



The time has come

The KPMG Survey of Sustainability Reporting 2020
EXECUTIVE SUMMARY

KPMG IMPACT
December 2020

home.kpmg/sustainabilityreporting



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About the survey

Welcome to the KPMG Survey of Sustainability Reporting 2020

This is the 11th edition of the KPMG Survey of Sustainability Reporting since the first edition was published in 1993. This year, KPMG professionals reviewed sustainability reporting from 5,200 companies in 52 countries and jurisdictions, making this the most extensive survey in the series to date.

The survey provides a detailed look at global trends in sustainability reporting and offers insights for business leaders, company boards and sustainability professionals. Its aim is to support those who have a responsibility for assessing and preparing their own organization's sustainability reporting.

The survey also serves as a guide to investors, asset managers and ratings agencies who now factor sustainability or Environmental, Social and Governance (ESG) information into their assessment of corporate performance and risk.

It is based on several months of research by sustainability professionals at KPMG firms who analyzed thousands of corporate reports and websites.

This year the survey focuses on three key aspects of sustainability reporting:

- Reporting on the risks of biodiversity loss
- Reporting on climate-related risk and carbon reduction
- Reporting on the UN Sustainable Development Goals (SDGs)



The survey's title 'The Time has Come' acknowledges that sustainability and ESG reporting is now widely recognized by financial stakeholders as a critical component of corporate reporting.

Readers of this survey are also encouraged to read the sister report – Towards net zero: How the world's largest companies report on climate risk and net zero transition. It takes a deep-dive look at the quality climate and carbon disclosure from the world's 250 largest companies: home.kpmg/netzeroreporting

About the lead authors

This research has been conducted by KPMG IMPACT, a newly-established initiative of KPMG firms. KPMG IMPACT brings together professionals and subject matter experts from across KPMG's global organization to support the delivery of the United Nations Sustainable Development Goals (SDGs).

The authors of this report work together as leaders of the KPMG IMPACT initiative alongside their KPMG firm roles and responsibilities.



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Research samples: the G250 and N100

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 5,200 companies. It comprises the top 100 companies by revenue in each of the 52 countries and jurisdictions researched in this study. These N100 statistics provide a broad-based snapshot of sustainability reporting among large and mid-cap firms around the world.

G250

The G250 refers to the world's 250 largest companies by revenue as defined in the Fortune 500 ranking of 2019. Large global companies are typically leaders in sustainability reporting and their reporting activity often predicts trends that are subsequently adopted more widely.



For more details on these research samples, a full list of the 52 countries and jurisdictions covered by the survey, and the research methodology see pages 7 to 10 of this executive summary.

Executive summary

Key global trends in sustainability reporting

80% of companies worldwide now report on sustainability

This rises to 96% among the world's largest 250 companies (G250)



North America has the highest regional sustainability reporting rate

90% of companies



The 10 countries

with the highest rates of rates of sustainability reporting are: Japan, Mexico, Malaysia, India, US, Sweden, Spain, France, South Africa and UK



Around one in five companies

labels its annual report as "integrated": 16% of the N100 and 22% of the G250. **Integrated reporting** is more common in certain countries such as South Africa, Japan and France



Third-party assurance of sustainability information in corporate reporting is now a majority business practice worldwide

51% of N100 companies now invest in assurance and 71% of G250 companies do so

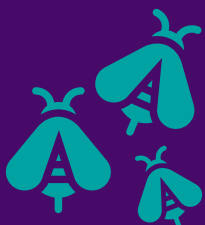


GRI remains the dominant global standard for sustainability reporting, used by around two-thirds of the N100 and three-quarters of the G250



Executive summary

Reporting of risk from biodiversity loss



Less than one-quarter of “at-risk” N100 companies worldwide currently report risks from the loss of biodiversity

Mining is the only “at-risk” sector in which a majority of N100 companies report risks from biodiversity loss



Latin American companies lead in reporting of biodiversity-related risk; North American companies lag

Reporting on climate risk and carbon reduction

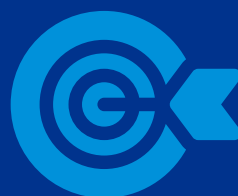


43% of N100 companies and 56% of G250 companies now acknowledge the financial risks of climate change in their reporting



One in five N100 companies reports climate risk in line with TCFD recommendations.

