Corporate responsibility reporting in the Automotive sector

Key findings from the KPMG Survey of Corporate Responsibility Reporting 2015

June 2016
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Automotive sector has a high rate of CR reporting

Automotive is one of the leading sectors in terms of the number of companies that report on corporate responsibility (CR). This suggests that CR reporting is well established as standard business practice among automotive companies.

However, companies in the Automotive sector are among the least likely to publish CR information in their annual financial report. Around two thirds (65 percent) of all G250 companies publish CR information in the annual report, yet only just over half (52 percent) of large automotive companies do so.

CR reporting rates by sector

<table>
<thead>
<tr>
<th>Sample</th>
<th>Automotive reporting rate 2015</th>
<th>Global average reporting rate 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>G250</td>
<td>100%</td>
<td>92%</td>
</tr>
<tr>
<td>N100</td>
<td>77%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Assurance of CR information is the norm for automotive companies

Large (G250) automotive companies are among the most likely to invest in assuring their CR information and greenhouse gas (GHG) emissions data. The rate of assurance in the Automotive sector (79 percent) is well above the global average (63 percent). This indicates that the sector recognizes the importance of assuring stakeholders, and society, that its non-financial information is accurate and credible. A commitment to credible environmental data is especially important for companies in this sector given the recent spotlight on questionable emissions data published by some companies.
Quality of Automotive reporting is slightly above average but could improve

All large automotive companies publish data on their CR and sustainability performance, but how does the quality of their reporting measure up against other sectors?

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

The quality of CR reporting in the Automotive sector is above average but could improve. The average quality score is 65 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, ongoing 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 quality score

<table>
<thead>
<tr>
<th>Automotive</th>
<th>65%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global average</td>
<td>57%</td>
</tr>
</tbody>
</table>

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

Automotive Sector scores well for targets and governance

Automotive companies score best against other sectors for sustainability governance. 84 percent of automotive companies identify a primary person or function that is responsible for CR & reporting on a day-to-day basis. The G250 global average is only 69 percent.

Automotive companies also score well for publishing CR targets and indicators but the quality and clarity of targets could be improved. Almost all automotive companies (95 percent) set some targets – significantly higher than the global average of 83 percent. However, far fewer (53 percent) link their targets to specific material issues and less than half (42 percent) set clear baselines and end dates for most or all of their targets.

CR reporting lacks detail

This trend of reporting but providing limited detail is also seen in the sector’s reporting on CR issues in the supply chain. Almost all (95 percent) automotive companies discuss the social and environmental impact of their products but less than half (42 percent) report on these issues in detail. This is lower than the global average (46 percent) and significantly less than companies in the Technology, Media & Telecommunications sector (67 percent), for example.

2 http://www.fsb-tcfd.org/
Automotive companies in top five for quality of carbon reporting

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.

Around 4 out of 5 (79 percent) of large automotive companies report on carbon. This rate is in line with the global average but lags behind high reporting sectors such as Food & Beverages, Utilities and TMT.

When automotive companies do report on carbon, the quality of reporting is generally high. The average quality score for the sector is 61 out of 100 – 10 percentage points higher than the global average score of 51 out of 100.

Automotive companies are more likely than many others to explain how reducing emissions benefits their business. Around three quarters (73 percent) of automotive companies do this compared to a global average of 51 percent.

Automotive companies also have a higher than average rate of reporting on their Scope 3 (downstream) emissions, likely due to increasing pressure on the sector to reduce carbon emissions of vehicles. Over a quarter (27 percent) of companies report on their downstream emissions which is much higher than the global average of just 7 percent.

**Scope of emissions reported**

<table>
<thead>
<tr>
<th>Scope</th>
<th>Automotive</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>87%</td>
<td>84%</td>
</tr>
<tr>
<td>2</td>
<td>80%</td>
<td>79%</td>
</tr>
<tr>
<td>3 (upstream)</td>
<td>33%</td>
<td>50%</td>
</tr>
<tr>
<td>3 (downstream)</td>
<td>7%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Base: 205 G250 companies that report on carbon
Source: KPMG Survey of Corporate Responsibility Reporting 2015

Large automotive companies are also doing a good job of explaining their carbon targets in their CR reporting: over two thirds (67 percent) give a clear rationale for their targets - almost double the global average of 36 percent.

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. 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 Automotive sector

In the KPMG Survey of Corporate Responsibility Survey 2015, the Automotive sector was classified in line with the International Classification Benchmark (ICB) system and includes automobiles, auto parts and tires.

G250 Automotive companies by region

Source: KPMG Survey of Corporate Responsibility Reporting 2015
Base: 19 G250 automotive companies

N100 Automotive companies by region

Source: KPMG Survey of Corporate Responsibility Reporting 2015
Base: 251 N100 automotive companies

Download the full report from kpmg.com/crreporting
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