



Survey of sustainability reporting at technology companies

April 2021



Foreword

Momentum behind the climate change agenda has picked up across all levels of the public, business, and government. Yet technology companies have been standouts as good corporate citizens and environmental stewards for years since the industry has the resources, visibility, innovations, and influence to be the leader on climate change. Several leading technology companies have already made public proclamations to become carbon neutral, as has KPMG itself.

In the realm of sustainability reporting, there has been a coalescence of nonfinancial reporting standards in recent years. The tech sector has contributed to this effort by developing and scaling technologies such as Internet of Things (IoT) sensors, blockchain solutions, and artificial intelligence to help create a trusted climate accounting infrastructure.

The latest KPMG Survey of Sustainability Reporting reveals much progress has been made in sustainability reporting and assurance. This publication benchmarks technology companies against other sectors and the world's 250 largest companies in the following areas:

- Trends in sustainability reporting
- Climate risk reporting
- Carbon reduction reporting and net zero initiatives
- Reporting on the United Nations Sustainable Development Goals (SDGs)

The survey offers insights for technology company leaders, boards, and sustainability professionals who have a responsibility for assessing and preparing their own organization's sustainability reporting.

The survey also serves as a guide for 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.

“The tech sector fares well against other industries in most sustainability reporting metrics, yet falls short of the standards set by the world’s 250 largest companies. ”



Mark Gibson
National Sector Leader
Technology, Media, and
Telecommunications
KPMG in the U.S.

About the research

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

The research was conducted by sustainability professionals at KPMG firms who analyzed thousands of corporate reports and websites published between July 1, 2019 and June 30, 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. The survey findings are based on analysis of publicly available information only, and no information was submitted directly by companies to KPMG firms.

The sector classifications are aligned with the Industry Classification Benchmark (ICB), a globally utilized standard for the categorization and comparison of companies by industry and sector. This edition's study included 311 companies from the technology sector.

In addition to statistics specific to the technology sector, this report also discusses global statistics for two other research samples: the "N100" and the "G250":

- The N100 refers to the 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 snapshot of sustainability reporting among large- and mid-cap firms around the world.
- 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 activity often predicts trends that are subsequently adopted more widely.

About the authors



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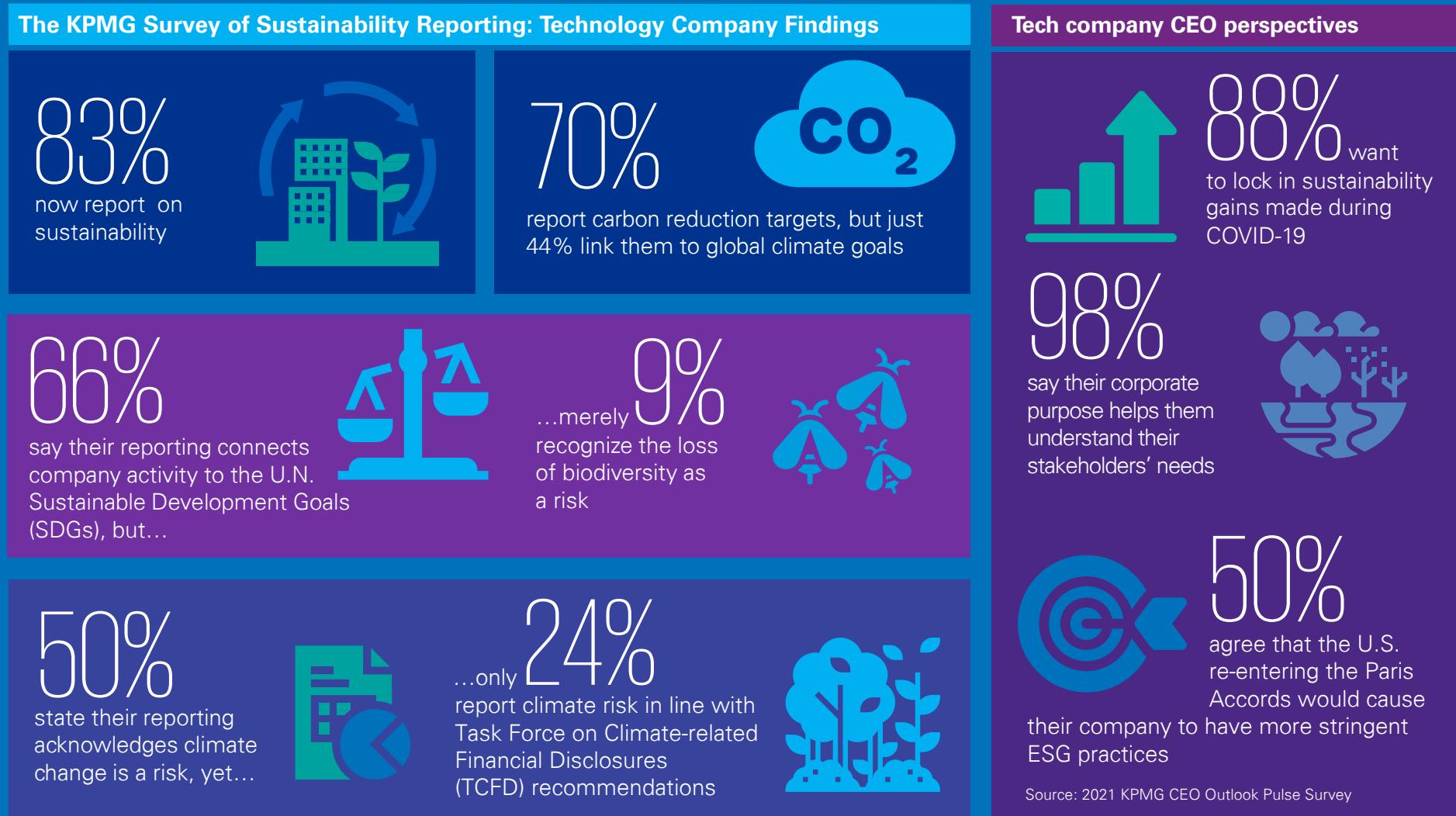


Katherine Blue is a principal in the KPMG IMPACT practice and has 17 years of environmental management consulting experience centered around climate change and sustainability, industrial air quality regulatory compliance, and corporate social responsibility strategies. She advises organizations on developing and implementing climate change strategies, managing compliance with U.S. EPA greenhouse gas regulatory requirements, and developing corporate and product carbon footprints. kblue@kpmg.com



Maura Hodge is a partner in the KPMG Audit practice and is a leader in the KPMG IMPACT practice. She has more than 15 years of experience providing financial statement audit, audit of internal control, performance improvement advisory, and ESG assurance services to both publicly traded and privately held clients. Maura has led some of the firm's largest ESG engagements, which include assurance of use of proceeds of green bonds, social impact of private equity funds, stand-alone greenhouse gas emissions reports, and corporate responsibility reports. She currently serves as the KPMG liaison to the Sustainability Accounting Standards Board. mhodge@kpmg.com

Sustainability in the technology sector



Source: KPMG Survey of Sustainability Reporting 2020

Sustainability reporting trends

Technology sector among leaders in sustainability reporting

Most sectors in the N100 achieved at least 70 percent of companies reporting on sustainability in this year's survey.