Around two-thirds of N100 and three-quarters of G250 companies now have targets in place to reduce their carbon emissions



A majority of N100 companies (55%) with carbon reduction targets, now link those targets to global climate goals

Reporting on the UN Sustainable Development Goals (SDGs)



A significant majority of companies (68% of the N100 and 72% of the G250) now connect their corporate reporting to the SDGs

However, SDG reporting is often **unbalanced and disconnected** from business goals.



Only 14% of N100 companies report both positive and negative contributions to the SDGs; 44% do not set business goals in relation to the SDGs



SDGs linked to **economic growth, climate change and responsible consumption** are most frequently prioritized by businesses.

SDGs linked to **protecting biodiversity** are least commonly prioritized by businesses.



What do these findings mean for business?

The KPMG Survey of Sustainability Reporting has tracked monumental changes in sustainability reporting since the survey was first published in 1993. Back then – almost 30 years ago - a paltry 12 percent of companies published sustainability reports. Today, the figure stands at 80 percent and over 90 percent among the largest companies in the world.

In recent years, many countries have seen dramatic shifts in the number of companies reporting on sustainability, driven not only by new laws and regulations but also by a growing understanding in the finance sector of the power environmental, social and governance (ESG) issues have to impact financial performance and corporate value.

Sustainability reporting is now so nearly universally adopted, that the small minority of companies not yet reporting will find themselves seriously out of step with global norms. This misalignment with accepted global practice in itself poses risks to non-reporting companies, but the leaders of these companies should also be aware that sustainability reporting cannot easily be solved overnight with a quick fix. Reporting methodologies and approaches are complex and dynamic, requiring deep professional knowledge and expertise and must be backed up with robust sustainability strategies and risk management processes. So, my advice to any company that has yet to start the sustainability reporting journey is to take it seriously and begin now. The laggards will soon be left behind.

This survey also makes it increasingly apparent that risk is the new lens through which to consider sustainability or ESG. Changing attitudes to climate change have been the key driver behind this trend. Not so long ago, climate change was considered a corporate responsibility issue that might bring reputational risks for companies perceived to be part of the problem but would have no impact on current or future financial performance. All that changed with the advent of the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 which saw that the financial risks inherent in climate change were being under-reported or not reported at all.

In only 5 short years, attitudes towards the financial risks of climate change in the financial and corporate sectors have changed beyond recognition. I predict that climate change is only the first of a series of sustainability or ESG issues which will come to be perceived as financial risks or, indeed, opportunities.

Social issues such as child labor, forced labor, working conditions, diversity and equality, fair pay and more will soon take on the same financial relevance. And, as this survey suggests, reporting on biodiversity should be a key priority for any business particularly those operating in high risk sectors.

The speed with which the world is losing its biodiversity is alarming to say the least. Any business that believes it will remain entirely unaffected is, in my opinion, not facing up to reality. Furthermore, the biodiversity crisis will only be exacerbated in years to come by the climate crisis and will have pervasive impacts that affect all mankind.

My advice to the business leaders therefore is to get your heads around biodiversity. Understand how your company is contributing to biodiversity loss and what risks it faces from it. You will be asked about this very soon by your investors, lenders, insurers, customers and consumers. You will also likely to be expected to make public disclosures on it sooner than you may think. Get ready by starting now.



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The time has come: What the future holds for sustainability reporting

The KPMG Survey of Sustainability Reporting 2020 has analyzed reports published between July 2019 and June 2020 and reveals many positive developments in sustainability reporting and assurance. Forthcoming years are likely to see further acceleration because a number of international initiatives towards convergence of reporting standards have emerged.

In recent years, momentum has grown behind increased coalescence of the major non-financial reporting standards. Investors have started to join the discussion and reporting businesses have expressed frustration over the lack of harmonized standards for non-financial reporting.

The Corporate Reporting Dialogue, which brings together the major financial and non-financial standard setters, has provided a space for discussions about further alignment and delivered the results of the Better Alignment Project in 2019. Parallel discussions took place within the European Union to take further steps towards harmonizing European reporting requirements, which may result in a European reporting standard for ESG information.

In addition, the World Economic Forum and International Business Council (IBC) launched a project, supported by KPMG firms, to develop a common set of baseline ESG metrics that would enable the IBC members to demonstrate their contribution to sustainable development.

Finally, the IFRS Foundation started to update the Management Commentary Practice Statement that will emphasize the disclosure of factors affecting companies' prospects over the long term. The Foundation, which is increasingly being encouraged to take a global role in non-financial reporting, recently issued a consultation to gauge market views on a global standard for sustainability reporting to be set by a body under the Foundation's umbrella. The Exposure Draft from the consultation is due in 2021.

