



# The road ahead

**The KPMG Survey of Corporate  
Responsibility Reporting 2017**

[kpmg.com/crreporting](http://kpmg.com/crreporting)



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# About this survey

## Welcome to the KPMG Survey of Corporate Responsibility Reporting 2017.

This is the 10<sup>th</sup> survey since the first edition was published in 1993. This year, KPMG member firm professionals reviewed corporate responsibility (CR) and sustainability reporting from 4,900 companies in 49 countries and regions, making this the most extensive survey ever.

The survey provides a detailed look at global trends in CR reporting and insights for business leaders, company boards, and CR and sustainability professionals. It is designed to offer guidance on good practice to corporate professionals who assess and prepare their own organization's CR reporting. It also serves as a guide to investors, asset managers and ratings agencies who now factor environmental, social and governance (ESG) information into their assessments of corporate performance and risk.

The survey is based on several months of research, with KPMG member firm professionals analyzing thousands of company financial reports, corporate responsibility reports, and websites. The number of companies and markets involved in the survey means that it is one of the most comprehensive and authoritative pieces of research on CR reporting available worldwide.

### This year the survey spotlights four major emerging trends within CR reporting:

- Reporting on climate-related financial risk
- Reporting on the UN Sustainable Development Goals (SDGs)
- Reporting on human rights
- Reporting on carbon reduction targets

## Lead authors



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Global Head, KPMG  
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As well as leading KPMG's global Sustainability Services network, José Luis also heads the Sustainability Services practice at KPMG in Spain and has served as Head of Governance, Risk and Compliance at KPMG in Spain. He joined KPMG in 2003 after working in the third sector, and was appointed a Partner in 2008.

José Luis advises major companies on incorporating the risks and opportunities of environmental and social megatrends into their corporate strategies. He plays an active role in many well-known sustainability initiatives and organizations including the GRI, International Integrated Reporting Council (IIRC), World Business Council for Sustainable Development (WBCSD) and the United Nations Environment Programme (UNEP).



**Adrian King**

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Adrian is the Partner in Charge of the Sustainability Services practice at KPMG in Australia. He has more than 25 years' experience working with global public and private companies to provide financial and non-financial advisory, reporting and assurance services. Adrian works with clients to help them respond to all financial and non-financial challenges, with a particular focus on health & safety, environmental and community issues in order to manage risk, create value and achieve a competitive advantage. Adrian was the Global Head of KPMG's Sustainability Services network from 2014 to 2017.

# Research samples: the N100 and G250

Throughout this document, the reader will see statistics quoted for two different research samples: the “N100” and the “G250”.

## N100

The N100 refers to a worldwide sample of 4,900 companies comprising the top 100 companies by revenue in each of the 49 countries researched in this study. These N100 statistics provide a broad-based snapshot of CR reporting among both large and mid-cap firms around the world.



For more details on these research samples, a full list of the 49 countries and regions covered and the research methodology see page 52.

## G250

The G250 refers to the world’s 250 largest companies by revenue based on the Fortune 500 ranking of 2016. Large global companies are typically leaders in CR reporting and their behavior often predicts trends that are subsequently adopted more widely.

For more information about the survey and to explore the data in more detail using an interactive online tool, visit [kpmg.com/crreporting](http://kpmg.com/crreporting).

# Executive Summary

## Quantitative trends in corporate responsibility reporting

**CR reporting is standard practice for large and mid-cap companies around the world.**



Around three quarters of the **4,900** companies studied in this survey issue CR reports. See page 9.

**Most of the world's biggest companies now integrate financial and non-financial data in their annual financial reports**



(78 percent), suggesting they believe CR information is relevant for investors. See page 21.



**All industry sectors show a healthy rate of CR reporting:** for the first time in the history of this survey, every sector has a reporting rate of **60%** or more. See page 20.

**Assurance of CR data has more than doubled among the G250 in the last 12 years**



(now 67 percent of reports), indicating that the largest companies see value in promoting the reliability of this information. Assurance is also increasing at a steady rate among N100 companies. See page 26.



**Latin America has seen a surge in CR reporting in the last two years,**

driven by regulation, foreign investor demand and the need to build and protect public trust. See page 13.

**GRI remains the most popular framework for CR reporting.**

Around two thirds of reports analyzed in this survey apply the GRI G4 Guidelines or Standards. See page 28.



**"Integrated Reporting" has taken off in Japan, Brazil, Mexico and Spain.** See page 24.

## Acknowledging the financial risks of climate change

**This survey confirms that a majority of companies do not acknowledge climate change as a financial risk in their annual reports**

**72%** of the N100 do not  
**52%** of the G250 do not

Of the minority that do acknowledge climate risk, very few attempt to quantify or model the business value at stake. The statistics support the need for initiatives such as the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). See page 30.

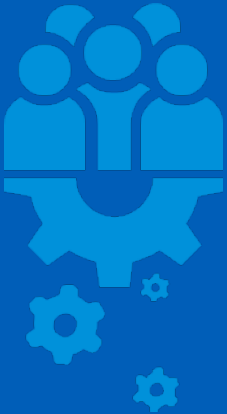
## Linking corporate responsibility activity to the UN Sustainable Development Goals (SDGs)

**The SDGs have resonated strongly with businesses worldwide in less than two years since their launch. Many already connect their CR activities to the SDGs**

**43%** of G250 reporters  
**39%** of N100 reporters

This is a clear trend that has emerged in a short space of time and strongly suggests that the SDGs will have a growing profile in CR reporting over the next two to three years. See page 39.

## Acknowledging human rights as a business issue



Human rights is firmly on the agenda as a global business issue. A clear majority of CR reports now acknowledge the issue of human rights: around three quarters of the N100 (73 percent) and nine out of ten (90 percent) in the G250.

N100	G250
73%	90%
73%	90%
73%	90%
73%	90%
73%	90%
73%	90%
73%	90%
73%	90%
73%	90%
73%	90%

However, the lack of a public human rights policy at many companies suggests there is still work to do, and only a minority of businesses are yet prepared to align themselves publicly with the UN Guiding Principles on Business & Human Rights. See page 44.

## Linking carbon targets to the global climate goal

A solid majority of reports from the world's largest companies (G250) now disclose targets to cut their carbon emissions: the percentage in 2017 stands at

67%



Yet, most of these firms do not relate their own targets to the climate goals being set by national governments, regional authorities or the UN, such as The Paris Agreement which commits countries to limit global warming to well below 2°C. See page 49.



# What do these findings mean for business?

**This survey is arguably the most comprehensive overview of corporate responsibility reporting trends worldwide. It is packed full of data, but what does all this data actually mean? If business leaders have no time to continue reading beyond this point, what are the key points I want them to take away from this report?**



**José Luis Blasco**

Global Head, KPMG  
Sustainability Services

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It is a tough question because there is so much of interest in these pages. Yet when I reviewed the data and asked myself this same question, I came up with three important messages that I want to get across. Firstly, get ready for more reporting regulation because it is on the way. Secondly, be clear that reporting integration is the new normal and “non-financial” is the new financial. Finally, remember that from here on in, it’s all about reporting your impact not just statistics.

## **Get ready for more reporting regulation**

In the many interviews we conducted for this survey, regulation emerged as a clear and recurrent theme. We heard how governments and stock exchanges the world over - from Latin America to Japan, the US and the EU, to India and Taiwan - are bringing in new layers of regulation for environmental, social and governance (ESG) disclosure. We heard how voluntary guidelines are rapidly transitioning into mandatory reporting requirements in many parts of the world.

My message to business here, is to expect more of the same. Countries that do not yet have reporting regulation are likely to introduce it. Those that have it are likely to strengthen it and to bring in new requirements for reporting on critical issues such as climate change and human rights. Voluntary frameworks are likely to continue to become compulsory. Levels of disclosure will likely continue to ratchet up.

While initiatives to standardize reporting approaches will carry on and should be encouraged, it is likely that the international reporting landscape will continue to be fragmented and dynamic for the foreseeable future.

Business leaders need to ensure their organizations are in touch with global reporting trends and in a good position to anticipate and respond to change. As demands for disclosure continue to grow, firms need to ensure that they have up-to-date and efficient systems in place to collect, analyze and disclose the necessary ESG information and that they are able to convince regulators, investors and others of the reliability of that information.

## **Reporting integration is the new normal and “non-financial” is the new financial**

There was a time when corporate responsibility information was considered strictly “non-financial” and not relevant to include in annual financial reports. The corporate responsibility report as we know it today was born from those beliefs. But times are changing.

As our survey shows, more than three quarters of the world’s largest 250 companies now include at least some “non-financial” information in their annual financial reports. And where the largest firms lead, others inevitably follow. We can also see that some countries appear to be enthusiastically adopting the concept of integrated financial and “non-financial” reporting, in many cases nudged along by regulation or stock exchange guidelines.



Furthermore, the conventional lines between “financial” and “non-financial” are not only beginning to blur, but in some examples are breaking down completely. It’s important to note that the recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) apply to the disclosure of climate risk in annual financial reports not in corporate responsibility reports.

I believe this is the start of a shift that will gather pace in the next few years. Environmental and social issues such as climate change, water scarcity and human rights will increasingly be seen as financial rather than non-financial issues. Companies will be expected to be transparent not only about their own performance on these topics, but also about the financial risks and opportunities they face from them and the likely effects on the business’s value creation in both the short and long term.

My message here is directed at Chief Financial Officers: the merging of financial and “non-financial” reporting will accelerate quickly in the next few years and it is the finance teams that will be expected to deliver the disclosures. The first step to effective disclosure is for finance teams to gain a sound understanding of the material environmental and social issues that have potential to affect the company’s financial performance. Most companies have resident experts who can help, namely their sustainability teams.

So increased dialogue and collaboration between the finance and sustainability functions – which are too often separate and siloed – will be critical.

### **It is all about impact not just statistics**

Traditional corporate responsibility reporting has focused on reporting statistics such as how many cubic meters of water a company has saved, how many tons of carbon it has reduced or how many employees it has sent on training programs. Such statistics increasingly lack real meaning without information on context and impact. The future of corporate responsibility reporting is all about communicating impact, not statistics.

Financial stakeholders - including investors, lenders and insurers – need to know what impacts your business is having on society and the environment, and how this could impact your business performance in the future. They want to see that you understand these impacts and to understand what your business response is. For example, is your company taking action that reduces risks, unlocks opportunities or builds capacity for future value creation?

In the responsible investment space, impact investing is a growth area that will increase pressure on companies to disclose their impacts on society in a measurable and comparable way.

The UN’s Sustainable Development Goals (SDGs) are fueling demands for impact data. As this survey highlights, simply linking corporate responsibility activity thematically to the SDGs is not enough. People want to know how companies are contributing to achieving the goals and what the actual impact of those positive contributions is. Similarly, they want to know how company activities are exacerbating the challenges the SDGs seek to solve, and what that negative impact is in real terms. It is not just civil society and NGOs that want this information, we are seeing a number of large institutional investors exploring how they can align their investment approaches with the SDGs. Such investment strategies will inevitably require impact disclosure from business.

**So my final message, is to go beyond the statistics and explore how to assess and communicate impact. I believe there will be significant benefits for those who choose to lead in this field.**

**I hope you enjoy reading this survey and I would be delighted to hear your thoughts on it. Please do feel free to contact me by email, Twitter or LinkedIn.**

**Finally, may I extend my warmest thanks to the many KPMG professionals who contributed so much hard work to the production of this survey and to the experts at other organizations who so generously gave us their time to provide insight on the findings. I am very grateful.**





# Quantitative global trends in corporate responsibility reporting



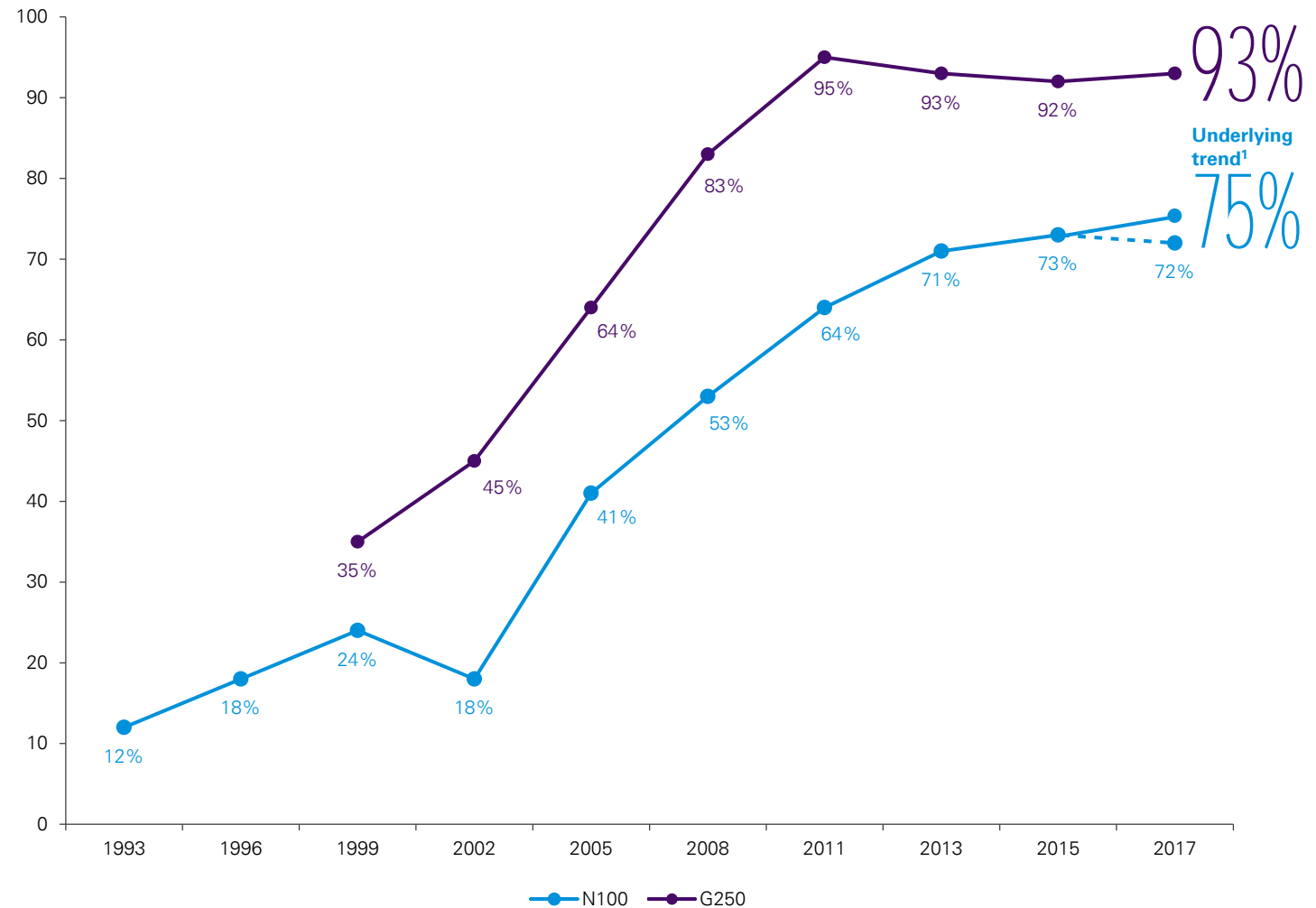
# N100 companies continue to catch up with the G250

**The underlying reporting rate for N100 companies has risen by 2 percentage points since 2015: up from 73 to 75 percent.<sup>1</sup>**

This means that N100 companies continue to catch up steadily with the G250. The G250 reporting rate has been stable at between 90 and 95 percent in the last four surveys.

