



KPMG GLOBAL SUSTAINABILITY SERVICES

KPMG International Survey of Corporate Responsibility Reporting 2005

ADVISORY



KPMG International Survey of Corporate Responsibility Reporting 2005

Research conducted by

University of Amsterdam and KPMG
Global Sustainability Services™

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Forewords

KPMG International

I am delighted to present KPMG's fifth International Survey of corporate responsibility reporting since 1993. The survey reflects the growing importance within the business community of corporate responsibility as the key indicator of non-financial performance, as well as a driver of financial performance. It also reflects the responsibility that business has to be transparent and accountable not just to shareholders but also to the wider community.

I have always believed that there is a strong moral and business case for corporate responsibility. The moral case speaks for itself: it is simply about doing the right thing. The business case is that businesses perform best when they play a strong role in the communities in which they operate, for example, by encouraging their employees to do voluntary work. As International Chairman of KPMG and of Business in the Community in the UK, my strong conviction is that the best businesses of the 21st century will be those that are both profitable and responsible.

As our survey underlines, the important business drivers for corporate responsibility for companies are:

- to have a good brand and reputation
- to be an employer of choice
- to have and maintain a strong market position
- to have the trust of the financial markets and increase shareholder value
- to be innovative in developing new products and services and creating new markets.

These are important given recent corporate scandals since companies should not just talk about responsible practice but be seen to be acting responsibly. This can only happen if there is active communication with stakeholders and transparent reporting. I am pleased to provide you with this survey. I hope it will give you an insight into the current developments in corporate responsibility reporting and stimulate your own ideas.



Mike Rake
Chairman, KPMG International



KPMG Global Sustainability Services™

When we published our first global survey in 1993, we did not expect that in less than a decade the number of top companies in industrialized countries producing these kinds of reports would almost triple. Neither did we expect that corporate environmental reporting would be the 'icebreaker' for a much wider form of corporate responsibility (CR) reporting in the form of sustainability, triple bottom line or corporate social responsibility (CSR) reports. Reporting aimed at communicating with stakeholders, not only on environmental performance, but also in an integrated manner on environmental, social and economic performance, to be transparent and accountable. We could not envisage that in countries and in industry sectors lagging behind during the past few years, a tremendous effort would be made to catch up with these developments, sometimes even overtaking the vanguard. Looking back now to the beginning of the nineties, these facts are both striking and exciting.

Corporate responsibility reporting in industrialized countries has clearly entered the mainstream. We have observed an increasing professionalism in the form of new global reporting standards, standards that can be used to provide assurance on corporate responsibility reports. We also see that corporate responsibility performance of companies has definitely caught the eye of the financial sector as is reflected in recent developments like the Equator Principles, the Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index on the stock markets, and the emergence of Socially Responsible Investment funds. The awareness of the financial implications of climate change issues on businesses is also growing among the financial sector after the introduction of the European Union Emissions Trading Scheme (EU ETS) and the ratification of the Kyoto Protocol.

What are the business drivers behind corporate responsibility? In their corporate responsibility reports almost 75 percent of companies state that these are economic reasons, while over 50 percent give ethical reasons and talk about integrity and values. We believe that corporations are still busy finding their way in managing corporate responsibility, which might mean something different for each company. Many of them are still in the start-up phase.

During our research conducted by the University of Amsterdam and the professionals of KPMG's Global Sustainability Services™ practice we were excited by the new trends we found and the overwhelming amount of information. We have focused on some major trends in this report to give you better insight into the global developments in CR reporting. If you would like to know more or have specific questions, we will be pleased to assist you.

We are aware that there are different approaches to corporate responsibility in different regions and they might all have an influence on each other. This was not the subject of our survey, but some of these differences might be reflected in the results.

Corporate responsibility is easier said than done. The real challenge is in the integration of corporate responsibility into strategy and operations of a complex organization in a more and more globalizing economy. It is an unfolding learning journey. The destination cannot be predicted and the outcomes cannot be controlled. This is where we as KPMG member firms can play a role. Our professionals in corporate responsibility in more than 33 countries globally, with their experience in working for multinational corporations will be pleased to offer you support on your company's own learning curve and help you to make the change from a business perspective. Do not hesitate to contact us.



