

Document name: KPMG International survey of corporate responsibility reporting  
2011  
Document date: 2011  
Copyright information: © 2011 KPMG International Cooperative  
OpenLearn Study Unit: Environmental management and organisations  
OpenLearn url: <http://www.open.edu/openlearn/nature-environment/environmental-management-and-organisations/content-section-0>

---



## **KPMG International survey of corporate responsibility reporting 2011**

*KPMG International*

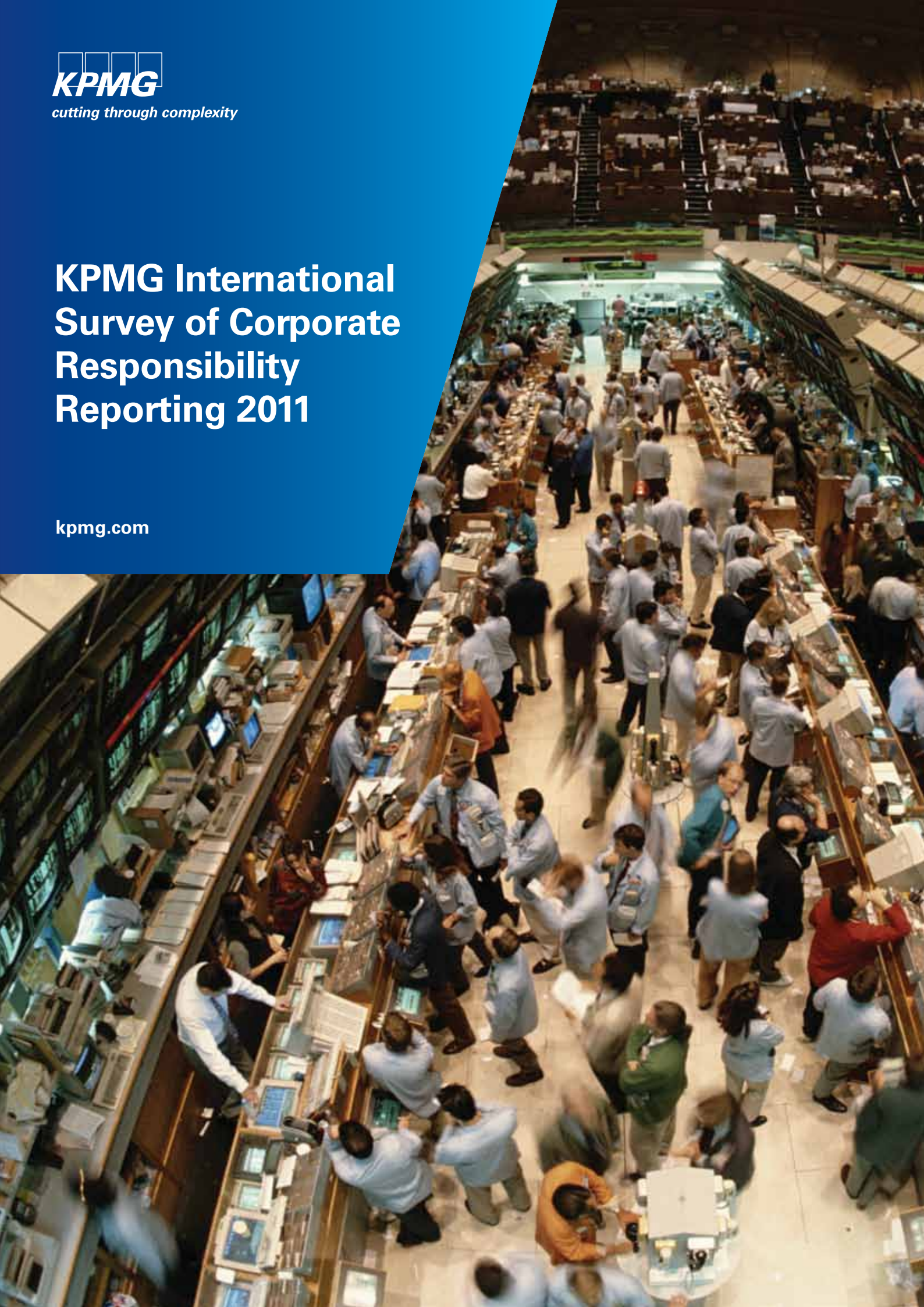
*KPMG International survey of corporate responsibility reporting 2011* [Online], KPMG International.  
Available at <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/2011-survey.pdf> (Accessed 10 June 2013).



cutting through complexity

# KPMG International Survey of Corporate Responsibility Reporting 2011

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



# The Definitive Snapshot of CR Reporting

Welcome to The KPMG International Survey of Corporate Responsibility Reporting 2011. We believe that this report represents the largest and most comprehensive survey of CR reporting trends ever published. Thirty-four hundred companies representing the national leaders from 34 countries around the world, including the largest 250 global companies based on the *Fortune* Global 500 ranking, were included in our research.

Since we published our first report in 1993, KPMG's International Survey of Corporate Responsibility Reporting has provided a definitive snapshot of the evolving state of CR reporting and continues to deliver unprecedented insight into national, global and industry reporting trends.

This is the first in a series of three complementary reports. Future analysis will focus on the challenges related to water, supply chain and regulatory optimization.

# Contents

<b>Executive Summary</b>	<b>2</b>
<b>KPMG Corporate Reporting Quadrants</b>	<b>4</b>
<b>The State of Global Corporate Responsibility Reporting – Corporate Responsibility Reporting Comes of Age in 2011</b>	<b>6</b>
<b>Measuring the Markets – Corporate Responsibility Reporting at the Country Level</b>	<b>8</b>
<b>Ranking Sectors – Corporate Responsibility Reporting at the Industry Level</b>	<b>12</b>
<b>Does Ownership Matter? – Corporate Responsibility Reporting by Ownership Structure</b>	<b>14</b>
<b>Corporate Responsibility Reporting Metrics: A Snapshot</b>	<b>16</b>
<b>The Business Imperative Behind CR Reporting – Reputation Leads the List</b>	<b>18</b>
<b>Global Standards and Evolving Platforms – The Drive for Consistency and Accessibility</b>	<b>20</b>
<b>The Road to Integrated Reporting – A Benchmark on Integrated Reporting</b>	<b>23</b>
<b>Driving for High-Quality Data – Quantifying Quality</b>	<b>26</b>
<b>The State of CR Assurance – Making the Most of Assurance</b>	<b>28</b>
<b>About KPMG’s Climate Change &amp; Sustainability Services</b>	<b>31</b>
<b>Methodology</b>	<b>32</b>

# Executive Summary

## Corporate responsibility (CR) reporting has become the *de facto* law for business

While the continued adoption of CR reporting may not surprise those active in the field, the details of how CR reporting is evolving deliver a compelling view into the expectations that companies now face.

Companies are increasingly realizing that CR reporting is about more than just being a good corporate citizen; it drives innovation and promotes learning, which helps companies grow their business and increase their organization's value.

It seems clear, therefore, that companies not yet reporting on their CR activities are under significant pressure to start. This will be increasingly critical; not only to stay competitive in a societal context, but also to gain a better understanding of how CR activities impact and benefit the business in areas such as cost savings and new business opportunities.

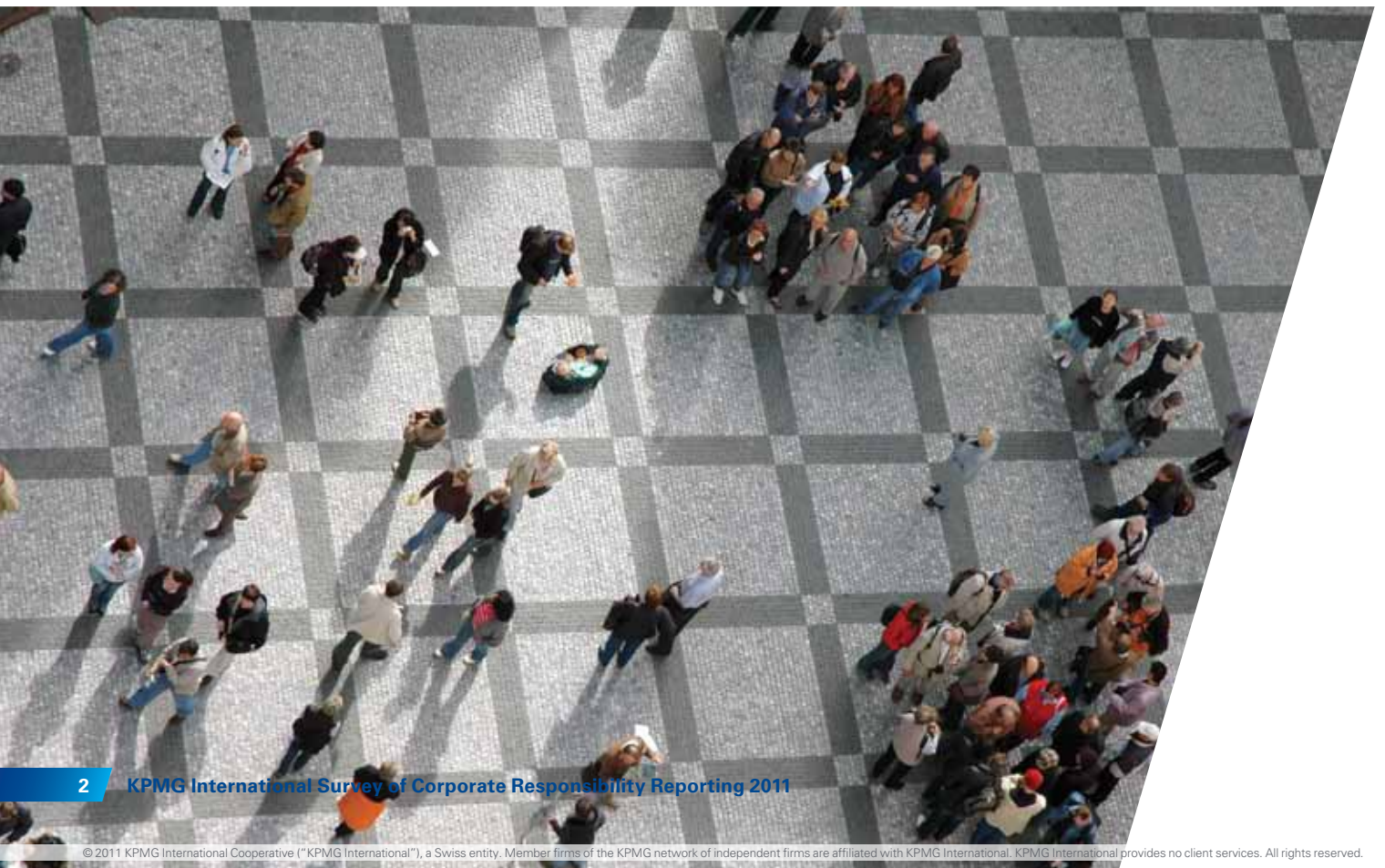
Much work remains in some pockets of the world, particularly the Asia Pacific region and within privately-held companies

around the world. Both must recommit themselves to enhancing transparency and creating a more level playing field through greater CR reporting.

Governments can also play a part by designing interventions that further drive the uptake of CR reporting. Strong examples of this are evident in varying degrees from Sweden to South Africa and provide compelling proof that government intervention can enhance the adoption of CR reporting overall.

## CR reporting enhances financial value

Where CR reporting was once seen as fulfilling a moral obligation to society, many companies are now recognizing it as a business imperative. Today, companies are increasingly demonstrating that CR reporting provides financial value and drives innovation, reflecting the old adage of "what gets measured gets managed." In our own experience in the market, we have witnessed countless companies discover new opportunities for business improvement by analyzing their CR reporting data and developing continuous improvement programs to effect lasting change.



Financial value overwhelmingly comes from two sources: direct cost savings and enhanced reputation in the market. Some programs provide both. 'Green' products, for example, not only reduce waste and cost to provide direct savings, but also provide reputational dividends from both investors and consumers. That said, the 'green' label may soon wear itself out as environmentally friendly products become the norm rather than the exception.

## Combined reporting leads to integrated reporting

For some years now, leading companies have combined their CR reporting and financial reporting, often by merging the two into the annual report. And while this has been a valuable stepping stone in building a holistic understanding of how CR impacts the business, we believe that greater value will be gained once both sets of information are treated as part of the company's comprehensive business performance reporting, both to internal management and external stakeholders.