The tech sector was near the top of the rankings at 83 percent, higher than some sectors often associated with sustainability and environmental efforts, e.g., forestry and paper and construction.



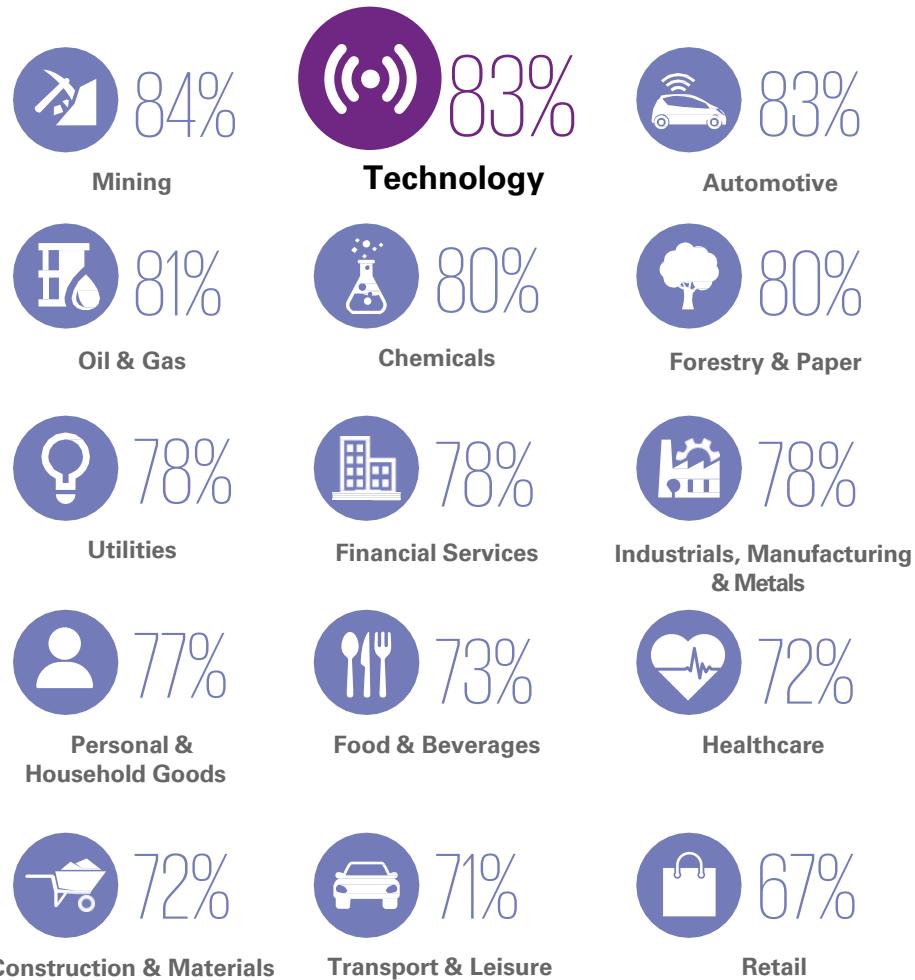
“Reporting is clearly required for U.S. companies and many factors are driving it. Investors and regulators are increasingly demanding information on the nonfinancial performance of all investments. Also, KPMG is seeing a generational shift. We have a generation entering the workforce that has grown up learning about the importance of sustainability. They have very different expectations of their workplace and the goods they consume than previous generations.

In response, more and more companies are voluntarily preparing and presenting ESG information beyond industry and SEC requirements. For companies, the stakes are real. ESG reporting can impact access to capital and the ability to attract new investors. It can allow companies to understand risks that threaten their business model, help build customer loyalty, and affect competition for top talent. **”**

— Maura Hodge

Partner, KPMG IMPACT, KPMG in the U.S.

Sustainability reporting rates: N100 by sector



Base: 5,200 N100 companies

Source: KPMG Survey of Sustainability Reporting 2020

Technology sector sustainability reporting rate higher than N100 average

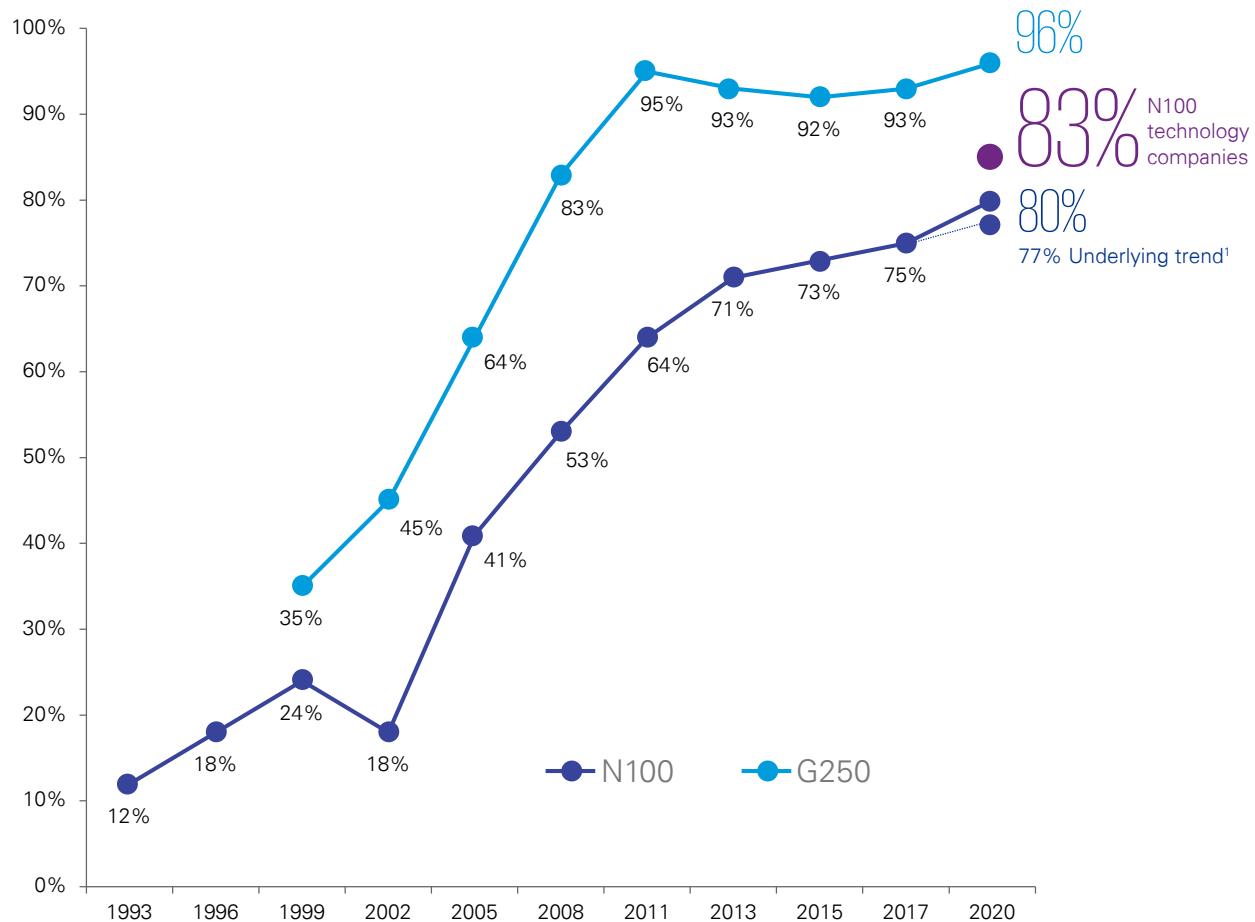
The survey findings reveal that, on average, 80 percent of N100 companies worldwide now report on sustainability.

