

The role of ESG in European IPOs

Current market observations



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Introduction

In today's fast-paced business environment, the focus on environmental, social and governance (ESG) factors is here to stay, particularly for companies that are planning to go public.

Our latest Global Investor Survey¹ highlights investors' growing interest in understanding how sustainability-related risks and opportunities impact a company's financial health, emphasizing the increasing significance of sustainability information in decision-making and the need for alignment of ESG with financial information.

Back in 2014, the EU introduced the Non-Financial Reporting Directive (NFRD), requiring large public-interest entities with over 500 employees to disclose non-financial information. This directive aimed to enhance corporate accountability and transparency regarding ESG issues. Concurrently, ESG disclosures had started to appear in IPO prospectuses. The NFRD has now been replaced by the Corporate Sustainability Reporting Directive (CSRD)², which aims to elevate sustainability reporting to the same level of importance as financial reporting. The CSRD introduces 12 European Sustainability Reporting Standards (ESRS)³, providing

a detailed and standardised framework for evaluating sustainability aspects, and its scope has been expanded compared to the NFRD to include all large companies⁴, enhancing comparability across the board. This transition marks a pivotal shift in EU sustainability reporting, requiring more comprehensive disclosures about strategy, governance and risk management as well as the impacts, risks and opportunities of sustainability on business models.

This growth in regulations will likely translate into additional disclosures for IPO prospectuses as well. The European Securities and Markets Authority (ESMA) issued its first public statement on this topic in 2023⁵, indicating that it expects greater sustainability disclosures in prospectuses in line with the CSRD. Together with the proposed amendments to the EU Listing Act⁶, which make specific references to sustainability, European market practice for ESG disclosures is set to change materially.

¹ <https://www.pwc.com/gx/en/issues/c-suite-insights/global-investor-survey.html>

² The CSRD is an EU directive that is required to be transposed into national law. At present, not all member states have finalised this process, and there are also ongoing discussions as part of the EU Omnibus package regarding the CSRD's application and content.

³ See our Appendix for an overview of the ten ESRSs related to specific sustainability topics. The other two overarching standards are ESRS 1 (general requirements) and ESRS 2 (general disclosures).

⁴ The threshold for mandatory application of the CSRD is subject to change in the EU Omnibus package – notably, this may increase the threshold from 250 to 1,000 employees.

⁵ <https://www.esma.europa.eu/document/statement-sustainability-disclosure-prospectuses>

⁶ <https://www.esma.europa.eu/esmas-activities/listing-act>

Our analysis of 23 European IPOs shows how companies are currently addressing ESG topics and examines the depth of the disclosures in their IPO prospectuses. All of these IPOs were from 2023 and 2024, had a deal value in excess of €100 million, and the information necessary for our analysis was publicly available from the IPO prospectuses and Dealogic market data.⁷ The IPOs were undertaken in Germany,

France, Greece, Italy, the Netherlands, Norway, Romania, Spain, Sweden and Switzerland. Our results are measured against the frameworks of the CSRD and ESRS to offer insights into what is already being achieved and what might change in the future. We also provide our interpretation of the key findings and offer four key takeaways for future IPO candidates.

Figure 1 – Analysed IPOs by sector

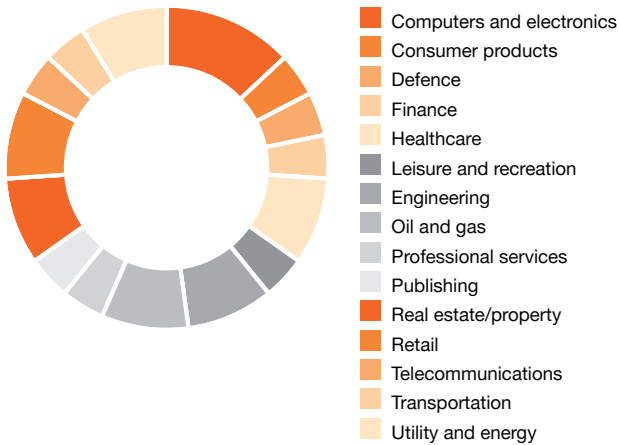
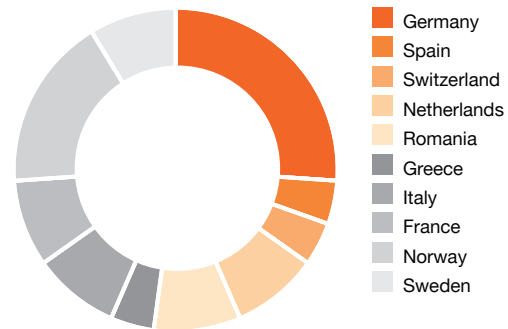


Figure 2 – Analysed IPOs by stock exchange



⁷ <https://dealogic.com>

Approach

The CSRD and the ESRS are pivotal frameworks created by the EU to ensure transparency and consistency in how companies report on ESG.