Companies are also quickly evolving the method by which they communicate their CR information to their various audiences. As more and more companies start to employ multiple vehicles for communication (above and beyond their printed annual report), we expect to see companies focus on developing and implementing a comprehensive communication strategy that enhances trust and value for the company within its different stakeholder groups.

## Raising the bar on data integrity

Given the evolving nature of CR reporting globally, readers or investors should not automatically take the instance of reporting adjustments to signify systemic reporting flaws. Rather, the high adjustment rate is likely an indication of maturing methodologies, definitions and inclusions that are effectively raising the benchmark for reporting standards.

However, with the increasing scrutiny of CR data by both external stakeholders and internal management, companies will quickly find that misstated data poses not only a risk to their credibility and reputation, but also impacts the management insight and innovation that CR reporting provides. As a result, greater focus must be placed on developing higher levels of data integrity through better

governance, systems and controls that meet the future demands of both the company and its stakeholders.

## Making the most of assurance

A growing number of companies look to external assurance providers to validate and certify their CR and integrated reports. And while most cite enhanced credibility as the leading benefit from gaining external assurance, our experience shows that companies can gain significant internal benefits as well.

For one, assurance often provides opportunities to identify and drive process and performance improvements through the organization. But, as the following report shows, the use of assurance has also provided opportunities for organizations to sharpen their CR reporting to deliver more value to management, customers, investors and stakeholders.

## Examining the Reporting Landscape

In this survey, KPMG has analyzed the reports of more than 3,400 companies globally – including the world's 250 largest companies – to paint a clear picture of the state of CR reporting and assurance around the world. We examine a variety of key issues, including the benefits of CR reporting, the adoption of integrated reporting, the drive for global standards and the use of third-party assurance providers. Throughout, we provide valuable benchmarks and key insights into the evolving field of CR reporting that companies can use to assess themselves against and others may apply to draw further conclusions for their specific purpose.

This is the first in a series of three complementary reports. Future analysis will focus on the challenges related to water, supply chain and regulatory optimization.

## How do you compare?

To receive a customized benchmarking analysis of your corporate responsibility reporting performance as compared to those of your geographic and industry peers, please contact your local KPMG partner.

# KPMG Corporate Reporting Quadrants

Corporate responsibility reporting has been evolving over the 18 years in which KPMG has been producing this report. In an effort to help quantify this evolution and plot the maturity of the markets represented by the 34 countries and 16 sectors we analyzed, we created a proprietary model to assess a number of elements evaluated in the study. Those elements, plotted in a four box quadrant with quality of communications and level of process maturity as the axes, include:

- Information systems and processes
- Assurance, both level and scope
- Restatements
- Multiple channel communications
- Use of GRI standards
- Integrated reporting.

The corporate reporting quadrants show the illustrative positions for each country based on the companies that publish a report. They also provide a number of interesting insights that we think companies and individual country regulators can use to their advantage, for instance, to improve local reporting or to benchmark against other key markets.

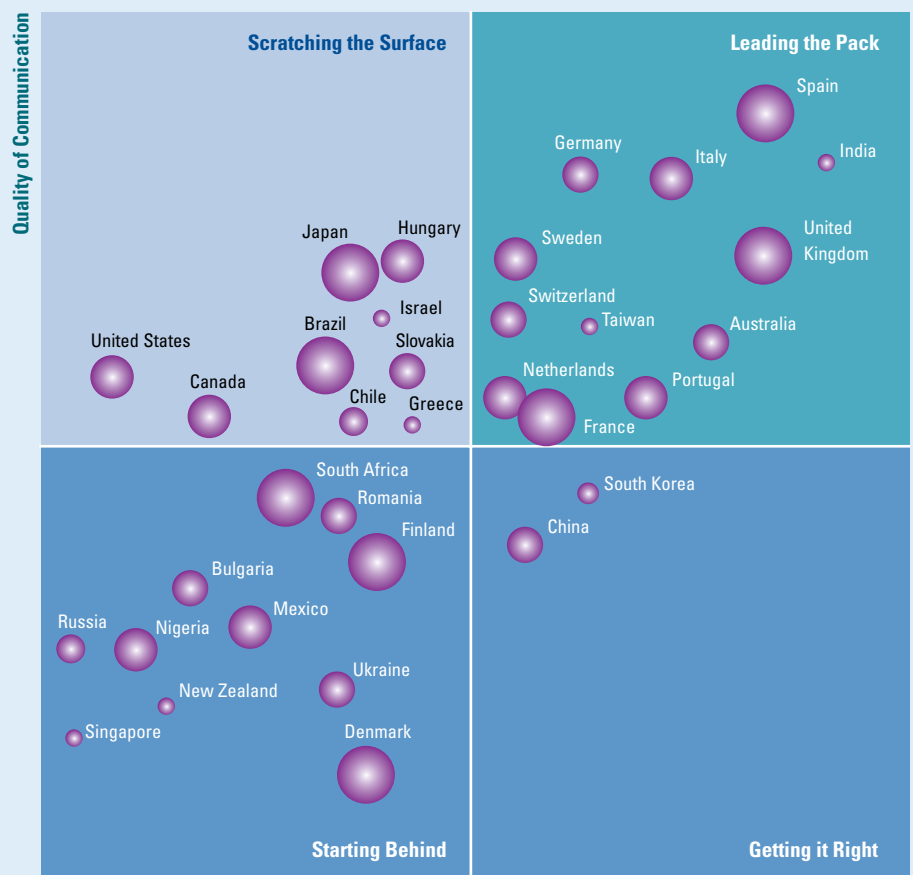
In the 'Leading the Pack' quadrant, the majority are European countries that have addressed CR and reporting for over a decade. Companies in these countries have demonstrated both strong communication and professionalism over time. India takes a striking position, showing that the (limited) number of companies that report on CR take it rather seriously and take a rigorous approach to governance, control and assurance.

The Americas seem to have focused so far on communication rather than CR processes. This is clearly an area of attention for companies in these geographies, as an imbalance between reporting and actual implementation might increase reputational risks.

It is not surprising, we believe, that some of the emerging economies and poorer countries have had a limited focus to date on corporate responsibility and reporting. As we outline in the report, there are competitive advantages to be gained from integrating corporate responsibility into the business, so we encourage

companies in these markets to explore the benefits they could gain from taking corporate responsibility on board.

Finally it is interesting to see that two other Asian countries are apparently demonstrating due regard to implementing processes and systems to measure and govern corporate



Level of Process Maturity

responsibility issues. As can be seen from the quadrant, Chinese and South Korean companies could strengthen their credibility and reputation by putting additional focus on the communication side of their work.

## Leading the Pack

The 'Leading the Pack' companies and sectors have achieved top scores in terms of professionalism of their internal systems and external accountability on the one hand and the quality of their communications on the other hand. They have implemented information systems and processes to ensure reliable information, which is further demonstrated by either few or no CR report restatements. 'Leading the Pack' companies have asked for external assurance and both lead in terms of the breadth or the scope of

assurance and the level they have provided for part of the full CR report.

On the communications axis, they have applied the GRI Guidelines to best serve the needs of stakeholders and to gain credibility. Also, they use multiple channels to reach their audiences and have taken (the first) steps towards integrated reporting by merging CR information with their annual report.

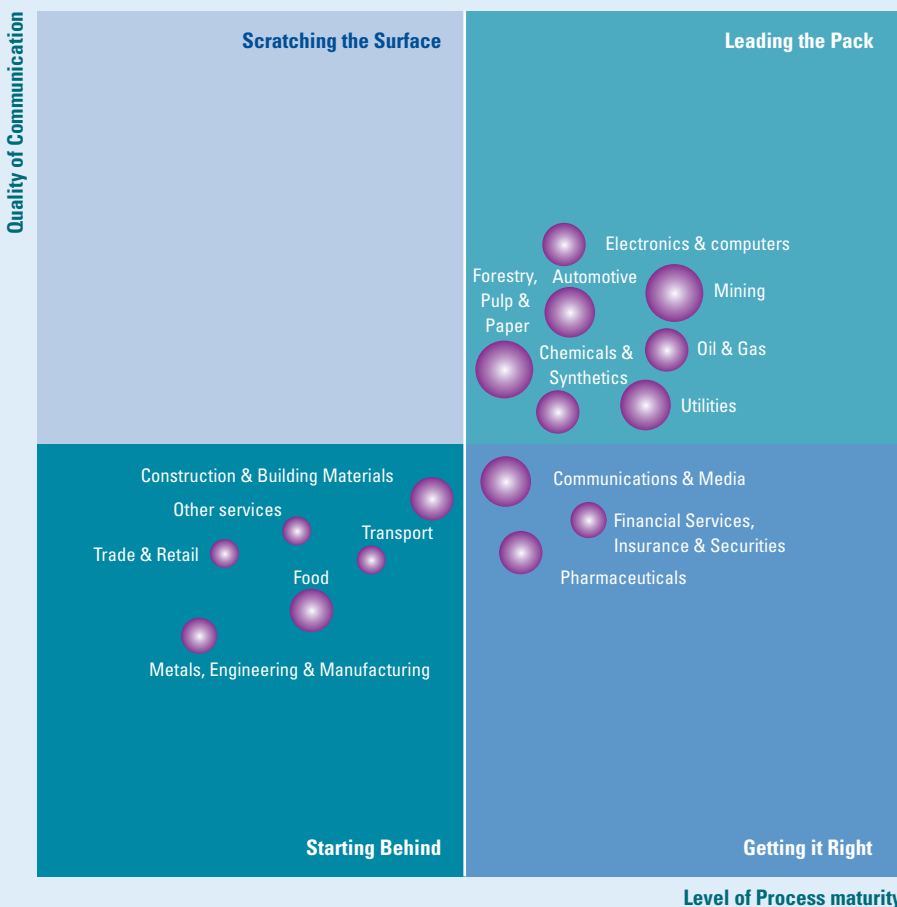
## Starting Behind

Companies in the 'Starting Behind' box have gained limited traction so far for either implementing or communicating about their CR efforts and achievements. These companies tend to report using a single media channel and are not demonstrating significant results regarding the growing maturity of their information systems

and processes. This means they are restrictively using assurance to drive systems improvements and have not implemented information systems and processes to a level akin to the leaders.

## Getting it Right

The 'Getting it Right' group of companies is taking a conservative path to becoming members of the leaders' quadrant. They focus on building their information systems and processes first before over-communicating on achievements they may not be able to continuously demonstrate. These companies take the management of CR seriously, and as a result, also tell their stakeholders what they have achieved to better control their CR performance. Lastly, they make external assurance part of this road and are broadening the scope and/or level of assurance to further improve in the future.



## Scratching the Surface

Companies that can be seen as 'Scratching the Surface' are those that have the highest risk of failing to deliver on the promises they make in their CR report and/or targets they have set. These companies have chosen to focus more heavily on communicating their CR achievements effectively by choosing multiple channels and integrating CR in the regular annual reporting without focusing equally on the CR systems and processes. As a result, they may reach their audiences more effectively than the group that 'is getting it right.' However, they could also risk increasing feedback and pressure from their stakeholders, including their investors.



# The State of Global Corporate Responsibility Reporting

## Corporate Responsibility Reporting Comes of Age in 2011

### Chapter highlights

- Ninety-five percent of the 250 largest companies in the world (G250 companies) now report on their corporate responsibility (CR) activities, two-thirds of non-reporters are based in the US.
- Traditional CR reporting nations in Europe continue to see the highest reporting rates, but the Americas and the Middle East and Africa region are quickly gaining ground. Only around half of Asia Pacific companies report on their CR activities.
- For the 100 largest companies in each of the 34 countries we studied (N100 companies), CR reporting by the consumer markets, pharmaceuticals and construction industries more than doubled since KPMG's last survey in 2008, but overall numbers in some sectors – such as trade and retail and transportation – continue to lag stubbornly behind.
- Of the N100 companies, 69 percent of publicly traded companies conduct CR reporting, compared to just 36 percent of family-owned enterprises and close to 45 percent for both cooperatives and companies owned by professional investors such as private equity firms.

Around the world, corporate responsibility reporting has become a fundamental imperative for businesses. Our survey finds that – almost across the board – companies are demonstrating an increasing willingness to account for their behavior on key societal issues.