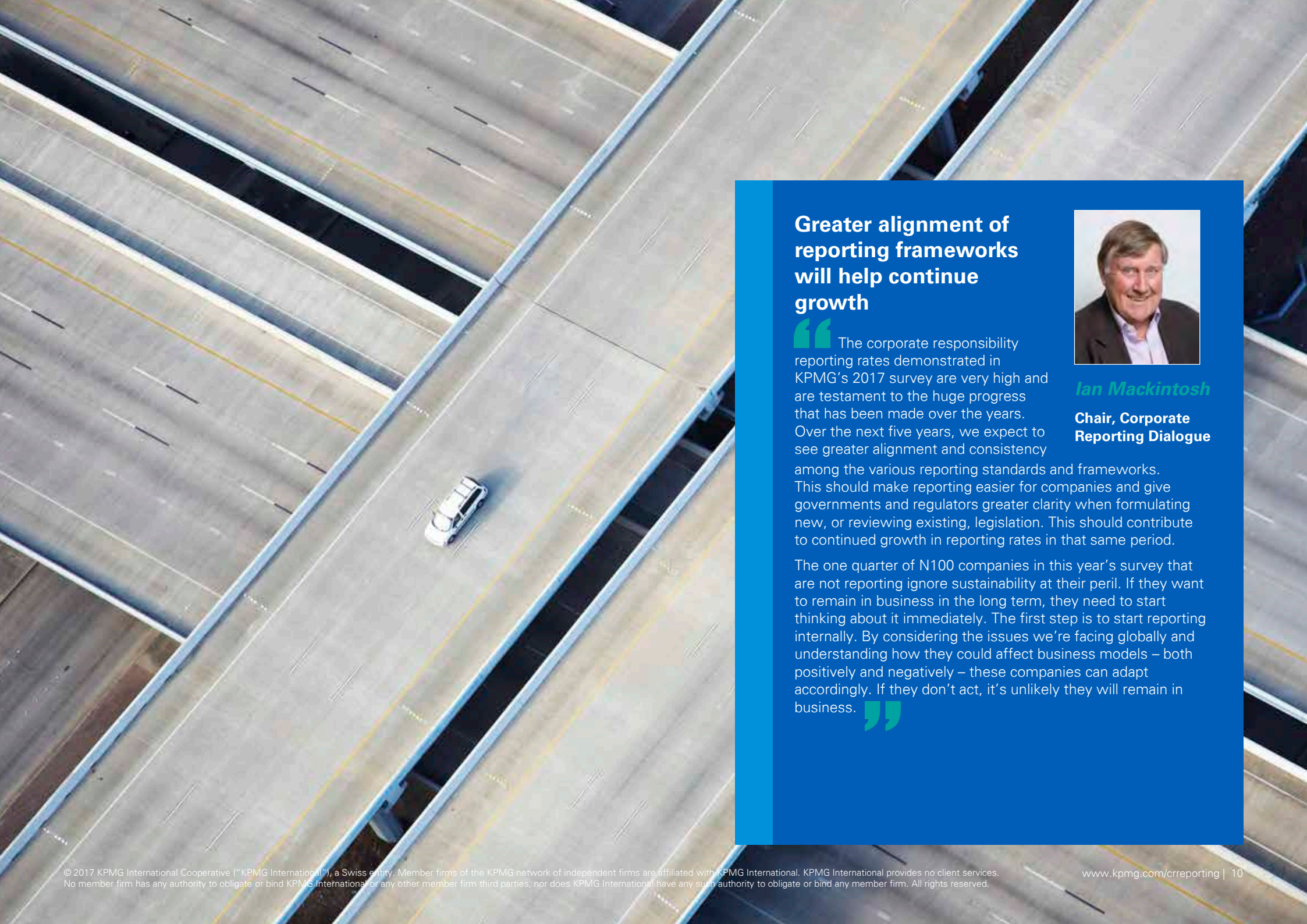
There have been significant increases since 2015 in certain countries such as Mexico (+32 percentage points), New Zealand (+17 percentage points) and Taiwan (+11 percentage points) where new regulation has driven reporting rates higher (see page 15).

**Growth in global CR reporting rates since 1993**



<sup>1</sup> The underlying trend of 75 percent applies when looking at the same sample of countries in 2015 and 2017. The overall N100 rate in 2017 is 72 percent due to the inclusion of 5 new countries with relatively low reporting rates in the 2017 research.

Base: 4,900 N100 companies and 250 G250 companies  
Source: KPMG Survey of Corporate Responsibility Reporting 2017



## Greater alignment of reporting frameworks will help continue growth

“ The corporate responsibility reporting rates demonstrated in KPMG’s 2017 survey are very high and are testament to the huge progress that has been made over the years. Over the next five years, we expect to see greater alignment and consistency among the various reporting standards and frameworks. This should make reporting easier for companies and give governments and regulators greater clarity when formulating new, or reviewing existing, legislation. This should contribute to continued growth in reporting rates in that same period.

The one quarter of N100 companies in this year’s survey that are not reporting ignore sustainability at their peril. If they want to remain in business in the long term, they need to start thinking about it immediately. The first step is to start reporting internally. By considering the issues we’re facing globally and understanding how they could affect business models – both positively and negatively – these companies can adapt accordingly. If they don’t act, it’s unlikely they will remain in business. ”



**Ian Mackintosh**  
**Chair, Corporate Reporting Dialogue**

# Reporting in Latin America grows, Eastern Europe yet to catch up

**CR reporting in the Americas region has risen by an impressive 6 percentage points in the last two years.**

As a result, it has overtaken the Asia Pacific region to become the leading region for CR reporting globally. This growth has come predominantly from Mexico where reporting rates have jumped from 58 percent in 2015 to 90 percent in 2017, driven by regulatory change. This has been complemented by growth of 5 percentage points in Colombia and the US and by already-high rates in Brazil.

CR reporting rates in Asia Pacific have stabilized following a surge of 8 percentage points between 2013 and 2015. **Several countries with the highest CR reporting rates in the world, such as Japan, India, Malaysia and Taiwan are in the Asia Pacific region.**

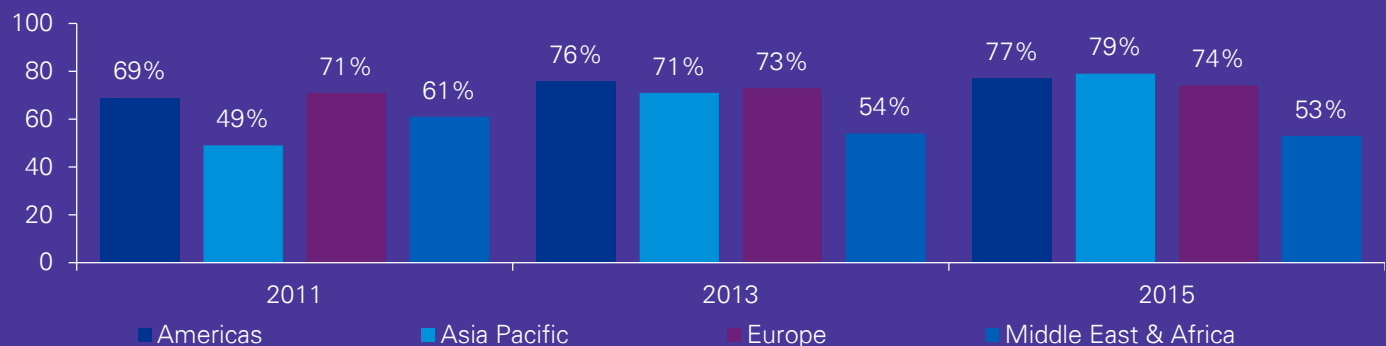
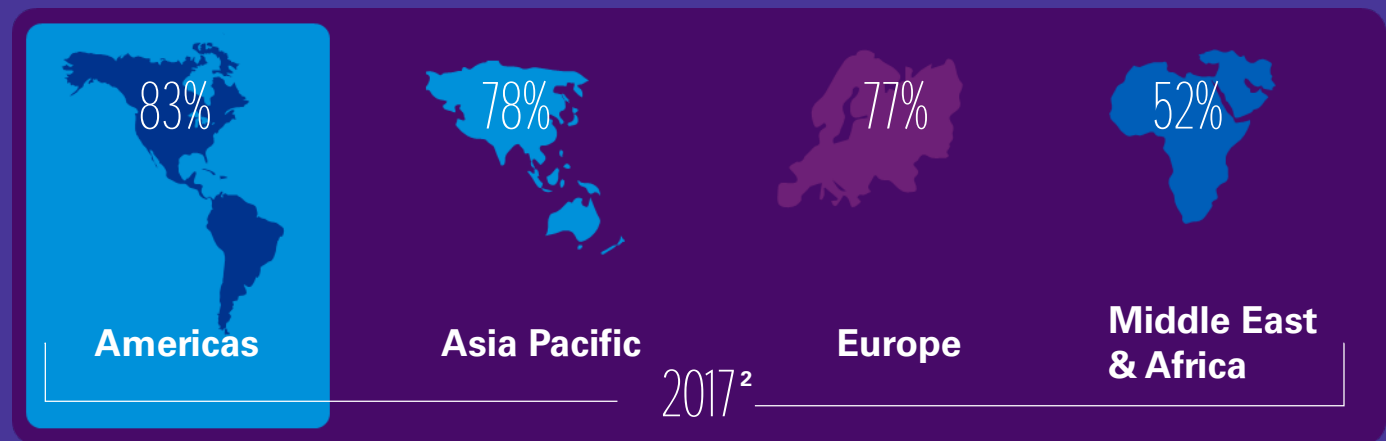
## Mixed picture in Europe, Middle East & Africa continues

In Europe, the picture is also mixed. The underlying trend is one of growth (up 3 percentage points) but the divergence between Western and Eastern Europe observed in 2015 remains.

The rate of reporting in Eastern Europe is still relatively low at 65 percent, despite an increase of 4 percentage points since 2015. Eastern European countries may be closing the gap on the rest of the region but are doing so slowly. Clearly, the impact of the European Directive on Non-Financial Reporting has yet to be fully felt.

There has been a slight decline of 1 percentage point in the Middle East & Africa where reporting rates are traditionally low. Low rates of reporting in Angola, Oman and Israel are offsetting high rates in South Africa and Nigeria.

## Corporate responsibility reporting rates by region



Base: 4,900 N100 companies

Source: KPMG Survey of Corporate Responsibility Reporting 2017

<sup>2</sup> The underlying trends of 78 percent for Asia Pacific and 77 percent for Europe apply when looking at the same sample of countries in both 2015 and 2017. The overall Asia Pacific regional rate in 2017 is 77 percent and the overall European regional rate in 2017 is 73 percent due to the inclusion of new countries with relatively low reporting rates in the 2017 research.

## Full effect of EU Directive will be seen in 2019 or 2020

“ The EU Non-Financial Reporting Directive (which requires large companies in the EU to disclose social, environmental and diversity information) is the most significant EU-wide legislative initiative to promote corporate responsibility reporting. It has likely already had some effect on CR reporting rates in the EU, but it is difficult to say what the impact has been so far because the process of transposing the Directive into the national laws of EU countries has been a bumpy one. Nearly half the EU Member States missed the December 2016 deadline for transposition.

While the Directive provides high level guidance, Member States have considerable flexibility in terms of how to apply it in their national laws. This means that states that already had existing CR reporting legislation – such as the UK, Germany and Sweden – have been able to shape the requirements of the Directive according to those existing regulations, thus ensuring some continuity for businesses. However, businesses in the many states that lacked existing regulation have had to play a waiting game to see how the Directive would be applied in national law.

We believe that the real impact of the Directive will start to become evident during 2019 or even 2020, following these delays in transposition and a transitional period as companies become familiar with the legislation and introduce new internal reporting systems or adapt their existing ones.

Despite the delays and teething troubles, the Directive is a key step to increasing the importance of CR reporting, particularly in those EU Member States where no such requirements previously existed. However, the true benefits of non-financial reporting will be felt only when it is properly integrated with financial reporting and not treated as a separate exercise by a different silo within the organization. Reporting is only an instrument; the benefits will come once CR objectives and practices are fully embedded in the business, which reporting can demonstrate but cannot achieve on its own.

Although we welcome the flexibility that the Directive allows governments in driving the adoption of CR reporting, we believe we should be moving towards an international framework that would both streamline the process for new reporters and also increase consistency between reports. In the meantime, it is crucial for businesses to focus their reporting on the CR issues of prime importance to them and their stakeholders, and ensure these issues are considered at the top level of management. This includes the identification of the key risks and strategies to minimize these risks, and to maximize opportunities. This, in turn, will lead to better returns for investors.

We are already seeing a strong correlation of increased returns for investors from companies that truly embrace CR issues and the EU Directive should result in an increase in reporting that further demonstrates this link. Once investors are convinced of the benefits of embedding reporting into the organization at all levels then we will see a further surge in CR reporting. ”



*Olivier  
Boutellis-Taft*

**Chief Executive,  
Accountancy  
Europe**

## The view from Latin America



A number of factors are driving CR reporting in Latin America. Firstly, the region is rich in natural resources and companies need a social license-to-operate in order to access these resources. Many such companies build infrastructure like hospitals and schools in order to enhance their relationships with local communities and this in turn has led to a culture of CR reporting as companies seek to demonstrate their contributions to society.

Secondly, Latin American companies can face high non-tariff trade barriers on exports such as demands from foreign governments and consumers for environmental or human rights certification and, increasingly, fair trade certification. Reporting helps to overcome such barriers.

Thirdly, CR reporting in Latin America has increased as companies attempt to retain or regain public trust in the wake of high profile corporate scandals, such as the Samarco dam collapse in 2015 – the worst environmental disaster in Brazilian history.

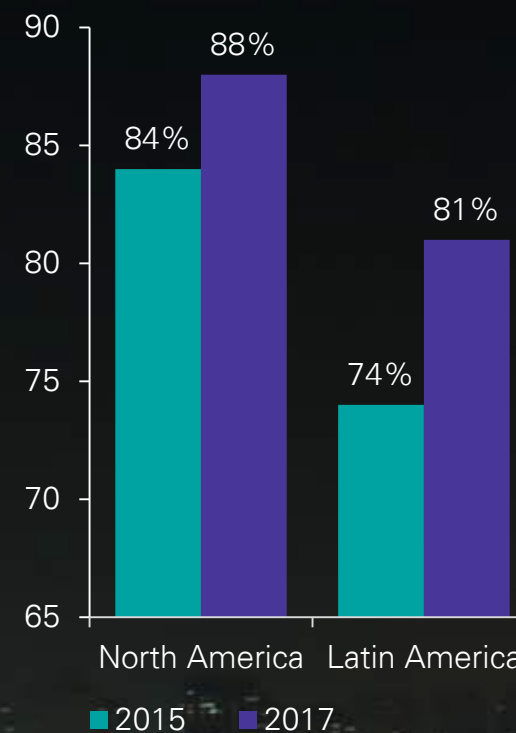
These trends are combining with new developments in government regulation, stock exchange requirements and stakeholder pressure to drive high levels of reporting. In order to achieve even higher levels across the region in the next few years, more mandatory and properly-enforced government or industry regulation will be needed. Given recent trends, I expect this to take place.



**Ricardo Zibas**

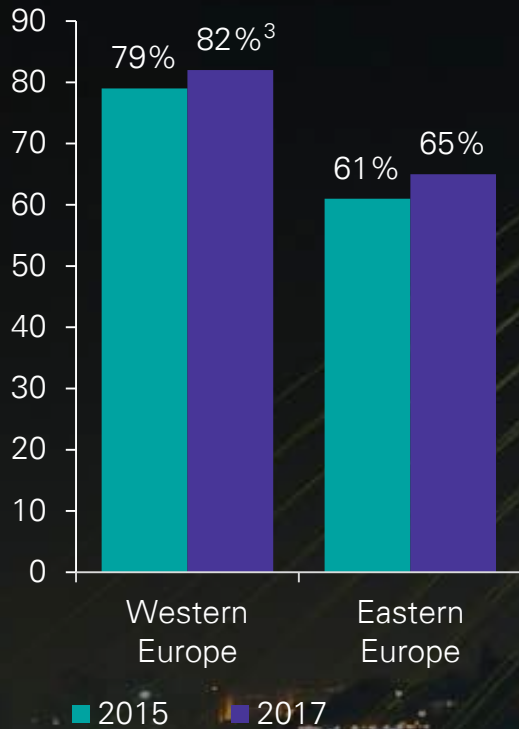
**Director,  
Sustainability  
Services, KPMG in  
Brazil**

## CR reporting rates: North America vs Latin America



Base: 700 N100 companies in the Americas  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

## CR reporting rates: Western Europe vs Eastern Europe



Base: 2,400 N100 companies in Europe

Source: KPMG Survey of Corporate Responsibility Reporting 2017

<sup>3</sup> The underlying trend of 82 percent applies when looking at the same sample of countries in 2015 and 2017. The overall Western Europe rate in 2017 is 75 percent due to the inclusion of 3 new countries with relatively low reporting rates in the 2017 research.

## The view from Eastern Europe

“ Many businesses in Eastern Europe are still focused on the financial bottom line rather than the triple bottom line - it’s fair to say that a culture of sustainability is yet to properly take hold across the region. In Romania specifically, much of the 6 percentage point reporting growth observed since 2015 has come as a result of a commitment to transparency by multinationals that operate in the country.

The EU Directive on Non-Financial Reporting was transposed into Romanian law last year. Despite this, many companies in Romania and across Eastern Europe are still just beginning to understand the topic and build their capacity to respond.

