Global trends in corporate responsibility reporting

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KPMG Sustainability Services

- Pioneers of sustainability consulting: 25+ years of expertise
- Global network, local experience: Sustainability professionals in 60+ countries, supported by Global Centre of Excellence
- Sustainability plus: Integrated with tax, audit and advisory in multi-disciplinary teams
- Results-driven: Solid understanding informs practical solutions
- Thought leadership: Research on drivers of global change and successful business responses
KPMG Survey of Corporate Responsibility Reporting

• 10th survey; first edition in 1993
• Covers a record 4,900 companies in 49 countries
• Spotlights four major emerging trends:
  1. Climate related financial risk*
  2. Carbon reduction targets*
  3. Human rights
  4. UN Sustainable Development Goals (SDGs)
• Online interactive tool to search results by country

*Discussed in this presentation

Please refer to: www.kpmg.com/crreporting
CR Reporting has become standard business practice

Growth in global CR reporting rates since 1993

Base: 1765 N100 companies that report carbon reduction targets, 156 G250 companies that report carbon reduction targets

Note: 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.

Source: KPMG Survey of Corporate Responsibility Reporting 2017
Americas now leading CR Reporting rate by region

CR reporting in the Americas region has risen by 6 percentage points in the last two years. It is the region with the highest reporting rate in 2017.

Base: 4,900 N100 companies

Note: 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.

Source: KPMG Survey of Corporate Responsibility Reporting 2017
The trend for large companies to include CR information in their annual financial reports continues to grow with more than $\frac{3}{4}$ of the world’s biggest companies integrating financial and non-financial data in their annual financial reports. This suggests they believe CR information is relevant for investors.

**Companies that include CR information in annual financial reports**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>N100</td>
<td>56%</td>
<td>60%</td>
</tr>
<tr>
<td>G250</td>
<td>65%</td>
<td>78%</td>
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</tbody>
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**Base:** 4,900 N100 companies and 250 G250 companies

**Note:** 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.

**Source:** KPMG Survey of Corporate Responsibility Reporting 2017

**Transportation Sector**

**Base:** Transportation = 165 N100 companies & 4 G250 companies

**MONTREAL, CANADA, NOVEMBER 29-30, 2017**
How the Transportation sector compares to select global CR Reporting trends

- **Companies reporting on their CR performance:**
  - All Sectors: 72%
  - Transportation: 72%

- **Companies making a connection between their CR activity and the Sustainable Development Goals (SDGs):**
  - All Sectors: 28%
  - Transportation: 22%

- **Companies reporting carbon reduction targets:**
  - All Sectors: 36%
  - Transportation: 33%

- **Companies reporting they are working to improve the ESG performance of its suppliers:**
  - All Sectors: 50%
  - Transportation: 37%

**Base:**
- All Sectors = 4,900 N100 companies & 250 G250 companies
- Transportation = 165 N100 companies & 4 G250 companies

**Source:**
- KPMG Survey of Corporate Responsibility Reporting 2017
Select sector examples

**Swedavia**

Swedavia’s vision is to be a world leader in sustainable air transport, with a focus on reducing CO₂ emissions and improving energy efficiency. Swedavia operates airports in Sweden and plans to achieve net-zero emissions by 2045. The company is also working on innovative solutions to improve energy efficiency, such as the use of renewable energy sources and smart grid integration.

**Fraport**

Fraport AG is a German airport group that operates airports in Germany and the Middle East. The company is committed to sustainability and has set targets to reduce its CO₂ emissions by 2035. Fraport is also investing in renewable energy sources, such as solar and wind power, and is exploring the potential of hydrogen energy.

**Heathrow**

Heathrow Airport is one of the busiest airports in the world and is committed to becoming carbon neutral by 2040. The airport is investing in a range of sustainability initiatives, including the use of renewable energy sources, the reduction of waste and water consumption, and the improvement of energy efficiency. Heathrow is also exploring the potential of new technologies, such as electric vehicles and hydrogen fuel cells, to reduce its environmental impact.
In the Transportation Sector this number goes down to 24 percent.

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

- **N100**
  - Yes: 28%
  - No: 72%

- **G250**
  - Yes: 48%
  - No: 52%

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

Acknowledging climate change risk remains an area for improvement.
Few companies quantify the potential impact of climate change

- Provide a narrative description of potential impacts: 63% (N100) 76% (G250)
- Quantify potential risks in financial terms: 2% (N100) 2% (G250)
- Model potential impacts using scenario analysis: 2% (N100) 3% (G250)
- Acknowledge financial risk of climate change but do not describe the potential impacts: 33% (N100) 18% (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
Sector quantification example

Royal Schiphol Group

Monetisation of decision to invest in heat and cold storage at Pier G

EUR

-750,000
-600,000
-450,000
-300,000
-150,000
0
150,000
300,000
450,000
600,000

Financial capital
Natural capital
Social capital
Total socio-economic impact

Connection charges
Additional raw materials for heat and cold storage
Avoided emissions from power generation
Avoided CO₂ emissions from energy consumption at Schiphol
Transport of raw materials to Schiphol
Avoided risk of leakage in current system
Total socio-economic impact

MONTREAL, CANADA, NOVEMBER 29-30, 2017
A solid majority of the world’s largest companies (G250) now disclose targets to cut their carbon emissions.

Among the N100, the survey shows that 50 percent of reporting companies set carbon reduction targets.

**G250 companies that set carbon reduction targets**

- 58% in 2015
- 67% in 2017

Base: 233 G250 companies that report on CR
Source: KPMG Survey of Corporate Responsibility Reporting 2017
Most carbon targets are not linked to greater climate goals

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

- Linked to global 2°C target (Paris Agreement): 23% (N100), 23% (G250)
- Linked to regional targets (e.g. EU targets): 6% (N100), 2% (G250)
- Linked to national targets (NDCs/INDCs): 7% (N100), 6% (G250)
- Not linked to any other targets: 63% (N100), 69% (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
Questions?