The number of companies now reporting on CR has continued to rise since KPMG's last CR study in 2008. Indeed, where CR reporting was once merely considered an 'optional but nice' activity, it now seems to have become virtually mandatory for most multinational companies, almost regardless of where they operate around the world.

### G250 closes the gap

Of the 250 largest global companies, fully 95 percent now report on their CR activities. This represents a jump of more than 14 percent over our 2008 survey. And while one might believe that this threshold is as close to universal as can reasonably be expected, it should be noted that a two-thirds of non-reporting G250 companies are based in the US and we believe will therefore be likely to begin reporting on CR in the near future.

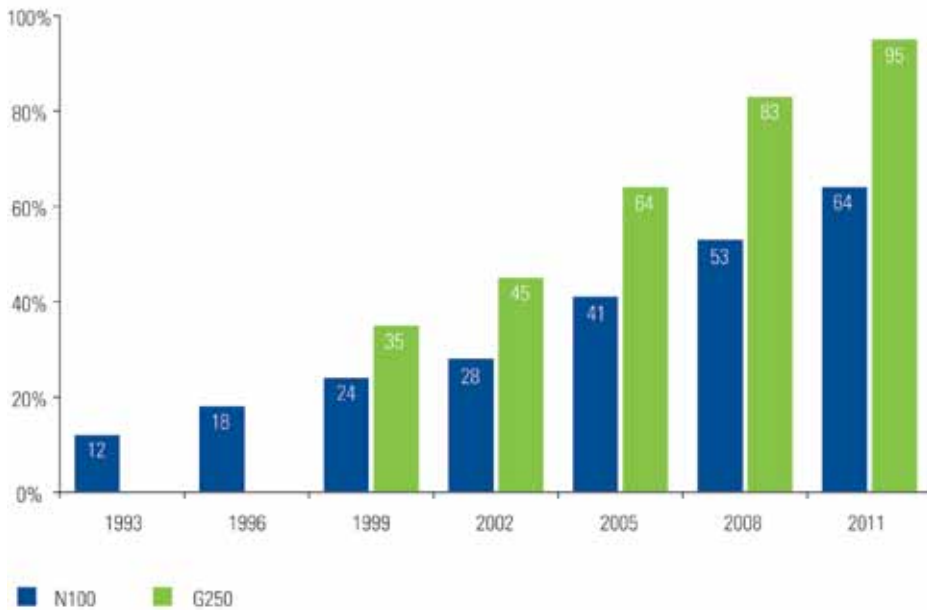
95 percent of the 250 largest global companies now report on their CR activities.

### N100 companies making strong progress

CR reporting has also gained ground within the Top 100 (N100) companies in each of the 34 countries surveyed, as organizations increasingly realize that their stakeholders

expect more accountability in the parts of their business operations that are not necessarily financial, but contribute to the overall value of the company.

Figure 1: N100 companies making strong progress



### KPMG Insight

Clearly, CR reporting is now an essential requirement for any company hoping to be seen as a responsible corporate citizen. Innovation and learning, in particular, has consistently ranked highly as a driver for corporate responsibility reporting over the past decade. This is indicative of the large number of companies that see CR as a means to drive greater innovation through their businesses and products in order to create a discernable competitive advantage in the market.

CR reporting has gained ground within the Top 100 companies in each of the 34 countries surveyed.

Growth in this segment has strengthened over the past three years; the total number of reporting N100 companies increased by 11 percentage points, to 64 percent in 2011.

Stripping out the countries that are new to this survey and those that did not participate this year, this number increases to 78 percent, a rise of 24 percentage points.

Q

### Who are the G250?

The G250 companies are drawn from the Fortune Global 500 List (2010) and represent more than a dozen industry sectors. Financial services, insurance, and securities companies dominate the sample, followed by consumer markets (trade and retail), oil & gas, electronics & computers, communications & media, automotive and utilities. Two-hundred-and-eight of the 250 are publicly traded enterprises.

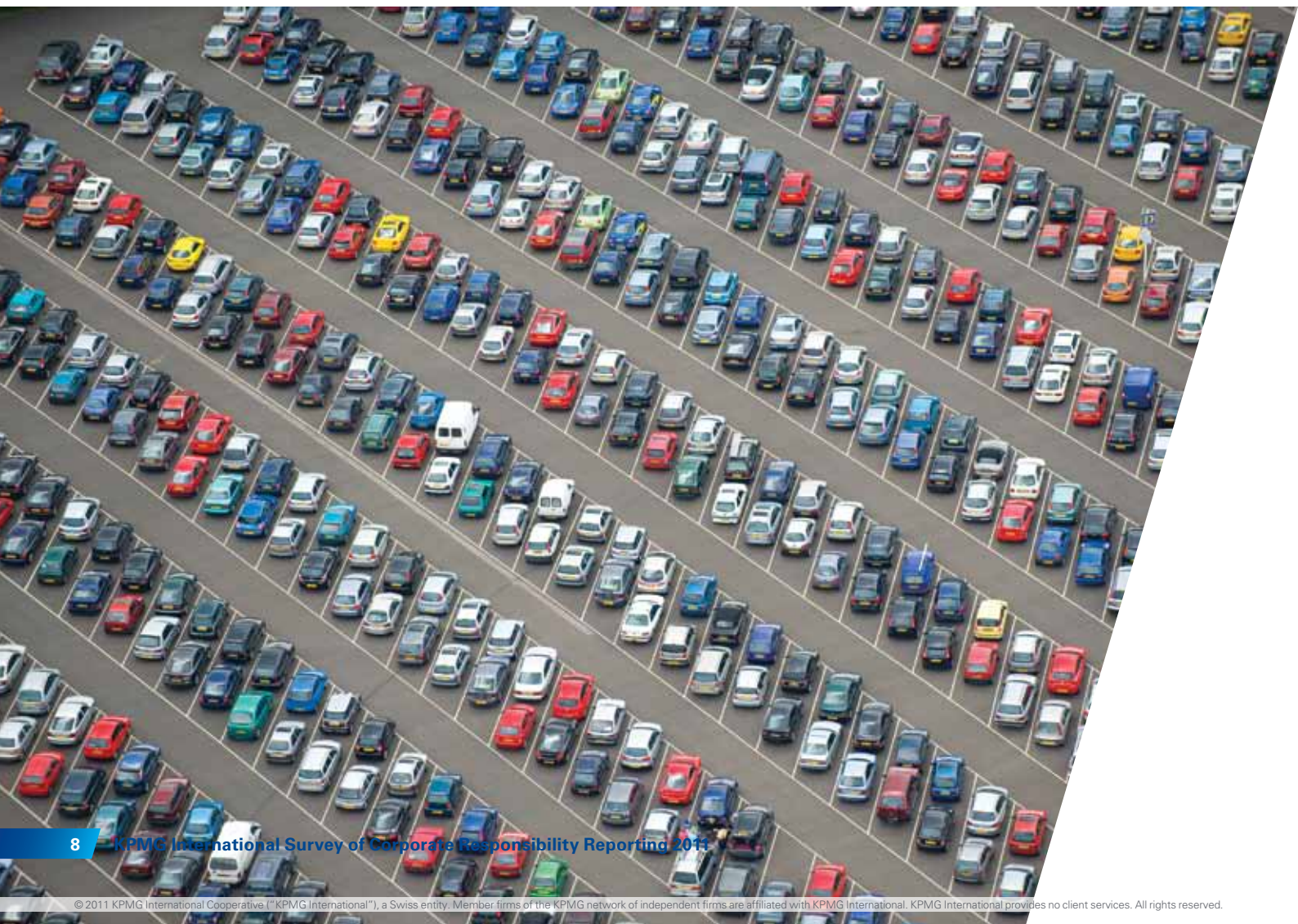
# Measuring the **Markets**

## Corporate Responsibility Reporting at the Country Level

### Developing markets gaining ground

While Europe has traditionally been ahead in its propensity to report on CR activities, our 2011 survey shows that other regions are quickly catching up. European companies continue to lead the pack, with 71 percent of companies reporting on CR, but the Americas is gaining ground with

69 percent, as is the Middle East and Africa region, where 61 percent of companies now report on CR initiatives. However, Asia Pacific continues to trail behind as a region, with just less than half of companies (49 percent) now disclosing CR data to the markets.



## European companies continue to lead the pack, with 71 percent of companies reporting on CR, but the Americas are quickly catching up.

Much could be said about the 'leapfrog' effect of globalization for countries in developing markets. Many companies now expanding into Europe and the US are finding that – to compete with traditional competitors in those markets – CR activities and reporting are both critical. In effect, Europe's early progress effectively demonstrated a path for successful and profitable CR that is now being emulated in developing markets with great success.

### Significant rise in country CR reporting levels

On an individual country level, some countries and regions have pulled ahead

of the pack. For example, the Nordic countries have seen a striking rise in the number of companies reporting; Denmark rose from 24 percent to 91 percent, Finland saw a 41 point gain to 85 percent, and Sweden enjoyed somewhat more moderate gains to move from 60 percent to 72 percent. This may be attributed to a heightened public interest in issues related to CR, but is also likely driven by government policy in this area such as Sweden's program to report CR activities for all state-owned companies or Denmark's reporting requirement for all listed companies (or provide justification as to their exclusion).

## Nordic countries have seen a striking rise in the number of companies reporting.

### Slow growth in the Americas and Central and Eastern Europe (CEE)

North American growth rates rose overall on the back of impressive gains by Mexico, where 66 percent of companies now report, versus just 17 percent in 2008. And while the US and Canada certainly continued to close the gap, they enjoyed less impressive growth rates than those overall. In South America, Brazil's growth is also worth noting, as it brings the country up to an impressive 88 percent overall.

On the other hand, a number of CEE countries seem slower in adopting CR reporting than their global peers. But while results from countries like Romania and Bulgaria (both at 54

percent) are comparatively low, it is widely hoped that – as current economic turmoil stabilizes – more companies in this region may turn their attention to CR activities. A wider opening of the markets and greater integration into the global economy will likely also raise awareness of the need for CR reporting here.

### Traditional leaders and new entrants

As should be expected, all of the countries that led the survey in 2008 continue to dominate today. Japan (which saw levels of 93 percent in 2008) and the UK (with 91 percent in 2008) both report near-unanimous adherence today, at 99 percent and 100 percent, respectively.

## Japan and the UK both report near-unanimous adherence to CR reporting.

### KPMG Insight

The growth of CR reporting is highly encouraging overall. However, companies in Asia Pacific will need to redouble their efforts to close the gap with other developing regions. In some cases, government interventions may be required to stimulate CR activity and reporting, especially given the specific sustainability issues faced by companies in this region.

Likely the most exciting entry into the 2011 leader board is South Africa, which rose up to take third place this year. A long-time participant in the survey, the country jumped from 18 percent in 2005 to 45 percent in 2008. Today, a whopping 97 percent of South Africa's Top 100 companies reports on CR activities. This astounding jump is almost fully attributable to the King Corporate Governance Commission and the resulting Corporate Governance code that came into force in 2010. We would expect companies in other parts of the world to learn a lot from the developments in South Africa and thus recommend they take a close look at these organizations.

