Corporate responsibility reporting in the Consumer Markets sector

Key findings from the KPMG Survey of Corporate Responsibility Reporting 2015

August 2016

About this research

This briefing contains key findings on the Consumer Markets sector from the KPMG Survey of Corporate Responsibility Reporting 2015 (published November 2015). The research is based on two samples:

- The G250: the world's 250 largest companies by revenue as defined by the Fortune 500 2014 listing.[1] Consumer markets companies account for 15 percent of this sample (37 companies).
- The N100: the largest 100 companies by revenue in each of 45 countries – a total of 4500 companies worldwide. Consumer markets companies make up approximately 20 percent of this sample (889 companies).

Definition of the Consumer Markets sector

This briefing covers companies in the Consumer Markets sector as defined using subsectors from the International Classification Benchmark (ICB) system. It includes the subsectors of Retail, Food & Beverages and Personal & Household Goods. For more information, see page 5 of this briefing.

Download the full report at www.kpmg.com/crreporting

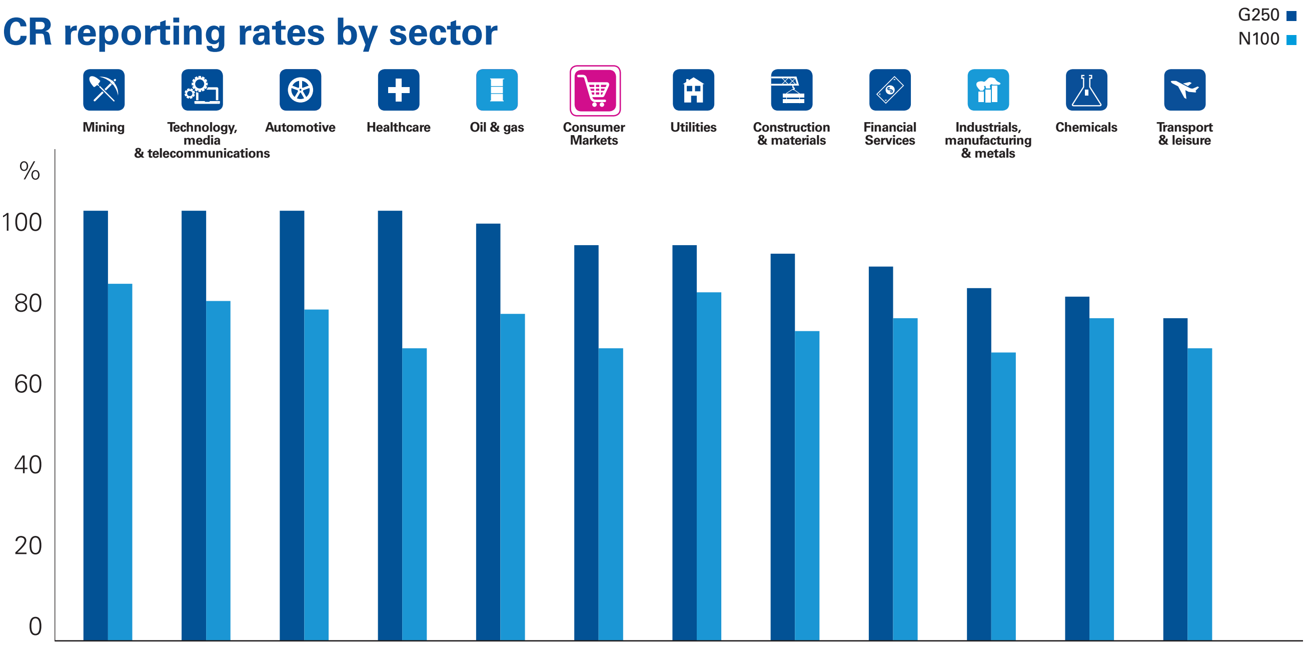
Rate of CR reporting is low among smaller companies

The rate of reporting on corporate responsibility (CR) by G250 consumer markets companies is in line with the global average. This suggests that CR reporting is established as standard business practice for the largest companies in this sector.

However, among the smaller N100 companies, the rate of reporting on CR is lower than the global average, with reporting rates being especially low among N100 retailers (58 percent vs the global N100 cross-sector average of 73 percent). In Africa and the Middle East only 30 percent of retail companies report on CR which is significantly less than the regional cross-sector average of 53 percent.

Sample	Consumer Markets reporting rate	Global average reporting rate
G250	92%	92%
N100	68%	73%

CR reporting rates by sector



Base: 250 G250 companies and 4,500 N100 companies
Source: KPMG Survey of Corporate Responsibility Reporting 2015

Consumer markets companies are among the least likely to invest in assurance for CR information

Just over half (56 percent) of the largest consumer markets companies invest in assurance for their non – financial information. This is lower than the G250 global cross-sector average of 63 percent and among the three lowest sector rates. N100 consumer markets companies are even less likely to assure their CR data with only a third of companies doing so. The Consumer Markets sector could do more to assure stakeholders that their non-financial information is accurate and credible.