However, I expect to see steady growth in CR reporting in Eastern Europe over the next few years and improving quality as regulatory requirements, market pressure and increasing awareness take effect. ”



**Gheorghita  
Diaconu**

**Director,  
Sustainability  
Services,  
KPMG in Romania**

# Regulation, stock exchanges and investor pressure drive national reporting rates

## Greatest growth seen in Mexico, New Zealand and Taiwan

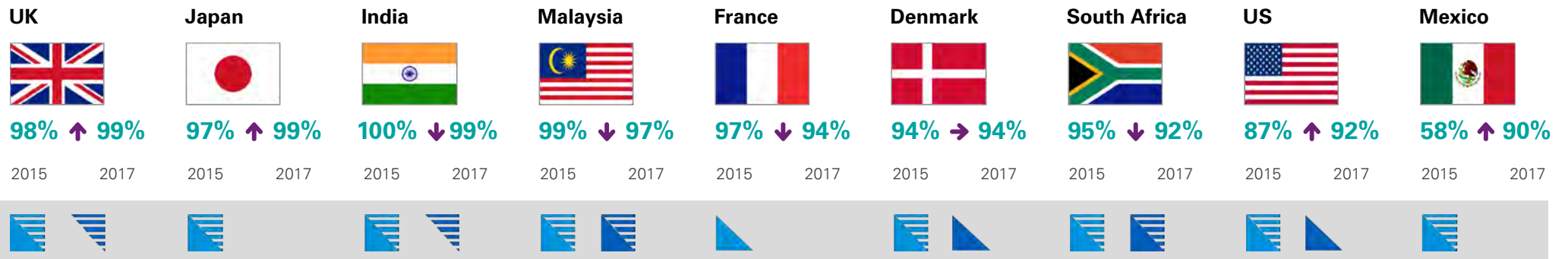
Governments, regulators and stock exchanges continue to play a key role in driving up CR reporting rates around the world. In the three countries which have experienced the greatest increases in reporting since 2015 - Mexico (+32 percentage points), New Zealand (+17 percentage points) and Taiwan (+11 percentage points) - a mix of new regulation, stock exchange requirements and investor pressure have been instrumental in increasing reporting.

There has also been strong growth in CR reporting across a number of EU countries. Finland, Ireland, Greece and the Czech Republic have all recorded increases of 8 percentage points between 2015 and 2017. While the full effect of the EU Non-Financial Reporting Directive is not expected to be felt for another two years or so, it is possible that awareness of the Directive has helped to boost reporting rates in some EU countries. Under the Directive, companies that do not disclose their social, environmental and Board diversity policies can be named publicly. This risk of reputational damage may already have convinced some non-reporters to start reporting with more expected to follow suit.

CR reporting has also increased by 8 percentage points in the United Arab Emirates (UAE) since 2015.

## National rates of CR reporting, 2015 and 2017

### Countries with CR reporting rate higher than 90%



**Presence of CR reporting regulation in the country**

- Government
- Mandatory
- Voluntary
- Stock Exchange
- Mandatory
- Voluntary

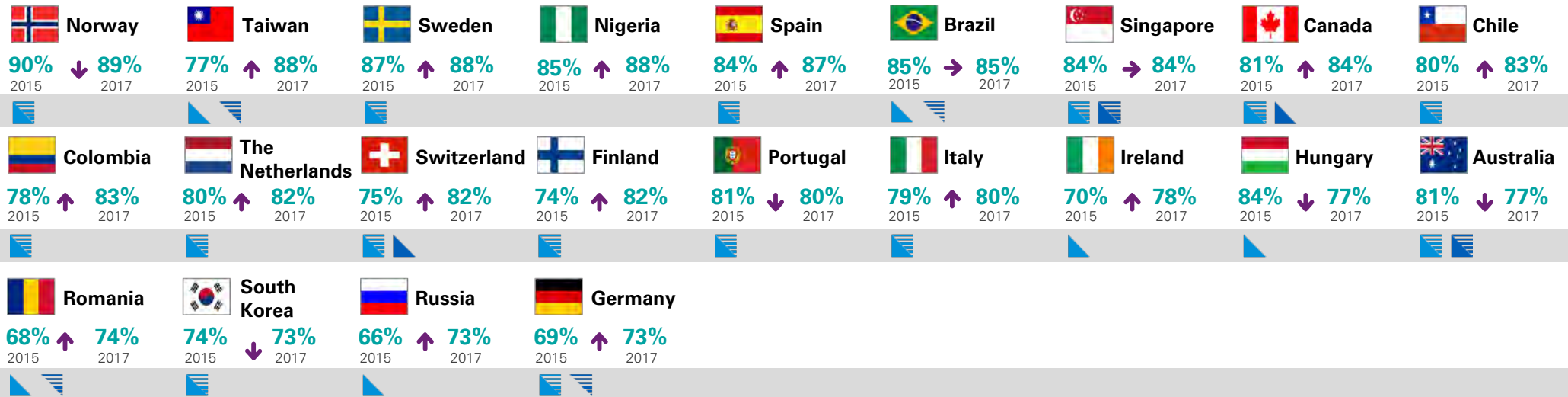
Base: 4,900 N100 companies  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017  
 Note: 2015 CR reporting rate restated for South Africa

Information on CR reporting regulations sourced from [www.carrotsandsticks.net](http://www.carrotsandsticks.net) Accessed 27 September 2017

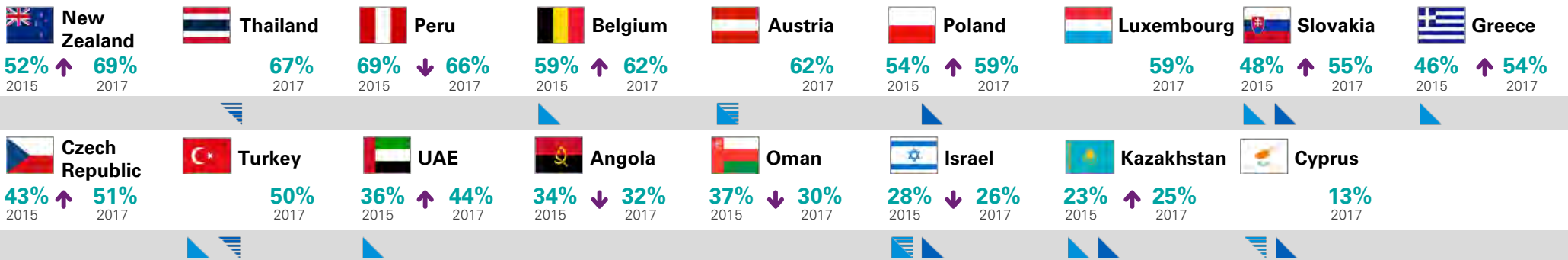


## National rates of CR reporting, 2015 and 2017

### Countries with CR reporting rate higher than the global average (72%-89%)



### Countries with CR reporting rate lower than the global average (less than 72%)



#### Presence of CR reporting regulation in the country

Government

Mandatory

Voluntary

Stock Exchange

Mandatory

Voluntary

Base: 4,900 N100 companies  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

Information on CR reporting regulations sourced from [www.carrotsandsticks.net](http://www.carrotsandsticks.net) Accessed 27 September 2017

## Foreign investment helps to increase CR reporting in Mexico

“ In Mexico, a perfect storm of regulation, stock exchange innovation and investor pressure has driven a leap in reporting rates. In 2013, the government passed the General Law on Climate Change which requires companies to report on their carbon emissions. This was rolled out between 2015 and 2017. Mexico’s stock exchange (Bolsa Mexicana de Valores) has also introduced sustainability indices, which many companies are keen to join to gain new investors and access new capital. In order to join, companies must produce sustainability reports.

Another important element is the level of foreign investment in the Mexican economy. The high levels of growth seen in Mexico since the liberalization of the economy in the late 1980s and early 1990s means that its companies have long been targets for foreign investment. Foreign investors increasingly ask for sustainability reporting. Taken together, these three factors have created a new environment where sustainability reporting has flourished.

It’s encouraging that so many large companies in Mexico are adopting sustainability as a long-term business strategy. However, the real challenge lies with convincing Mexico’s small and medium firms, 99 percent of all companies in the country, that sustainability is a must for long-term profit generation and risk management. ”



*Jesús González*

**Partner,  
Sustainability  
Services, KPMG in  
Mexico**

## New Zealand Stock Exchange Code set to increase both quantity and quality of CR reporting

“ The growth of CR reporting in New Zealand over the last two years can be attributed to increased consumer awareness and investor pressure, as well as a broader appreciation among businesses that non-financial risk management is key to long-term value protection and creation.

For the moment, the quality of CR reporting by New Zealand businesses is often lacking in balance, objectivity and transparency. Over the next two years, the Corporate Governance Code recently introduced by the New Zealand Exchange (NZX) will likely act as a catalyst for better business reporting by raising the bar on what is expected. The onset of this more holistic approach will hopefully see box-ticking compliance consigned to the side lines and frameworks such as Integrated Reporting and GRI being used as critical business tools to understand, define and enhance corporate value. ”



*Erica Miles*

**Director,  
Sustainability  
Services, KPMG in  
New Zealand**

## Stock exchange pushes up CR reporting in Taiwan

“ CR reporting in Taiwan has increased over the last two years due to new mandatory reporting regulation and investor principles from the Taiwan Stock Exchange. In 2014, the exchange required mandatory CR reporting by companies in the chemical, food, finance and insurance sectors, as well as all businesses with paid-in capital of T\$10 billion. At the end of 2015, this was extended to include companies with paid-in capital of T\$5 billion.

Last year, the exchange also published new stewardship principles for institutional investors, which advise investors on how to fulfill their ownership responsibilities and encourage them to disclose how they have applied the principles. ”



*Niven Huang*

**General Manager,  
Sustainability  
Services, KPMG in  
Taiwan**

## CR reporting gains momentum in the UAE

“ Although the UAE is one of the few countries in the survey where less than half the top 100 companies currently report on CR, increasing interest in sustainability is driving up reporting rates.

‘Sustainable environment and infrastructure’ is one of the key pillars of the UAE Vision 2021, the government’s long-term strategy for socio-economic development. What’s more, 2017 is the ‘Year of Giving’ in the UAE, a government initiative focusing on three key pillars – Corporate Social Responsibility, Volunteering, and Serving the Nation. Given the increased interest in sustainability within the region, I would expect CR reporting to become the norm for larger companies within 5 years. ”



*Hanife Ymer*

**Director in charge,  
Sustainability  
Services, KPMG in  
the Lower Gulf**

## Future reporting regulation to be shaped by crises and emerging issues

“ Historically, new regulation has come out of crises or emerging issues. The future of CR reporting regulation will evolve to fit new issues and boost the quality of implementation on existing issues. Increasingly specific requirements will be necessary to facilitate implementation of economic instruments such as trading schemes or carbon taxes, compelling companies to disclose more reliable and accurate information. We might also see requirements for more sophisticated disclosure related to tax evasion, for example country-by-country breakdown of tax payments.

In emerging markets there is particular interest in socio-economic impact, which will drive further disclosure regulation around impact assessment and valuation. Investors understand the business logic that underlines the concept of treating environmental, social and governance (ESG) issues as material. But many companies fail to report business logic, true value creation and materiality effectively. Some leading stock exchanges, notably from emerging markets, are starting to mandate disclosure that requires not only reporting numbers but also better description of the business logic and sustainability behind the numbers. ”



**Cornis van der Lugt**

**Senior Research Fellow, Centre for Corporate Governance in Africa, Stellenbosch University Business School**

## Stock exchanges transitioning from voluntary guidelines to mandatory reporting requirements

“ There are many factors driving corporate responsibility reporting requirements in stock exchanges around the world. In developing countries, for example, CR reporting is seen as a proxy for good governance, which is critical for attracting foreign investment. Elsewhere, investors and governments are increasingly concerned with how companies are building and protecting long-term value. While these and other drivers increase reporting rates, the reporting debate among stock exchanges is now largely over.

Among the 65 stock exchanges that have partnered with the Sustainable Stock Exchanges initiative, there is now widespread acceptance of the benefits of voluntary corporate responsibility reporting guidance. We are also seeing some exchanges and regulators starting to transition to mandatory reporting requirements, which is a trend we expect to continue over the long term. As a result, companies that are not already producing sustainability reports should consider doing so, as this is fast becoming a mainstream expectation in most markets around the world. ”



**Anthony Miller**

**Corporate Social Responsibility Coordinator, Sustainable Stock Exchanges Initiative, United Nations Conference on Trade and Development**

# Lagging sectors gain ground

**For the first time in the history of this survey, more than 60 percent of companies across all industry sectors are reporting on CR.**

The four lagging sectors identified in KPMG's 2015 survey – Healthcare; Transport & Leisure; Industrials, Manufacturing & Metals; and Retail – have all shown increases in CR reporting in 2017. The most significant growth has come from the Healthcare and Chemicals sectors which have seen increases of 8 and 6 percentage points, respectively.

While there has been an increase in CR reporting from businesses in the Retail sector since 2015, the sector still has some way to go to catch up with others.

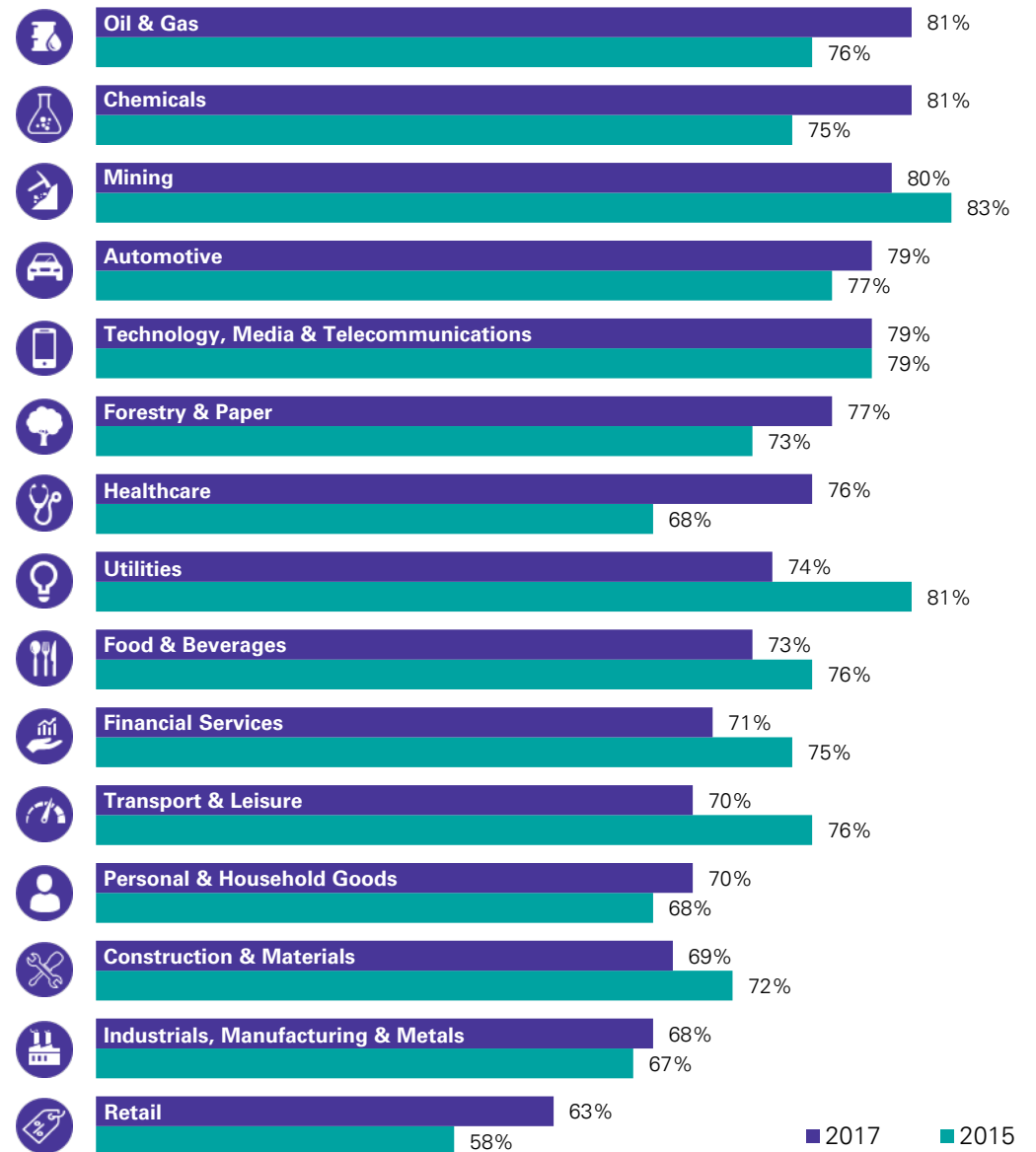


As in previous years, sectors with high environmental and social impacts - such as **Oil & Gas** and **Mining** - typically have high CR reporting rates

**2**  
**3**

More than two thirds of companies in all sectors except **Retail** now report on their CR performance

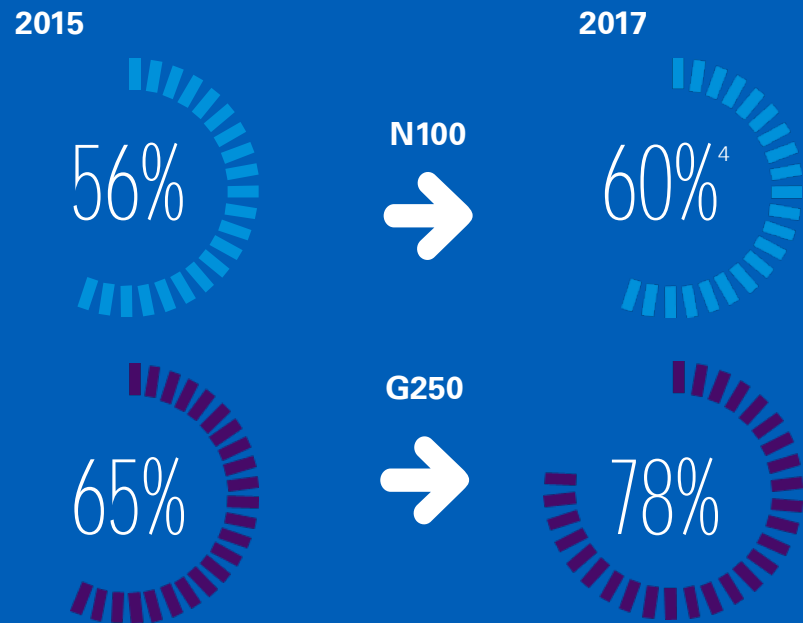
## CR reporting rates by sector



Base: 4,900 N100 companies  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

# More companies include CR data in annual financial reports

## Companies that include CR information in annual financial reports



Base: 4,900 N100 companies and 250 G250 companies  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

<sup>4</sup> The underlying trend of 60 percent applies when looking at the same sample of countries in 2015 and 2017. The overall N100 rate in 2017 is 57 percent due to the inclusion of 5 new countries with relatively low reporting rates in the 2017 research.