## Emerging markets drive ahead

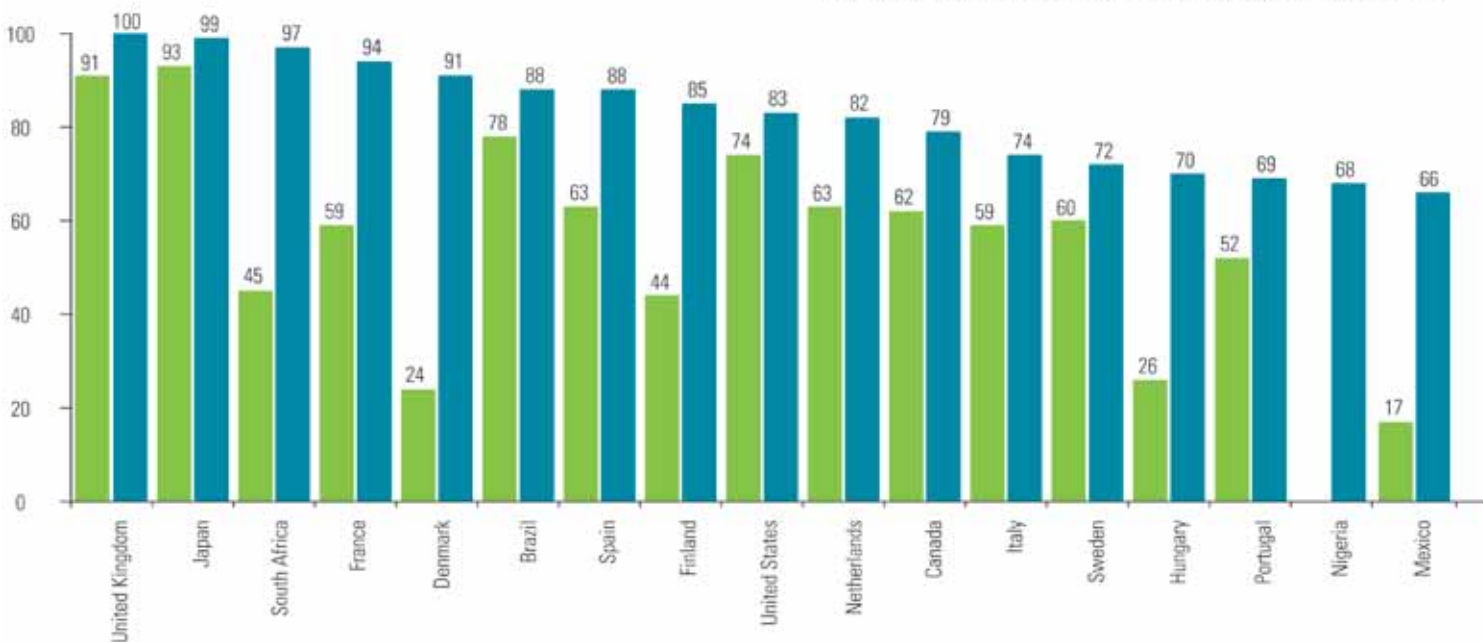
China, new to the survey this year, seems to be in a full-out sprint to catch up to the traditional leaders in this field. Almost 60 percent of China's largest companies already report on corporate responsibility metrics, bringing the country on par with where Spain, Italy and the Netherlands were just three years ago. While previous data is not available for benchmarking, it is clear that China will enjoy wide-spread CR reporting in the near future.

## Almost 60 percent of China's largest companies already report on corporate responsibility metrics.

And while not quite emulating the rise of China, companies in Russia (58 percent) also seem to be quickly taking up CR reporting as part of their business communication. More than half of Russian companies currently report on CR which – given that the country is a relative newcomer to CR – is a promising signal for future developments. Indeed, all signs point to a continued increase in Chinese and Russian reporting that, by the next survey, should bring them to levels currently enjoyed by Sweden, Spain and the Netherlands.

However, not all developing and emerging markets have made gains with a number of important markets still seeing very low levels of reporting. Only 20 percent of Indian companies report on CR, 37 percent in Taiwan and 18 percent in Israel. Singapore, often a leader in adopting leading business practices, also saw comparatively low reporting rates of 43 percent.

Figure 2: Percentage of companies reporting on their



\*Countries only reporting in 2011 were not studied in 2008.

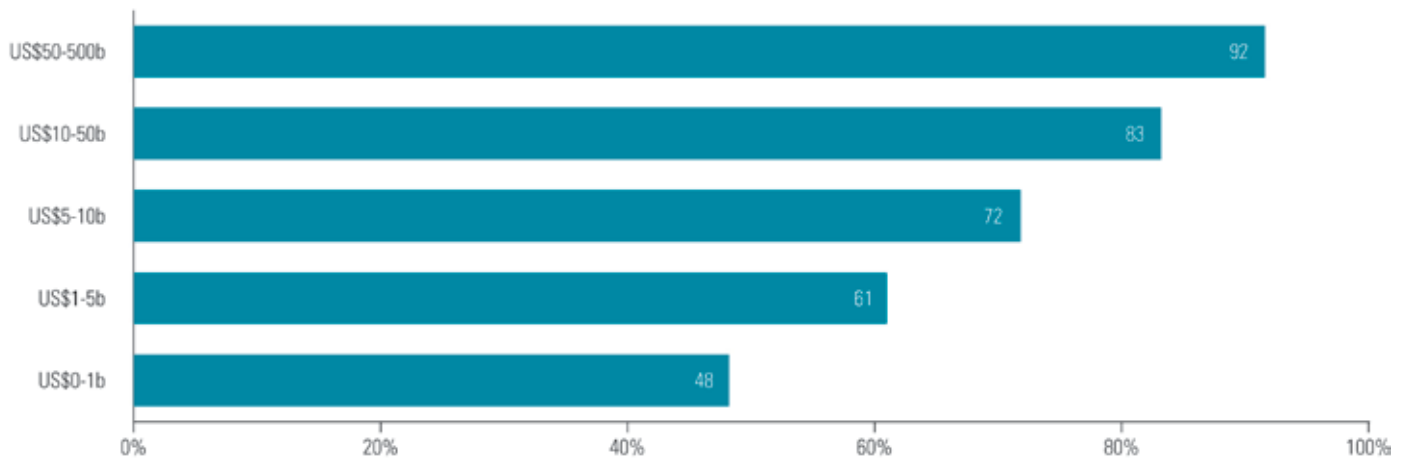
Source: KPMG International Corporate Responsibility Reporting Survey, 2011

## Bigger is often better

The findings also reinforce the widely-held belief that bigger companies are better at CR reporting; companies with revenues of more than US\$50 billion were twice as likely as those with revenues under US\$1 billion to report on their CR activities. As a result, any large companies that are not already reporting on CR will soon run the risk

of being viewed as less transparent than their peers. This data also points to a significant opportunity for smaller businesses to leverage their CR reporting as a competitive differentiator – and learn from what bigger companies have practiced to date.

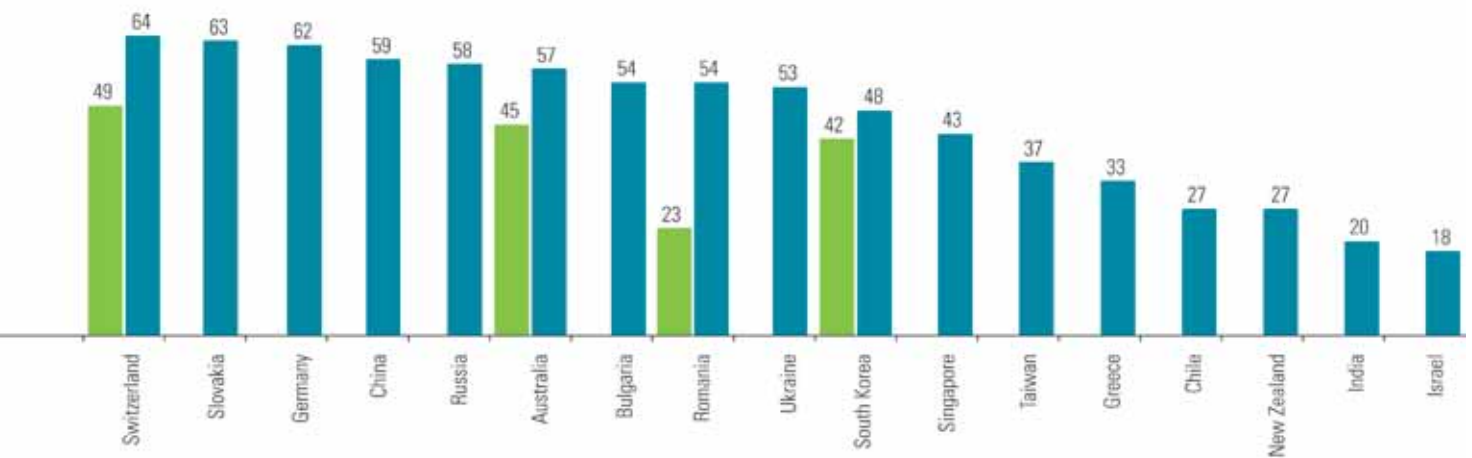
**Figure 3: Larger companies are leaders in corporate responsibility reporting**



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

## corporate responsibility initiatives: 2008–2011\*

2008 2011



# Ranking **Sectors**

## Corporate Responsibility Reporting at the Industry Level

### Traditional leaders stay on top

For a number of industry sectors, corporate responsibility reporting has been the norm for more than a decade. In particular, those that have the greatest influence over society and the environment (such as certain sectors of

the energy and natural resources industry) show a higher commitment to reporting than other sectors that may be seen as wielding less influence.



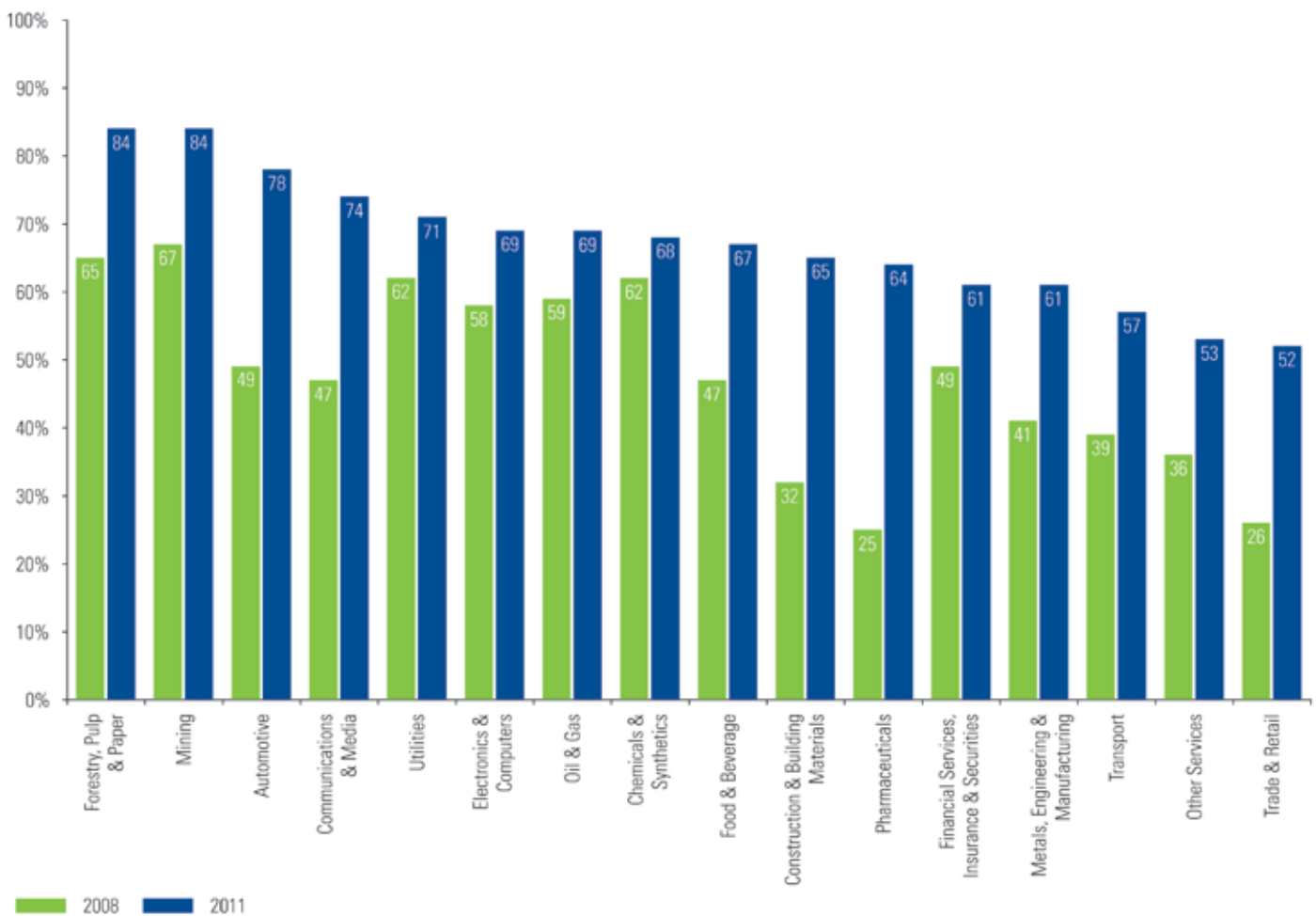
The pharmaceutical, construction and automotive industries deserve mention, with growth rates of 39, 33 and 29 percentage points, respectively.

### Key industries missing expectations

What is surprising, however, is the comparatively low ranking of other key industries such as transport – which has made great strides in incorporating low emission policies into its business – yet only 57 percent currently report on their CR activities.