The double materiality assessment is key to both frameworks: this requires companies to consider and report on both financial materiality (the outside-in perspective) and impact materiality (the inside-out perspective).

The impact perspective examines how a company's activities impact the environment and society, while the financial perspective focuses on the potential risks and opportunities that sustainability issues pose for a company's financial performance. The resulting set of material impacts, risks and opportunities (IROs) mainly determines the content of the CSRD sustainability statement (i.e. which disclosures the company is required to make). This can be broken down into four categories: policies, actions, targets and metrics, each of which has a distinct and essential purpose. Policies provide guidelines and objectives for ESG issues; actions detail the steps taken to achieve these objectives; targets set measurable goals for sustainability; and metrics quantify performance against these targets. Taken together, these components form a cohesive approach to sustainability that is in

line with the evolving expectations of stakeholders and regulators and ensures comprehensive reporting and accountability. In line with the ESRS methodology, we categorised ESG disclosures⁸ in the IPOs we analysed into four primary areas: general, environment, social and governance. For the purpose of this analysis, topics related to general disclosures were added to ensure completeness of the information presented in the prospectuses. Some of these topics (e.g. incentive schemes for management) are based on ESRS 2 (general disclosures), although not explicitly named in this overarching standard; others were summarized under ESRS 2 (e.g. commitment to the UN Sustainable Development Goals (SDGs)). Each primary area of environment, social and governance was then further broken down into sub-topics and sub-sub-topics in line with the ESRS. In total, the ESRS consist of 92 sub-topics and sub-sub-topics, of which 30 relate to environmental issues, 55 to social issues and 7 to governance.⁹ In our analysis, we then looked at which sub-sub-topics were addressed in each IPO and whether the disclosures were purely qualitative (policies, actions, targets) or supported by quantitative data (metrics).

⁸ For the purposes of our analysis, ESG disclosures are defined as any mention of ESG, sustainability or ESRS topics in relevant sections of the IPO prospectus.

⁹ See our Appendix for the complete list of the 92 sub-topics and sub-sub-topics as found in "ESRS 1 AR 16: Sustainability matters to be included in the materiality assessment".

Results

Prevalence of ESG disclosures

Our analysis found that over 90% of IPO prospectuses included ESG information. Only 2 out of the 23 prospectuses, both pertaining to the oil and gas sector, lacked any ESG content. These two prospectuses are thus not included in any of the following statistics.

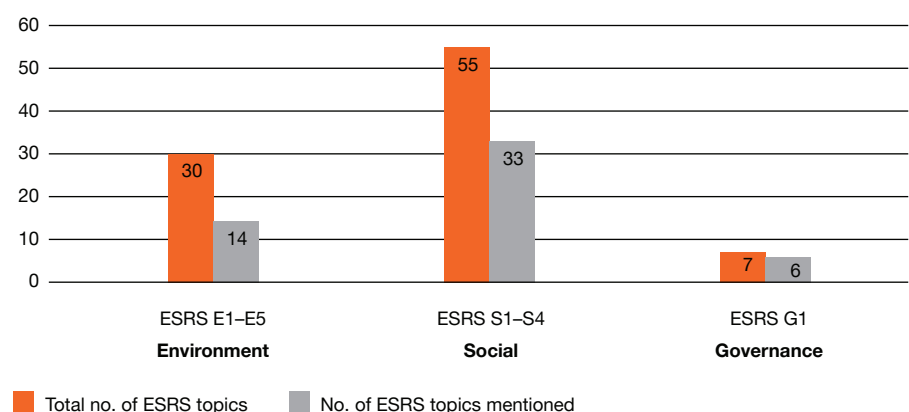
Among the disclosures analysed, about 20% were general disclosures, around 25% addressed environmental issues, roughly 45% focused on social topics, and the remaining 10% were related to governance.

Within the general disclosures, companies reported their current ESG strategy, governance and reporting efforts (approx. 35%), affirmed their commitment to ESG initiatives (approx.

31% – e.g. UN SDGs, Science-Based Targets Initiative), provided details on general ESG goals and commitments, including sustainability improvements (approx. 14%), shared ESG certifications (approx. 10%), and described the role of administrative bodies, management bodies, supervisory bodies and management incentive schemes related to ESG (approx. 10%).