This underlying global sustainability reporting rate (N100) has risen by 5 percentage points since the last KPMG survey in 2017, from 75 to 80 percent. The technology sector sits slightly higher than the average at 83 percent.

The research also shows that N100 companies continue to catch up with the G250. It is likely that the N100 reporting rate will continue to climb steadily in coming years.

Since 2011, over 90 percent of the G250 have reported on sustainability. This statistic fluctuates marginally year-to-year as the group of companies comprising the G250 changes.

Growth in global sustainability reporting rates since 1993: N100 and G250



Base: 5,200 N100 companies and 250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2020

1. The N100 underlying trend reflects the global sustainability reporting rate when analyzing reporting by the top 100 companies in the same group of countries and jurisdictions in both 2017 and 2020.



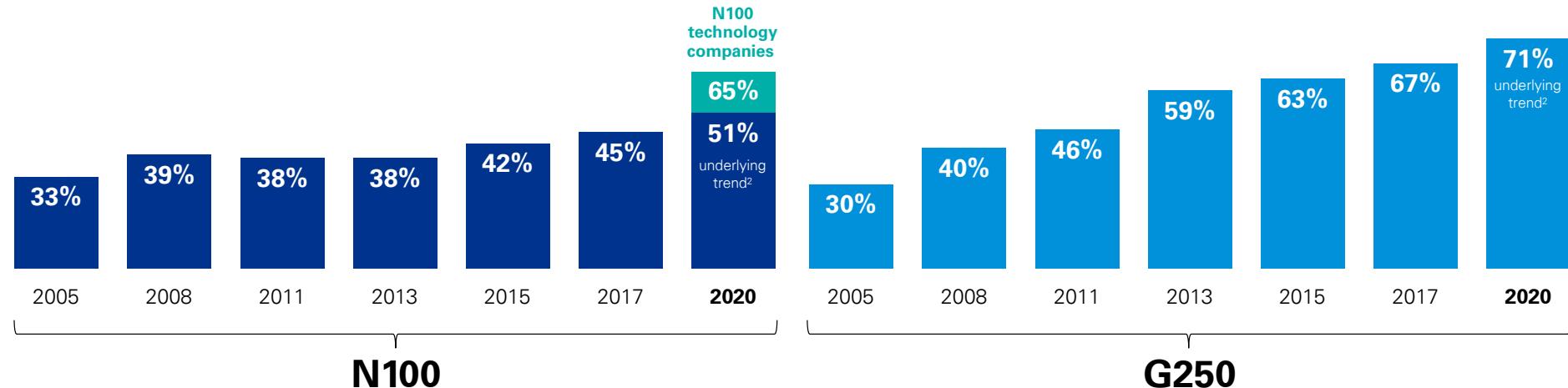
Technology sector outpaces N100 in assurance

The number of N100 companies investing in independent third-party assurance of their sustainability information has exceeded 50 percent for the first time since the KPMG survey began in 1993.² This finding indicates that assurance of sustainability information has now become standard practice for large- and mid-cap companies worldwide.

The technology sector surpassed the N100 average by a significant amount. Sixty-five percent of technology companies in the N100 include a formal assurance statement on the sustainability information in their annual financial reports, compared to 51 percent for the N100 overall.

Among the world's 250 largest companies, the underlying trend for third-party assurance of sustainability data is 71 percent. The actual G250 rate for assurance of sustainability information has declined in 2020 to 62 percent due to an increase in the number of Chinese companies in the G250 since 2017. Many Chinese companies are relatively new to sustainability reporting and, as a result, only one-third of Chinese G250 companies currently invest in assurance of their sustainability information. This rate of assurance is lower than in many other countries and skews the overall G250 assurance rate downwards against the underlying trend.

Growth in independent assurance of sustainability information: 2005–2020



Base: 3,983 N100 companies and 239 G250 companies that report on sustainability

Source: KPMG Survey of Sustainability Reporting 2020

2. The underlying trend is based on analysis of the same group of countries and jurisdictions in both 2017 and 2020.

Climate risk reporting



More technology companies acknowledge the financial risks of climate change

The number of companies that acknowledge the risk of climate change in their financial reporting has increased since the last KPMG survey in 2017.

Among the N100 group of companies, the underlying trend is 43 percent (based on analysis of the same group of countries in both 2017 and 2020).

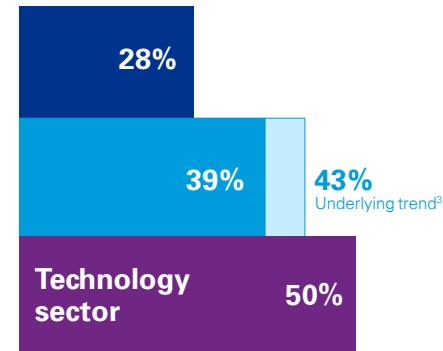
Technology companies outperform in this area as well. Fifty percent of tech companies say their company's annual financial report acknowledges that climate change is a risk to the business. Among these, most (75 percent) say they report the potential impacts of climate-related risks through a narrative description. Only 7 percent provide a financial quantification of the potential impacts.

Among the G250, the rate is higher than the N100 with over half the group (56 percent) now acknowledging climate risk in their financial reporting.

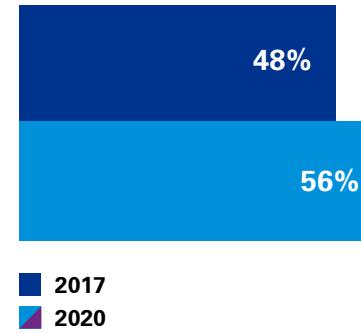
This growth is in large part due to the work of the Task Force on Climate-related Financial Disclosures (TCFD) in raising corporate and regulator awareness of climate change as a financial risk, and in developing recommendations for disclosure of climate-related risk. The work of the Task Force has resulted in increasing investor scrutiny of corporate disclosures on the topic and growing momentum towards mandatory climate risk disclosure in many jurisdictions around the world.

Companies acknowledging the risk of climate change in financial reporting

N100



G250



Base: 5,200 N100 companies
250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2020

3. The underlying trend is based on analysis of the same group of countries and jurisdictions in both 2017 and 2020.



“U.S. business leaders now understand the consequences associated with climate change better and recognize that climate risk translates into financial risk. Investors have also been influential in connecting climate risk to business and financial risk. As indicated by the findings in this report, KPMG in the U.S. has seen a marked increase in corporate focus on decarbonization and resiliency strategies.”