Trade and retail is another sector that continues to sit at the bottom of the list, even while consumers become ever more aware of brands’ corporate responsibility records. It should be noted, however, that the sector picked up considerable pace over our last survey, 26 percentage points higher than in 2011.

Figure 4: Percentage of industries reporting on the corporate responsibility initiatives: 2008–2011



Source: KPMG International Corporate Responsibility Reporting Survey, 2011



# Does Ownership Matter?

## Corporate Responsibility Reporting by Ownership Structure

### Publicly owned companies take a resounding lead

As might be expected, the ownership structure of a company has a direct impact on their propensity to report CR activity. Publicly listed companies tend to be somewhat

more advanced in CR reporting in comparison to other types of ownership structures, with 69 percent of listed companies around the world now reporting on CR.

### Seventy percent of listed companies now report on CR.

While the high profile of publicly held companies may play a role in driving their adoption of CR reporting, it should not automatically be assumed that private companies perform to any lesser degree in this regard. Indeed, many privately held companies tend to display a longer-term view on their role

in society, including the social and environmental aspects of doing business. A more likely explanation for the disparity in numbers is that private companies are under less pressure from investors and other key stakeholders to publicize and report on their CR activity.

### KPMG Insight

While family-owned and private equity-owned companies may face a different level of scrutiny than publicly traded companies, this does not exempt them from accounting for their positive and negative impacts on society, particularly in the modern information age.

State-owned companies are the next highest reporters, at 57 percent, bolstered by higher-than-average readings for Europe (particularly the Netherlands, Sweden and Denmark) where policy mandates a certain level of CR reporting from state-owned enterprises as a way of setting an example to the wider business market. By the same token, just less than half of all cooperatives and slightly more than half of foundation-owned companies currently report on CR.

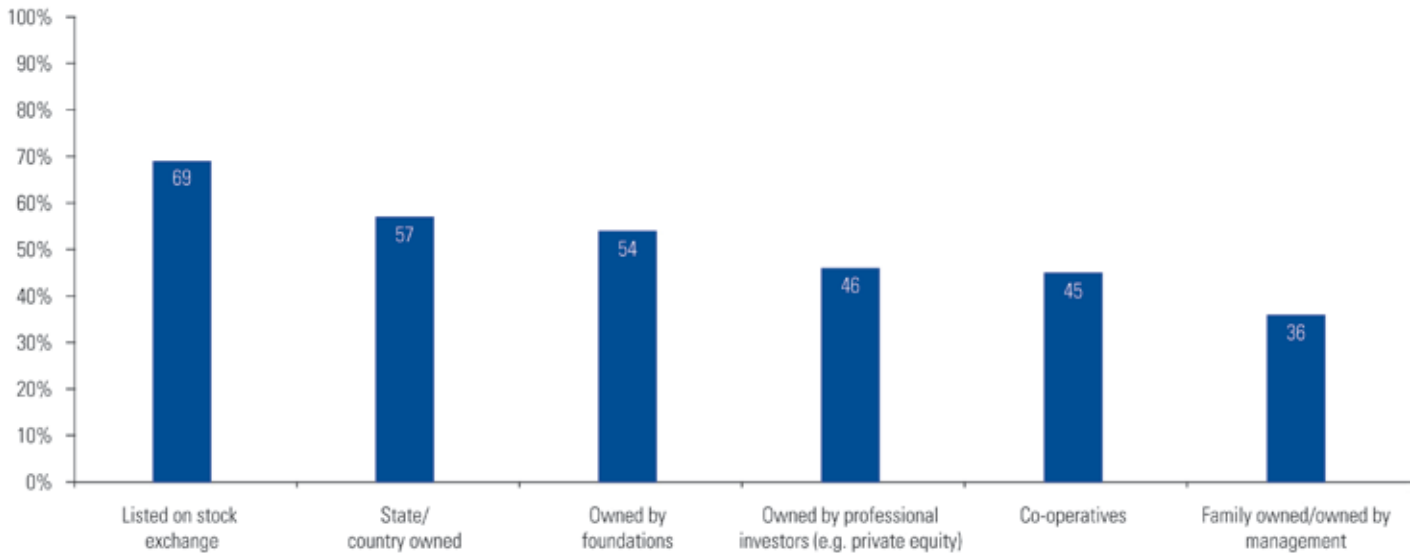
### PE-owned companies see slow start

Companies owned by professional investors such as private equity and family-owned firms are by far the least

likely to report on CR activity with just 46 and 36 percent, respectively, disclosing information. Again, this is likely due to a mixture of a lack of public investor scrutiny and a tendency to prefer to act rather than report. It should be noted, however, that an increasing number of private equity firms are starting to consider CR as an important component of the way they manage and report on their portfolio of companies in an effort to maximize value. With this attitude gaining momentum, we expect to see the percentage of private equity-owned companies producing CR reports to rise rapidly in the near future.

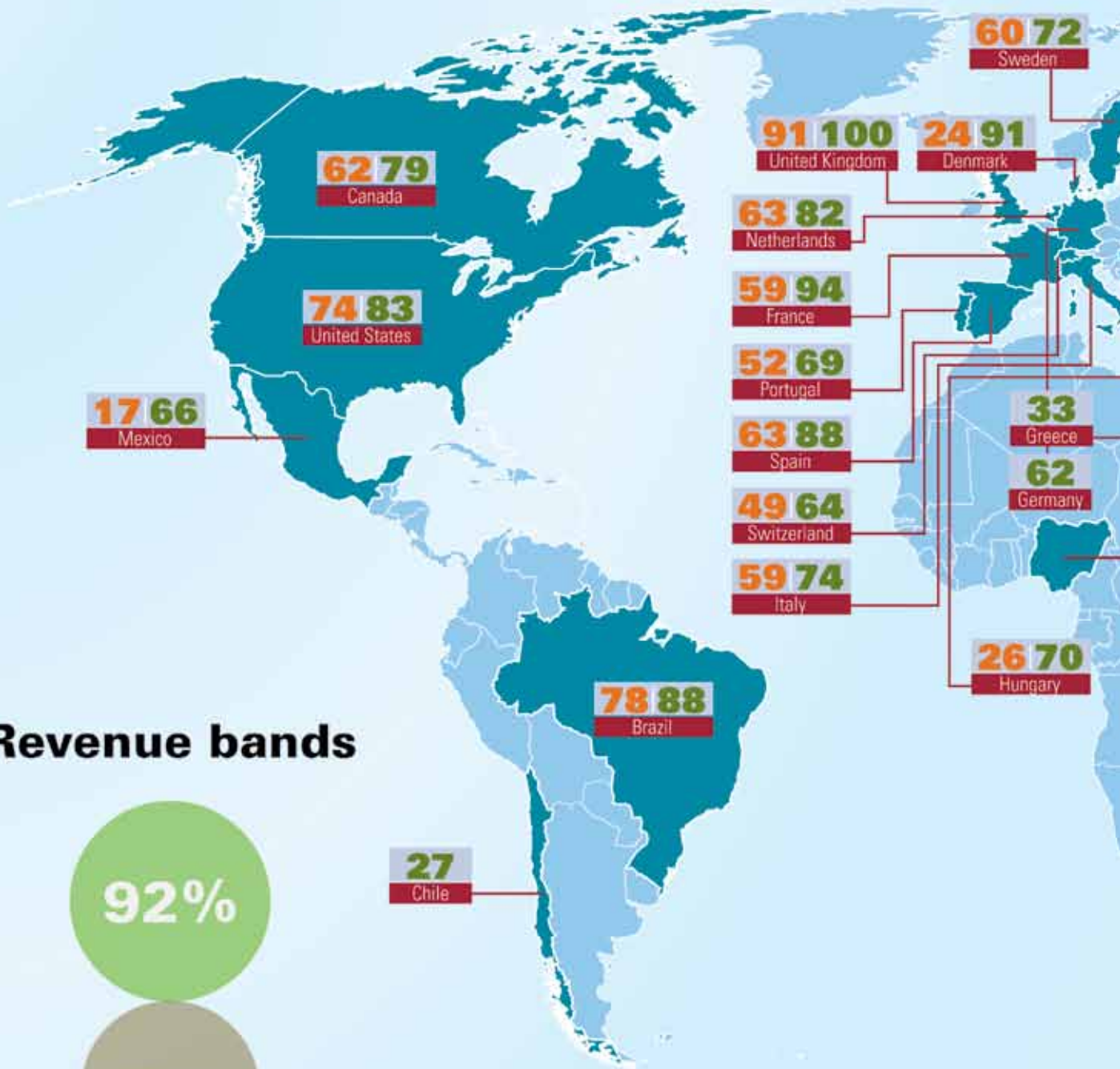
An increasing number of private equity firms are starting to consider CR as an important component of the way they manage and report on their portfolio of companies.

**Figure 5: Publicly owned companies continue to demonstrate reporting leadership**

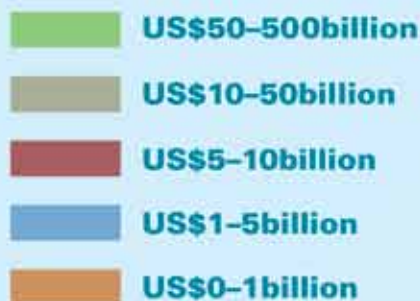


Source: KPMG International Corporate Responsibility Reporting Survey, 2011

# CORPORATE RESPONSIBILITY REP



## Revenue bands



# REPORTING METRICS: A SNAPSHOT

2008   2011

Reporting rates in percentages



## Key industries

2008   2011



Other Services (computer services and software, entertainment, health care, hotels, casinos, resorts, mail, package, freight delivery)

# The Business Imperative behind **CR Reporting**

## Reputation Leads the List

### Chapter highlights

- Reputational considerations continue to drive CR reporting; innovation and learning is rapidly gaining appreciation.
- Almost half of the G250 companies report gaining financial value from their CR programs, while a third of N100 companies report the same.

### KPMG Insight

With almost half of the largest companies already demonstrating financial gains from their CR initiatives, and with the increasing importance of innovation and learning as key drivers for reporting, it is clear that CR has moved from being a moral imperative to a critical business issue.

### KPMG Insight

Cost savings are – for the most part – an outcome of internal changes and can often be directly controlled or influenced, making this the ‘low-hanging fruit’ of CR financial value. Integrating CR into products and markets to increase profitability and improve market share, however, requires companies to significantly change their processes and approach to product development and supply chain efficiencies.

