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
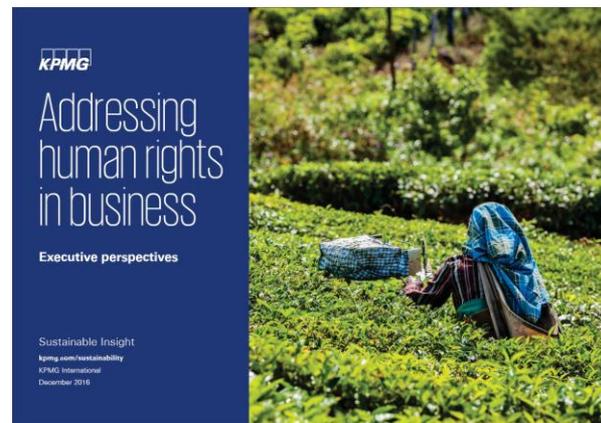
KPMG Survey of Corporate Responsibility Reporting

- 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)
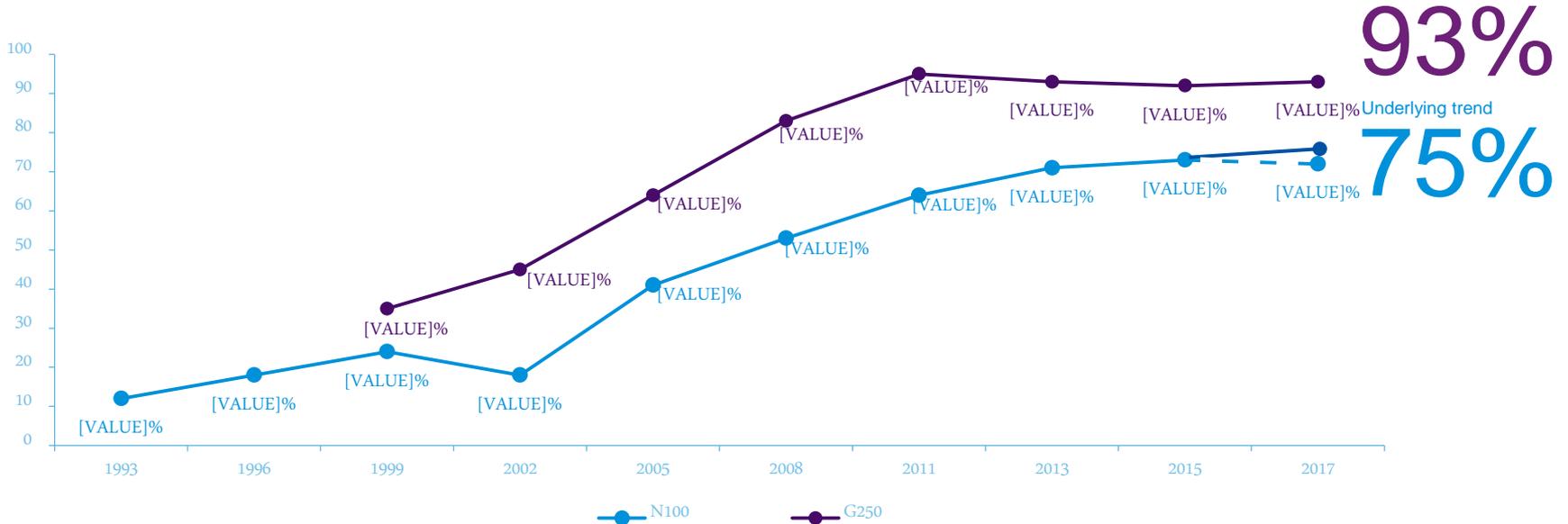
- Online interactive tool to search results by country