— Katherine Blue
Principal, KPMG IMPACT, KPMG in the U.S.

One in four technology companies report in line with TCFD recommendations

The TCFD recommendations for climate-related financial disclosures are quickly starting to take hold among both the N100 and the G250 since their launch in 2017.

Almost one in five N100 companies (18 percent) state they report in line with the recommendations. The technology sector again outpaces the average with almost one quarter (24 percent) reporting in line with the TCFD recommendations.

Among the world's largest companies regardless of sector (the G250), over one-third of companies (37 percent) do so.

A 2017 baseline of zero has been used for this data point for both the N100 and G250 because the TCFD recommendations had not yet been published when KPMG conducted its research in 2017.

Companies reporting in line with TCFD recommendations

N100

2017 0%

2020 18%

2020 Technology sector 24%

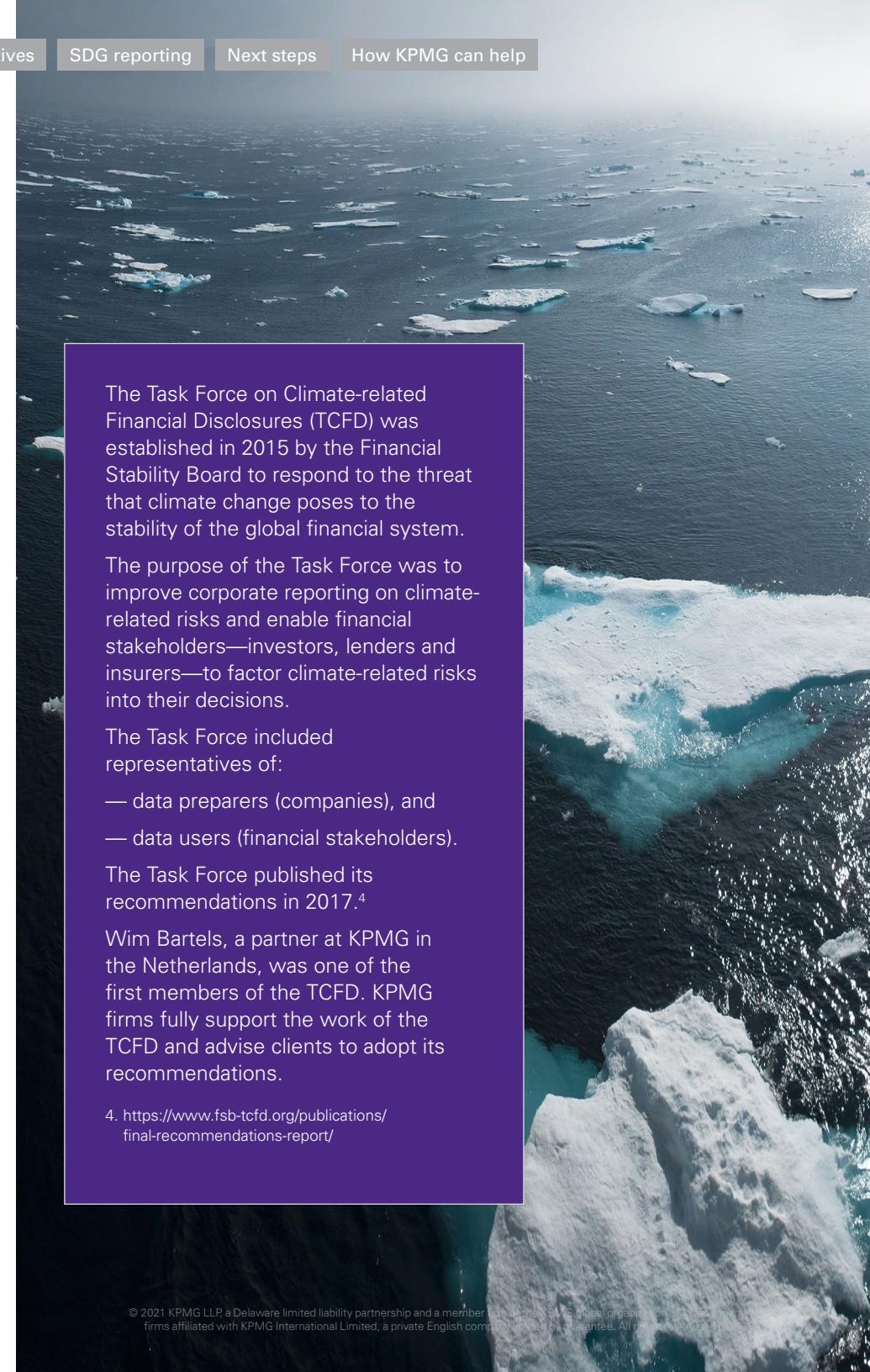
G250

2017 0%

2020 37%

Base: 5,200 N100 companies
250 G250 companies

Source: KPMG Survey of Sustainability Reporting 2020



The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board to respond to the threat that climate change poses to the stability of the global financial system.

The purpose of the Task Force was to improve corporate reporting on climate-related risks and enable financial stakeholders—investors, lenders and insurers—to factor climate-related risks into their decisions.

The Task Force included representatives of:

- data preparers (companies), and
- data users (financial stakeholders).

The Task Force published its recommendations in 2017.⁴

Wim Bartels, a partner at KPMG in the Netherlands, was one of the first members of the TCFD. KPMG firms fully support the work of the TCFD and advise clients to adopt its recommendations.

4. <https://www.fsb-tcfd.org/publications/final-recommendations-report/>

Carbon reduction reporting and net zero initiatives



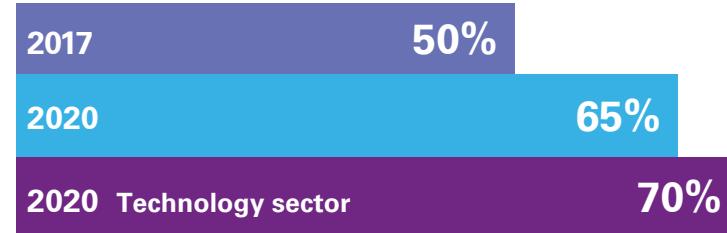
Majority of tech companies have carbon targets in place

The survey shows a notable increase since 2017 in the number of companies disclosing carbon reduction targets. Almost two-thirds of N100 companies (70 percent for tech companies) and three-quarters of G250 companies now disclose. Any leading company that does not yet report carbon targets is now clearly out of step with global good practice.

On a sector level, N100 companies in the automotive, mining, utilities, and technology industries lead with 70 percent or more companies disclosing carbon targets. Companies in the healthcare sector are trailing, with less than half (40 percent) disclosing targets to reduce their carbon emissions.