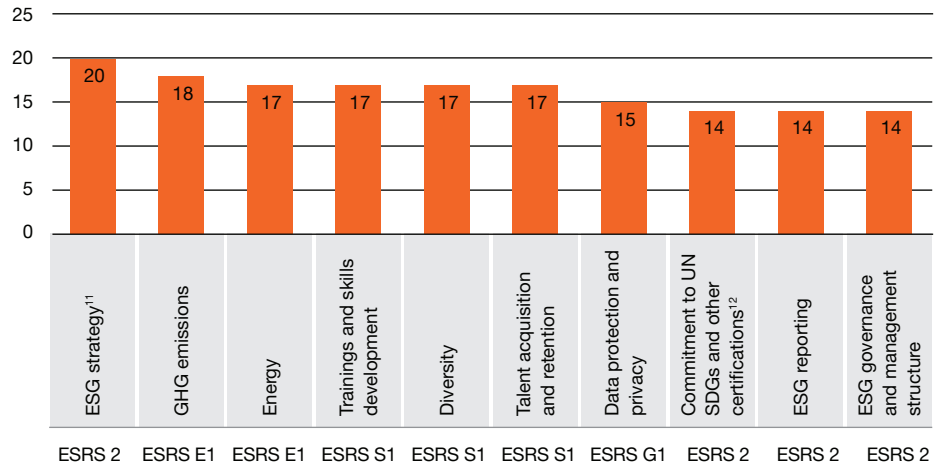
Of the 92 sub-topics and sub-sub-topics outlined by the ESRS, around 58% were mentioned in the prospectuses. The prospectuses addressed 14 of the 30 environmental topics covered in ESRS E1 to E5, 33 of the 55 social topics covered in ESRS S1 to S4, and 6 of the 7 governance topics. The distribution of topics is illustrated in Figure 3, while Figure 4 shows the most frequently mentioned topics.

Figure 3 – ESRS topics and mentions in IPO prospectuses¹⁰



¹⁰ While general topics based on ESRS 2 or summarized under ESRS 2 are included in the analysis of the prospectuses, they are not represented in this figure because ESRS 2 does not provide an official topical structure.

Figure 4 – Top 10 topics mentioned in IPO prospectuses



Placement and structure

ESG disclosures were primarily situated within the “business description” section, under subsections entitled “ESG” or “sustainability”. 20 companies adopted this format; only one company included a standalone section for ESG topics.

PwC interpretation

The lack of a dedicated ESG section in many prospectuses presents challenges for investors seeking specific ESG information. In the absence of a standardised format, investors may find it challenging to clearly identify and benchmark ESG performance. On the one hand, this may suggest that sustainability is already firmly embedded in the business and can be interpreted in the context in which it matters. On the other hand – given that the market’s understanding of ESG impacts is still evolving – it makes it tougher for investors to specifically seek out ESG information and for the company to present standout performance in terms of positive developments, achievements and initiatives.

¹¹ Includes ESG strategy, as well as general sustainability goals, commitments, and improvements.

¹² Such as ISO- and EcoVadis certifications.

Integration of ESG risks

Around a third of companies incorporated ESG-related risks into their risk factors sections. These disclosures frequently highlighted the potential consequences of non-compliance with current and forthcoming ESG regulations.

PwC interpretation

The entry into force of the CSRD – and in particular, introducing the underlying double materiality assessment – is expected to provide much-needed additional information on specific risk factors that companies are exposed to. This increased awareness and understanding needs to be consistent with disclosures in the risk factors section. However, enhanced risk awareness is expected to not only manifest in IPO prospectuses, but also to improve enterprise risk management practices and decision-making processes on ESG overall.

Nature of ESG disclosures and disparities in quality

The majority of ESG information disclosed (approx. 88%) was qualitative in nature, as illustrated in Figure 5, encompassing ESRS 2-related disclosures and policies, actions and targets aligned with the standards for specific sustainability topics.

The depth and specificity of these qualitative disclosures varied considerably: some companies provided comprehensive narratives, while others remained relatively broad. The remaining 12% of disclosures were quantitative (i.e. metrics) and

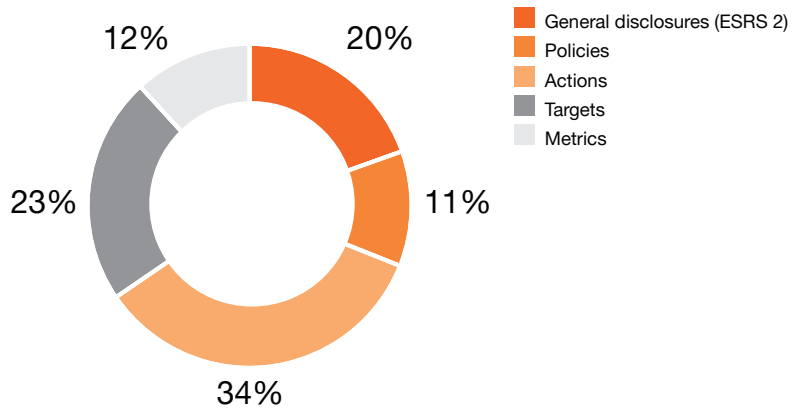
highly variable. Although quantitative disclosures thus made up a relatively small proportion of the whole, 19 of the 21 companies did include at least one quantitative measure.

Quantitative data was most prevalent for environmental and social disclosures, with 67% of companies providing at least one quantitative metric related to environmental issues and 81% of companies reporting quantitative data on social topics. Environmental metrics were predominantly focused on greenhouse gas emissions and energy consumption, with 43% and 52% of

companies, respectively, providing quantitative metrics in these areas. Social metrics most commonly covered workforce characteristics, reported by

around 57%; and diversity aspects, such as the percentage of female employees in leadership positions, reported by approximately 48% of companies.