*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**

93%

75% Underlying trend

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.
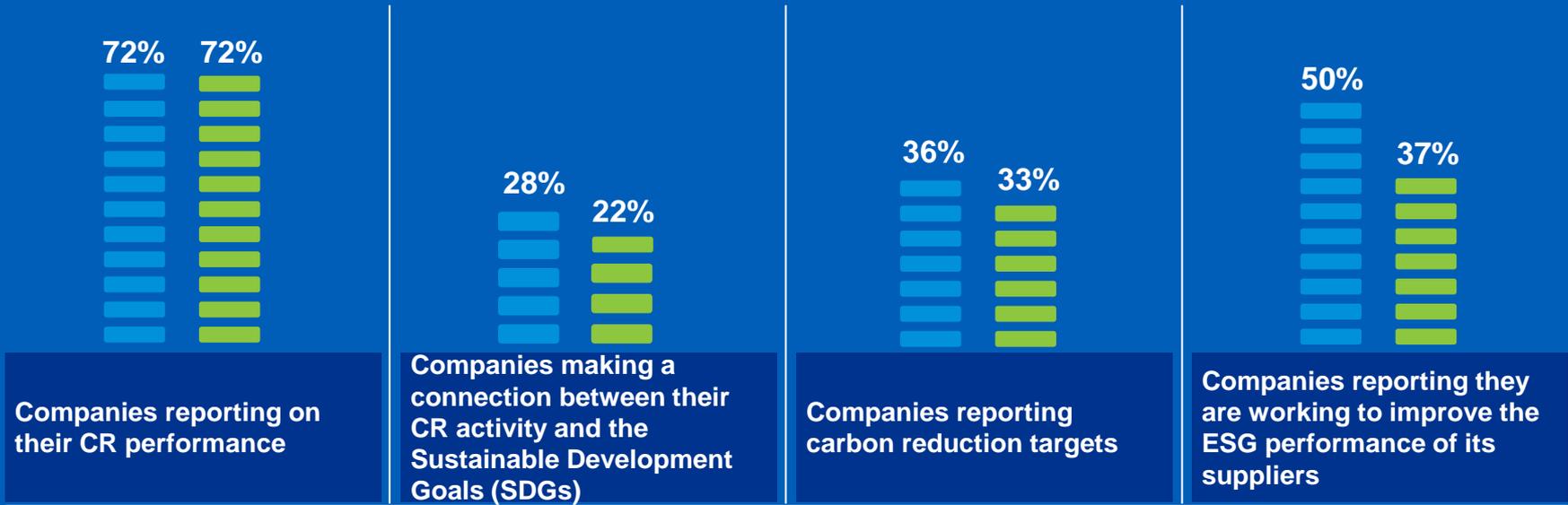
Source: KPMG Survey of Corporate Responsibility Reporting 2017