At the time of publishing the KPMG Survey of Sustainability 2020, this is the current state of play:

- The European Union is updating the EU Non-financial Reporting Directive and is considering to develop non-financial reporting standards.
- The World Economic Forum has released its paper on common metrics and consistent reporting for sustainable value creation, defining 21 core metrics.
- The five major non-financial reporting organisations (GRI, SASB, IIRC, CDSB and CDP) have published a Statement of Intent, committing to work together towards comprehensive corporate reporting.
- The IFRS Foundation's consultation, still in process, on establishing a global non-financial reporting framework has already received strong support from other organizations, including IOSCO.

By the time the next edition of the KPMG Sustainability Reporting Survey is published, we expect to see a significant shift in global sustainability reporting practice driven by the above factors. We predict a further tightening of focus of non-financial reporting on investors' needs, more harmonized reporting based on common metrics and further coalescence towards a global corporate reporting system. The time has come.



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Methodology

Professionals across 52 KPMG firms around the world carried out in-depth research for this survey. They reviewed annual financial (or integrated) reporting and sustainability reporting by the largest 100 companies, by revenue, in their own country or territory.

This survey, therefore, reviewed reporting from 5,200 companies in total, making it the most comprehensive KPMG Survey of Sustainability Reporting in the series. The previous KPMG Survey of Sustainability Reporting was published in 2017 and the first edition was published in 1993.

The sources used by researchers at KPMG firms included PDF and printed reports as well as web-only content published between 1 July 2019 and 30 June 2020. If a company did not report during this period, reporting from 2018 was reviewed. However, no reporting published prior to June 2018 was included in the research for this survey.

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

The survey refers to two research samples:

The N100

The largest 100 companies in each of 52 countries or jurisdictions: 5,200 companies in total

Professionals at KPMG firms identified the N100 in their country.

These are the top 100 companies based on a recognized national source or, where a ranking was not available or was incomplete, by market capitalization or a similar measure.

All company ownership structures were included in the research: publicly-listed and state, private and family-owned.

The G250

The largest 250 companies in the world

The G250 sample comprises the top 250 companies from the Fortune Global 500 ranking for 2019. Most G250 companies were also included in the N100 research sample, although 23 companies were not, because they are headquartered in countries or jurisdictions not covered in the N100 sample.