Figure 5 – Distribution of ESG disclosures in IPO prospectuses, by category



Given that data on energy consumption, greenhouse gas (GHG) emissions and workforce characteristics has long been collected and reported before, the majority of the quantitative disclosures may not be inherently driven by the companies' ESG management initiatives or performance observations. In addition, quantitative data was discussed in isolation from financial performance and capital expenditure, making it difficult for investors to understand the financial impact of sustainability initiatives or changes in performance.

The quality and comprehensiveness of ESG disclosures varied significantly across the prospectuses. While some companies provided detailed metrics with clear definitions, others offered more generic statements without specificity and context. This spread is also evident in the type of information disclosed when compared to the ESRS, which aim to put policies, targets, actions and metrics for each topic into context: some companies provided targets without corresponding metrics or policies, or described actions in certain fields without stating their overall intentions or targets.

Figure 6 – Disclosures of environmental policies, actions, targets and metrics

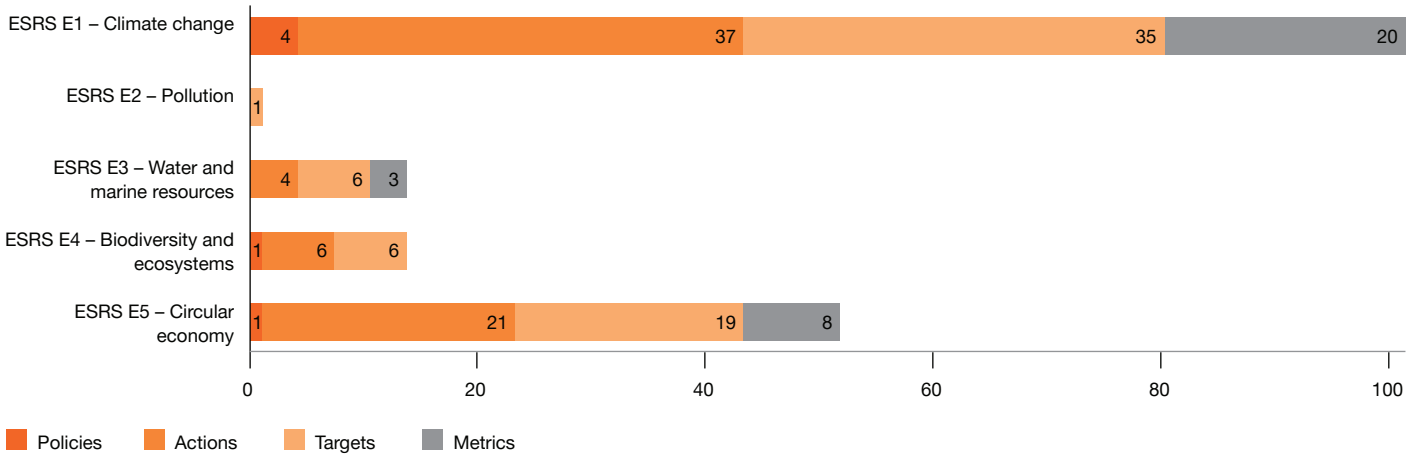


Figure 7 – Disclosures of social policies, actions, targets and metrics

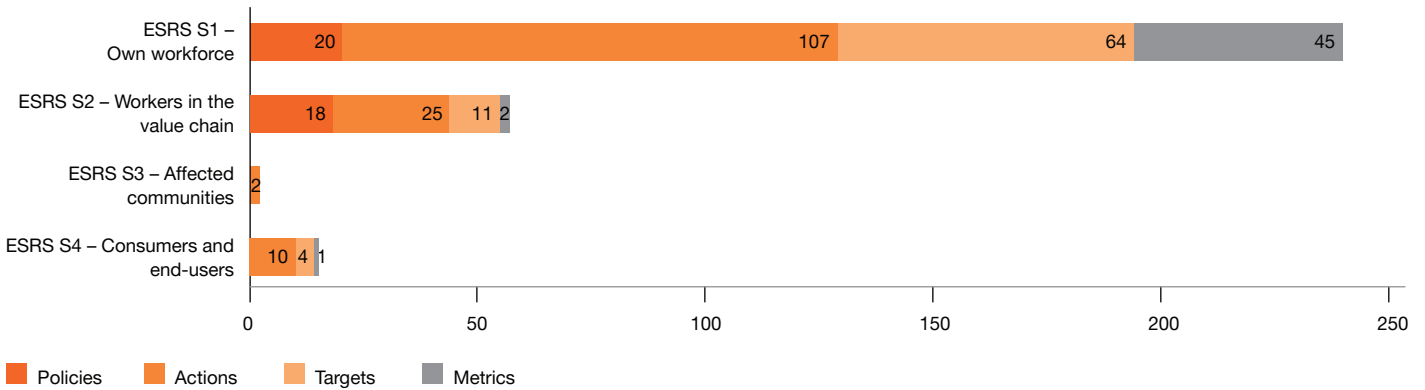
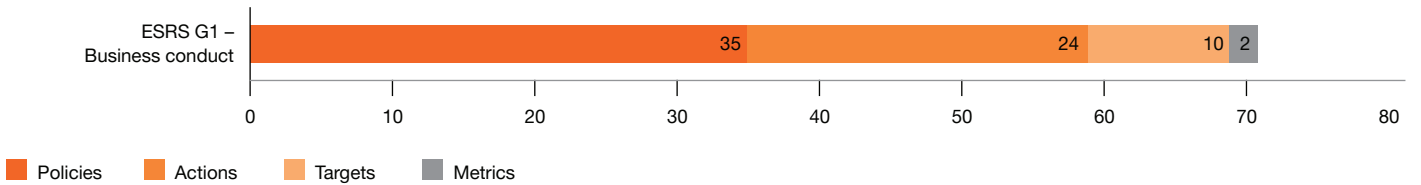