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
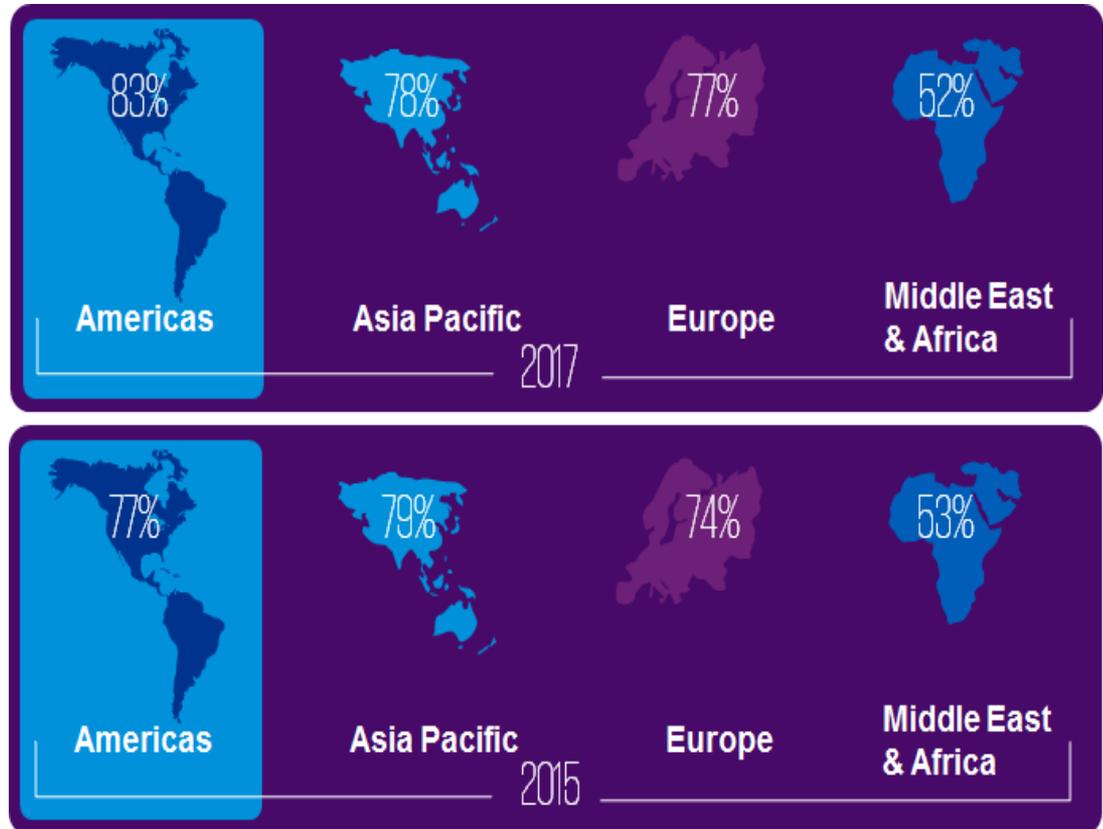
Base: 4,900 N100 companies

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

More companies include CR data in their annual financial reports

The trend for large companies to include CR information in their annual financial reports continues to grow with more than ¾ 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

2015

2017

56% N100

60%[1]

58%

Transportation Sector

65% G250

78%

Base: 4,900 N100 companies and 250 G250 companies

Note: [1] 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

Base: Transportation = 165 N100 companies & 4 G250 companies

How the Transportation sector compares to select global CR Reporting trends

All Sectors ▬ **Transportation** ▬

72% **72%**
Companies reporting on their CR performance

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

36% **33%**
Companies reporting carbon reduction targets

50% **37%**
Companies reporting they are working to improve the ESG performance of its suppliers

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

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Select sector examples

Heathrow

Swedavia

Fraport

Acknowledging climate change risk remains an area for improvement

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

28%
Yes

72%
No

G250

48%
Yes

52%
No
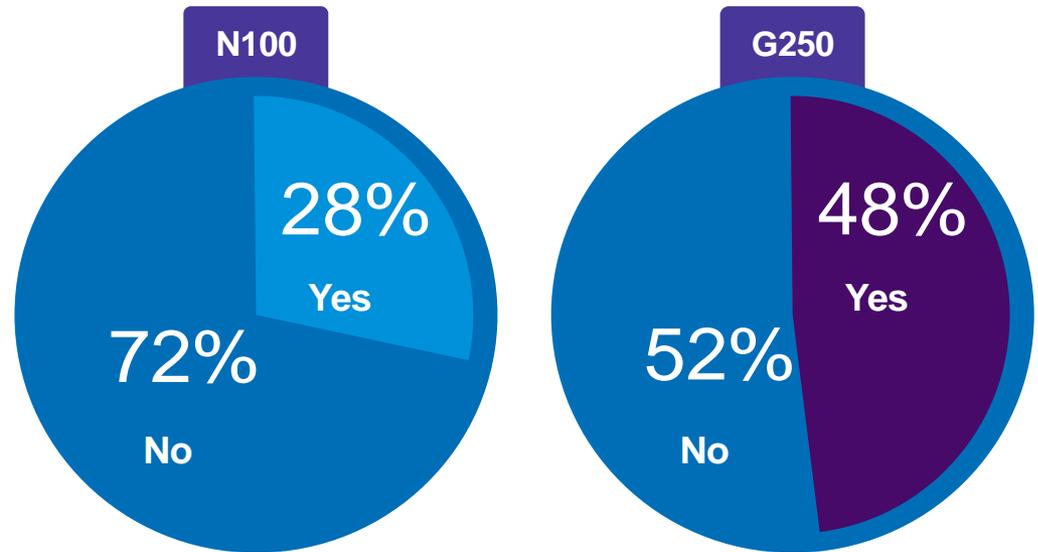
Base: 4,900 N100 companies and 250 G250 companies
Source: KPMG Survey of Corporate Responsibility Reporting 2017