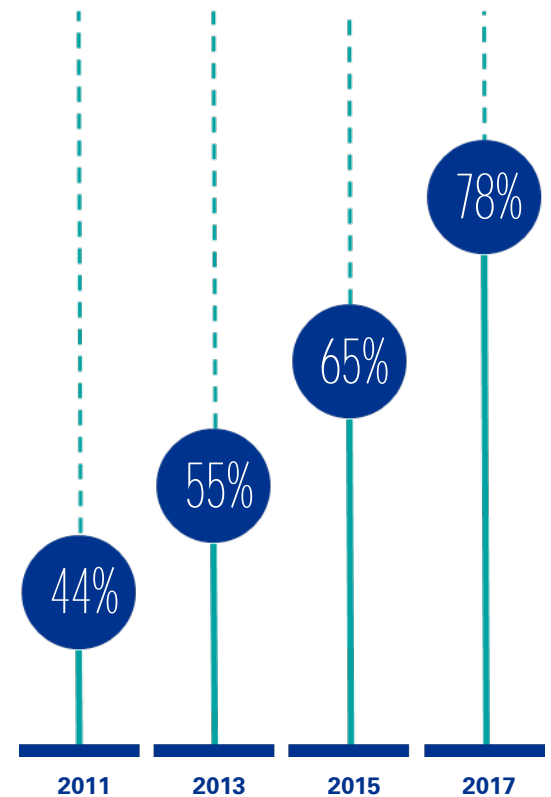
## The trend for large companies to include CR information in their annual financial reports continues to grow.

The vast majority (78 percent) of the world's top companies (G250) now do this, indicating that they believe CR data is relevant for their investors. The practice has shown remarkable growth in recent years: in KPMG's 2011 survey only a minority 44 percent of G250 companies included CR data in their annual reports.

Among the N100, the underlying trend is also one of growth, with the rate of companies including CR data in their annual reports up to 60 percent in 2017.

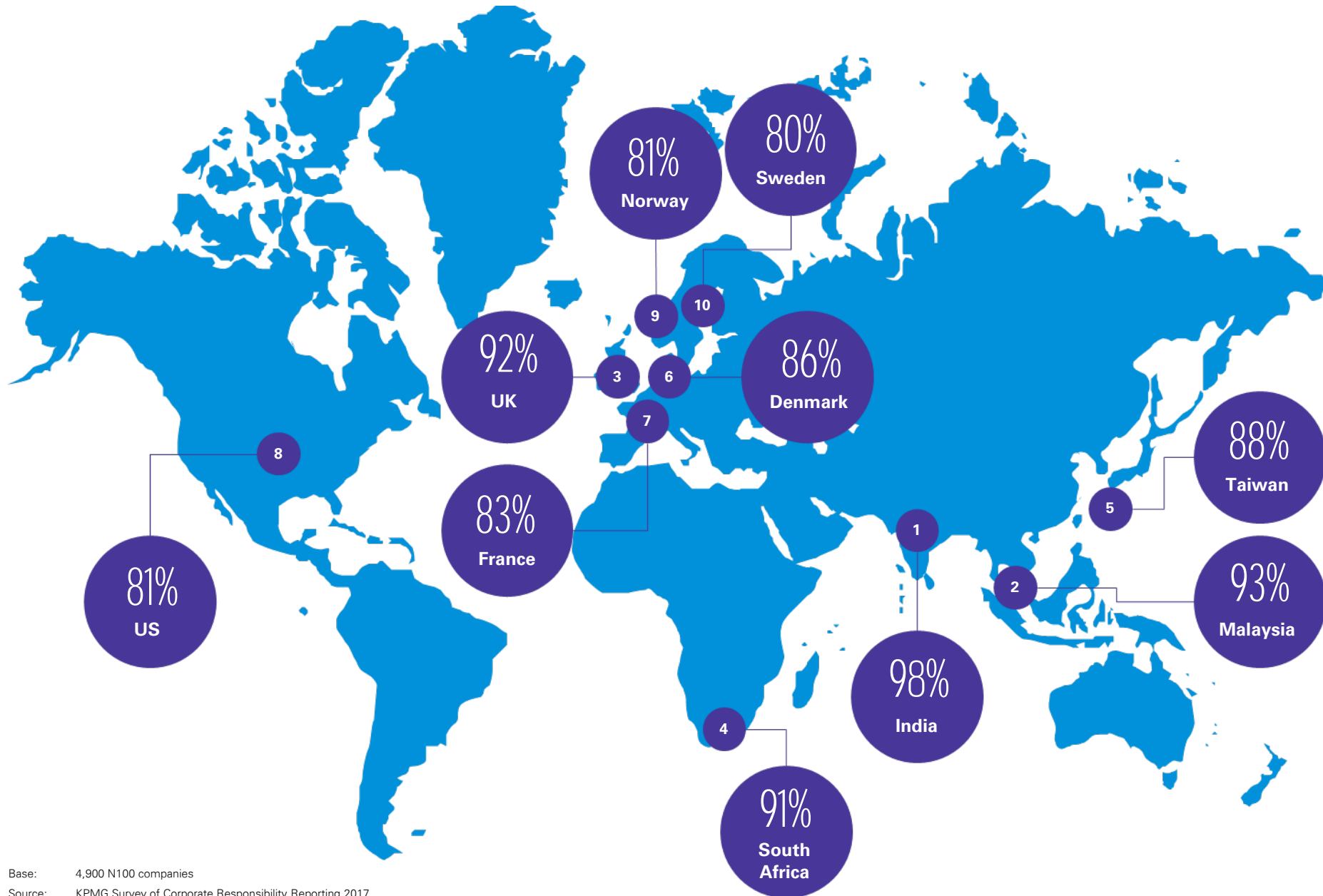
There has been a particularly significant increase in the number of US N100 companies integrating CR information into their financial reporting – 81 of the top 100 US companies now do this compared with only 30 just two years ago in 2015. (For more on this trend see page 23).

## G250 companies that include CR information in annual financial reports, 2011-2015



Base: 250 G250 companies  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Ten countries with the highest rates of CR information in annual financial reports



Base: 4,900 N100 companies

Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Three key factors encouraging data integration in US reporting

“ In the US, three main factors have driven growth in CR reporting and the attendant increase in companies including CR information in their annual reports. The most significant has been investor and shareholder interest in sustainability, which is forcing companies who have not previously reported to start practicing this kind of disclosure.

Secondly, companies are also required to carry out climate change-related disclosure in Securities and Exchange Commission (SEC) filings. More companies are complying with this, particularly as the risk from climate change becomes ever clearer.

Lastly, the influential Sustainability Accounting Standards Board (SASB) publishes industry-specific Sustainability Accounting Standards that advise what CR disclosures organizations should include in their mandatory financial SEC filings. Taken together, these factors have driven higher reporting rates and, in particular, have significantly increased rates of companies including CR information in their annual reports. ”



*Katherine Blue*

**Partner, Sustainability  
Services, KPMG in  
the US**



# Integrated Reporting takes off in certain countries

## Big rises in Japan, Brazil, Mexico and Spain

The number of companies that specifically label their reports as "Integrated" is growing slowly but steadily.

In 2017,

14%

of reporting companies in both the G250 and N100 groups do this. In 2015, the rates were:

11%

of N100 reporting companies

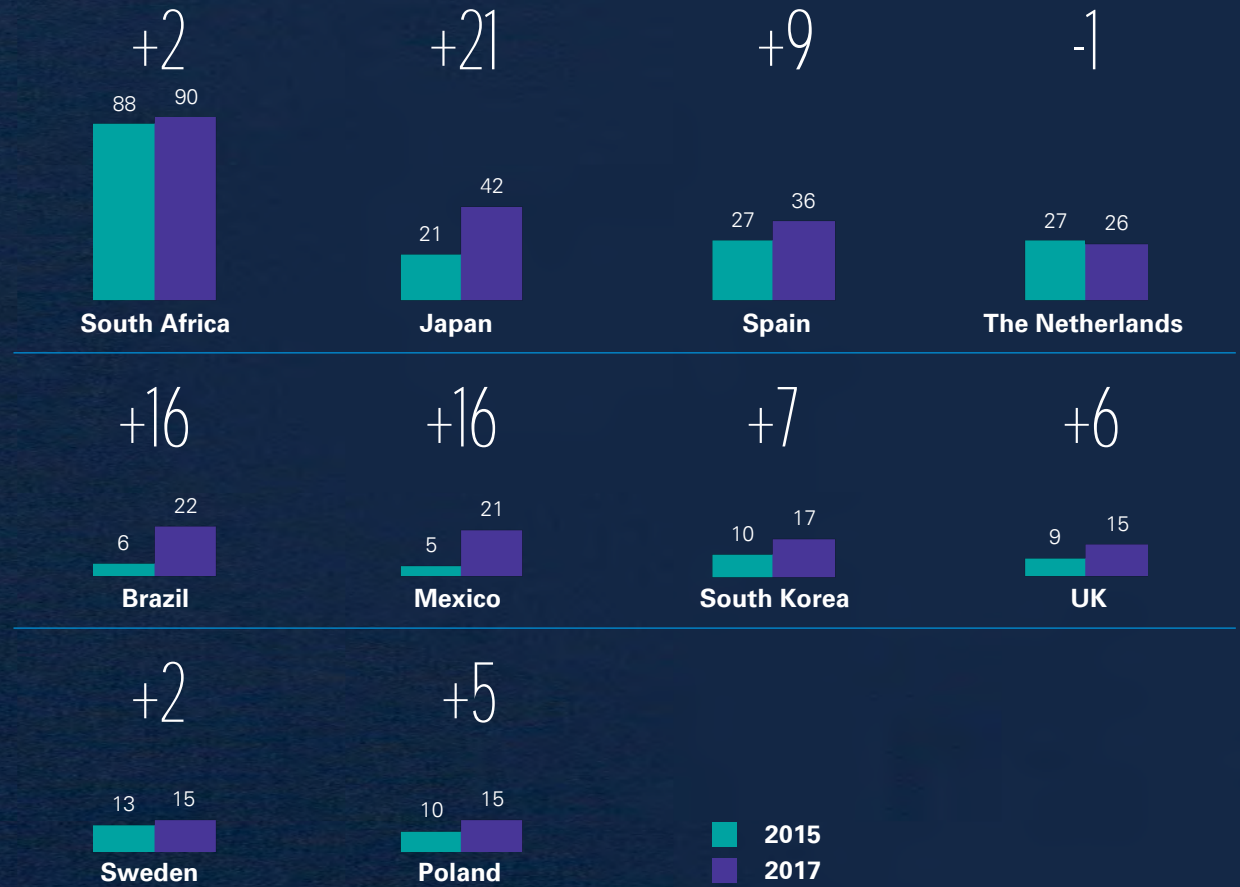
15%

of G250 reporting companies

Around two thirds of these also reference the International Integrated Reporting Council (IIRC) framework for integrated reporting.

Despite the modest global growth, there have been significant increases in Integrated Reporting in four countries in particular: Japan (+21 percentage points), Brazil and Mexico (both +16 percentage points) and Spain (+9 percentage points).

## Actual number of Integrated Reports: top ten countries



Base: 4,900 N100 companies

Source: KPMG Survey of Corporate Responsibility Reporting 2017

Note: 2015 Integrated reporting rate restated for South Africa

## Integrated Reporting seen as a proxy for good governance

“ Both Brazil and Mexico are keen to attract foreign investment, and Integrated Reporting is seen as a proxy for the good corporate governance that is crucial for attracting these investors.

Integrated Reporting has always attracted keen interest in Brazil – many Brazilian companies joined the first IIRC Pilot Programme along with representatives from the Brazilian Development Bank. This, combined with the fact that Brazilian companies have traditionally been at the forefront of CR reporting trends accounts for the increasing popularity of Integrated Reporting in the country. Whilst Integrated

Reporting is a mainstream approach to reporting, we are seeing in many countries that CR reporting is often a precursor on the journey to real integration of information.

In Mexico, the rise in Integrated Reporting is being driven partly by the overall increase in CR reporting, with integrated reports seen as best practice for making sustainability information strategic, relevant and part of the broad story of value creation. Investors are putting more pressure on companies to explain how CR efforts benefit the business, which helps to increase demand for Integrated Reporting. It helps reporting to become a tool for understanding and quantifying long-term value rather than a box-ticking exercise to satisfy governments and regulators. ”



**Richard Howitt**

**Chief Executive Officer,  
International Integrated Reporting Council**

## Governance reforms drive Integrated Reporting in Japan

“ Several recent initiatives from the government, the financial regulator and the stock exchange in Japan have all helped to increase rates of Integrated Reporting in the country. In 2014, the Japanese Ministry of Economy, Trade and Industry (METI) produced a report on competitiveness and incentives for sustainable growth (known as the Ito Review). This report, among other recommendations, promoted two-way dialogue between companies and investors on the topic of sustainable growth. Integrated Reporting is seen as a useful tool for such dialogue.

Also in 2014, the Japanese Financial Services Agency (FSA), the authority responsible for ensuring the stability of the Japanese financial system, published a Stewardship Code for institutional investors that reminds investors of their fiduciary duty and promotes sustainable growth within the Japanese economy. The code stipulates that investors should encourage their investee companies to practice Integrated Reporting. The following year in 2015, the Tokyo Stock Exchange published its Corporate Governance Code, which also encourages companies to adopt Integrated Reporting. ”



**Yoshitake Funakoshi**

**Partner,  
Sustainability Services, KPMG in Japan**

# Assurance of CR data continues steady growth

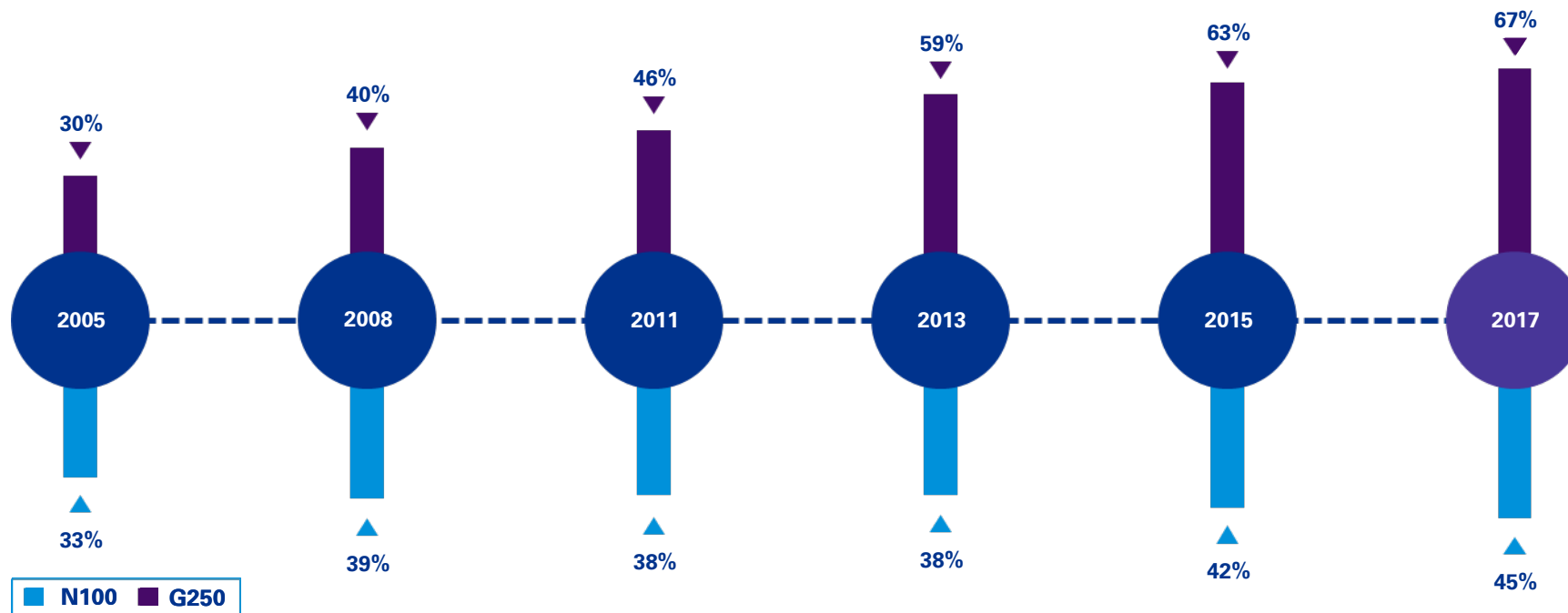
## The number of companies investing in third-party assurance of their CR reporting has grown steadily since 2005.