George Molenkamp
Chairman, KPMG Global Sustainability
Services™



Executive summary



The KPMG International Survey of Corporate Responsibility Reporting 2005 has been the most comprehensive survey of its kind since its initiation in 1993. This triennial survey analyzes trends in CR reporting of the world's largest corporations, including the top 250 companies of the Fortune 500 (Global 250, G250) and top 100 companies in 16 countries (National 100, N100). With its vast coverage of 1600+ companies the survey provides a truly global picture of reporting trends over the last ten years.

Major survey findings:

- CR reporting has been steadily rising since 1993 and it has increased substantially in the past three years. In 2005, 52 percent of G250 and 33 percent of N100 companies issued separate CR reports, compared with 45 percent and 23 percent, respectively, in 2002. If we include annual financial reports with CR information, these percentages are even higher: 64 percent (G250) and 41 percent (N100).
- A dramatic change has been in the type of CR reporting which has changed from purely environmental reporting up until 1999 to sustainability (social, environmental and economic) reporting which has now become mainstream among G250 companies (68 percent) and fast becoming so among N100 companies (48 percent).
- Although the majority of N100 companies (80 percent) in most countries still issue separate CR reports, there has been an increase in the number of companies publishing CR information as part of their annual reports.
- At national level, the top two countries in terms of separate CR reporting are Japan (80 percent) and the UK (71 percent). Reporting has increased considerably over the last three years in most of the 16 countries in the survey, with the highest increases seen in Italy, Spain, Canada and France.
- The typical industrial sectors with relatively high environmental impact continue to lead in reporting. At the global level (G250), more than 80 percent companies are reporting in electronics & computers, utilities, automotive and oil & gas sectors, whereas at the national level (N100), over 50 percent of companies are reporting in the utilities, mining, chemicals & synthetics, oil & gas, oil & gas and forestry, paper & pulp sectors. Most remarkable is the financial sector which shows more than a two-fold increase in reporting since 2002.

The survey includes a detailed analysis of the reports from the G250 companies which is focused on why companies are committed to corporate responsibility and what influences the content of reports. These results are summarized below:

- Business drivers for CR are diverse, both economic (74 percent) and ethical (53 percent). The top 3 reported economic drivers are innovation & learning, employee motivation and risk management & reduction with about 50 percent companies reporting these as motivating factors.
- Almost two-thirds of CR reports include a section on corporate governance, although most reports lack specifics on how CR is structured and information on how governance policies are implemented within the organization.
- The survey analyzed how companies select the issues discussed in the reports and whether the users of the report are systematically consulted during the process. The survey revealed that report content is most

commonly decided based on GRI guidelines (40 percent) with only a fifth (21 percent) mentioning stakeholder consultation. About a third of the companies (32 percent) invite stakeholder feedback on the report.

- Stakeholder dialogue was mentioned in almost 40 percent of reports with dialogue focused more on CR policies rather than reporting.
- Compared with environmental issues, coverage of social and economic issues and topics is far more superficial.
- Social topics are discussed by almost two-thirds of the companies, generally, in one or more of four areas: core labor standards, working conditions, community involvement and philanthropy. While the majority of companies express their commitment to these issues, reporting performance remains sketchy, possibly due to the lack of clear social indicators.
 - Economic issues are discussed by the minority of companies. Although

61 percent of reports include financial information such as profits, only 25 percent discuss the economic impacts of their business from a broader, sustainability perspective.

- Reporting on the supply chain is now common. Supplier issues are mentioned in a vast majority (80 percent) of reports, albeit without specifics, as companies are increasingly being asked to extend their responsibility down the supply chain.
- The survey analyzed reports for one of the most pressing environmental issues of today, climate change, which was addressed in about 85 percent of reports.

Independent assurance¹ remains a valuable part of reporting. In 2005 the number of reports with an assurance statement increased to 30 percent (G250) and 33 percent (N100) from 29 percent and 27 percent, respectively, in 2002. Major accountancy firms continue to dominate the CR assurance market with close to 60 percent of the statements.

¹ Assurance, as used here, refers to services other than audit as defined by the International Auditing & Assurance Standards Board.

1 Introduction to the 2005 survey

Defining corporate responsibility

The terminology used in relation to corporate responsibility and for reporting on CR performance is varied. Companies may refer to sustainability, sustainable development, corporate social responsibility and corporate responsibility, to name a few⁴. All of these terms broadly cover the topics of social, environmental and economic performance with differing levels of detail. For the purpose of the survey, we refer to all such activities and related reports by the general term Corporate Responsibility.

