



No ESG, no contract: UK's top companies demand ESG compliance

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New study shows 90% of the FTSE 100 will only do business with ESG-compliant

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London, United Kingdom (September 21, 2023) – Research from [OneStream Software](#), a leader in [corporate performance management](#) (CPM) solutions for advancing financial close, consolidation, reporting, planning and forecasting, has revealed research highlighting that 90% of the FTSE 100 will only work with suppliers who share their Environment, Social and Corporate Governance (ESG) credentials. A further 3% are integrating the requirement this year.

OneStream analysed the 2022 Annual Reports of all the FTSE 100 companies to identify those that have established ESG reporting requirements from their suppliers. This included scrutinising some of the biggest and most influential names in business.

When broken down by industry, companies in the energy, retail, and Consumer Goods sector set the bar high, with 100% of companies expecting suppliers to align with their ESG commitments. With a number of businesses in these industries facing mounting pressure from shareholders to address their ESG practices, it's no surprise they are acting fast. The banking, finance, and insurance sectors follow closely behind, with 90% of banking and finance companies and 85% of insurance companies requiring ESG alignment from their suppliers.

The pre-condition for ESG affiliation is equally high for companies with headquarters both within and outside the UK (88%). In addition, the top ten companies ranked by employee size all require their suppliers to report their ESG metrics, while nine of the top ten companies ranked by market value expect ESG metrics to be met.

Matt Rodgers, GM of EMEA at OneStream, says, *"We've seen a significant shift in public opinion towards ESG concerns, with shareholders, regulators, and customers all exerting pressure on the UK's largest companies to establish and deliver clear ESG commitments. In response, these firms are now pushing the ESG message down their supply chains by requesting evidence from suppliers of their ESG commitments as part of the tendering process."*

Among the information required by FTSE 100 companies, prospective suppliers are required to disclose various of commitments to improving their ESG targets, including their adherence to proper human rights practices, commitment to reducing their carbon impact and encouraging diversity in the workplace. However, research from PwC shows [only one-fifth \(20%\)](#) of business leaders agree current levels of reporting on ESG are of good quality, so suppliers are faced with a challenge if they want to accurately report their ESG metrics to businesses.

With the EU's Corporate Sustainable Reporting Directive (CSRD) coming into force in January 2023, it's more important than ever before for companies to consider their reporting standards. Under this new piece of legislation, UK businesses are expected to meet the EU's reporting standards if they have a net turnover in the EU of over €150 million for each of the last two consecutive financial years and have either:

- An EU subsidiary which has securities listed on an EU regulated market; or is classed as a large undertaking and meets two of the following criteria:
 - Total assets of €20 million
 - Net turnover of €40 million
 - An average of 250 employees over the financial year
- An EU branch which has generated a net turnover of more than €40 million in the previous financial year.

Added Rodgers, "The pressure is on for suppliers to get their reporting right if they want to win lucrative contracts with large companies. However, this could be a daunting task for some firms. To succeed, businesses need to adopt modern software solutions that collect and unify financial, operational and ESG data and provide timely and actionable insights based on specific organisational needs. By implementing these solutions, firms of any size can effectively manage and report their ESG targets and metrics."

"Suppliers who want to work with industry leaders will need to ensure they have the necessary resources to align with their ESG commitments if they want to win big."