Assurance of CR data is now accepted standard practice among G250 companies with more than two thirds (67 percent) of these companies seeking assurance.

While assurance rates among the N100 are lower (currently 45 percent), KPMG expects a majority of N100 companies to have their CR data assured within the next two to five years if recent trends continue.

The data suggests that assurance rates increase most rapidly in countries where high rates of CR reporting have been achieved. For example, between 2015 and 2017 there was a 14 percentage point increase in assurance of CR data in Taiwan and Japan, and a 12 percentage point increase in the US – all of which have high CR reporting rates of 88 percent or above.

## Growth in independent assurance of CR information



Base: 3,543 N100 companies that report on CR, 233 G250 companies that report on CR  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Paris Agreement and investor pressure drive demand for assurance in Japan

“ Leading Japanese companies have set a trend for investing in assurance of CR data in recent years and their example has encouraged others to follow suit.

Other drivers for assurance include pressure to demonstrate that GHG emissions data is reliable and accurate. The Paris Agreement has had a significant effect in Japan, with many companies seeking to prove that they have reduced GHG emissions and are on a pathway consistent with the 2°C scenario outlined in the agreement.

There has also been serious investor pressure. Japan’s Government Pension Investment Fund (GPIF), the world’s largest fund, recently signed the Principles for Responsible Investment (PRI) which means it is demanding more reliable ESG information from its investee companies. The fact that assurance of CR data helps to achieve or is required for listing on sustainable stock indexes, such as the Dow Jones Sustainability Index, has also helped to drive up assurance rates in Japan. ”



**Kazuhiko Saito**  
Managing Partner,  
Sustainability  
Services, KPMG  
in Japan

## Financial stakeholders recognize the role of “non-financial” data in long-term value creation

“ Investors and other financial stakeholders are increasingly aware that environmental, social and governance (ESG) issues, previously considered “non-financial”, are relevant to the financial performance and long-term value creation potential of a business.

As a result, we are seeing greater demand for assurance, which promotes reliability in this information. I believe the growing awareness and engagement of investors, audit committees and management is one of the key drivers behind the growth in assurance of corporate responsibility data. Recent developments such as the reporting recommendations of the Task Force on Climate-related Financial Disclosures are likely to reinforce this growth trend. ”



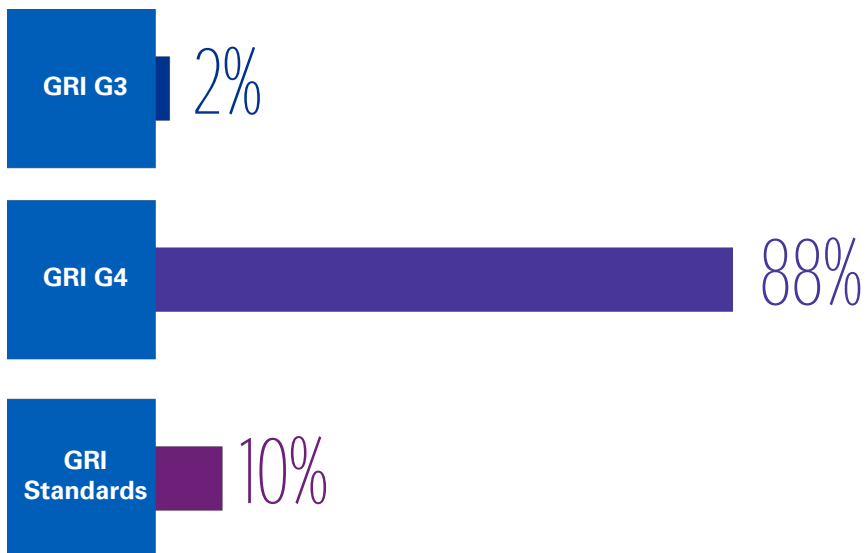
**Bill O'Mara**  
Global Head of  
Audit, KPMG  
International

# GRI remains the most popular framework for CR reporting

The majority of N100 (74 percent) and G250 companies (89 percent) are using some kind of guidance or framework for their reporting. The GRI framework is the most commonly used, with 63 percent of N100 reports and 75 percent of G250 reports applying it. Meanwhile, 13 percent of N100 and 12 percent of G250 companies are using stock exchange guidelines.

One in ten (N100) companies using GRI has reported in line with the new standards, introduced at the end of 2016.

## Use of GRI Guidelines vs GRI Standards



Base: 2,230 N100 companies that apply the GRI Framework  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

## GRI Standards mirror increasing sophistication of CR reporting

“ It’s pleasing to see that GRI remains the most widely adopted sustainability reporting framework according to this year’s survey results. The number of businesses that have already adopted the GRI Standards is also encouraging.



**Tim Mohin**  
Chief Executive, GRI

The evolution of GRI’s reporting guidelines into modular standards mirrors the ongoing sophistication of sustainability reporting. It also means the GRI Standards are more suitable for incorporation into government and market regulator reporting policies and we have seen references in around 100 policies worldwide from countries, regions and stock exchanges. ”



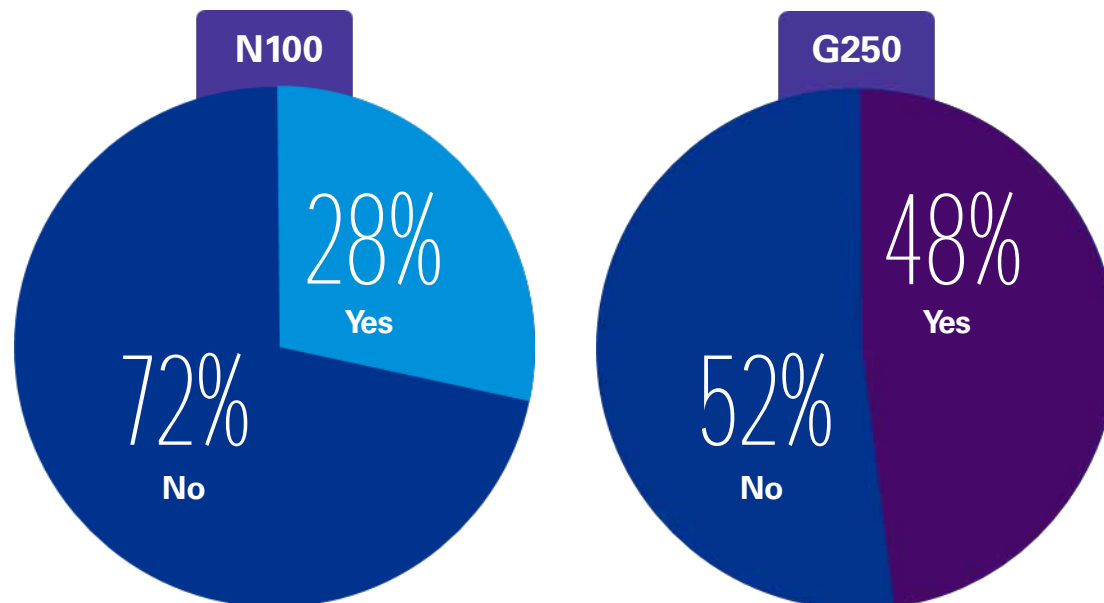
Acknowledging  
the financial risks  
of climate change

# Three quarters of companies worldwide yet to acknowledge climate change as a financial risk

**KPMG's analysts studied the annual financial reports of 4,900 companies worldwide to understand how many acknowledge that climate change poses a financial risk to their business.**

They found that only 28 percent of these companies currently acknowledge the financial risk of climate change in their annual reports, meaning that almost three quarters (72 percent) do not. Among the world's 250 largest companies (G250), a higher 48 percent acknowledged the risk, although this global rate conceals some significant differences between countries (see page 34).

## Companies that acknowledge the financial risk of climate change in their annual reports



## Task Force increases pressure on companies to disclose financial risks of climate change

In 2015, the Financial Stability Board highlighted climate change as a risk to the stability of the global financial system and set up the Task Force on Climate-related Financial Disclosures (TCFD). The Task Force has brought together companies that prepare financial data and users of that data (investors, lenders and insurers) to recommend how companies should disclose the financial risks of climate change. These recommendations focus on the disclosure of physical risks from extreme weather such as storms and droughts, and commercial risks related to the global transition to a lower carbon economy. The recommendations were submitted to the G20 in July 2017.

As a result, pressure is growing on companies to improve their disclosure of climate-related financial risk. UK investment house Aviva Investors, for example, has announced that it will vote against the annual reports and accounts of investee companies that do not report in line with the Task Force's recommendations.

For more on the TCFD see: [www.fsb-tcfd.org](http://www.fsb-tcfd.org)

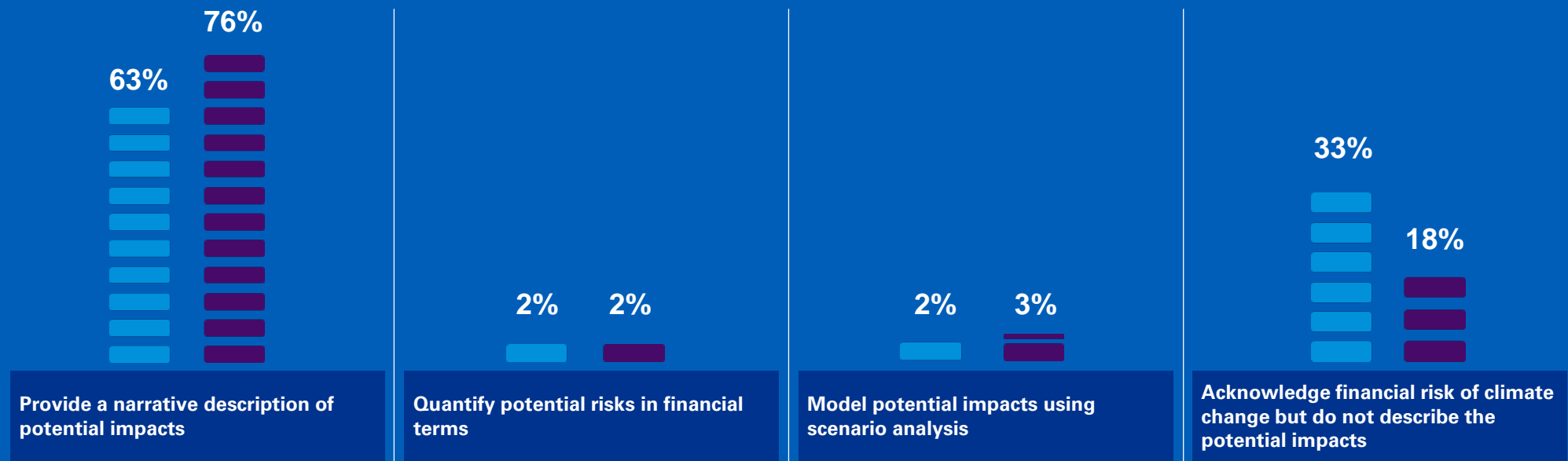
Base: 4,900 N100 companies and 250 G250 companies  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

# Very few companies quantify climate risks or model their financial impacts

Of those companies that do acknowledge climate change as a financial risk in their financial reporting, a relatively high proportion of both the N100 (63 percent) and G250 (76 percent) provide some narrative description of the potential impacts. Very few, however, are currently quantifying the potential impact of those risks in financial terms or modeling it using scenario analysis or other methodologies as the TCFD recommends.

## Companies describing, quantifying or modeling climate risk in financial reports

■ N100 ■ G250



Base: 1,386 N100 companies & 119 G250 companies that acknowledge climate change as a financial risk in their annual report  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017  
 Note: Numbers do not add up to exactly 100 due to rounding



# What is driving acknowledgement of climate risk in the leading countries?

## Taiwan, France, South Africa, US and Canada lead the world

There are five countries where a majority of the top 100 companies already acknowledge climate change as a financial risk in their annual financial reports. They are: Taiwan (88 companies), France (76 companies), South Africa (61 companies), US (53 companies) and Canada (52 companies).



**Taiwan:** the Taiwanese Stock Exchange (TWSE) listing requirements and newly introduced Stewardship Principles for Institutional Investors have likely contributed to the high rates in Taiwan.



**France:** a 2015 amendment to the Energy Transition for Green Growth law has required investors to disclose how they integrate climate considerations into their investment policies, their climate-related financial risk, the greenhouse gas (GHG) implications of their investments and how they contribute to meeting French and international climate objectives. This has likely had a knock-on effect on the number of French companies acknowledging climate risk in their financial reporting.



**South Africa:** climate change impacts have been high on the business agenda as severe droughts have affected the country in recent years. The South African government is also consulting on introducing a carbon tax as part of its response to The Paris Agreement, which – if passed – is expected to impact companies in the Mining, Utilities and Chemicals sectors in particular.



**Canada:** many of Canada's largest companies operate in climate impacted sectors such as Oil & Gas, Mining and Forestry & Paper. Also, many of the country's largest pension funds have lent their support to the TCFD recommendations.



**US:** US Securities & Exchange Commission (SEC) regulation requires disclosure related to climate change in SEC filings. US corporate culture is also focused on efficient management and avoidance of risk in order to prevent charges of negligence and potential litigation. Some of the US's largest investors are also members of the TCFD, so there may also be an informal influence at play here.

## Climate risk disclosure likely to increase further in Canada

“ I am not surprised that more than half of the Canadian companies included in this year's survey acknowledge climate change as a financial risk in their annual reports. Many of Canada's largest companies operate in the extractive and financial services sectors, where physical and transitional climate-related risks have become increasingly important strategic considerations. Additionally, many of Canada's largest institutional investors have shown support for the TCFD recommendations.

Going forward, climate risk disclosures will expand further due to the increasing expectations of securities regulators, the investor community and other stakeholders. Report issuers will need to provide more consistent information within their sectors and, in particular, align disclosures with the TCFD recommendations. I also expect to see more forward-looking information and, especially for sectors that are significantly exposed to physical and transitional risks, the inclusion of scenario analysis regarding the potential impacts of climate change on their products, revenues and profitability.



**Bill Murphy**  
National Leader,  
Sustainability  
Services, KPMG  
in Canada

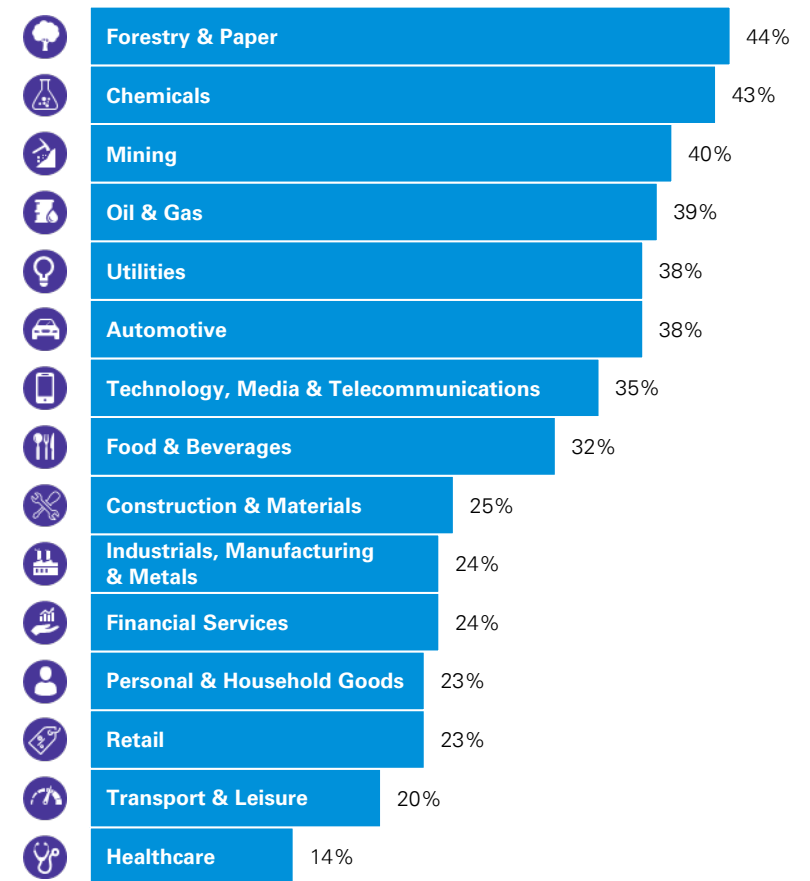


# Mixed picture for TCFD priority sectors among the N100

The TCFD recommendations provide specific supplemental guidance for certain players in the Financial Services sector, namely banks, insurance companies, asset owners and asset managers. Supplemental guidance has also been provided for four other sectors considered potentially most affected by climate change and the transition to a lower carbon economy, namely Energy; Transport, Materials & Buildings; Agriculture, Food & Forest Products.