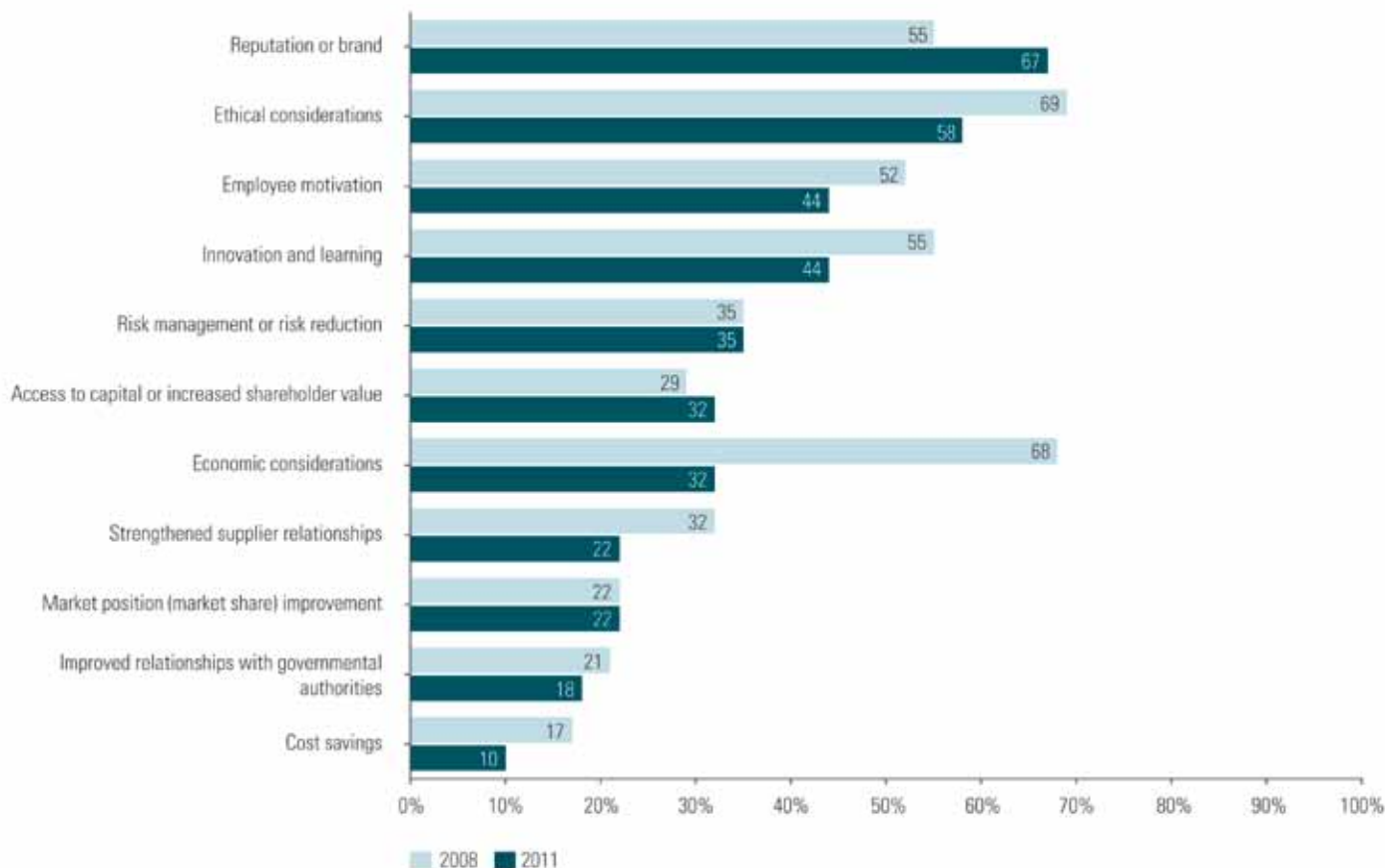
### Reputation rises up the list

Many of the key business drivers that catalyzed CR reporting in 2008 continue to be valid today, albeit in a somewhat different order of importance to reporting companies. Reputational or brand considerations top the list of business drivers globally, (cited by 67 percent of the G250), while ethical considerations also remained high on the list (58 percent). Somewhat surprisingly, economic considerations, which had ranked second in 2008, are now less frequently cited as a driver than either employee motivation or innovation and learning.

### Seeking bottom-line benefits

Of course, many companies are interested in understanding if bottom line value can be gained from their corporate responsibility programs. According to our survey, it is possible. Close to half of the G250 companies (47 percent) reported gaining financial value, but this number fell to less than a third (33 percent) for N100 companies. G250 companies who reported financial benefits were most likely to cite either increased revenues or improved cost savings, with market share close behind. N100 companies also tended to place their focus on increased revenue and on achieving direct value from cost savings. Much learning opportunity seems to be in play here for companies to further understand the direct business impact of CR.

**Figure 6: Reputation and ethical considerations top the list of global business reporting drivers for G250 companies**



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

## Close to half of the G250 companies reported gaining financial value from their CR initiatives.

### The rise and fall of ‘green’ products

The growth of the ‘green’ products market is directly related to many of these drivers. For example, their availability increases brand reputation (and thereby market share and revenue); they are the natural outcome of innovation

and learning; and they respond to a specific ethical consideration and consumer market segment. The trend is stronger in the G250 companies, as 62 percent of these companies reported offering green or sustainable products. Fewer N100 companies (45 percent) claimed the same.

### KPMG Insight

There is every indication that the romance with green and sustainable products may be short-lived. In the near future, customers and stakeholders will expect all products to be as environmentally friendly and socially responsible as possible, effectively turning green-label products into the norm. Eventually, a product’s sustainability benefits will become just one of the many characteristics that differentiate a brand (akin to price, quality and effectiveness).

# Global Standards and Evolving Platforms

## The Drive for Consistency and Accessibility

### Chapter highlights

- Eighty percent of G250 and 69 percent of N100 companies adhere to GRI Sustainability Reporting Guidelines.
- Companies are increasingly using multiple forms of media to communicate results; only 20 percent of G250 rely solely on stand-alone CR reports, and barely 10 percent restrict their report either to web-only formats or annual reports alone.

### KPMG Insight

Companies that continue to utilize only one channel of communication (such as an annual report) for their CR reporting will quickly find that they are losing ground to competitors who offer their data across multiple forms of media that appeal to a wider variety of stakeholder groups. However, the design of the specific systems and processes to facilitate this level of communication and specificity may prove complex for many organizations.

Developing a standard set of metrics and reporting principles is critical to the ongoing development of CR. For one, the market must be able to compare the value and relative impact of CR initiatives against the wider

industry and sector competitors. Executives will also find that standard CR metrics provide a consistent method for benchmarking progress, both against internal objectives and external competitors.

## Standard CR metrics provide a consistent method for benchmarking progress, both against internal objectives and external competitors.

The communication of results is also an ongoing challenge. But while most corporate CR reporters seem to agree that communicating activities and reports are vital components of CR reporting, there is – as yet – no single approach or preferred media to achieve this. As a result, there is a certain level of inconsistency in the format and accessibility of CR reports around the world which, for now, continues to impact comparability across companies and industry groups.

### An established global standard

When we last reported in 2008, the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines were already gaining widespread adoption as the *de facto* global standard for CR reporting. Today, the GRI has undeniably extended its hold on this position, with 80 percent of G250 and 69 percent of N100 companies now aligning to the GRI reporting standards.

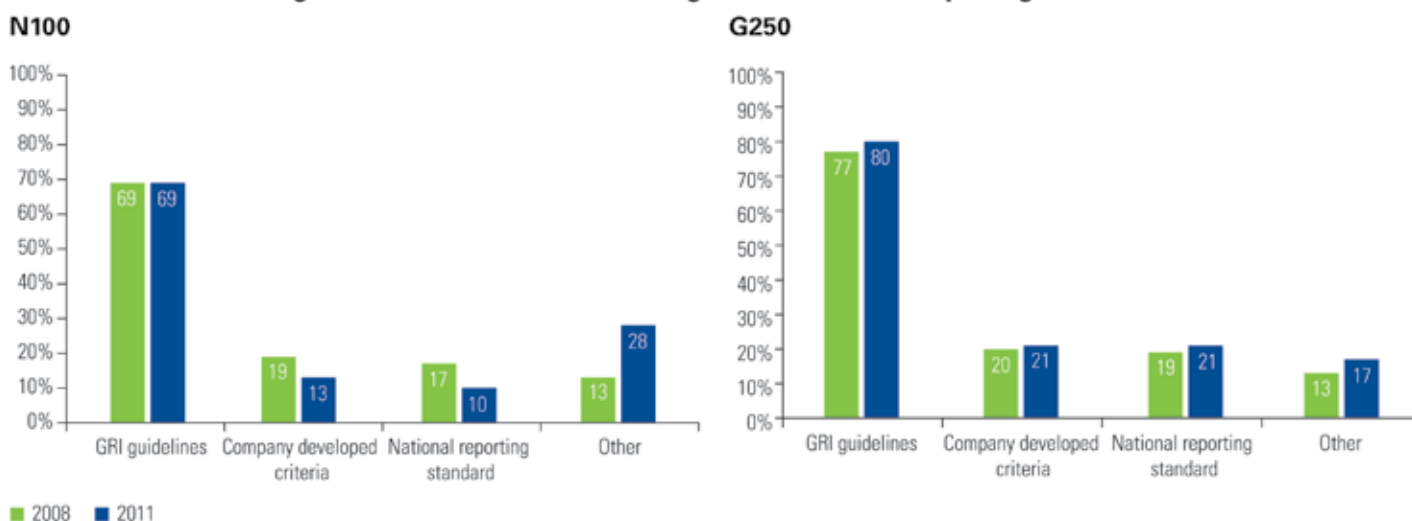
## About the Global Reporting Initiative

The GRI is a network-based organization that produces a comprehensive sustainability reporting framework that is widely used around the world. Participants are drawn from global business, civil society, labor, academic and professional institutions. The GRI's core goals include the mainstreaming of disclosure on environmental, social and governance performance.

The GRI is one of the initiators of the International Integrated Reporting Committee (see page 24) and firmly believes integrated reporting to be the next step in sustainability reporting.

Eighty percent of G250 and 69 percent of N100 companies are now aligning to GRI reporting standards.

Figure 7: The GRI continues as the global standard for reporting standards



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

For its part, the GRI has put significant effort into promoting the guidelines around the globe. The Chinese and the US markets have been particular focal points for the program, as has connecting the GRI program with more traditional standard-setters such as the Securities and Exchange Commission (SEC) and the International Federation of Accountants (IFAC). The GRI is currently drafting the next generation of guidelines (G4), due to be launched in 2013, which are widely expected to reflect up-to-date standards that respond to recent changes in reporting and regulation.

### KPMG Insight

While the GRI Guidelines will continue to be the *de facto* standard, we believe that global CR reporting would benefit from further global standards that enable the benchmarking of the quality of the information and quantitative performance in CR activities.



## Combining reporting formats to reach audiences

According to our research, most companies continue to struggle to develop a method of communicating CR reports to their various stakeholders in an accessible, comprehensive and professional manner. Three years ago, 'stand-alone' CR reports were still considered a leading practice. And while packaging CR reports in PDF format has – if anything – increased in popularity, it seems clear that companies are increasingly leveraging multiple media formats to effectively disseminate their reports.

For example, many organizations (approximately 40 percent) now incorporate a special-purpose CR website into their communications that enhances accessibility for the various audiences and enables readers to view data through different lenses and perspectives. A growing number also integrate CR metrics into their annual reports (see figure 8, page 25) as part of a wider mix, and a small but growing number have even developed mobile applications (such as iPad Apps) to deliver even greater access to stakeholders.

## Across the board, the number of companies that rely on a single medium for communicating CR reports is rapidly dwindling.

Today, only 20 percent of G250 companies rely solely on a stand-alone report; far fewer (10 percent) rely only on a web-enabled iteration or an annual report. This trend seems to indicate the

birth of a new era of 'sincere' CR reporting, where companies actively encourage readers to examine and segment corporate CR data to suit their unique needs and interests.



# The Road to Integrated Reporting

## A Benchmark on Integrated Reporting

### Chapter highlights

- Twenty-seven percent of G250 and 20 percent of N100 companies include some form of CR reporting in their annual report; 18 percent of G250 and 11 percent of N100 companies include a chapter addressing CR issues, but without the quality and measurable data of a report.
- Currently, 62 percent of the G250 that combine CR and financial reporting segregate condensed CR information into a special-purpose section of the annual report.

The concept of integrated reporting has exploded onto the CR agenda over the past three years. At its simplest, 'integrated' reporting reflects the growing practice of including key CR information in a separate section in the corporate financial reporting process. However, in our opinion, this basic approach is best classified as 'combined reporting' rather than 'integrated reporting'. Whereas integrated reporting would imply a full picture of the company's comprehensive business performance, it appears from our

research that many companies are already publishing CR information throughout their directors' report. In this, our research shows that practices could be quickly maturing to take an entirely more sophisticated view of integrated reporting.

With the creation of the International Integrated Reporting Committee (IIRC) in 2010, integrated reporting has been catapulted onto the world stage and – if it has not become so already – should now be a Board-level consideration for companies around the world.

### KPMG Insight

KPMG supports the development of integrated reporting as the next step in improving the value of corporate reporting. As such, we anticipate a significant rise in all forms of integrated reporting over the coming years as companies strive to enhance their business reporting.

## About the IIRC

The International Integrated Reporting Committee (IIRC) was established in 2010 to achieve a globally accepted integrated reporting framework. The committee enjoys representation from both the financial and the sustainability sectors who work together to develop a framework that brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format.

## Levels of integration

In our last survey, just four percent of G250 respondents had experimented with some form of integrated (combined) reporting. Today, slightly more than a quarter of the G250 have incorporated CR reporting into the directors' report, a special-purpose section, or both. On deeper inspection, it is clear that most (62 percent) of those that claim to integrate CR, only go as far as including a special section in their annual report. Given that the vast majority now communicate their CR information across multiple channels, it seems clear that integrated reporting already encompasses more than just the annual reporting process.