Few companies quantify the potential impact of climate change

N100 **G250**

Provide a narrative description of potential impacts
N100: 63%
G250: 76%

Quantify potential risks in financial terms
N100: 2%
G250: 2%

Model potential impacts using scenario analysis
N100: 2%
G250: 3%

Acknowledge financial risk of climate change but do not describe the potential impacts
N100: 33%
G250: 18%
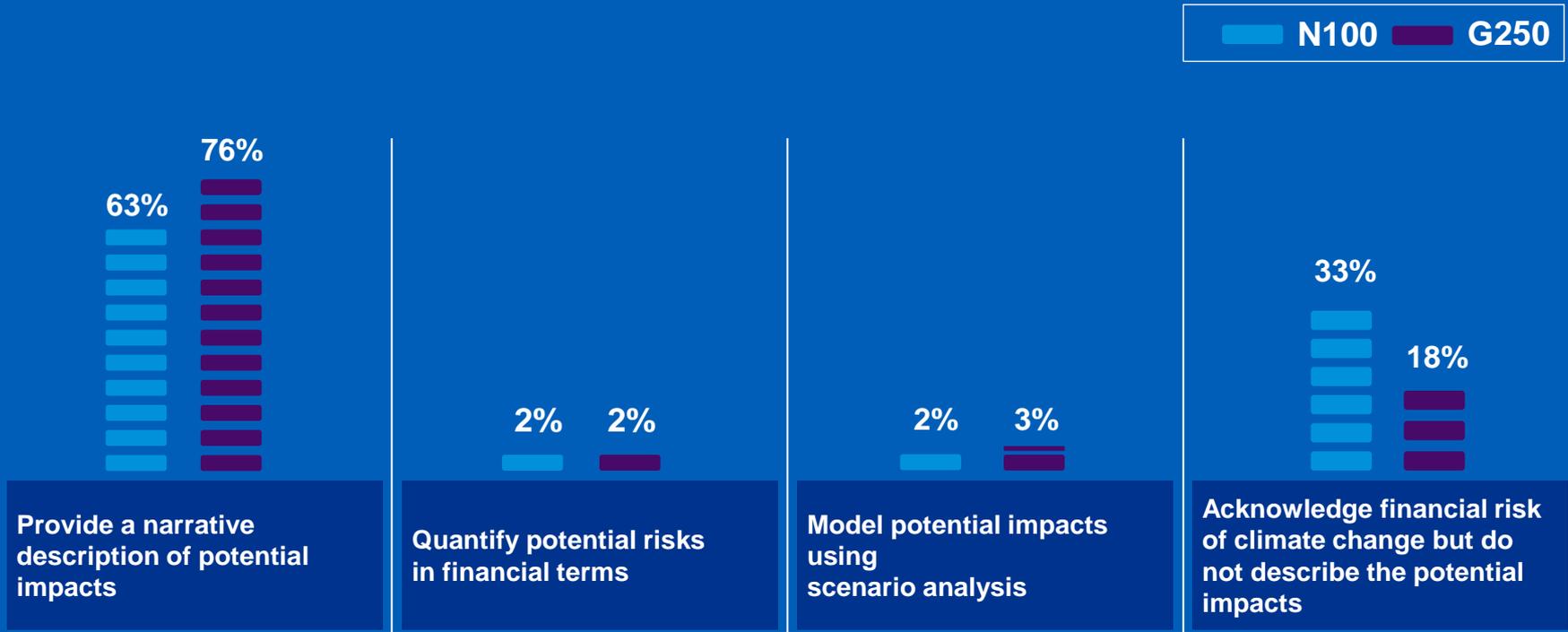
Base: 1,386 N100 companies & 119 G250 companies that acknowledge climate change as a financial risk in their annual report
Source: KPMG Survey of Corporate Responsibility Reporting 2017
Note: Numbers do not add up to exactly 100 due to rounding