When looking at N100 companies, this survey shows that Forestry, Food, Oil & Gas, Utilities and Automotive sectors (which broadly correspond to the TCFD priority sectors) have a higher than average rate of acknowledging climate risk. On the other hand, Financial Services, Construction & Materials and Transport & Leisure have a lower than average rate. It should be noted, however, that there are currently no industry sectors in which a majority of N100 companies acknowledge the financial risk of climate change.

## Sectoral view: N100 companies acknowledging climate risk in financial reports



Base: 4,900 N100 companies  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

# Climate risk reporting: the world's largest companies (G250)

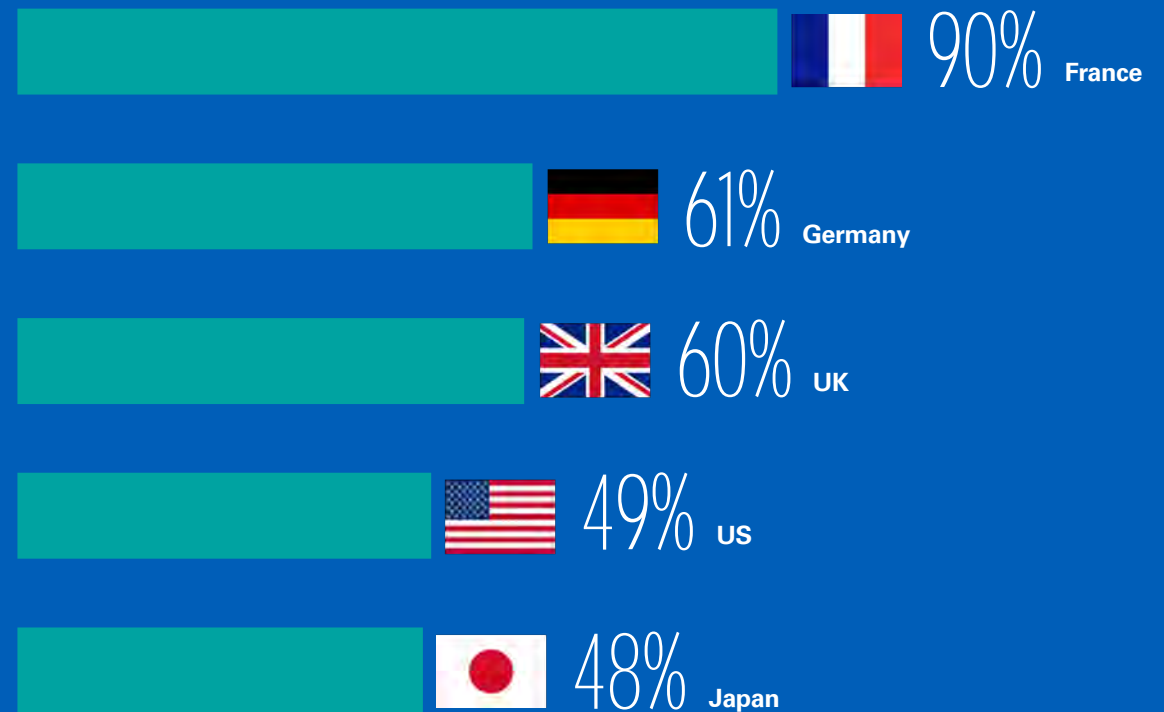
## There are significant differences between countries

The world's 250 largest companies can reasonably be expected to lead the way when it comes to acknowledging and disclosing the financial risks of climate change to their business.

While the survey shows that less than half the G250 (48 percent) currently acknowledge the risk, deeper analysis reveals significant differences between companies according to where they are headquartered.

For example, in France, Germany and the UK, a majority of G250 companies do acknowledge the financial risks of climate change in their reporting. Just under half the G250 companies based in the US and Japan do so. Lower rates of climate risk acknowledgment in other countries and regions reduce the overall global rate.

## National view: G250 companies acknowledging climate change as a financial risk



Base: 250 G250 companies  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

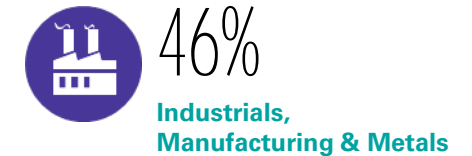
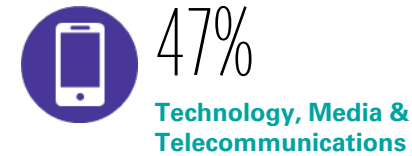
## Sectoral view changes when looking at the world's largest companies

When looking specifically at the world's 250 largest companies (G250) the sectoral view changes significantly. Around two thirds of the world's largest Retail firms (67 percent) are acknowledging climate risk in their financial reporting, whereas this sector lags in the N100 sample. This may be because world-leading retailers are more likely to be aware of the potential impact of climate change on their complex global supply chains.

The Oil & Gas sector has a relatively high rate of climate risk acknowledgement in both the G250 and N100 research samples. This might be expected given that investors and campaigners have been putting oil and gas companies under pressure to disclose their climate risks for many years now.

It is notable that even the world's largest Financial Services firms have a relatively low rate of climate risk acknowledgement (36 percent).

## Sectoral view: G250 companies acknowledging climate change as a financial risk



Base: 250 G250 companies

Source: KPMG Survey of Corporate Responsibility Reporting 2017

Note: Graphic shows only sectors with 10 or more G250 companies



## Climate risk disclosure puts climate change on the Chief Financial Officer's agenda

“ In the coming years, we can expect to see a sharp increase in reporting on the financial risks from climate change, building on the rates demonstrated in this year's survey. Climate change is introducing greater risk and uncertainty into the financial system, both by causing physical damage to companies' assets, infrastructure and supply chains, and by catalyzing market transformations that threaten to make some traditional business models obsolete and create opportunities for others. As a result, investors and central banks are pushing for greater disclosure. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) has also been influential in driving this and its recommendations of July 2017 will likely become the de facto framework for reporting of this kind in coming years.

Climate-related risk disclosure is very different from reporting carbon emissions or environmental impacts. It's about turning the telescope around, understanding the impact of a changing climate on the company and asking searching questions. Does the company need to move its operations? Is its supply chain vulnerable to weather events? Will it be able to take out insurance in future? Should it change its business model entirely?

This change in reporting approach will also require a change in roles and responsibilities. Traditionally, thinking about climate change has been the function of corporate responsibility or sustainability teams, but now the responsibility needs to sit with the executive who has the best understanding of a company's financial risks and opportunities – namely the CFO.

For companies that have just begun the process of reporting on climate-related financial risks, or have not yet started at all, a qualitative approach is a good foundation and the TCFD's guidelines are helpful here. Companies should bring together the main stakeholders from around the business to look at the potential financial risks and opportunities presented by climate change, and then carry out qualitative scenario analysis. For example, if you are a brewing corporation what would happen if you ran out of water in critical production locations or if the costs of water rise dramatically? If you're an oil company, will you still have a market for your products in ten or 20 years' time? After that, companies can start building sophisticated models that properly project the full gamut of financial risks and opportunities associated with climate change, eventually integrating these models into their decision making and adapting the business strategy accordingly.”



*Wim Bartels*

**Member of the TCFD  
and Partner, Corporate  
Reporting, KPMG in the  
Netherlands**

## Significant progress but a long way to go

“ Half the world’s largest companies are acknowledging climate change as a financial risk so the glass is definitely half full. There has been significant progress over the last decade, and the ground-breaking work of the Task Force on Climate-related Financial Disclosures (TCFD) should encourage even further disclosure in the future. But we still have an incredible distance to travel – and even 100 percent disclosure will not on its own move the world to a two degrees (or less) trajectory. That’s why we need to keep pushing for further action beyond disclosure.

We do need to see change on a global level though – driven by the standard setters that help regulate global markets. I’d like to see the International Organization of Securities Commissions change its listing rules to promote climate-related disclosure.

Investors have a key role to play in improving the quality of disclosure. I would urge others to take an active approach to ownership and stewardship through engagement and voting. At Aviva Investors, we are encouraging the companies we own to examine their exposure to climate risk. We will ask them how they plan to act on the TCFD recommendations and we have already announced that we will vote against companies that do not disclose against the TCFD’s recommendations.

There is also a role for governments and regulators – more needs to be done to extend the valuable work the TCFD has accomplished. I am skeptical that voluntary disclosures will get us far enough, fast enough; research shows it is only when governments mandate disclosure that it becomes widespread, consistent and comparable.

The relatively low rates of Financial Services companies currently acknowledging climate change as a financial risk is a sector-specific concern. However, the recommendations of the TCFD show the way forward and include guidance on how the finance sector can implement the guidelines. I would like to see more of the world’s leading financial institutions publishing their own response to TCFD, as Aviva has done. In order to drive further climate-related risk disclosure in future, I would like to see governments and regulators fund publicly available sector-based climate risk scenarios to help boards govern the risks and produce their own company level scenario plans. The more that companies use consistent inputs to their decision making, the more comparable their disclosures will be and this will help the finance sector manage climate risks more effectively.”



*Steve Waygood*

**Chief Responsible  
Investment Officer,  
Aviva Investors**

A young child is shown in profile, reading a book in a dimly lit room. The child is wearing a dark red shirt. In the background, a window with a grid of small, glowing lights is visible, casting a soft glow on the scene. The overall atmosphere is quiet and focused.

# Linking CR activity to the Sustainable Development Goals

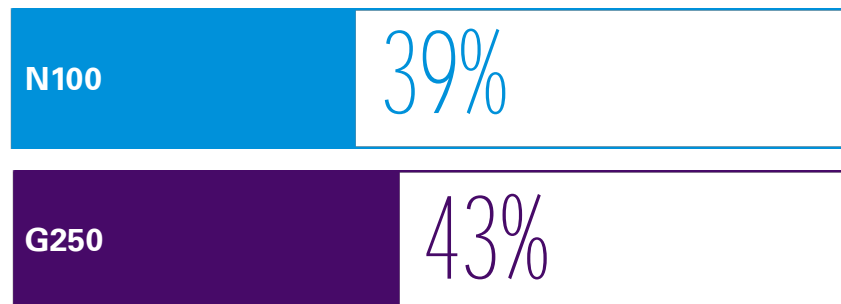
# SDGs emerge as a clear trend in CR reporting

**In September 2015, the UN adopted the Sustainable Development Goals (SDGs), a set of 17 goals to end poverty, protect the planet, and ensure prosperity for all as part of a new global sustainable development agenda. Each goal has specific targets to be achieved over the next 15 years.**

KPMG's survey shows that the SDGs have resonated strongly with businesses worldwide in less than two years since their launch. Around four in ten CR reports from both N100 and G250 companies make a connection between the company's CR activities and the SDGs.

This is a clear trend that has emerged in a short space of time and strongly suggests that the SDGs will have a growing profile in CR reporting over the next two to three years.

## Number of companies that connect their CR activities to the SDGs



Base: 3,543 N100 companies that report on CR, 233 G250 companies that report on CR  
Source: KPMG Survey of Corporate Responsibility Reporting 2017





## World's top 10 countries for connecting CR activity with the SDGs

There are only three countries where a majority of the top 100 companies reference the SDGs in their CR reporting, although others come close. All the top 10 are European or Latin American countries.



Base: 4,900 N100 companies

Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Acting on the SDGs is the next challenge

Swedish companies are leading the world when it comes to referencing the SDGs in their reporting and there are many reasons behind this including culture and politics. Nordic companies in general are

increasingly interested in demonstrating how they create value in society and the SDGs provide a means for doing so.

The next challenge for business is to come through with meaningful contributions to the global effort to achieve the SDGs. Reporting needs to evolve so that it can quantify, verify and effectively communicate what impact companies are actually having on the goals.



**Tomas Otterström**

**Partner, Sustainability Services, KPMG in Finland and KPMG in Sweden**

## High profile publicity for SDGs pays dividends in Latin America



**Ricardo Zibas**

**Director, Sustainability Services, KPMG in Brazil**

“ In Latin America, there has been huge effort on the part of NGOs and industry bodies like the

WBCSD to publicize the SDGs as the preeminent framework for designing and implementing sustainability activities. Additionally, thanks to the way the SDGs were designed, many companies have mapped their existing CR reporting onto to SDGs in order to demonstrate how they are contributing to sustainable development.

Regulators and industry bodies are also supportive. For example, The Brazilian Corporate Sustainability Index, an index on the Sao Paulo Stock Exchange, encourages companies to commit to the SDGs and embed them in their management approach. ”

## Slow uptake of SDGs in ASPAC will gain pace in more developed markets



**Sung Woo Kim**

**Regional Lead for Sustainability Services in ASPAC and Partner, KPMG in South Korea**

“ In general, business awareness and understanding of the SDGs in Asia Pacific is relatively low right now.

What’s more, reporting trends in the region tend to be driven by mandatory disclosure requirements from governments, stock exchanges and investors, and the SDGs have yet to fully take root among these particular stakeholders.

However, I do think adoption of the SDGs in Asia Pacific will increase in the years to come. In the more economically developed countries such as Australia, South Korea and Taiwan, it is only a matter of time before more companies embrace the SDGs; for now the largest global companies are setting the pace in doing so. For developing countries, the transition to including the SDGs in corporate responsibility vision and strategy will be slower unless regulation is introduced. ”



## Forestry & Paper sector leads worldwide

65%

of Forestry & Paper companies make a connection with the SDGs in their CR reporting. This is the highest sectoral rate among the N100 sample.

## Forestry companies are often early adopters in CR

“ In 2015, we revised our corporate responsibility targets, setting a new timeline of 2030 and increasing our level of ambition. That process coincided with the launch of the SDGs, which also have a timeline of 2030, so it seemed logical for UPM to align its own corporate responsibility strategy and targets with the

global goals. While the timing of the SDGs was fortunate for us, it doesn’t surprise me that the Forestry & Paper sector as a whole has been progressive in linking its corporate responsibility activities to the SDGs. In many countries, the Forestry & Paper sector is relatively mature in its sustainability approach. Many forestry sites have contributed to the wellbeing of local communities for more than a century and, at the same time, the industry has had to ensure that it uses natural resources like timber and water in a responsible manner. As a result, Forestry & Paper firms are often among the first to adopt new corporate responsibility practices. ”



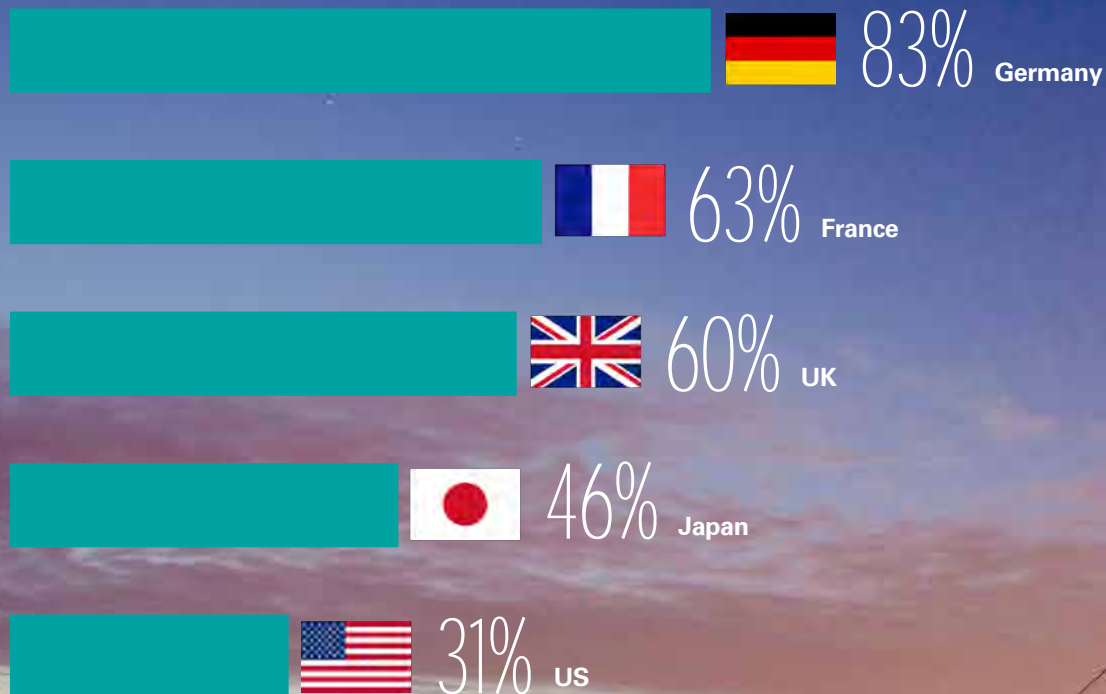
**Sami Lundgren**

**Vice President, Environment and Responsibility, UPM**

# SDG reporting among the world's largest companies

## National view: G250 companies that connect CR activity with the SDGs

Among the world's largest companies (G250), European companies are leading the way, while US companies lag behind.