Companies disclosing carbon reduction targets in their reporting

N100



Base: 3,983 N100 companies that report on sustainability

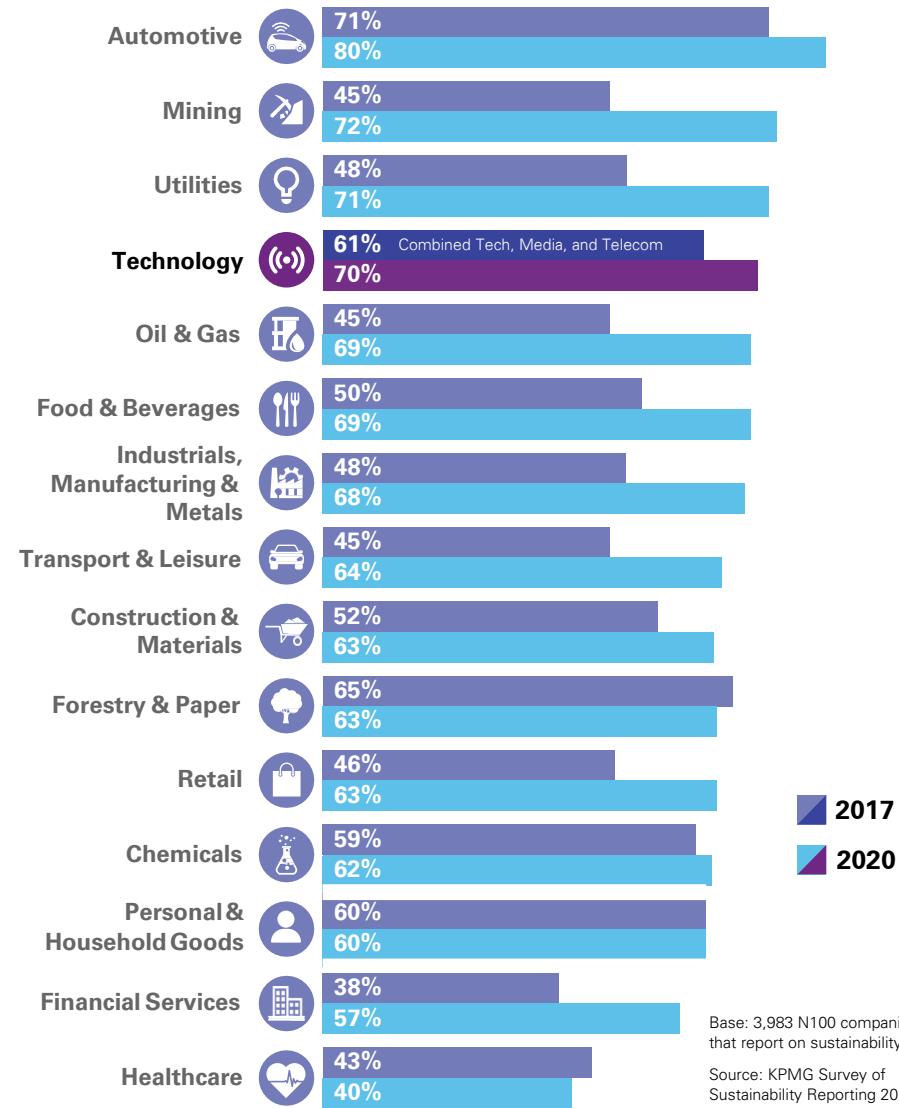
G250



Base: 239 250 companies that report on sustainability

Source: KPMG Survey of Sustainability Reporting 2020

Companies disclosing carbon reduction targets in their reporting: N100 by sector



Technology companies less likely to link carbon targets to global climate goals

Three years ago in the KPMG Survey of Sustainability Reporting 2017, KPMG professionals predicted that, within 5 years, a majority of companies would link their carbon reduction targets to external climate targets set by governments and others. This has happened within only 3 years, indicating a rapid and meaningful shift in business practice.

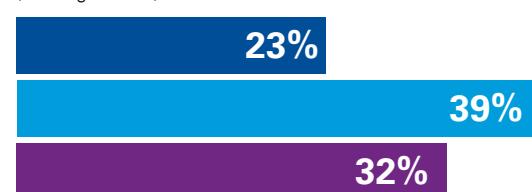
In 2020, a majority (55 percent) of N100 companies that disclosed carbon targets linked them to external targets; in 2017, this was a minority practice (only 36 percent). The most popular climate goal to link to was the Paris Agreement goal to limit global warming to 2°C above preindustrial levels.

While the technology sector performs well in disclosing its carbon reduction goals, the sector lags behind in linking those goals to recognized external global, regional, or national targets. Fifty-five percent of the N100 make this connection compared to only 44 percent in the tech sector.

However, the overall trend since 2017 still demonstrates a growing awareness in the business world, not only of the climate crisis, but also of the global, regional, and national goals that have been set to avoid catastrophic climate impacts. The survey suggests that of the businesses that disclose carbon targets, many now recognize the need to contribute to emission-reduction efforts.

Linking of corporate carbon reduction targets to external climate goals: N100

Linked to global 2°C target (Paris Agreement)



Linked to regional targets (e.g., EU targets)



Linked to national targets (INDCs, INDCs, national decarbonization targets, e.g., UK 2050 net zero target)



Not linked to any targets



Base: 2,579 N100 companies that report carbon reduction targets
Source: KPMG Survey of Sustainability Reporting 2020

Striving toward net zero

Moderate progress towards decarbonization goals is not necessarily a sign of failure.

It can indicate improved management of emissions, particularly those that are complex to calculate, such as upstream emissions from supply chains or downstream from the use of products.

Research suggests that companies exhibiting higher levels of carbon transparency outperform their peers on shareholder return.⁵ It is unclear whether transparency simply reflects good management or whether investors are placing a premium on companies they see as well-positioned to compete in a net zero world, or both.

Either way, companies that are not providing transparency on their progress towards decarbonization goals should consider what signal that sends to investors and other financial stakeholders.

Using an internal carbon price

Few large global companies report the use of an internal carbon price in their annual financial, integrated, or sustainability reporting, although some companies may report the use of internal carbon pricing in other reporting such as CDP submissions.

However, many governments are committing to national net zero targets around or before 2050. They include Canada, China, France, Germany, the U.K., Spain, South Korea, and New Zealand, as well as the U.S. state of California. One of the key tools available to governments to achieve their net zero ambitions is to make businesses pay, or pay more, for their carbon emissions.

In this context, it makes sense for companies to apply an internal carbon price to calculate their exposure to potential increases in external carbon costs. Using corporate reporting to communicate the use of an internal carbon price is one way to show investors, banks, and others that the company is well prepared for net zero transition. It is therefore surprising that so few companies currently report using the practice.

KPMG announces intention to become net zero carbon by 2030

To underpin this goal, the global organization has signed up for a series of new climate actions, including a 1.5°C science-based target which will focus on achieving a 50 percent reduction of KPMG's direct and indirect greenhouse gas (GHG) emissions by 2030. Additionally, KPMG firms have committed to:

—100 percent Renewable Electricity (RE) by 2022 in Board Countries, and by 2030 for the wider network

—Addressing any remaining GHG emissions through externally accredited voluntary carbon offsets to mitigate the remainder that cannot be removed from operations and supply chain

5. Thomson Reuters et al (2018) Transparency: the pathway to leadership for carbon intensive businesses

Sustainable Development Goals (SDGs) reporting



The SDGs have a growing profile in sustainability reporting

The survey suggests the United Nations Sustainable Development Goals (UN SDGs) have resonated strongly with businesses since their 2015 launch. Furthermore, their influence on reporting has increased significantly between 2017 and 2020.