However, N100 companies currently trail their global peers in implementing the next phase of CR reporting. N100 companies are more likely to limit their reporting to a special section in the annual report and slightly less likely to integrate CR information across the entire directors' report. It is worth

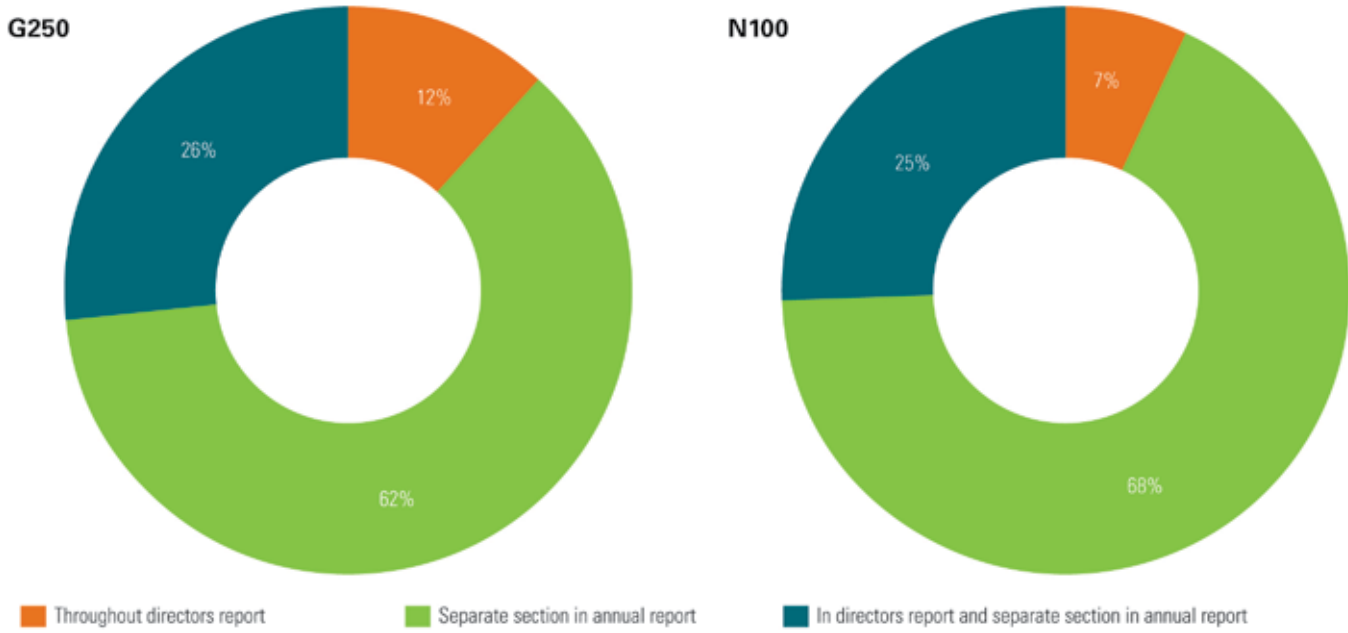
noting that another 11 percent of N100 and 18 percent of G250 companies do include some information on CR activities, but without the quality and depth of metrics to be classified as a true CR report.

All this illustrates that integrated reporting is still largely in an experimental stage. And while the growing percentages are encouraging, in many cases, integrated reporting is largely approached by combining information into one document rather than fully integrating it into the regular reporting framework of the organization. Currently, one out of every 15 companies weaves environmental and social information into the directors' report to the extent that CR information is virtually indistinguishable from other key business information.

## KPMG Insight

While our research has included a number of very basic forms of integrated reporting, we believe the ultimate 'end state' would combine financial and CR reporting as part of a comprehensive approach to reflect the company's full business performance for its key value drivers against the company strategy in an integrated way. However, we also recognize that these steps are part of the natural learning curve that companies will undergo in order to develop truly integrated reports.

**Figure 8: True integrated reporting has yet to take a firm hold**



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

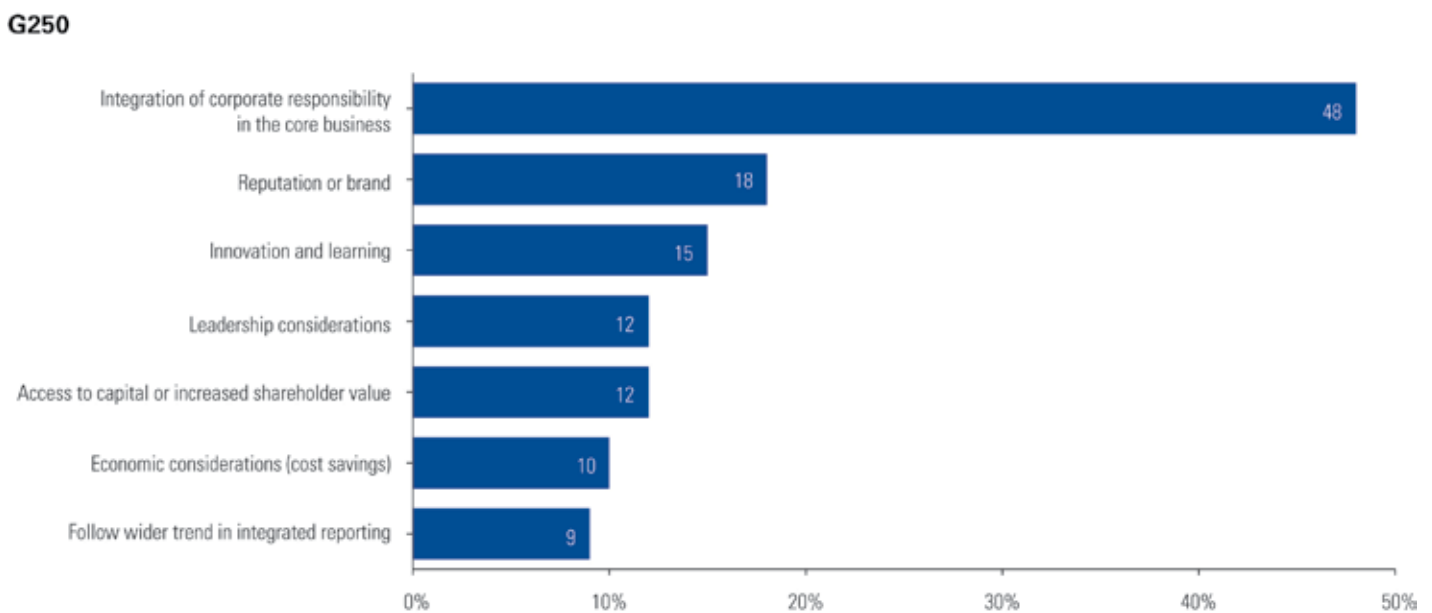
### The drivers behind integrated reporting

Of the G250 companies that do disclose their motivations for CR reporting, the most commonly cited driver (by more than half of integrated reporters) was the desire to integrate CR into the core business, reflecting the common belief that – if CR is to truly be integrated into the business strategy – it must therefore

be an integral component of annual reporting as well. The survey also identified a number of other key business drivers including innovation, reputation and access to capital or increased shareholder value.

If CR is to truly be integrated into the business strategy, it must be an integral component of annual reporting as well.

**Figure 9: Integrated reporting drivers**



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

# Driving for High-Quality Data

## Quantifying Quality

### Chapter highlights

- Data quality appears to be a significant issue, with a third of G250 and over 20 percent of N100 companies issuing a restatement of their CR reports.
- Thirty-five percent of G250 and 40 percent of N100 companies do not currently include information on CR governance or control mechanisms.

Unlike financial reporting, the disclosure of sustainability metrics to the market is largely unregulated. But with CR and sustainability quickly becoming a key element of the business environment, it will become increasingly

important for organizations to build a framework of CR processes, information systems, controls and governance on par with those already in place to support financial reporting.

Unlike financial reporting, the disclosure of sustainability metrics to the market is largely unregulated.

### 'Good' restatements

This survey illustrates that restatements are fairly common in CR reporting, particularly among larger, more complex organizations; a third of the G250 issued a restatement, versus just over a fifth of the N100 group. However, the data paints a picture of an industry in flux, rather than one riddled with systemic reporting flaws.

Of those G250 companies that did issue restatements, 42 percent updated the scope of their reporting, often to encompass a wider range of metrics; 44 percent also improved their estimation or calculation methodology and 28 percent updated their CR definitions.

However, 35 percent of G250 reporters with restatements admitted that restatements were the result of an error or omission, a rate far higher than is traditionally acceptable in financial statements. Indeed, the 2010 restatement rate of financial statements within the Fortune 1000 is 3.1 percent,\* demonstrating that CR reporting still has some way to go before it meets the same level of rigor as financial reporting. Interestingly, the N100 group of companies was slightly less likely than the G250 to issue restatements as a result of errors or omissions – 29 percent compared to 35 percent.

### Trial and error

The high number of restatements overall is indicative of the maturing approach to CR reporting. As we will see in the next chapter (figure 10, page 29), a growing number of companies are now engaging third party assurance professionals to assess and verify their CR reporting controls and processes. As such, many of these restatements are a

result of companies making quality improvements, based on external validation and review. Indeed, it seems clear from our research that companies with external assurance are more likely to issue restatements, which demonstrates that improvements are being made as a result of assurance efforts.

\*Audit Analytics, IVES Group

## KPMG Insight

For now, CR reporting is still a somewhat nascent field, and almost every company seems to be slowly evolving their information systems and processes to adjust to this new and transformative approach. In the long-run however, restatements, errors and omissions in CR reporting will begin to erode investor confidence in not only the data presented, but potentially also the quality of the wider governance structure and internal controls within the organization. We believe that – if companies are to take the integration of CR reporting seriously – the time has now come to enhance CR reporting information systems to bring them up to a level that is equal to current financial reporting, including a comparable quality of governance, controls and management.

## There is a clear need for both higher-quality CR information and a greater use of assurance to maintain high standards.

Indeed, reporters that engaged formal assurance professionals were twice as likely to restate their reports as those without, indicating a clear need for both higher quality CR information and a greater use of assurance to maintain

high standards. However, while companies will continuously improve their data collection methodologies as CR reporting continues to evolve and develop, there seems to be a growing need for increased focus on internal processes as well.

### Reporting on information systems and processes

Integrated reporting will require companies to develop appropriate governance and control mechanisms, to ensure that the organization is producing high-quality and valuable CR information. However, more than a third of the G250 and 40 percent of N100 companies currently do not

include information on CR governance and controls in their reporting. This does not necessarily indicate a lack of these key requirements, but may merely be a matter of choice based on levels of disclosure.

## Almost half of the reporting companies either do not disclose – or possibly do not have – Board member responsibility or involvement.

It is interesting to note that nearly half of the reporting companies either do not disclose – or possibly do not have – board member responsibility or involvement, which would be a key condition to embedding CR reporting into an organization. However, the vast majority of those companies that did report Board member alignment also indicated that Supervisory Board members were appropriately involved in CR and sustainability activities.

And while it is not surprising based on the evolving state of CR reporting generally, very few companies (20 percent

of G250 and 12 percent of N100) identified that they had implemented an IT system to support the reporting of sustainability information. Clearly, most companies have opted to primarily focus on developing procedures and formalizing responsibilities for reporting. However, to ensure further long-term improvements in data quality and value, many organizations will likely now turn to exploring how best to integrate CR reporting into their current IT infrastructure.

# The State of CR Assurance

## Making the Most of Assurance

### Chapter highlights

- Fifty-one percent of mining companies and 46 percent of utility companies conduct assurance activities on their CR reports, but overall numbers lag across other sectors.
- The desire to enhance credibility is the most frequent driver for companies to seek assurance, with improving the quality of reported information close behind.
- Of those that undertake assurance, more than 70 percent of the G250 and close to 65 percent of the N100 engage major accountancy organizations.

