



# The road ahead

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

Executive Summary

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



# 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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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).



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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.

## 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.

**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.



**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.

60%

**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.



**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.



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

**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.



## 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).

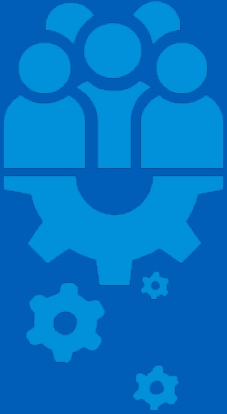
## Linking corporate responsibility activity to the UN Sustainable Development Goals (SDGs)

**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.

## 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.

## 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.



# 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?**



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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.**



# 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

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## 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.





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