The 17 SDGs were introduced by the UN as a blueprint to achieve a better and more sustainable future by addressing global challenges including poverty, inequality, climate change, environmental degradation, peace, and justice. Companies are increasingly adopting the SDGs as a guide for their sustainability programs.

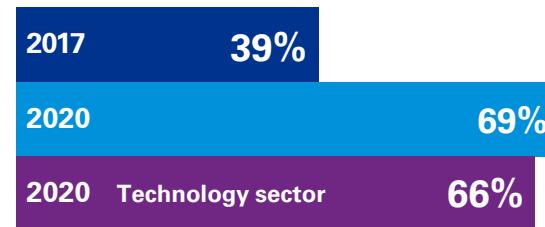
In 2017, a minority of both N100 and G250 companies connected their business activities to the SDGs in their corporate reporting. Three years later, in 2020, a significant majority do so:

- Over two-thirds (69 percent) of the N100. The technology sector is close to the average at 66 percent.
- Almost three-quarters (72 percent) of the G250

Greater stakeholder pressure on companies to be more transparent on issues such as the impacts of supply chains, labor standards, and diversity may have influenced this leap in reporting. It is also likely that more companies now have a better understanding of the SDGs and feel more comfortable addressing them in their sustainability reporting.

Companies that connect their business activity with the SDGs

N100



Base: 3,983 N100 companies that report on sustainability

G250



Base: 239 G250 companies that report on sustainability
Source: KPMG Survey of Sustainability Reporting 2020

Companies identifying specific SDGs as relevant to their business

	All N100 companies	N100 Technology companies
1 to 8 SDGs identified as relevant	51%	40%
9 to 16 SDGs identified as relevant	41%	56%
All 17 SDGs identified as relevant	8%	4%

Base: 3,983 N100 companies that report on sustainability.
Source: KPMG Survey of Sustainability Reporting 2020

Technology sector has an opportunity to improve the balance of its SDG reporting

The research suggests that corporate reporting on the SDGs focuses almost exclusively on the positive contributions companies make towards achieving the goals and lacks transparency into their negative impacts.

A significant majority of both N100 companies (86 percent) and technology companies (94 percent) report a one-sided view focused only on their positive SDG impacts.

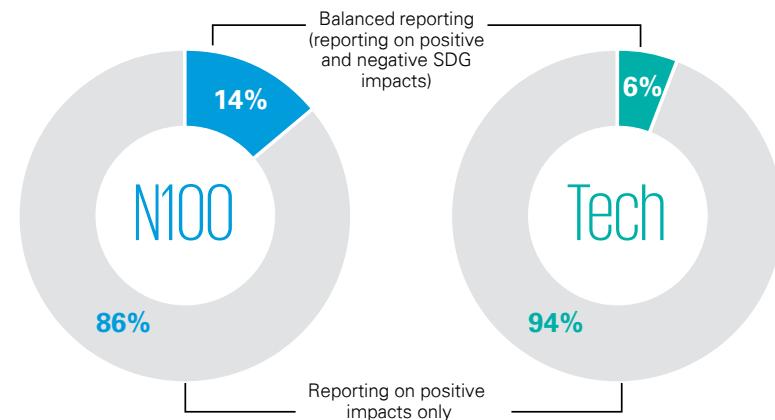
Balanced SDG reporting is important to show that a company is aware of how it contributes to global problems as well as how it helps to solve them. Disclosing both positive and negative impacts on the SDGs provides enhanced transparency and can therefore help to build trust between the company and its stakeholders.

Companies that turn a blind eye to their negative impacts and focus their reporting only on the positive risk losing credibility and public trust.

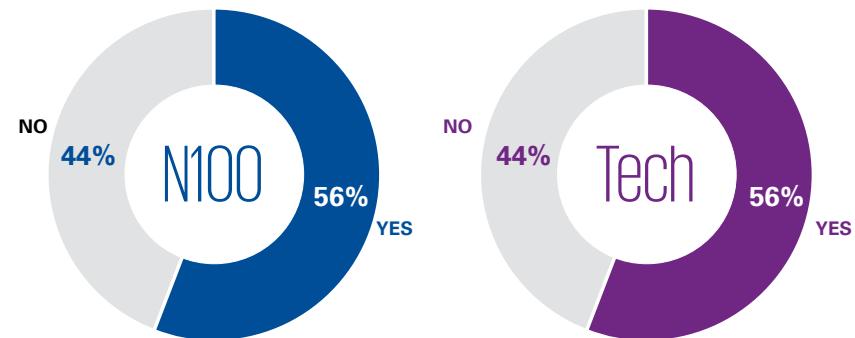
They also open themselves to accusations of “SDG washing,” the practice of using the SDGs as a platform to create positive publicity for themselves rather than as a framework to deliver genuine change. Similarly, if companies are serious about helping to deliver the SDGs, then they need to set clear SDG-related performance goals and report on progress against them.

Just over half the companies in both the N100 and technology sector report performance targets related to the SDGs. This presents a significant opportunity for improvement.

Balanced SDG reporting vs positive reporting only



Companies disclosing SDG-related performance goals



Base: 2,745 N100 companies and 174 N100 technology companies that connect the company's activity to the SDGs
Source: KPMG Survey of Sustainability Reporting 2020

Biodiversity loss largely ignored in reporting

The survey shows a wide disparity in the number of SDGs that companies focus on. However, one commonality is that biodiversity is not currently a priority.

The research revealed which SDGs are most and least commonly prioritized by the 5,200 companies making up the global N100 group. Most often prioritized are: SDG 8-Decent Work and Economic Growth, SDG 13-Climate Action, and SDG 12-Responsible Consumption & Production.

On the other hand, few companies prioritize the two SDGs that focus on biodiversity: SDG 14-Life Below Water and SDG 15-Life on Land.

Outside of biodiversity SDG reporting, companies generally do not recognize the loss of biodiversity as a risk to their businesses. Perhaps this is because certain sectors, such as Mining, Forestry & Paper, and Food & Beverages, are more “at risk” than others to biodiversity loss. Only 23 percent of companies at high- or medium-risk from biodiversity loss currently disclose that risk in their reporting.

Technology is not considered a high- or medium-risk sector, and correspondingly only 9 percent of technology companies surveyed recognize biodiversity loss as a risk in their reporting.



“As society develops a broader understanding of biodiversity and the financial impacts, we can expect to see corporate reporting increase. Biodiversity reporting is likely to follow a path similar to that of climate change reporting. As investors and stakeholders become more aware and informed, they will begin to demand consistent reporting, and companies are likely to respond.”

— **Maura Hodge**

Partner, KPMG IMPACT, KPMG in the U.S.

