyses carried out and improvements in the level of detail and transparency, we see this exciting industry on the right track. In the future, the engineering industry could not only support the requirements of the Green Deal as a crucial interface in the value creation processes, but also demand and meet standards that will have an impact on other industries.”

As part of the ESG webinar series (Impact Challenger Days), you can learn more about reporting trends and best practices in key industries at the Sector Specials (free to attend: [here](#)). Further information on the Global ESG Monitor 2024 can also be found at www.globalESGmonitor.com.

About the Global ESG Monitor

The Global ESG Monitor (GEM) is an independent think tank dedicated to analyzing and comparing the quality of sustainability reports. Since its foundation in 2020, the GEM has analyzed over 1,300 reports from more than 500 companies worldwide. The operationalization of quality (transparency & context) is based on the GEM ASSAY™ methodology, which integrates the principles and criteria of the European Sustainability Reporting Standards (ESRS), the Global Reporting Initiative (GRI), IFRS (IFRS S1 and S2), the Task Force on Climate-related Financial Disclosures (TCFD), the United Nations Global Compact (UNGC) and the German Supply Chain Sustainability Act (LkSG). In addition, findings from the dialogue with relevant stakeholder groups are incorporated into the methodology. To ensure very high data quality, each company report is analyzed three times. The results of the analyses are published by the GEM Academy and the Impact Challenger Days. Interested companies can access detailed, individual analyses to improve their own sustainability reporting. The GEM thus offers companies a second opinion on their reporting and helps them to continuously develop their sustainability communication through peer group comparisons and benchmark analyses. Further information can be found at www.globalESGmonitor.com.

About the Integrity Star Award

The Integrity Star Award (ISA) recognizes the best sustainability reports from the DAX®, MDAX®, SDAX® and an international sample. The award makes best practices publicly accessible and provides comparative data and benchmarking opportunities. The aim is to provide companies with a data-based foundation for improving their sustainability reporting so that they can fulfil the high expectations of stakeholders and regulatory authorities. The assessment is not carried out by artificial intelligence or a jury, but by an experienced team of analysts who analyze the reports using the sound, objective methodology of the GEM ASSAY™. At the same time, the companies are shown how their reports could be perceived by stakeholders. The Integrity Star Award is based on the evaluation of the current sustainability reports before the expected changes by the ESRS and can serve as a basis for future progress measurements.

About the Impact Challenger Days

The Impact Challenger Days (ICD) are dedicated to the topic of sustainability reporting in all its facets. The focus is on ESRS and CSRD, materiality, environmental issues and social and governance topics. In addition, the ICD will present sector-specific findings and, thanks to the cooperation with IR24, webinars that take a closer look at the topic of sustainability from a capital market perspective. Take part in the ESG webinar series free of charge: [here](#).

Contact:

Michael Diegelmann

Phone: +49 61120585512

E-mail: michael.diegelmann@globalESGmonitor.com

Ariane Hofstetter

Phone: +49 61120585518

E-mail: ariane.hofstetter@globalESGmonitor.com