As CR reporting begins to play a larger role in the way stakeholders and investors perceive corporate value, companies should increasingly want to demonstrate the quality and reliability of their CR data. It is surprising, therefore, that only 46 percent of the G250 and 38 percent of N100 companies currently use assurance as a strategy to verify and assess their CR data. And while this is slightly

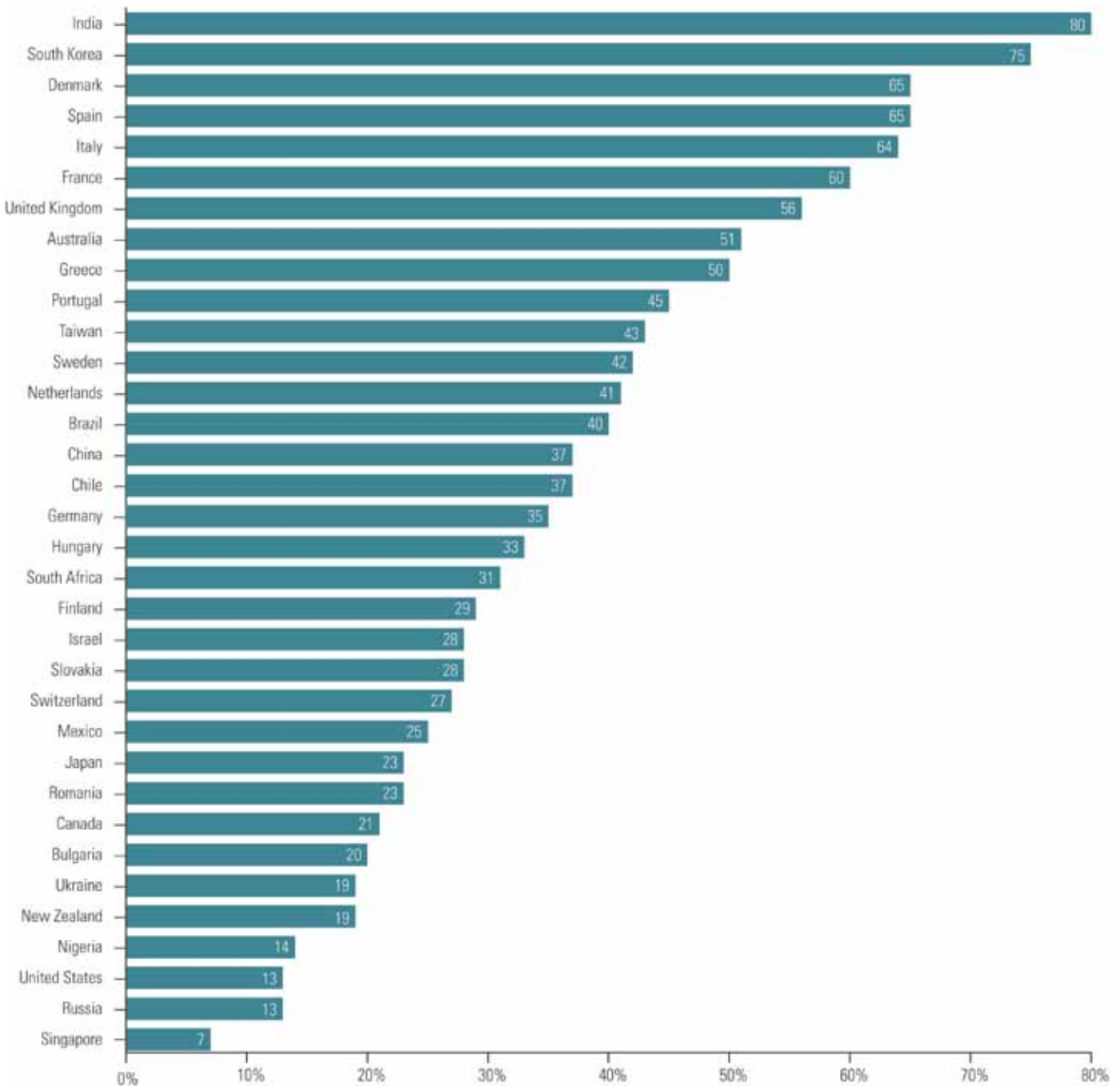
higher than the 2008 figures, it is also a troubling finding; companies without an external assurance program not only run the risk of restatements in the future, but also send the message that CR information is not held in as high regard as financial information, which is frequently assured in most businesses.

### KPMG Insight

The comparatively slow uptake of assurance on CR reporting is somewhat surprising, particularly in light of the recent 'crisis of trust' that many companies are currently experiencing. And while one would have expected to see a sharper increase in assurance over the research period, we anticipate that – as the trend towards integrating reporting picks up speed – uptake in assurance will grow apace. As a result, many companies will continue to seek out major accounting firms who have the broad financial and business background to successfully integrate not only the CR data itself, but also the systems and controls that underpin the integrated reporting process.

The rising adoption of integrated reporting will also lead to either combined or integrated assurance where the auditor effectively issues a single (or combined) statement for all information provided in the company's report. And while there may be significant professional and legal hurdles that will need to be overcome to make this a reality, we believe that integrated assurance represents the clearest path to providing the most value to readers and stakeholders.

**Figure 10: Percentage of companies, by country, that conduct assurance activities on their corporate responsibility reports**



Source: KPMG International Corporate Responsibility Reporting Survey, 2011

### KPMG Insight

We believe that the use of assurance mechanisms will be critical to further improving the data quality and management. Given that the design and implementation of an effective assurance system takes considerable time, companies would be well advised to start this process as soon as possible.



Approximately 45 percent of G250 companies currently use assurance as a strategy to verify and assess their CR information.

### Reaping the rewards

For those that do engage assurance providers to review their CR programs, there are a variety of perceived benefits. Approximately one third of the N100 respondents cited the ability of assurance to reinforce the credibility of CR reporting

within stakeholders and investor groups. Improving the quality of reported information was only slightly less of a driver. A significant number in both groups suggested that assurance has improved reporting processes.

Around one third of these respondents cited the ability of assurance to reinforce the credibility of CR reporting within stakeholders and investor groups.

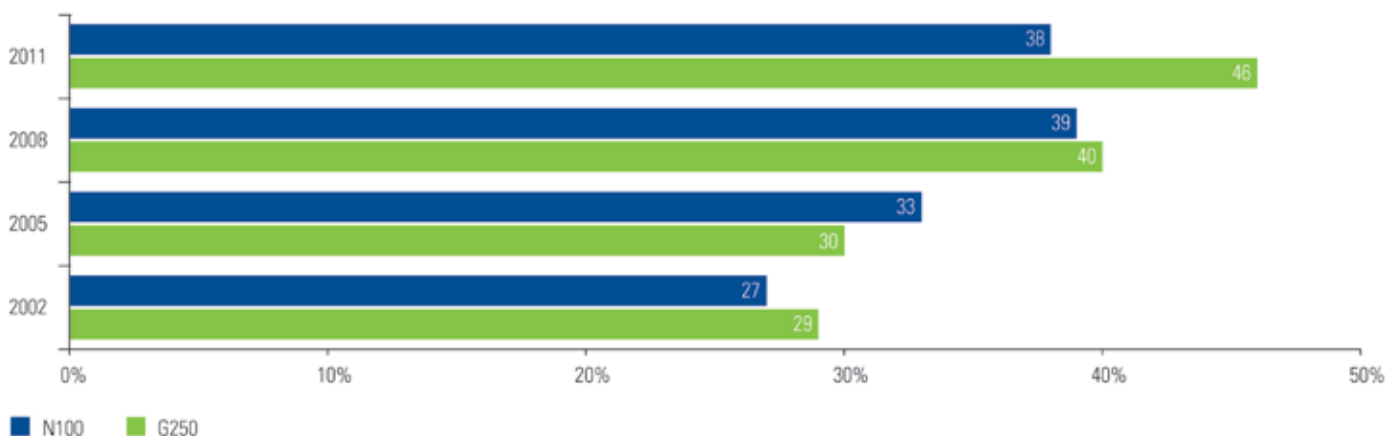
### The assurance market

While the market for CR assurance services is also evolving as company practices mature, the main assurance providers have generally retained much the same status between the survey periods.

Of the assurance providers, the market continues to be dominated by major accountancy organizations that currently hold 71 percent of the G250 market and 64 percent of the N100. Market shares of other provider types appear to have grown slightly at the expense of the technical expert firms who lost market share.

In 2008, approximately a quarter of the G250 group's reports contained some form of commentary from third party organizations that are not professional assurance providers, such as an NGO, an academic expert or a stakeholder panel. This trend has largely remained consistent with views from individual experts (such as academics) and NGOs making up the majority of the third party commentary.

**Figure 11: Reports that include a formal assurance statement**



Source: KPMG International Corporate Responsibility Reporting Survey, 2011



# About KPMG's Climate Change & Sustainability Services

As sustainability and climate change issues, such as corporate responsibility reporting, move to the top of corporate agendas, KPMG Member firms can assist you to better understand the complex and evolving environment and help you optimize your sustainability strategy.

KPMG's Climate Change and Sustainability Services (CC&S) professionals provide sustainability and climate change assurance, tax and advisory services to organizations to help them apply sustainability as a strategic lens to their business operations. We have more than 25 years experience working with leading businesses and public sector organizations which has enabled us to develop extensive relationships with the world's leading companies and to contribute to shaping the sustainability agenda.

The expanding CC&S network, across 40 countries, enables us to apply a consistent, global approach to service delivery and respond to multinational organizations' complex

business challenges with services that span industry sectors and national boundaries. Our experienced teams assist organizations in the following areas:

- Corporate responsibility strategy assistance
- Sustainability risk & opportunity analysis
- Information systems design and implementation for Corporate Social Responsibility/Sustainability/Green House Gas emissions
- Regulatory framework assessment and optimization, including tax and carbon emission regimes
- Sustainable supply chain reviews
- Tax incentives and credits reviews
- Corporate responsibility reporting and assurance, including pre-audit assessments and Green House Gas emissions verification.

# Methodology

The basis of the study was a survey that captured 34 data points about corporate responsibility information disclosed by each company in the sample. The survey allowed KPMG to compile data on historical trends by tracking many of the same issues that it had in previous surveys, such as reporting prevalence by sector and country, use of standards, role and use of assurance, and drivers for reporting. The survey was

expanded this year to now include 34 individual countries as well as the G250.

The research sample included the top 250 companies listed on the Fortune Global 500 (G250) for 2010. In addition, the survey included the 100 largest companies by revenue (N100) from 34 countries, listed in the table below.

Participating Countries 2011		
Australia	India	Slovakia
Brazil	Israel	South Africa
Bulgaria	Italy	South Korea
Canada	Japan	Spain
Chile	Mexico	Sweden
China	Netherlands	Switzerland
Denmark	New Zealand	Taiwan
Finland	Nigeria	Ukraine
France	Portugal	United Kingdom
Germany	Romania	United States
Greece	Russia	
Hungary	Singapore	

Dark green represents new additions for 2011

The 100 largest companies in each of the 34 countries were identified using revenue rankings from a recognized national source. In some instances, where a ranking was not available or was incomplete, substitutes such as market capitalization or other sector-appropriate measures were used to compile or complete the revenue ranking list. All corporations were eligible to be included, regardless of ownership structure or operational structure.

Since the purpose of the survey was to examine trends in public disclosure, only corporate responsibility information

available in the public domain was used. Sources were limited to corporate responsibility or sustainability reports, company websites, and annual financial reports.

Corporate responsibility reports or similar information issued by companies between mid-2010 and mid-2011 were sought in the first instance. If the company did not issue a report in this time frame, 2009 reports were used. Information issued prior to 2009 was not included.

Source for Fortune 500: Fortune Global 500 ranking 2010 – [http://money.cnn.com/magazines/fortune/global500/2010/full\\_list/index.html](http://money.cnn.com/magazines/fortune/global500/2010/full_list/index.html)



## Contacts

### Climate Change & Sustainability

#### Global Audit Leader

##### Wim Bartels

##### KPMG in the Netherlands

**T:** +31 20 656 7783

**E:** bartels.wim@kpmg.nl

#### Americas

##### John Hickox

##### KPMG in the US

**T:** +1 404 222 3626

**E:** jhickox@kpmg.com

#### Europe/Middle East/Africa

##### Jose Luis Blasco Vazquez

##### KPMG in Spain

**T:** +34 91 456 3592

**E:** jblasco@kpmg.es

##### Vincent Neate

##### KPMG in the UK

**T:** +44 207 694 3256

**E:** vincent.neate@kpmg.co.uk

#### Asia/Pacific

##### Sung Woo Kim

##### KPMG in Korea

**T:** +82 221 123 200

**E:** sungwookim@kr.kpmg.com

## kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. The views and opinions expressed herein are those of the survey respondents and do not necessarily represent the views and opinions of KPMG International.

© 2011 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve.

Publication name: KPMG International Survey of Corporate Responsibility Reporting 2011

Publication number: 110973

Publication date: November 2011