SDGs most and least prioritized by the N100

Most prioritized	Moderately prioritized	Least prioritized
(by more than 50% of companies)	(31% – 50% of companies)	(by 30% of companies or fewer)
 72% Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	 49% Good health and well-being	 30% No poverty
 63% Take urgent action to combat climate change and its impacts	 43% Gender equality	 25% Peace, justice and strong institutions
 58% Ensure sustainable consumption and production patterns	 42% Quality education	 22% Zero hunger
 50% Affordable and clean energy	 37% Sustainable cities and communities	 18% Life below water
 50% Industry, innovation and infrastructure	 33% Reduced inequalities	 9% Life on land
	 32% Clean water and sanitation	
	 31% Partnerships for the goals	

Base: 2,243 N100 companies that identify SDGs relevant to their business

Source: KPMG Survey of Sustainability Reporting 2020

Conclusions and next steps for technology companies

The increase in sustainability reporting has been driven not only by new laws and regulations but also by a growing understanding in the finance sector of the power ESG issues have to impact financial performance and corporate value.

Sustainability reporting is now so nearly universally adopted that companies not yet reporting will find themselves seriously out of step with global norms. 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 and must be backed up with robust sustainability strategies and risk management processes. It can take a company two years or more before it is ready to publicly disclose its climate risk information. The process can be time consuming, especially for companies doing it for the first time.

This survey also makes it increasingly apparent that risk is the new lens through which to consider sustainability or ESG. Changing attitudes on 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 only reputational risks 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), which saw that the financial risks inherent in climate change were being under-reported or not reported at all.

Through the work that KPMG firms are doing with technology clients, we can see that corporate experience is growing and innovative, new ways of analyzing climate risks and improved data are emerging.

The following are some recommendations for technology companies:

1 The policy and regulatory tide in an increasing number of jurisdictions is turning towards mandatory climate risk disclosure and 2050 net zero targets. Technology companies that have not yet started out on their climate risk disclosure and net zero planning should begin without delay.

2 Reporting should be aligned and keep pace with the development of the business itself. For those just starting with reporting, take a business lens and let the reporting follow from that. Don't be overly concerned about immediately "ticking all the boxes." The TCFD recommendations are intended as a framework to inform business and investment decisions.

3 Conversely, be careful about assuming that TCFD recommendations will be easy to meet. Serious implementation of them requires genuine and ongoing commitment from leadership, as well as sufficient resources. A light touch approach will not provide financial stakeholders with the information they need to make decisions. Substantial risk management issues could result if the company fails to fully understand and act on the impacts of climate change on its business.

4 Social issues such as child labor, forced labor, working conditions, inclusion, diversity and equality, fair pay, employee wellness, and retraining will soon take on similar financial relevance as climate change risk. Companies should start to prepare how to report on these metrics.

5 The speed with which the world is losing its biodiversity is alarming and will ultimately affect all businesses including technology companies. The biodiversity crisis will only be exacerbated in years to come by the climate crisis. Technology companies should understand how they are contributing to biodiversity loss and what risks they face from it. Investors, lenders, insurers, customers, and consumers will likely be asking about biodiversity loss in the near future and companies will be expected to make public disclosures on it.

How KPMG can help

The KPMG IMPACT 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 experience 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

In addition to working with clients, KPMG professionals work closely with colleagues across the global organization including Tax, Audit, Risk Consulting, Deal Advisory, and Management Consulting. This means KPMG firms can integrate sustainability services into a unified solution for your business needs.

Specialists in sustainability reporting and assurance

KPMG professionals can help you to:

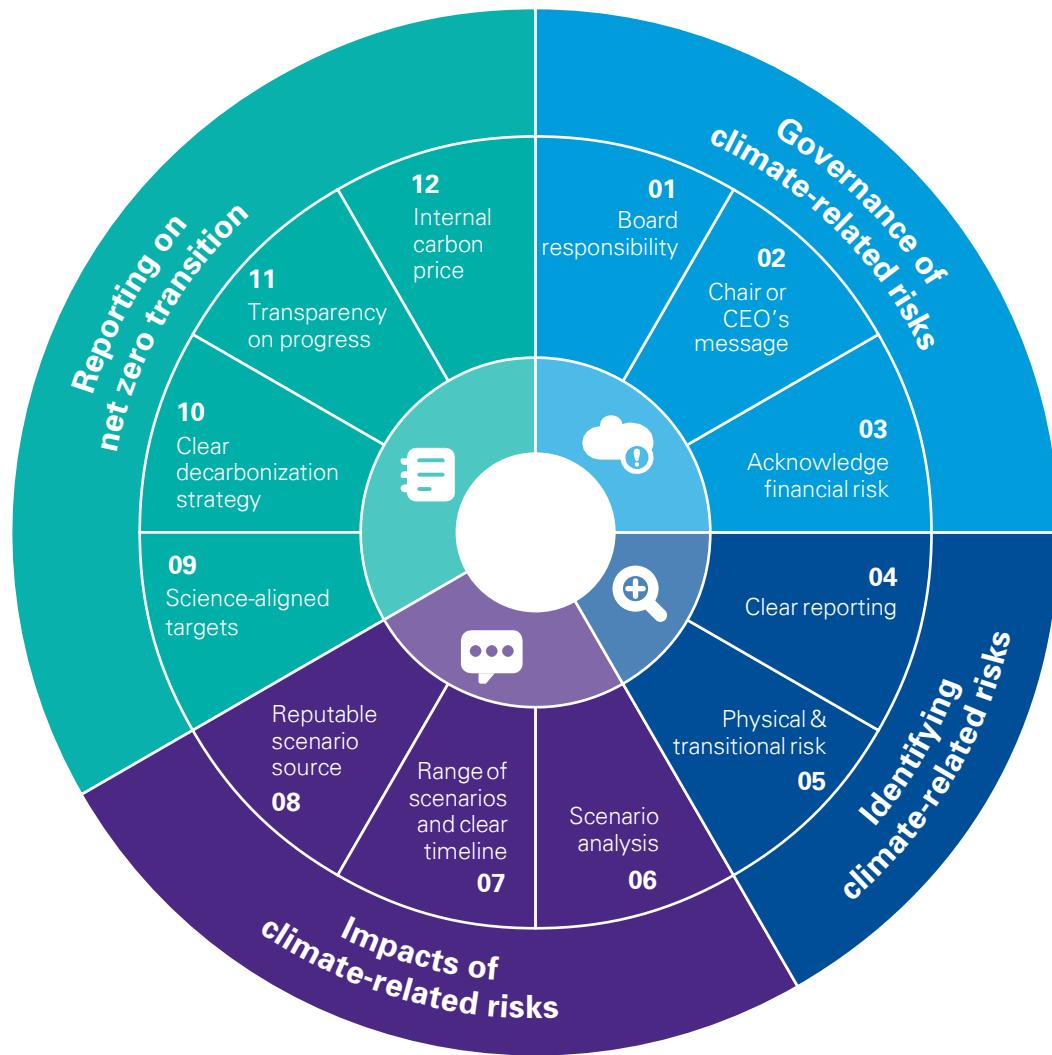
- Understand the ESG issues that are material for your organization and your stakeholders
- Align your corporate activities with the Sustainable Development Goals and assess your contributions to achieving the goals
- Choose the right reporting approaches and frameworks for your business
- Integrate financial and nonfinancial 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 leading carbon reporting practices 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.