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Sector quantification example

Royal Schiphol Group

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

Legend:
- Financial capital
- Natural capital
- Social capital
- Total socio-economic impact

EUR axis: 600,000 / 450,000 / 300,000 / 150,000 / 0 / -150,000 / -300,000 / -450,000 / -600,000 / -750,000

Categories: Connection charges; Additional raw materials for heat and cold storage; Avoided emissions from power generation; Avoided CO_2 emissions from energy consumption at Schiphol; Transport of raw materials to Schiphol; Avoided risk of leakage in current system; Total socio-economic impact

Carbon target disclosure

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%   67%

G250

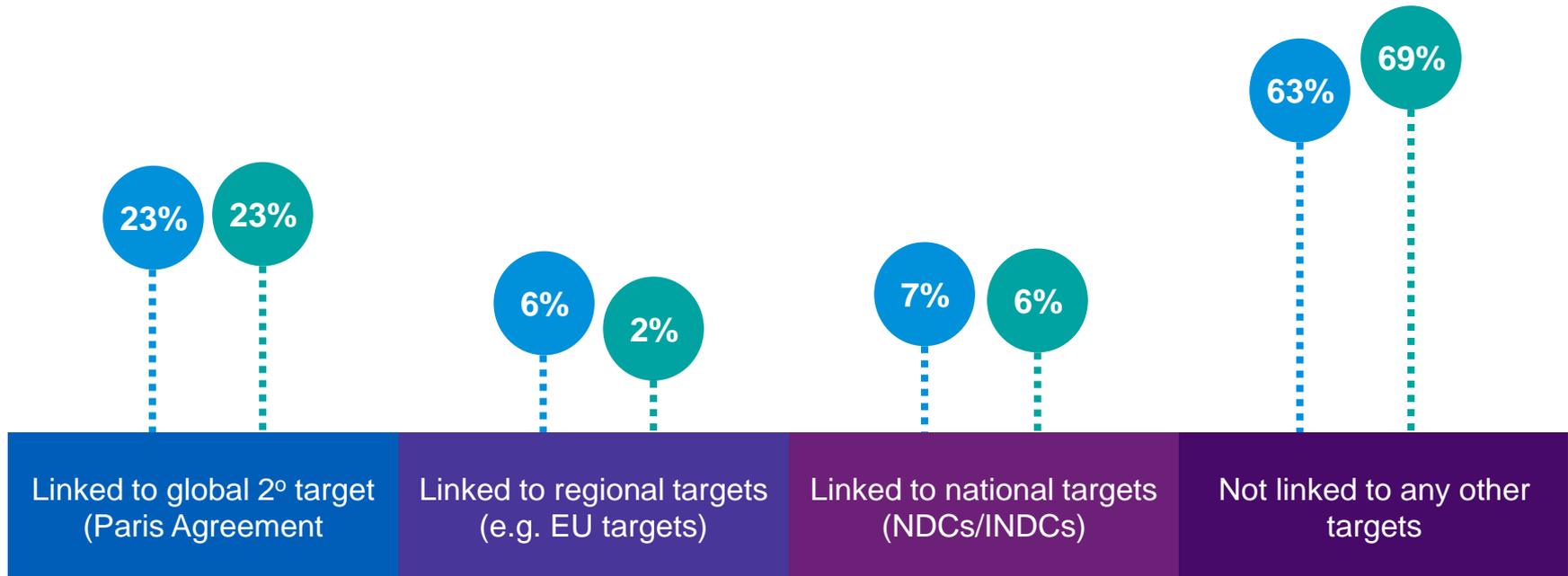■ 2015
■ 2017

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

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

■ 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

Questions?