Figure 8 – Disclosure of governance policies, actions, targets and metrics



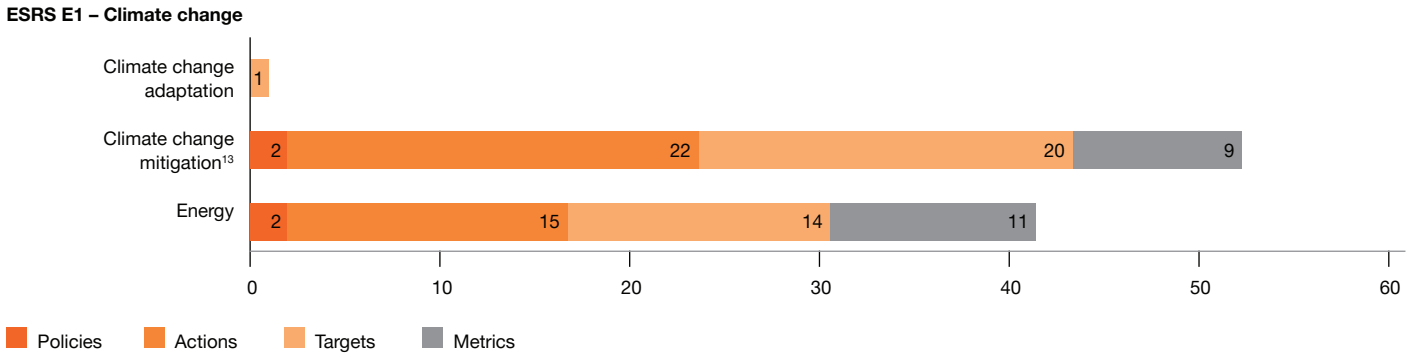
Figures 6, 7 and 8 show the numbers of policies, actions, targets and metrics related to ESRS E1 to E5, ESRS S1 to S4 and ESRS G1 disclosed by the companies. Within the environmental and social standards, disclosures of

actions and targets were more prevalent than those of policies and metrics. However, for ESRS G1 topics, the majority of disclosures pertained to policies, followed by actions and targets, with only a limited number of metrics.

As illustrated in the figures above, differences in the granularity of reporting are evident in the prospectuses across the 92 ESRS sub-topics and sub-sub-topics. Figures 9, 10 and 11 show an

example breakdown of disclosures for specific sub-topics for ESRS E1 Climate change, S1 Own workforce and G1 Business conduct.

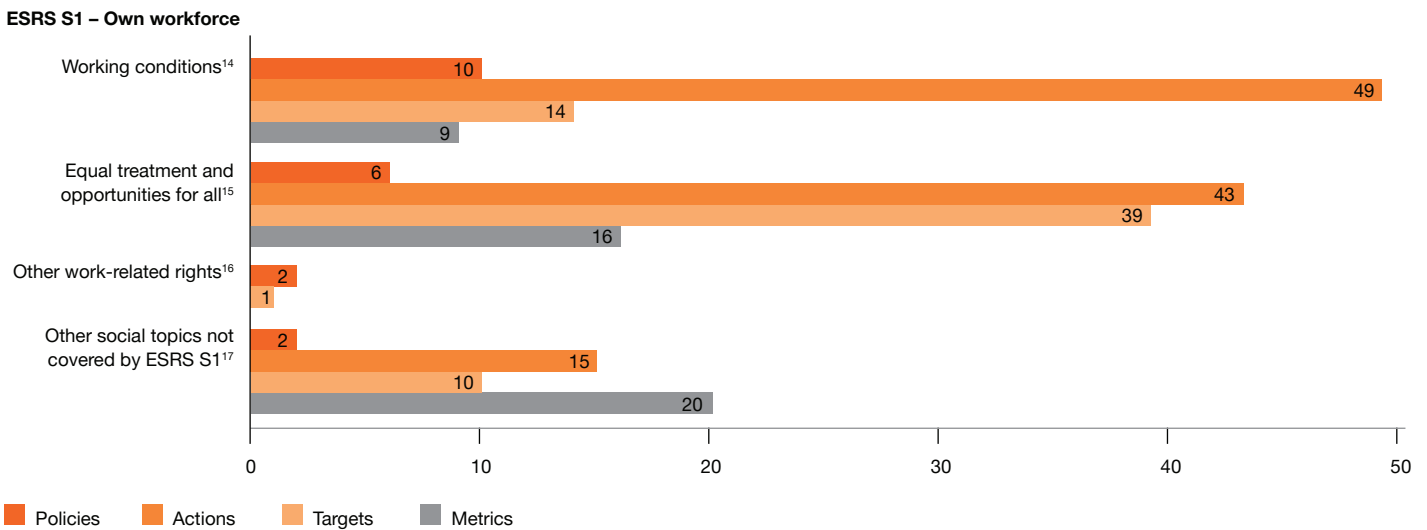
Figure 9 – Breakdown of ESRS E1 disclosures by policies, actions, targets and metrics



