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Greater need for integrated reports

KPMG survey shows no significant move towards converging annual and corporate responsibility reports

by Cheah Cher Sooi

ALTHOUGH 99% of Malaysian listed companies include information on corporate responsibility (CR) in their annual reports, only a handful of them are progressing towards the issuance of an annual integrated report, according to the 2015 edition of the KPMG Survey of Corporate Responsibility (CR) Reporting.

Since 2013, the survey highlighted that more than double the total number of annual reports state that they are integrated and refer to the International Integrated Reporting Council (IIRC). However, there has been no significant growth in the overall proportion of companies having moved to integrated reporting (as declared).

"It is now 11% in this survey versus 10% in 2013," notes the KPMG survey. "The remainder appears to consider the inclusion of selected CR information in the financial report as adequate disclosure for investors without moving towards a convergence of their annual and CR reports."

More broadly, the KPMG survey revealed that the Asia Pacific has risen to become the leading region for corporate responsibility (CR) reporting over the last four years. The survey includes a view of global trends in CR reporting based on analysis of reporting by 4,500 companies across 45 countries.

Leading region for CR reporting

From a position of lagging behind other regions with a 2011 reporting rate below 50%, the report noted that the Asia-Pacific has become the leading region for CR reporting. Almost three quarters of the largest 100 companies within countries in the region now report on CR.

The current rate of CR reporting among the Global Fortune 250 (G250) companies is over 90%. More companies now report on CR in tthe Asia-Pacific than in any other region. Specific requirements in each country may differ, but reports in this region tend to focus on demonstrating compliance and managing risks, particularly in relation to supply chain, community and human rights issues.

The four developing countries that have the highest CR reporting rate in the world are India, Indonesia, Malaysia and South Africa, according to Datuk Johan Idris, managing partner of KPMG in Malaysia.

In line with Bursa Malaysia listing requirements that require reporting of sustainability-related disclosures by public-listed companies in their annual report, the research also shows that more than half (56%) of the 4,500 companies have standard business practices to include CR information in the annual financial report.

"Mandatory reporting requirements are prompting the highest CR reporting rates worldwide," Kasturi Nathan, executive director, risk consulting and sustainability partner of KPMG in Malaysia points out. "The Malaysian stock exchange requires listed companies to describe how material economic, environmental and social risks and opportunities are managed."

When regulations are introduced, companies tend to respond and CR reporting rates are seen to increase rapidly. "In KPMG's view, it is unlikely that rates of over 90% will be achieved in any country without some legislative driver," says Kasturi.

In addition, the KPMG survey states that carbon reporting from the world's largest companies lacks consistency, making it almost impossible for stakeholders to compare on company's performance easily and accurately with another's.

KPMG published this report in the run-up to the 21st Conference of the Parties (COP21) to the United Nations Framework Convention (held in Paris from Nov 30 to Dec 11). For this reason, professionals at KPMG member firms focused and reviewed the carbon information published by the world's largest 250 companies in annual financial and CR reports. They found that although four out of five of the companies discuss carbon in these reports, the type and quality of information published varies dramatically.

For example, only half the G250 (53%) state carbon reduction targets in their company reports and two thirds of these companies provides no rationale to explain why those targets were selected.

The type of emissions reported varies considerably; while a majority of companies report on emissions from their own operations (84%) and from purchased power (79%), only half report on emissions in their supply chains. Even fewer – less than one in ten (7%) – includes information on emissions resulting from the use and disposal of their products and services.

KPMG is one of the pioneers of sustainability consulting with some member firms first offered sustainability services over 20 years ago – a move which gives KPMG's network a level of experience few can match. Today, its member firms employ several hundred sustainability professionals located in around 60 countries.

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