Corporate responsibility:

The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.

- World Business Council for Sustainable Development (WBCSD), 2004

The KPMG International Survey of Corporate Responsibility Reporting 2005 is the fifth in the series of KPMG surveys initiated in 1993 and published every three years since then. Conducted jointly by KPMG International's Global Sustainability Services™ (GSS) and the University of Amsterdam, the survey analyzes more than 1,600 of the world's biggest companies, by selecting the top 250 from the Global Fortune 500 (Global 250, G250) and the top 100 companies in 16 industrialized nations (National 100, N100) where reporting on corporate responsibility (CR) is already an established practice. An additional feature of this survey is the commentary on emerging trends in CR reporting in four regions.

As in our last two surveys, the 2005 survey explores trends in CR reporting, both regionally and by sector. It also investigates the drivers for corporate responsibility; discusses issues related to CR reporting, and provides some insight into the contents of the reports.

The G250 group of companies is indicative of the large multinational corporations that often tend to be leaders or pioneers in CR performance². On the other hand, the N100 group of companies gives a broad view of worldwide developments at national level. Together this parallel research provides a comprehensive view of the global trends in CR reporting.

1.1 Background

Seen from a purely ethical or philanthropic viewpoint, CR is not without its critics who claim that it is

yet another promotional campaign to improve corporate image and public relations. Others believe that costly CR activities are detrimental to the classic shareholder value theory. However, a growing number of companies (and their stakeholders) believe that long-term business success depends not only on a healthy balance sheet, but also on social and environmental performance. Analysis of the wider tangible and intangible impacts on commercial performance, along with greater focus on risk and opportunities, is steadily establishing the business case for CR. Companies will build (long-term) shareholder value by engaging with stakeholders other than the legal owners of the company and by taking into account the impact of business on the society (and environment)³. This puts CR firmly on the agenda of corporate boards and audit committees.

² "Towards transparency: progress on global sustainability reporting"; The Association of Chartered Certified Accountants (ACCA), 2004

³ "CSR: is there a business case?"; ACCA, 2003

⁴ "Corporate Social Responsibility: What's in a Name?"; World Business Council for Sustainable Development (WBCSD), 2004

“The findings of this authoritative KPMG survey on the worldwide practice of sustainability reporting sends GRI a significant message – the increase in use of the GRI Guidelines since 2002 as the single, global, framework for sustainability reporting highlights the need for a more robust platform to support growth in numbers of reporters, and increases in high-quality, relevant, performance-focused, and comparable reporting. This will be an ongoing reminder about GRI’s constant responsibility to its stakeholders to continuously improve the Sustainability Reporting Guidelines based on user’s experiences and needs.”

- Ernst Ligteringen, CEO, GRI

In the 1990s, non-financial reporting was dominated by environmental concerns. The trend toward sustainable business practice, against a backdrop of recent corporate governance scandals, has increased company awareness of the need to be accountable to a wider audience for all aspects of performance. Systematic public reporting on environmental and social (and ethical issues), together with economic performance, is an important way for companies to communicate their corporate responsibility to their stakeholders, thereby improving transparency and public trust.

In addition to the rising strategic importance of CR at board level, increasing standardization and new regulations, not least in the field of corporate governance, is also influencing CR reporting. The 2005 survey therefore addresses these issues in more detail, including a special section on the motivation for CR reporting, based on an analysis of information in the G250 reports.

In terms of CR reporting guidelines the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI)⁵, developed through a multi-stakeholder process, are now well established. Currently, 660 companies spread throughout 50 countries report⁶ on the basis of GRI guidelines. The guidelines provide principles and detailed indicators for reporting on all aspects

of CR performance. Further refinement, such as the ongoing development of sector-specific guidelines and protocols, for example on reporting boundaries, should help companies to focus their reporting and improve possibilities for benchmarking performance.

The need for consistency and transparency in relation to external assurance⁷ on CR reporting is also receiving considerable attention. Since the last survey, a number of standards have also been introduced in this field (Appendix E). Globally, the accountancy profession has introduced a standard for assurance on non-financial information, the International Standard for Assurance Engagements (ISAE) 3000, while AccountAbility has released AA1000 Assurance Standard, AA1000AS.