For ESRS E1 Climate change, the disclosures centred largely on greenhouse gas emissions (sub-topic of climate change mitigation) and on energy consumption (sub-topic energy). The information provided was mostly

qualitative, largely in the form of descriptions of actions and targets, although certain quantitative metrics were also provided. By contrast, policies were reported much more infrequently.

Figure 10 – Breakdown of ESRS S1 disclosures by policies, actions, targets and metrics



¹³ Includes disclosures regarding GHG emissions along with other climate change mitigation-related disclosures.

¹⁴ Please refer to the Appendix for sub-sub-topics classified under working conditions.

¹⁵ Please refer to the Appendix for sub-sub-topics classified under equal treatment and opportunities for all.

¹⁶ Please refer to the Appendix for sub-sub-topics classified under other work-related rights.

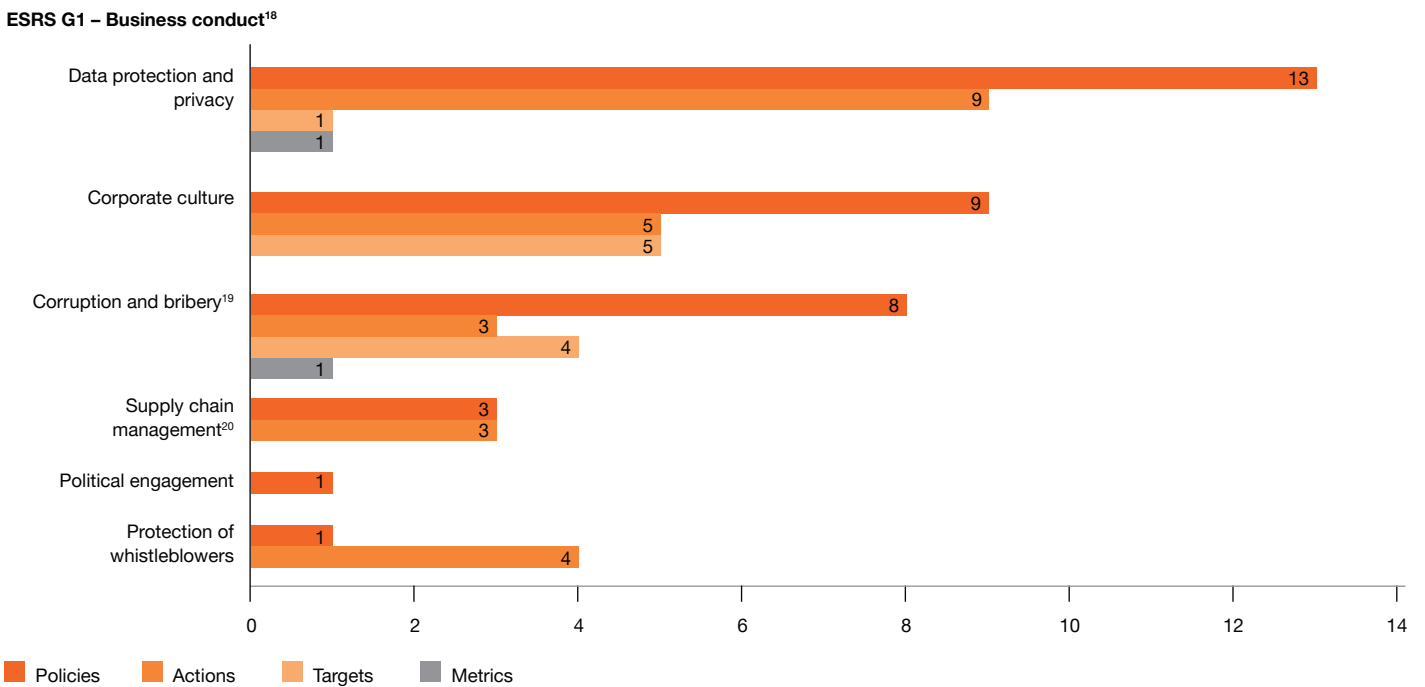
¹⁷ Includes the topics characteristic's of the undertaking's employees, HR management, and talent acquisition and retention.