[1] http://fortune.com/global500/2014/

Quality of reporting in Consumer Markets is above average but could be improved

Most consumer markets companies are publishing data on their CR and sustainability performance, but how does their quality of reporting measure up against the other sectors?

KPMG analyzed the quality of CR reporting among the G250 against a framework of 7 quality criteria (see breakout box). Researchers awarded each company a reporting quality score out of a maximum of 100.

The quality of reporting by consumer markets companies is above the global cross-sector average. The sector average score is 62 out of a possible 100 whereas the global average score is 57 out of 100.

KPMG's quality assessment criteria for CR reporting

1 Stakeholder engagement
The report should explain how the company identifies and engages its stakeholders and how their views inform CR strategy.

2 Materiality
The report should demonstrate a clear, on-going process to identify the issues that are most significant to the company and its stakeholders.

3 Risk, opportunity and strategy
The report should identify environmental and social risks and opportunities, and explain the company's strategic response.

4 Targets and indicators
The report should declare time-bound and measurable targets.

5 Transparency and balance
The report should be open about the CR challenges the company faces, as well as its achievements, and should communicate both effectively.

6 Suppliers and value chain
The report should show how the company's CR strategy and targets address the material social and environmental impacts of its suppliers, products and services.

7 Corporate responsibility governance
The report should detail how CR is governed within the organization, who has responsibility for it and how CR performance is linked to remuneration.

Overall CR reporting quality score

Base: 230 G250 companies that report on CR
Source: KPMG Survey of Corporate Responsibility Reporting 2015

Consumer Markets companies report well on sustainability issues in supply chains

Consumer markets companies score particularly well for reporting on their supply chains.

Almost all G250 consumer markets companies (91 percent) researched discuss the social and environmental impacts of their suppliers. This is the highest level of all sectors and significantly higher than the global cross-sector average of 67 percent.

This is likely due to increasing pressure on producers and retailers of consumer goods to take action on environmental issues such as deforestation and social issues such as factory working conditions and child labor.

Only two in five acknowledge the financial impact of sustainability risk

Only around two in five (38 percent) consumer markets companies acknowledge in their reporting the potential financial impact of sustainability risks to their business. Food & beverage producers are the most likely to discuss this, with over half (56 percent) doing so. However, consumer markets companies are unlikely to quantify the financial impact of these risks in their CR reporting. Only 3 percent do so.

This is an issue of increasing importance as investors look for better quality information on how sustainability risks and opportunities will affect the companies they invest in.

Retail companies score poorly for materiality

Retail companies could focus on improving their approach to materiality in their CR reporting. Retail companies score more than ten percentage points below the global cross-sector average in this respect. More than one in five (22 percent) retail companies fail to report on sustainability issues that are material to the business which is more than any other sector apart from Financial Services.

Most consumer markets companies report on carbon, but the quality of reporting could improve

Companies are under increasing pressure to cut their carbon emissions, as the global economy shifts towards a low-carbon, and ultimately zero-carbon, model.

With this in mind, KPMG has analyzed the carbon information published by the world's 250 largest companies (G250) in their CR and annual financial reports, using the following 3 principles:

1. Reporting should be clear about whether the company sees carbon as a material issue and, if so, what data is covered and why. Carbon data should also be assured to ensure accuracy.
2. Where carbon is seen as material, reporting should show that the company has set clear targets to reduce its carbon emissions and how it is performing against those targets.
3. Reporting should communicate carbon data clearly and explain how carbon reduction helps the business.

Most consumer markets companies (86 percent) do report on carbon. The rate is even higher – 100 percent – among food & beverage companies.

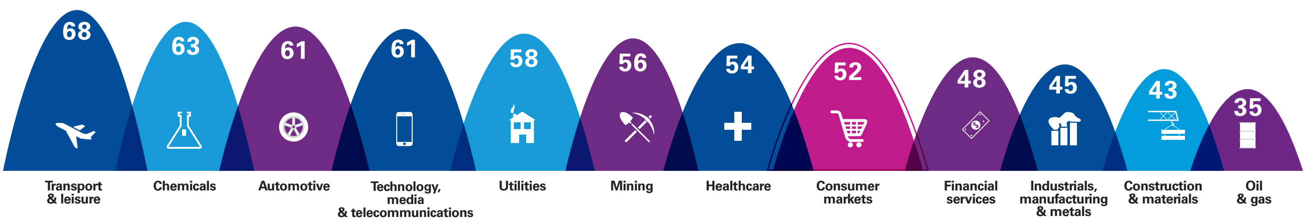
The overall quality score for carbon reporting among consumer markets companies is 52 percent which is in line with the global average (51 percent) but lags many other sectors.