The KPMG quality criteria for climate risk and net zero reporting



Governance of climate-related risks

- 01 Reporting should confirm the company has assigned board responsibility for overseeing the company's response to climate change**
This demonstrates to investors and other stakeholders that the company is serious about understanding and addressing climate risk. Companies may choose to make the board as a whole responsible for the company's climate response, supported by a sub-committee, or may name a specific board member with responsibility.
- 02 The Chair or CEO's message in the annual financial or integrated report should mention climate change and/or climate-related risks**
This signals to the company's investors that the organization's leadership acknowledges climate change as a material risk for the business. It also implies that the company's action on climate change is being driven from the top.
- 03 Financial (or integrated) reporting should clearly acknowledge climate change as a potential financial risk to the company**
It is now widely acknowledged that climate change poses a potential financial risk to companies in all industry sectors. All companies should therefore clearly acknowledge in their financial reporting that climate change is potentially a financial risk to the business. They should also disclose the materiality of that risk.



Identifying climate-related risks

04

A clear section on climate risk should be included in the company's annual financial or integrated report and/or the company should publish a stand-alone climate risk/TCFD report

This demonstrates that the company is attempting to measure, manage, and disclose its climate-related risks and opportunities. It may give investors and other stakeholders confidence that the company is actively working to increase its resilience to the impacts of climate change.

05

Reporting should cover both the physical and transitional risks the company faces from climate change and net zero transition

Physical risks result from the changing climate (e.g., more frequent and severe storms, wildfires and rising sea levels). Transitional risks arise from the global shift to a net zero economy (e.g., new regulation and changing market dynamics). Corporate reporting therefore needs to cover both types of climate-related risk in order to be complete and robust.



Impacts of climate-related risks

06

Reporting should include scenario analysis of climate-related risks

Scenario analysis is an effective way to understand how climate-related risks might impact the business and to plan appropriate responses. It helps companies surmise how risks might evolve under different climate, economic, and regulatory conditions. It also provides investors and other stakeholders with a forward-looking view on the organization's potential vulnerability or resilience to climate-related risks and is recommended by the TCFD.

07

Reporting should include risk analysis in line with different global warming scenarios (ideally two or more) and a clear timeline

Despite the best efforts of climate scientists, no one knows exactly how much the world will warm by and how quickly or how rapidly the world will transition to net zero. It is therefore important for companies to report on potential climate risks under a range of possible global warming scenarios. KPMG professionals typically advise clients to conduct scenario analysis under a minimum of two warming scenarios such as 1.5°C and 2°C (which are considered low warming scenarios and are the targets of the Paris Climate Agreement), 3°C (considered a moderate warming scenario), and 4°C (considered a high warming scenario).

Additionally, investors, lenders, and insurers need to understand the climate risk profile of companies in the short, medium, and long terms. It is therefore important that corporate reporting clearly defines the timelines used for climate risk scenario analyses and explains why those timelines were selected.

08

Scenario analysis should be aligned with recognized climate scenarios developed by reputable sources

Financial stakeholders need to know that the scenarios used by companies for climate-related risk assessment are robust and reliable. KPMG professionals therefore recommend that companies use recognized and respected scenarios developed by credible sources such as the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), or the International Renewable Energy Association (IRENA). Using a combination of different scenarios from reputable sources adds depth to analysis.



Reporting on net zero transition

09

Reporting should state the company's ambition to achieve net zero carbon emissions at or before the IPCC deadline of 2050 OR should clearly explain another science-based target

Setting carbon reduction targets aligned with global decarbonization goals shows investors that the company is in step with the global shift to a net zero economy. For example, a company may choose a deadline of 2050 or sooner to achieve net zero emissions. This is in line with what the IPCC says is necessary to limit global warming to a relatively safe level (1.5°C). Alternatively, companies might set a “science-based” carbon reduction target in line with what is needed to achieve the goals of the Paris Agreement on Climate Change. Over 1,000 companies have adopted science-based targets to date.

10

Reporting should describe the company's strategy to achieve its decarbonization targets

A company's reporting needs to explain how it will achieve its carbon reduction targets by describing the company's decarbonization strategy. A clear strategy on carbon reduction also helps the company by enabling all divisions and functions within the business to understand and deliver their own contributions to the group target.

Additionally, investors, lenders, and insurers need to understand the climate risk profile of companies in the short, medium, and long terms. It is therefore important that corporate reporting clearly defines the timelines used for climate risk scenario analyses and explains why those timelines were selected.

11

Reporting should clearly communicate whether the company is on track to meet its decarbonization targets

A company can maintain or increase investor confidence if its reporting either confirms it is on track to achieve its carbon reduction targets or is open about any dilemmas and challenges that have hindered progress. A lack of transparency can have the opposite effect by diminishing investor confidence.

12

Reporting should communicate that the company uses an internal carbon price

Investors may view the use of an internal carbon price as a sign that a company is well prepared to manage climate-related risks and to navigate net zero transition. An internal carbon price can also signal that management understands the organization's exposure to potential increases in external carbon prices applied by governments and is factoring it into future investment decisions. The use of an internal carbon price is especially important in high carbon sectors such as oil and gas; metals, minerals and mining; and electric utilities which are particularly exposed to carbon reduction policies and external carbon pricing.



Related materials

The time has come: The KPMG Survey of Sustainability Reporting 2020

This is the 11th edition of the KPMG Survey of Sustainability Reporting. It offers a detailed look at global trends in sustainability reporting, with insights for business leaders, company boards, and sustainability professionals.

The survey has tracked global trends in sustainability reporting since it was first published in 1993. The 2020 edition is the most extensive of the 11 editions and is based on a review of reporting from 5,200 companies in 52 different countries and jurisdictions.

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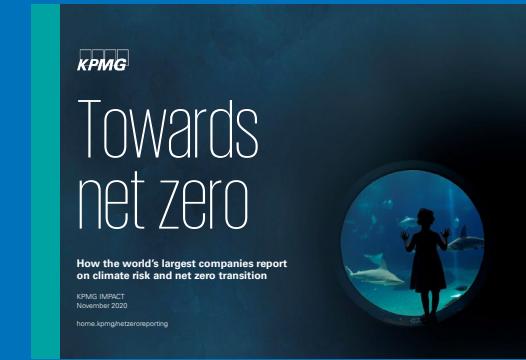
Towards net zero: How the world's largest companies report on climate risk and net zero transition

KPMG IMPACT has published a deep-dive study on climate risk and net zero reporting by the world's 250 largest companies.

The study proposes a set of quality criteria for climate-related disclosure and analyzes how the world's largest companies measure up against those criteria.

It also offers insights and advice on reporting from KPMG subject matter experts.

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Technology industry CEO outlook

Global CEOs' attitudes and priorities have changed during the period of unprecedented disruption caused by COVID-19.

The Technology Industry CEO Outlook reveals how tech leaders have evolved and accelerated their strategies on digital transformation, ESG practices, and supply chain resiliency.

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