Our analysis included all 17 sub-sub-topics outlined in ESRS S1 Own workforce. A number of further topics were added to ensure comprehensive coverage of the information provided in the prospectuses, such as “characteristics of the undertaking’s employees” (pertaining to Disclosure Requirement ESRS S1-6), along with the non-ESRS topics “HR management”, “talent acquisition and retention” and “working conditions (overall)”. The analysis revealed that these three non-ESRS

topics were frequently addressed within the social section of ESG disclosures.

Most of the disclosures were qualitative, with a focus on describing actions and setting targets. However, some quantitative metrics were also provided, particularly concerning employee characteristics, diversity, and talent acquisition and retention. In contrast, reporting of policies was relatively infrequent.

Figure 11 – Breakdown of ESRS G1 disclosures by policies, actions, targets and metrics



For ESRS G1, our analysis included all seven sub-sub-topics outlined in the standard, plus “data protection and privacy” to ensure comprehensive coverage of the information in the prospectuses. Many companies addressed this additional topic in the governance section of their ESG disclosures. Governance-related disclosures largely focused on data

protection and privacy, and on corporate culture. Disclosures were mostly qualitative, with an emphasis on policies, followed by description of actions. Targets and quantitative metrics were less widely reported, with only two companies employing metrics: these were for data protection and privacy issues, and incidents related to corruption and bribery.

¹⁸ The topic of animal welfare was not mentioned in any of the prospectuses and is therefore not included in this figure.

¹⁹ Includes the topics prevention and detection, including training, of corruption and bribery, as well as incidents of corruption and bribery.

²⁰ Refers to the sub-sub-topic of management of relationships with suppliers, including payment practices.

Summary of the results and outlook

04

Our analysis can be summarized into four key findings:

- 1.** Over 90% of prospectuses already include ESG disclosures, with the majority focusing on social disclosures (45%), followed by environmental disclosures (25%), general disclosures (20%) and governance disclosures (10%). These disclosures covered 58% of the sub-topics from the ESRS framework, highlighting a comprehensive approach towards integrating ESG information. However, many of the risk factors in the “risk factors” section did no more than list the potential consequences of non-compliance with current and forthcoming ESG regulations, instead of providing a more detailed assessment of impacts, risk and opportunities as should be reflected in the enterprise risk management.
- 2.** ESG disclosures are mainly located in the “business description” section of prospectuses. Most prospectuses do not have a dedicated ESG section, which complicates the task of finding and benchmarking ESG information. ESG performance is also not generally linked to financial performance, making it difficult for investors to understand how sustainability-related risks and opportunities may affect the company’s financial health.
- 3.** The ESG disclosures in prospectuses varied widely in their quality and comprehensiveness. For environmental and social disclosures, actions and targets were more common than policies and metrics, while governance disclosures primarily focused on policies. However, some prospectuses provided targets without corresponding metrics or policies or described actions in certain fields without stating their overall intentions or targets. This inevitably creates a fragmented picture of these companies’ approach to ESG, and does not provide clarity on how sustainability investments will contribute to the overall development of the company and the financial performance in the future.
- 4.** Most prospectuses provided some quantitative data on environmental and social topics, with prevalent metrics including greenhouse gas emissions, energy consumption and workforce characteristics. However, these figures are often obtained from standard operating practices rather than from dedicated ESG management or performance assessments. ESG performance is also discussed in isolation from financial performance, limiting investors’ ability to understand ESG’s role for the company’s business model now and in the future.

Based on our results, we have identified four key takeaways for IPO candidates:

- 1. Make it easier for investors:** To make ESG information more comparable and accessible, companies should consider adding a dedicated ESG section that contains at least a summary of the key disclosures made in the other sections of the prospectus. This will help investors locate and benchmark ESG performance across companies. At the same time, it's important to choose relevant information: the ESG section should contain a reasonable number of ESG-related factors that really matter to the company's business model and financial performance (two or three most important and strategically relevant ESG highlights).
- 2. Use ESG reporting requirements as a foundation to focus on topics that create value:** Companies should aim to identify their material ESG topics before the IPO, following the CSRD's double materiality assessment methodology. This will provide a framework for appropriate ESG disclosures in the prospectus and enable a comprehensive view of sustainability. Getting this overview is important, as there is no grace period for public disclosures once a company has gone public. Based on the results of the double materiality assessment, companies should then identify two or three most important and strategically relevant ESG highlights that underline their equity story. This will make the abstract commitment to sustainability more tangible for investors and ensure that the key messages are not lost along the way.
- 3. Put information into context:** While qualitative disclosures are important, companies should focus on establishing a data-driven track record that can back up past achievements and allow reliable predictions of future performance. It's also important to have a comprehensive view for two or three most important and strategically relevant ESG highlights of how appropriate policies and actions will allow targets to be achieved, as this will boost the credibility of the company's ESG efforts.
- 4. Highlight financial aspects:** We anticipate a convergence of financial and non-financial disclosures in the future, presenting a unique opportunity for companies to show the financial impact of their sustainability efforts. To achieve this, companies should identify non-financial KPIs that best illustrate their business model – in much the same way that frequently used financial KPIs (e.g. adjusted EBITDA) have made it easier for companies and investors to compare financial performance. Alternative performance measures such as these normalise one-off impacts and other factors, and the same needs to be achieved for ESG information to make complex developments digestible.