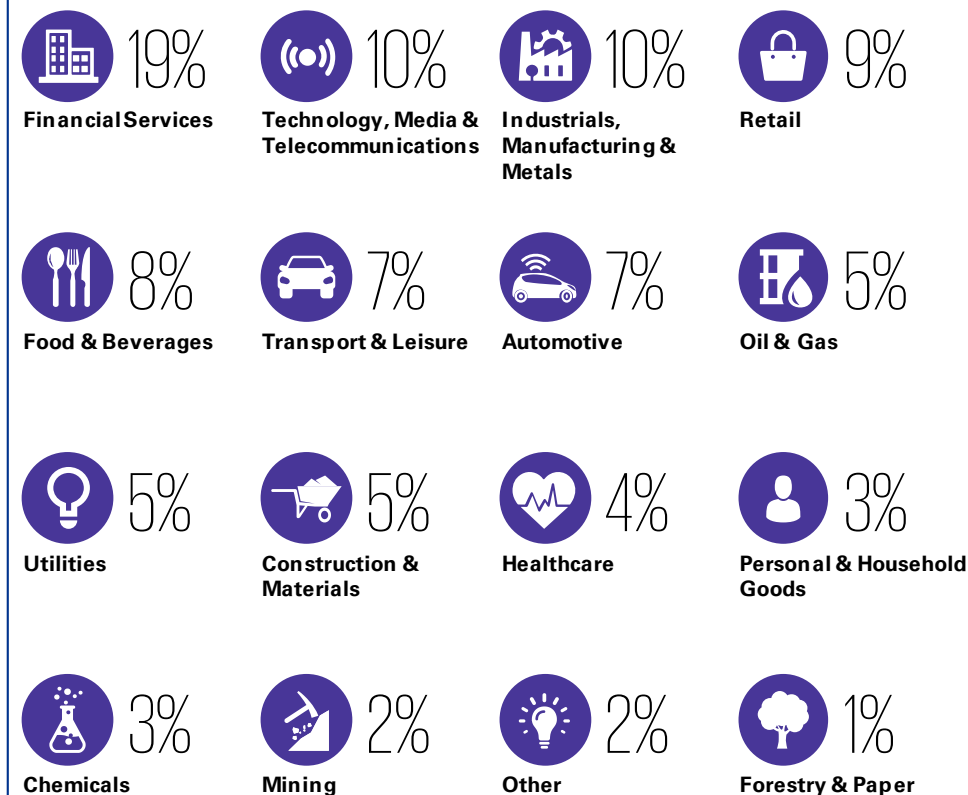


N100 research sample: National breakdown

The N100 research sample in this survey comprises 5,200 companies headquartered in the following 52 countries and jurisdictions. In 2020, the N100 research sample included six countries and jurisdictions for the first time: Costa Rica, Ecuador, Iceland, Pakistan, Panama and Sri Lanka.

- | | | |
|--------------------|-----------------|--------------------------|
| 1. Angola | 19. Iceland | 37. Saudi Arabia |
| 2. Argentina | 20. India | 38. Singapore |
| 3. Australia | 21. Ireland | 39. Slovakia |
| 4. Austria | 22. Italy | 40. South Africa |
| 5. Belgium | 23. Japan | 41. South Korea |
| 6. Brazil | 24. Kazakhstan | 42. Spain |
| 7. Canada | 25. Luxembourg | 43. Sri Lanka |
| 8. China | 26. Malaysia | 44. Sweden |
| 9. Colombia | 27. Mexico | 45. Switzerland |
| 10. Costa Rica | 28. New Zealand | 46. Taiwan |
| 11. Cyprus | 29. Nigeria | 47. Thailand |
| 12. Czech Republic | 30. Norway | 48. The Netherlands |
| 13. Ecuador | 31. Pakistan | 49. Turkey |
| 14. Finland | 32. Panama | 50. United Arab Emirates |
| 15. France | 33. Peru | 51. UK |
| 16. Germany | 34. Poland | 52. US |
| 17. Greece | 35. Portugal | |
| 18. Hungary | 36. Romania | |