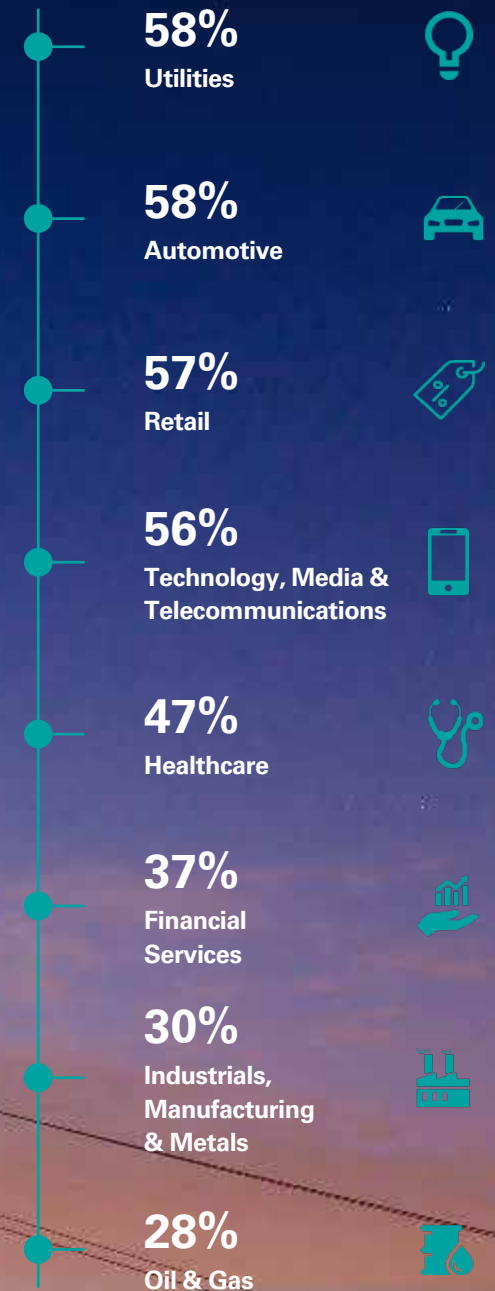


Base: 233 G250 companies that report on CR  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Sectoral view: G250 companies that connect CR activity with the SDGs

G250 companies in consumer-facing sectors are leading the pack when it comes to connecting their CR activities with the SDGs. In heavy industry, it is the exception not the rule.

Base: 233 G250 companies that report on CR  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017  
 Note: Graphic shows only sectors where 10 or more G250 companies are headquartered



Acknowledging  
human rights as a  
business issue



# Human rights is firmly on the agenda as a global business issue

## Most companies acknowledge the issue, but many have yet to disclose a policy.

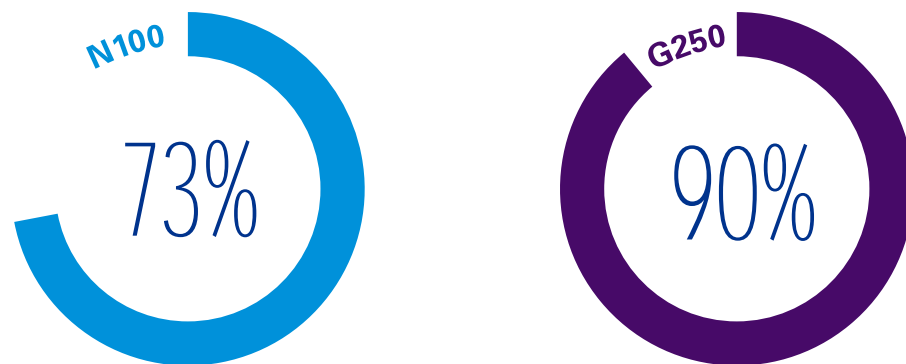
In 2011, the UN endorsed the Guiding Principles on Business & Human Rights. These principles establish the responsibility of businesses to respect human rights, avoid infringing them and to remedy any negative human rights impacts they are involved with.

Six years on, KPMG's survey shows that a majority of the world's largest companies now recognize human rights as a business issue. Almost three quarters (73 percent) of N100 CR reports and nine out of ten (90 percent) G250 reports acknowledged the issue.

However, despite the high number of companies acknowledging human rights as a business issue, only around two thirds of these (62 percent of both the G250 and N100) report that they have a human rights policy in place at their organizations. The human rights policy is the fundamental building block of corporate action on human rights; therefore the lack of such a document at many companies suggests they still have work to do.

Furthermore, only one third of those acknowledging the issue also referenced the UN Guiding Principles which indicates that only a minority of businesses are yet prepared to align themselves publicly with the Principles.

## CR reports that acknowledge human rights as an issue for the business



Base: 3,543 N100 companies that report on CR, 233 G250 companies that report on CR  
Source: KPMG Survey of Corporate Responsibility Reporting 2017



## We are at a tipping point for business and human rights

“ We’re reaching a tipping point where the vast majority of companies now acknowledge human rights as an issue for their business.

This progress is heartening. However, challenges remain. Around a third of companies that acknowledge human rights as a business issue also refer to the UN Guiding Principles in their CR reports, but many still lack the ability to implement these principles. Companies must move from simply reporting human rights risks to identifying, responding to and remediating the impacts. This will require a step change in mindset.

What’s more, over the next few years, a significant amount of work is required to further test and explore what good human rights business performance actually looks like. For example, are financial proxies the right way to go? Does putting a dollar value on human rights help or harm people, and does it actually help companies understand their human rights performance? What alternative ways are there to measure performance? These questions will have to be answered to ensure continued progress in the field of business and human rights. ”



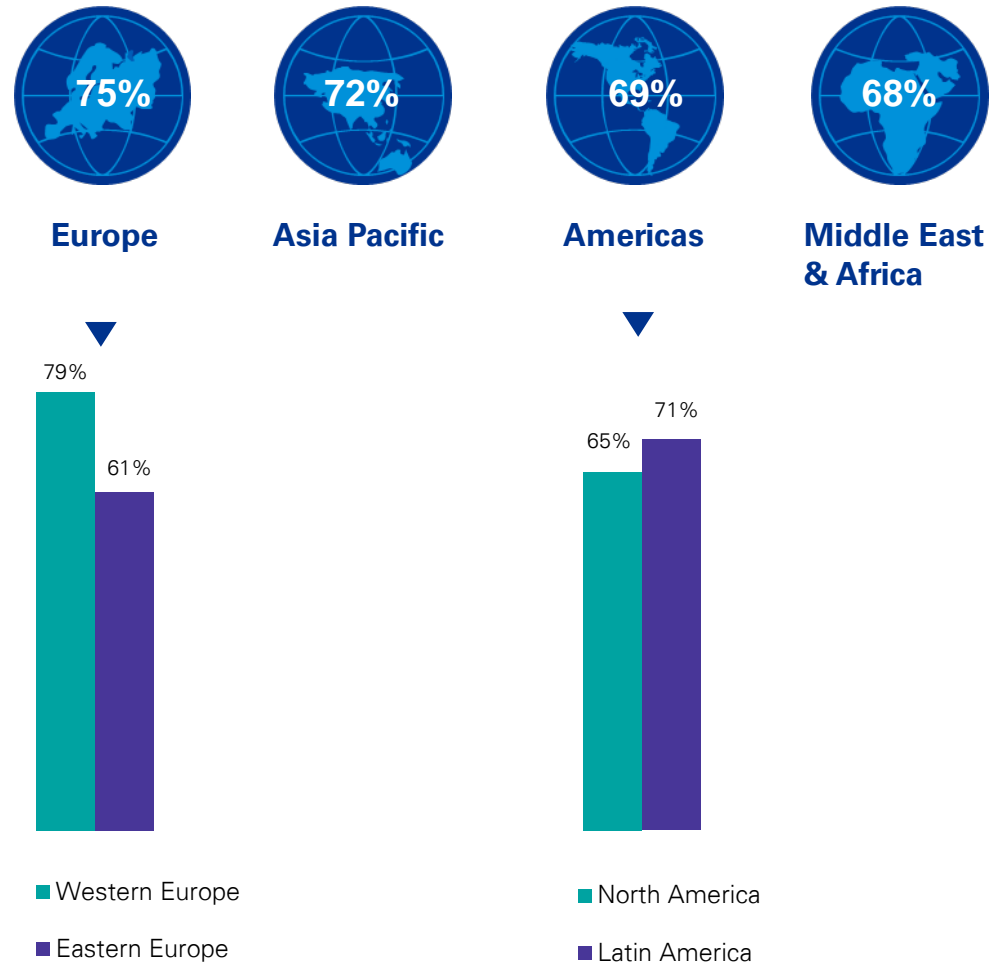
*Richard Boele*

**KPMG Global Business & Human Rights Leader and Partner, KPMG in Australia**

## North America and Eastern Europe lag behind

Western European companies are the most likely worldwide to acknowledge human rights as a business issue, but rates are significantly lower in Eastern Europe, North America and the Middle East & Africa.

### Regional view: CR reports that acknowledge human rights as an issue for the business

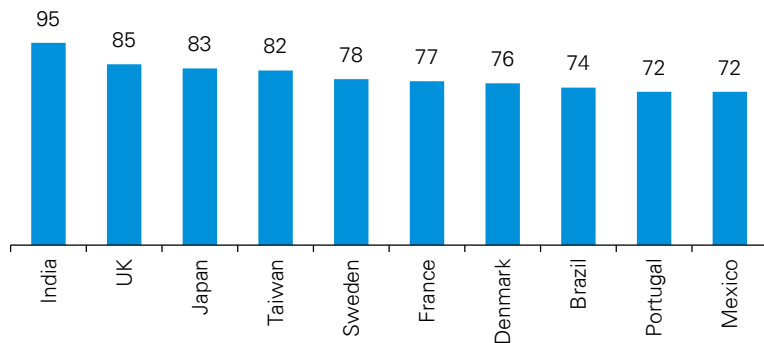


Base: 3,543 N100 companies that report on CR  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

# Companies in India, the UK and Japan are the most likely to discuss human rights

**The ten countries where companies are most likely to discuss human rights in their CR reporting are in Western Europe, Latin America and Asia Pacific. India, the UK and Japan lead the world, and all three countries have some regulation in place mandating or encouraging human rights disclosure.**

**Number of N100 companies that acknowledge human rights in CR reporting: top ten countries**



Base: 4,900 N100 companies

Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Corporate reporting on human rights still has a long way to go

“ We are still in the early days of human rights reporting. The fact is, it is currently impossible to properly track a company’s human rights impacts through its annual corporate responsibility reports. So reporting formats will inevitably have to evolve. In future, I expect to see new forms of disclosure that offer both greater transparency and timeliness. One example might be through the use of blockchain technology in the supply chain, which would allow for unalterable reporting and assurance every step of the way.

Awareness of the human rights issues that companies should report on will also evolve. For example, in the coming years there is likely to be a backlash against data and technology companies that have been collecting and using consumer data en masse. As the right to privacy becomes increasingly prominent, big data and technology companies will have to be more transparent about how they collect, store, and use our information.

The language and ideas of human rights are also likely to be a basis for a future universal framework for social impact reporting among global businesses. While other frameworks abound, the concept of human rights has been around for 70 years. This means it has long been understood and is widely accepted – even if it can be an uncomfortable fit for some businesses. ”



**John Morrison**

**Chief Executive,  
Institute for Human  
Rights and Business**

## Regulation driving human rights reporting in India

“ The recent ratification by India of International Labour Organization (ILO) Conventions 138 and 182 clearly indicates the importance of human rights to the country. From a corporate reporting point of view, the Business Responsibility Report (BRR), an annual disclosure mandated by the Securities and Exchange Board of India (SEBI), requires the top 500 listed companies to report on nine core principles, one of which focuses on human rights. This mandate can be credited as the driver for most of India’s top 100 companies proactively disclosing their performance on human rights practices while also substantiating the same through existing policies and mechanisms. ”



**Santhosh  
Jayaram**

**Partner, Sustainability  
Services, KPMG  
in India**

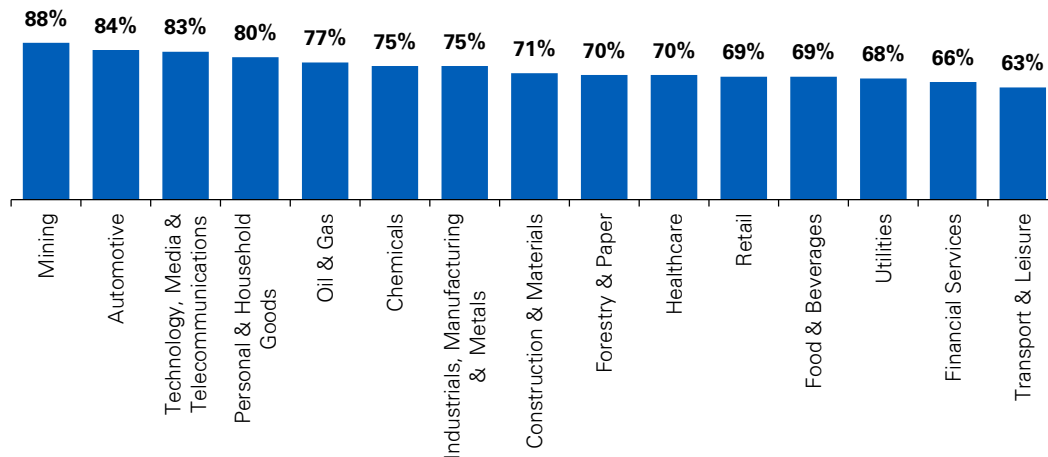
# Mining companies are the most likely to acknowledge human rights

**The Mining sector leads when it comes to acknowledging human rights as a business issue, with almost nine in ten reporters in the N100 doing so (and 100 percent among the G250).**

This high rate might be expected given that mining companies rely on good relationships with local communities in order to operate their mining assets successfully over long periods. Reporting on human rights performance can be an essential part of maintaining social license-to-operate for these businesses. The same can be said for the Oil & Gas sector where a relatively high 77 percent of reporters in the N100 acknowledge human rights as a business issue.

Financial Services trails among the N100 (66 percent), although rates are far higher (92 percent) among G250 Financial Services firms. This suggests a large gap in reporting on human rights between very large global Financial Services firms and the next tier down.

## Sectoral view: Companies acknowledging human rights as an issue for business



Base: 3,543 N100 companies that report on CR  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Human rights is a challenging but critical issue for Financial Services firms



**Val Smith**

**Director and Head of Corporate Sustainability, Citigroup**

Financial services firms have a responsibility to respect human rights wherever they do business. While the due diligence process can be challenging – especially considering the types of financing and various clients across sectors – it’s incumbent on the company to identify potential impacts, and to understand its leverage to drive change as a lender, investor or insurer. The pressure to act from investors and other stakeholders is ever increasing and inaction can have significant business and reputational impacts on a company.

Some relatively smaller Financial Services firms may lack the resources and experience to tackle human rights as a business issue compared to large global companies, which may account for the differences between G250 and N100 Financial Services firms in this survey. While this is a very real challenge felt by many, so too are the risks of avoiding this issue, which could potentially hinder companies’ ability to do business in future.

Companies of all sizes can only benefit from understanding the connections between their business and human rights, one step at a time if needed.



Linking carbon  
targets to the global  
climate goal



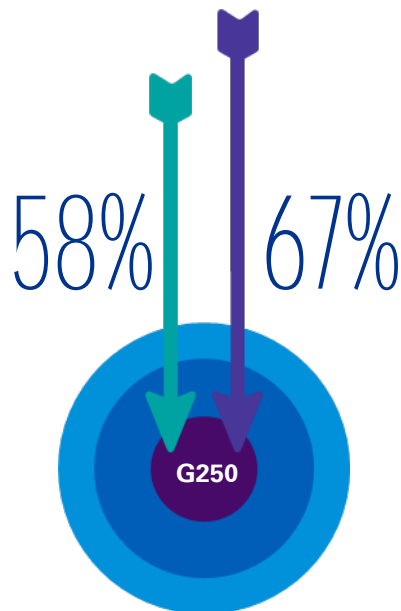
# More companies set carbon targets

**A solid majority of the world's largest companies (G250) now disclose targets to cut their carbon emissions: the percentage in 2017 stands at 67 percent of reporting companies up from 58 percent in 2015.**

Among the N100, this survey shows that 50 percent of reporting companies set carbon reduction targets (no figure available for 2015).

Yet, of those that do set internal carbon reduction targets for their business, around two thirds of both N100 and G250 companies do not acknowledge the external targets being set by national governments, regional authorities (such as the EU) or the UN.

## G250 companies that set carbon reduction targets



Base: 233 G250 companies that report on CR  
Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Pressure grows to link carbon targets to the bigger picture

Public scrutiny of companies' carbon emissions has ratcheted up since the adoption of The Paris Agreement on Climate Change in 2015. Under the agreement, almost every country in the world has committed to play an active part in keeping the global temperature rise to 2°C or less above pre-industrial levels.

Against this background of global commitment to climate action, it is no longer considered enough for companies to set arbitrary carbon reduction targets with no connection to the bigger picture. Instead, pressure is growing on companies to cut their carbon emissions in line with the greater global goal.