Outlook

As we look to the future, the transition from the NFRD to the CSRD represents a transformative shift in European sustainability reporting.

As the regulations evolve, companies will have to refine their approach to ESG in IPO prospectuses, addressing both investor expectations and legal requirements. Many listed companies published their first CSRD reports at the beginning of 2025, setting a new market practice and raising the expectation for IPO candidates to provide similar information upfront. We therefore expect that ESG-related disclosures will play a more prominent role in IPO prospectuses going forward.

However, investors will still focus on the company's financial profile first. It will therefore be necessary to strike the right balance between financial attractiveness and ESG, and to ensure that these two elements are connected. As such, it is important to assess ESG early – during the IPO preparation phase – to maximise potential value.

Appendix

05

Sustainability matters to be included in the materiality assessment according to ESRS 1, paragraph AR 16:²¹

ESRS	Topic	Sub-topic	Sub-sub-topic
ESRS E1	Climate change	Climate change adaptation, Climate change mitigation; Energy	
ESRS E2	Pollution	Pollution of air; Pollution of water; Pollution of soil; Pollution of living organisms and food resources; Substances of concern; Substances of very high concern; Microplastics	
ESRS E3	Water and marine resources	Water; Marine resources	Water consumption; Water withdrawals; Water discharges; Water discharges in the oceans; Extraction and use of marine resources
ESRS E4	Biodiversity and ecosystems	Direct impact drivers of biodiversity loss	Climate change; Land-use change, fresh water-use change and sea-use change; Direct exploitation; Invasive alien species; Pollution; Others
		Impacts on the state of species	Examples: Species population size; Species global extinction risk
		Impacts on the extent and condition of ecosystems	Examples: Land degradation; Desertification; Soil sealing
		Impacts and dependencies on ecosystem services	
ESRS E5	Resource use and circular economy	Resource inflows, including resource use; Resource outflows related to products and services; Waste	
ESRS S1	Own workforce	Working conditions	Secure employment; Working time; Adequate wages; Social dialogue; Freedom of association, the existence of works councils and the information, consultation and participation rights of workers; Collective bargaining, including proportion of workers covered by collective agreements; Work-life balance; Health and safety
		Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value; Training and skills development; Employment and inclusion of persons with disabilities; Measures against violence and harassment in the workplace; Diversity
		Other work-related rights	Child labour; Forced labour; Adequate housing; Privacy

²¹ The arrangement of topics, sub-topics, and sub-sub-topics presented herein aligns with the framework outlined in ESRS Set 1. As of July 31, 2025, revised draft ESRS have been issued, advocating for a more streamlined method to distinguish between topics and sub-topics. This approach incorporates former sub-sub-topics as supplementary additions or illustrative examples within the new sub-topics. Consequently, while there may be slight alterations in the format of the topical structure, the fundamental content remains largely consistent.

ESRS	Topic	Sub-topic	Sub-sub-topic
ESRS S2	Workers in the value chain	Working conditions	Secure employment; Working time; Adequate wages; Social dialogue; Freedom of association, the existence of works councils and the information, consultation and participation rights of workers; Collective bargaining, including proportion of workers covered by collective agreements; Work-life balance; Health and safety
		Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value; Training and skills development; Employment and inclusion of persons with disabilities; Measures against violence and harassment in the workplace; Diversity
		Other work-related rights	Child labour; Forced labour; Adequate housing; Water and sanitation; Privacy
ESRS S3	Affected communities	Communities' economic, social and cultural rights	Adequate housing; Adequate food; Water and sanitation; Land-related impacts; Security-related impacts
		Communities' civil and political rights	Freedom of expression; Freedom of assembly; Impacts on human rights defenders
		Rights of indigenous peoples	Free, prior and informed consent; Self-determination; Cultural rights
ESRS S4	Consumers and end-users	Information-related impacts for consumers and/or end-users	Privacy; Freedom of expression; Access to (quality) information
		Personal safety of consumers and/or end-users	Health and safety; Personal security; Protection of children
		Social inclusion of consumers and/or end-users	Non-discrimination; Access to products and services; Responsible marketing practices
ESRS G1	Business conduct	Corporate culture; Protection of whistleblowers; Animal welfare; Political engagement and lobbying activities; Management of relationships with suppliers, including payment practices	
		Corruption and bribery	Prevention and detection including training; Incidents



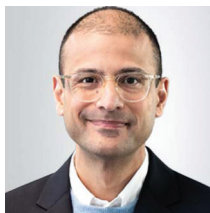
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