N100: Sectoral breakdown of 5,200 companies

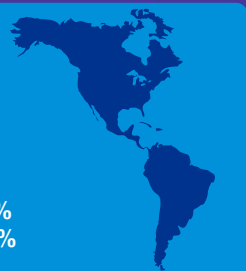


N100 research sample: Regional breakdown of 5,200 companies

Americas

19%

North America 4%
Latin America 15%



Europe

44%

Western Europe 32%
Eastern Europe 12%



Middle East & Africa

12%

Middle East 6%
Africa 6%

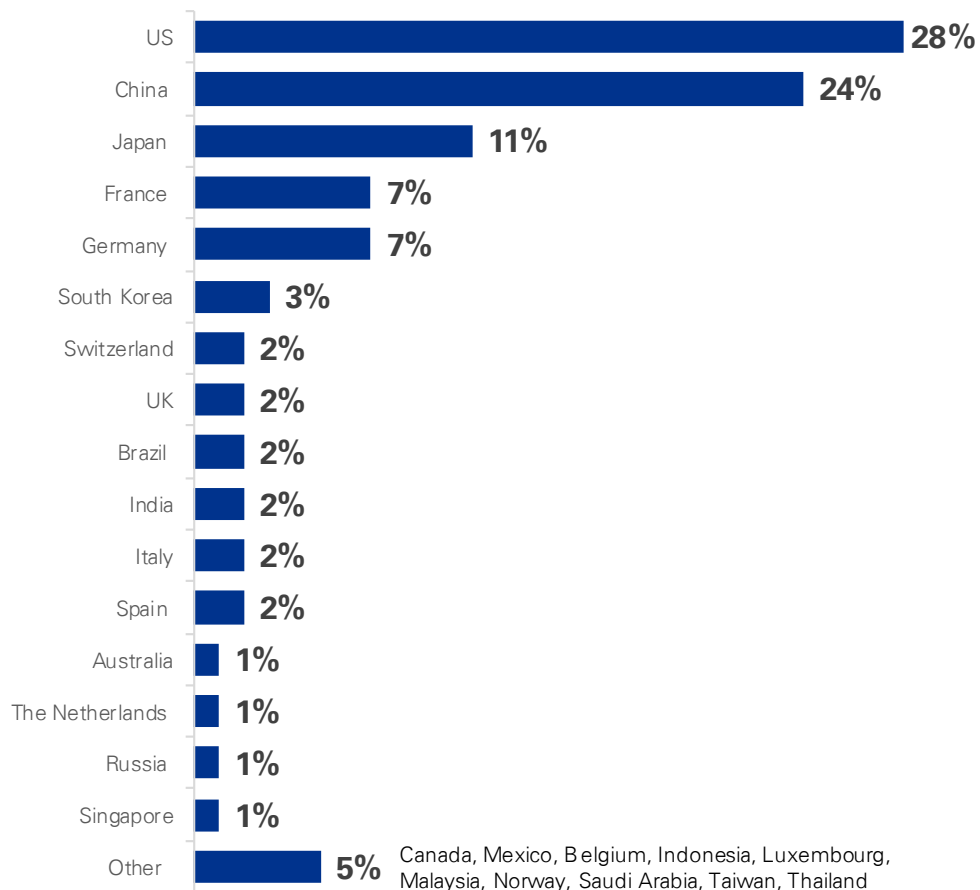


Asia Pacific

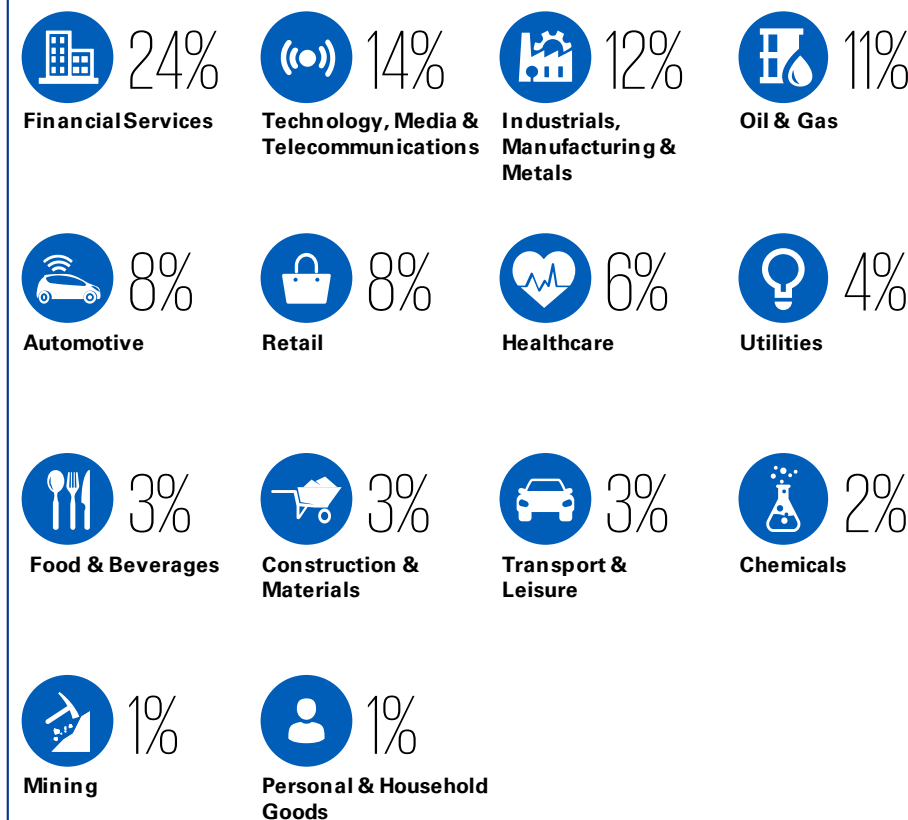
25%



G250 research sample: National breakdown of 250 companies



G250 research sample: Sectoral breakdown of 250 companies



G250 research sample: Regional breakdown of 250 companies

Americas

31%



Europe

25%



Middle East and Africa

0%



Asia Pacific

44%



How we can help

KPMG IMPACT's network includes several hundred climate change and sustainability professionals working within more than 60 KPMG 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, KPMG firms are connected through KPMG IMPACT and can access KPMG firms' international experience for whatever challenge your organization faces.

Integrated services

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

Specialists in sustainability reporting and assurance

KPMG professionals can help you to:

- Understand the ESG issues that are material for your organization and your stakeholders
- Align your corporate activities with the Sustainable Development Goals and assess your contributions to achieving the goals
- Choose the right reporting approaches 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 sustainability reporting
- Verify the sustainability performance of your suppliers.

Specialists in carbon and climate risk reporting

KPMG 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.

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Designed by CREATE | CRT129912 November 2020