Retail companies score particularly well for reporting on how cutting carbon benefits their business. Almost two thirds (65 percent) of retail companies do this, well above the global average of 51 percent. The rate is far lower among food & beverage companies (44 percent).

However, food & beverage companies do perform well when it comes to reporting targets for reducing their carbon emissions. Some 67 percent of food and beverage companies report targets. This is almost 15 percentage points above the global average (53 percent).

Across the Consumer Markets sector in general, reporting on emissions in the supply chain and emissions downstream is poor. Less than half (41 percent) of consumer markets companies report on emissions in their upstream supply chain and only 3 percent of consumer markets companies report on their downstream emissions (i.e. carbon emissions from the use and disposal of their products).

Consumer Markets one of five weakest sectors for quality of carbon reporting (scores out of 100)



Base: 205 G250 companies
Source: KPMG Survey of Corporate Responsibility Reporting 2015

KPMG member firms can provide you with a bespoke assessment of the quality of your corporate responsibility reporting and a benchmarking report that compares your reporting with sector or country peers, and the global cross-sector average.

For further information, contact your local KPMG member firm professional listed on page 6 of this briefing.

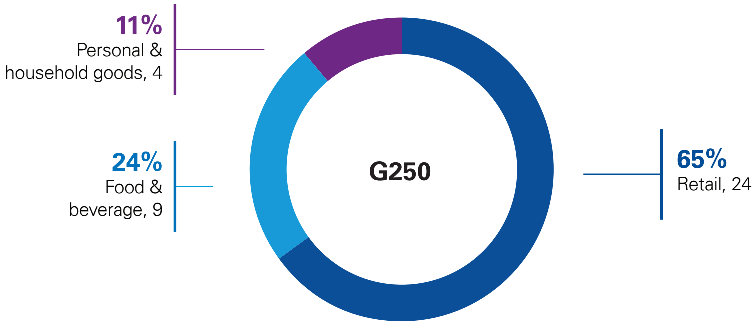
About the KPMG Survey of Corporate Responsibility Reporting 2015

KPMG has been tracking corporate responsibility (CR) reporting trends for 22 years and The KPMG Survey of Corporate Responsibility Reporting 2015 is the ninth edition. It is one of the largest surveys of CR reporting trends globally.

Definition of the Consumer Markets sector

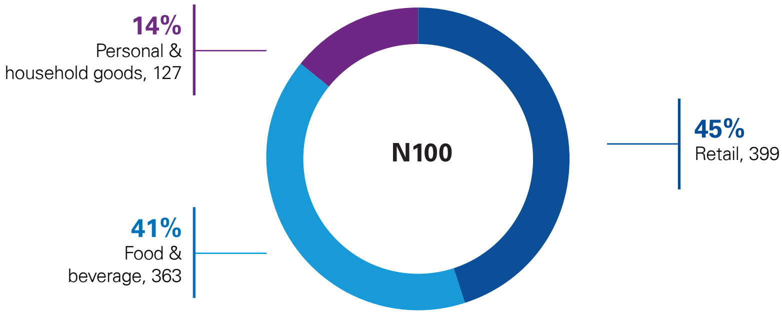
In the KPMG Survey of Corporate Responsibility Reporting 2015, the Consumer Markets sector was defined using subsectors from the International Classification Benchmark (ICB) system and includes Retail (General retailers, Food & Drug Retailers), Food & Beverages (Beverages, Food Producers, Tobacco) and Personal and Household goods (Personal Goods, Household Goods & Home Construction)

G250 consumer markets companies by subsector



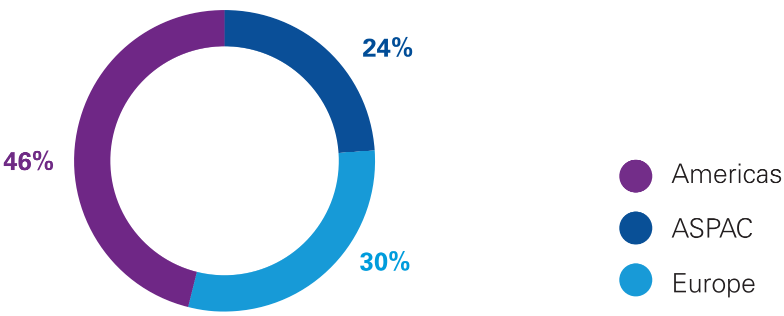
Base: 37 G250 consumer markets companies
Source: KPMG Survey of Corporate Responsibility Reporting 2015

N100 consumer markets companies by subsector



Base: 889 N100 consumer markets companies
Source: KPMG Survey of Corporate Responsibility Reporting 2015

G250 consumer markets companies by region



Base: 37 G250 consumer markets companies
Source: KPMG Survey of Corporate Responsibility Reporting 2015

Download the full report from kpmg.com/crreporting

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