As a result, in coming years, KPMG expects to see many more companies setting carbon reduction strategies that are linked to national, regional or global climate goals, and communicating those strategies more clearly in their CR reporting.



*Adrian King*

**KPMG Global Sustainability Reporting & Assurance Leader and Partner, KPMG Australia**

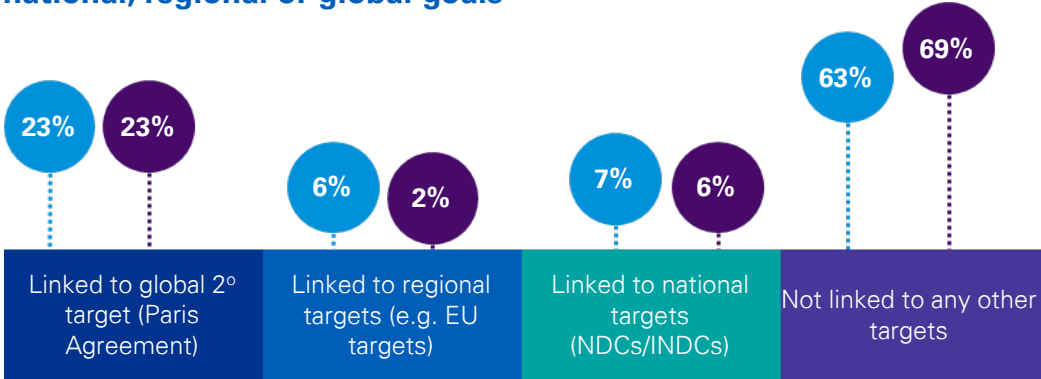
# Most carbon targets are not linked to greater climate goals

## Around one quarter reference Paris Agreement goal

Although most companies (around two thirds) that set carbon targets for their business don't yet acknowledge the external targets being set by governments and others, a significant minority of around one third does. KPMG analysts expect this minority group to grow into the majority over the next 5 years.

Of those that do link their own carbon targets to external targets, the majority refer to The Paris Agreement 2°C goal. This equates to around one quarter (23 percent) of companies that disclose carbon targets. This does not necessarily mean that these companies have yet fully aligned their targets with The Paris Agreement, but they have at least acknowledged the global climate goal in their reporting.

## Companies linking their carbon reduction targets to national, regional or global goals



■ N100

■ G250

Base: 1,765 N100 companies that report carbon reduction targets, 156 G250 companies that report carbon reduction targets  
 Source: KPMG Survey of Corporate Responsibility Reporting 2017

## Science-based targets gain ground

Science-based targets help companies demonstrate to investors, suppliers, their workforce and the general public that they are prepared for the transition to a low-carbon economy. With a clear direction of travel set by more than 190 countries in The Paris Agreement, science-based targets reduce risks and help companies align to the low-carbon economy of tomorrow.



Alberto Carrillo Pineda

Leader of Science Based Targets (SBT) Initiative, CDP

We expect the use of science-based targets to increase significantly as investors seek a uniform view of their investments worldwide and look for assurance that these companies are well set for a low-carbon future. Likewise, a growing number of companies are looking at their supply chains as a way to reduce their indirect emissions, and in many cases, are looking at science-based target setting as a tool to accomplish this. These trends, along with the 300+ companies that have already committed to set a science-based target through the SBT initiative, will help turn science-based target setting from a relatively new practice into a common business practice.

# How we can help

**KPMG's Sustainability Services network comprises several hundred sustainability professionals at around 60 KPMG member firms worldwide.**

## **Local knowledge, global experience**

Our network combines specialist sustainability expertise with in-depth understanding of the business landscape in your country. At the same time, our member firms are connected through our Global Center of Excellence for Sustainability Services and can access the best international experience for whatever challenge your organization faces.

## **Integrated services**

As well as working shoulder-to-shoulder with our clients, we work closely with our KPMG colleagues right across the KPMG network including Tax, Audit, Risk Consulting, Deal Advisory and Management Consulting. This means we can integrate sustainability services into a seamless solution for your business needs.

## **Contact**

KPMG Global Center of Excellence for Sustainability Services

 [sustainabilityservices@kpmg.com](mailto:sustainabilityservices@kpmg.com)

## **Specialists in corporate responsibility reporting and assurance**

Our professionals can help you to:

- Understand the environmental and social issues that are material for your organization and your stakeholders
- Align your corporate responsibility activities with the Sustainable Development Goals and assess your contributions to achieving the goals
- Choose the right reporting approach and frameworks for your business
- Integrate financial and non-financial information in your reporting
- Report information for specific purposes, such as sustainability indices
- Benchmark the quality of your reporting against industry peers
- Gain independent assurance for your internal and external reporting systems and for your corporate responsibility or sustainability reporting
- Verify the sustainability performance of your suppliers.

## **Specialists in carbon and climate risk reporting**

Our professionals can help you to:

- Comply with the TCFD recommendations on disclosure of climate-related financial risk
- Understand and comply with carbon-reduction and carbon reporting legislation worldwide
- Become familiar with best practice carbon reporting and benchmark your reporting against peers
- Report carbon information to the CDP
- Gain third-party assurance of your carbon and climate risk data
- Identify and reduce climate-related risk in your supply chain.

## **Specialists in business and human rights**

KPMG has a dedicated network of specialist consultants in business and human rights. Our professionals can help you to:

- Design your human rights policy and build internal commitment
- Assess the human rights risks in your operations and supply chain
- Develop strategies to prevent and mitigate any human rights impacts
- Monitor and report on your organization's human rights performance.

# Methodology

**Professionals at 49 KPMG member firms carried out thousands of hours of research for this survey. They reviewed annual financial and corporate responsibility reporting from the largest 100 companies, by revenue, in their own countries and regions.**

Research sources included PDF and printed reports as well as web-only content published between 1 July 2016 and 30 June 2017. If a company did not report during this period, reporting from 2015 was reviewed. However, no reporting published prior to June 2015 was included in the research for this survey.

The survey findings are based on analysis of publicly available information only, and no information was submitted directly by companies to KPMG member firms.

The survey refers to two research samples:

**The N100 – the largest 100 companies in each of 49 countries: 4,900 companies in total.**

Professionals at KPMG member firms identified the N100 in their country based on a recognized national source, or where a ranking was not available or was incomplete, by market capitalization or another appropriate measure. All company ownership structures were included in the research: publicly-listed and state, private and family-owned.

**The G250 – the largest 250 companies in the world.**

The G250 was identified as the top 250 companies listed in the Fortune Global 500 ranking for 2016.<sup>1</sup> The G250 is for the most part a subset of the N100 research sample. 7 companies in the G250 sample are not included in the N100.

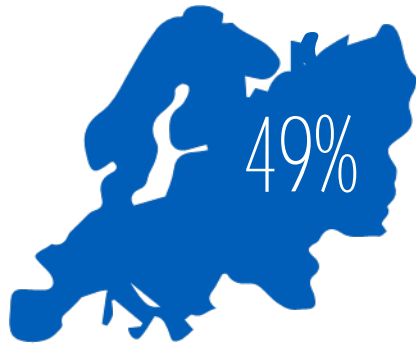
<sup>1</sup><http://fortune.com/global500/2016> Accessed 27 September 2017

## **N100 research sample: national breakdown**

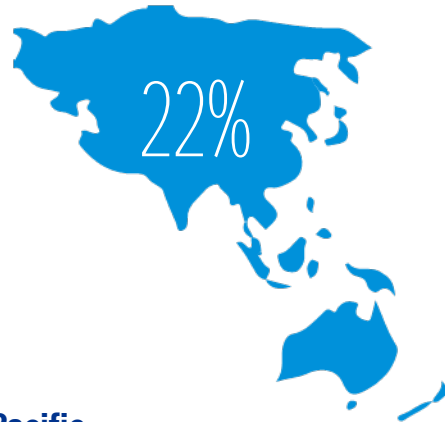
The N100 research sample in this survey includes companies headquartered in the following 49 countries and regions. Five KPMG member firms participated in the research for the first time in 2017: Austria, Cyprus, Luxembourg, Thailand and Turkey. Indonesia, which participated in the 2015 survey, did not participate in 2017. Some findings of this survey point to the underlying trend which is based on the 44 countries that participated in both the 2015 and 2017 surveys.

- |                    |                 |                          |
|--------------------|-----------------|--------------------------|
| 1. Angola          | 19. Ireland     | 37. Slovakia             |
| 2. Australia       | 20. Israel      | 38. South Africa         |
| 3. Austria         | 21. Italy       | 39. South Korea          |
| 4. Belgium         | 22. Japan       | 40. Spain                |
| 5. Brazil          | 23. Kazakhstan  | 41. Sweden               |
| 6. Canada          | 24. Luxembourg  | 42. Switzerland          |
| 7. Chile           | 25. Malaysia    | 43. Taiwan (ROC)         |
| 8. China           | 26. Mexico      | 44. Thailand             |
| 9. Colombia        | 27. New Zealand | 45. The Netherlands      |
| 10. Cyprus         | 28. Nigeria     | 46. Turkey               |
| 11. Czech Republic | 29. Norway      | 47. United Arab Emirates |
| 12. Denmark        | 30. Oman        | 48. UK                   |
| 13. Finland        | 31. Peru        | 49. US                   |
| 14. France         | 32. Poland      |                          |
| 15. Germany        | 33. Portugal    |                          |
| 16. Greece         | 34. Romania     |                          |
| 17. Hungary        | 35. Russia      |                          |
| 18. India          | 36. Singapore   |                          |

## N100 research sample: regional breakdown



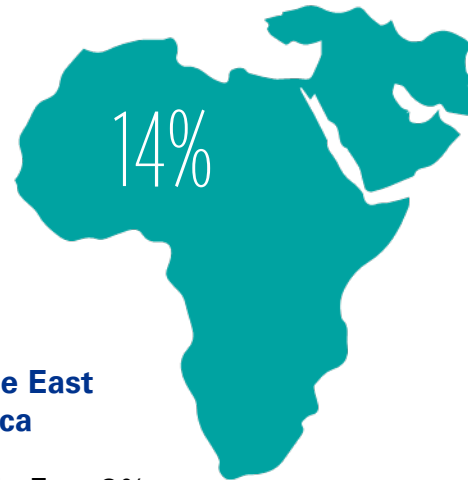
**Europe**  
(Western Europe 37%,  
Eastern Europe 12%)



**Asia Pacific**



**Americas**  
(North America 4%,  
Latin America 10%)



**Middle East  
& Africa**  
(Middle East 8%,  
Africa 6%)

Base: 4,900 N100 companies  
Source: The KPMG Survey of Corporate responsibility Reporting 2017

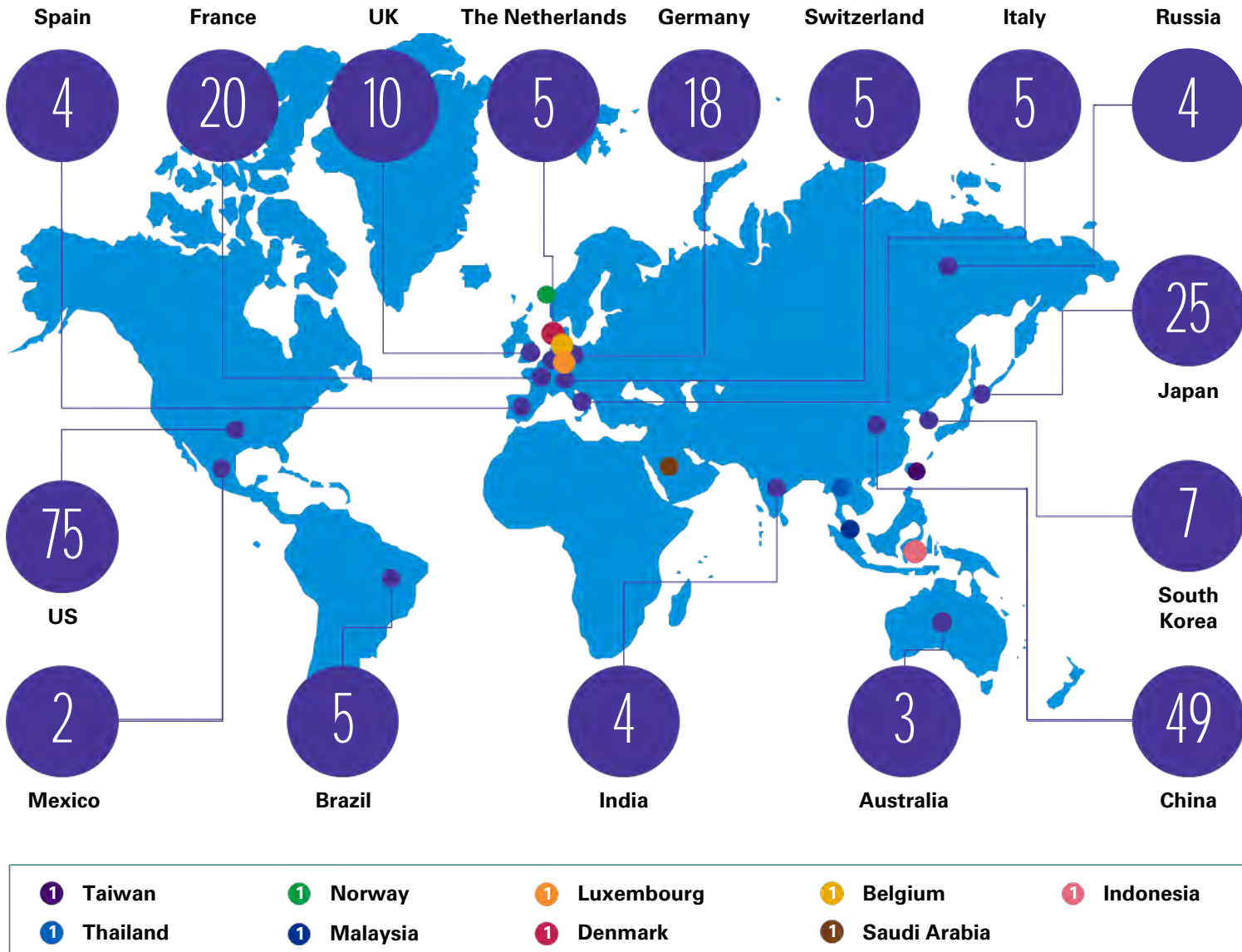
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## N100 research sample: sectoral breakdown

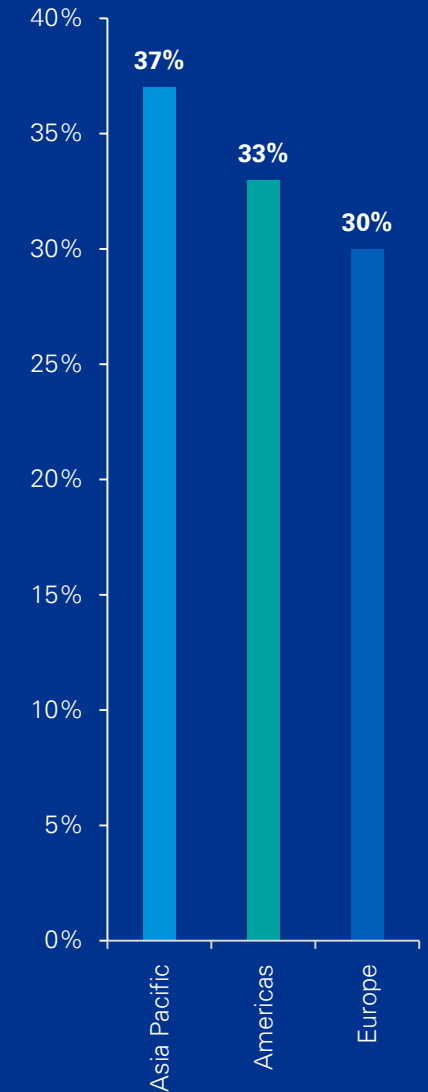
	Financial Services	18%
	Industrials, Manufacturing & Metals	11%
	Technology, Media & Telecommunications (TMT)	10%
	Retail	9%
	Food & Beverages	8%
	Transport & Leisure	7%
	Utilities	6%
	Automotive	6%
	Construction & Materials	5%
	Oil & Gas	5%
	Healthcare	4%
	Personal & Household Goods	3%
	Chemicals	3%
	Mining	2%
	Forestry & Paper	1%
	Other	2%

Base: 4,900 N100 companies  
Source: The KPMG Survey of Corporate responsibility Reporting 2017

## G250 research sample: number of G250 companies in each country



## G250 research sample: regional breakdown



Base: 250 G250 companies  
 Source: The KPMG Survey of Corporate responsibility Reporting 2017

Base: 250 G250 companies  
 Source: The KPMG Survey of Corporate responsibility Reporting 2017

## G250 research sample: sectoral breakdown



Base: 250 G250 companies  
Source: The KPMG Survey of Corporate responsibility Reporting 2017

## Industry classification

Companies were allocated to an industry sector according to the International Classification Benchmark (ICB) system.



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