Finally, dialogue continues on the significance of CR information to the financial community. As a consequence, companies are increasingly being asked to report on CR and governance information in a systematic and standardized manner by identifying and prioritizing key challenges, and to report this, where relevant, as part of the annual (financial) report. The financial community invites regulators to provide a framework for disclosure and accountability in these areas to support investment decisions⁸.

⁵ www.globalreporting.org

⁶ www.globalreporting.org

⁷ Assurance, as used here, refers to services other than audit as defined by the International Auditing & Assurance Standards Board.

⁸ “Who Cares Wins: Connecting Financial Markets to a changing World”, The Global Compact, 2004

1.2 Survey Methodology

The survey involved a parallel analysis of the CR reporting of two groups of companies. The first set consisted of the top 250 companies of the Global Fortune 500 (G250) and was analyzed by the University of Amsterdam. The second set, consisting of the top 100 companies (N100) in 16 countries – Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, South Africa, Spain, Sweden, UK and the USA – were analyzed by the KPMG practices in those countries. The N100 list was created by revenue ranking based on a recognized national source.

The reports, either separate CR or published as part of corporate annual reports, were gathered between September 2004 and January 2005. These were the most recent corporate reports published in the previous two years, with the majority covering the calendar year 2003 or financial year 2003/4. The survey included only those reports that fit the definition of CR reports. Brochures, promotional materials and other available information, including websites and communications strictly devoted to community involvement, were excluded from the research. Similarly, information from websites, other than

CR reports in HTML format, was also excluded from the analysis.

The majority of the reports were downloaded from corporate websites. If the report was not available online, the companies were approached individually. This resulted in a response rate of 98 percent. The remaining 2 percent was assumed not to have a report. Reports from both groups (G250 and N100) in the survey were analyzed by country, sector as well as level and type of assurance. In addition, a more detailed analysis of the content of the G250 reports was undertaken. The analyses were conducted systematically using a standard questionnaire to maximize consistency and objectivity. The commentary on four regions where CR reporting is emerging was based on desk research by field practitioners.

1.3 Contents of the report

The results of the trend analysis, with regard to number of reports and sectors, at both global (G250) and national (N100) levels, are presented in Section 2. This section also gives an overview of emerging, regional CR reporting activities, in particular in four regions: Asia, Latin America, Africa and Russia (Emerging CR reporting). Section 3 presents the reported

business-related motivation of the G250 companies for reporting on CR and the factors that influence the scope of the reports, namely materiality, use of standards, and stakeholder engagement. Section 4 provides information regarding specific topics discussed in the CR reports (Issues and topics in CR reports) and information regarding CR issues in certain industry sectors (Industry focus). Section 5 presents an overview of survey trends and field developments related to external assurance. The survey report also includes interesting case studies and commentary from industry and thought leaders.

In Appendix A, the 2005 survey is compared with previous years' surveys. Appendix B provides an overview of the G250 sectors. A summary of mandatory reporting requirements is included in Appendix C, while Appendix D lists the standards and guidelines available for reporting both internationally and by country. Appendix E provides information on standards relating to external assurance on CR reports at international and national level. Appendix F provides a glossary of abbreviations and terminologies used in this report.

2 Trends in corporate responsibility reporting

The 2005 survey shows that the sheer number of organizations, both at global and national levels, reporting on CR information has risen significantly since the 2002 survey. There is also an overall increase in the scope of issues discussed, showing a trend of moving from purely environmental reporting to comprehensive reporting on the wider aspects of corporate responsibility.

2.1 Overview

As shown in Figure 1, 64 percent (161 companies) of the G250 corporations published CR information, either as a separate report or as part of the annual financial report, and 52 percent

(129 companies) published a separate report, compared with 45 percent⁹ (112 companies) in 2002. Seen at a national level, 41 percent (658 companies) of the N100 corporations published CR information, either as a

separate report or as part of the annual report, and 33 percent (525 companies) published a separate report, compared with 23 percent¹⁰ in 2002.

2.2 Type of CR reports

The most remarkable change since 2002 has been in the type of reports companies are issuing as separate (stand-alone) CR reports. In 2005, almost 70 percent of the global G250 and almost 50 percent of the N100 reports are published as sustainability (social, environmental and economic) reports. In 2002, however, almost 70 percent of both global and national reports were environmental, health and safety (EHS) reports. Stand-alone EHS reporting has dropped to about 20 percent.

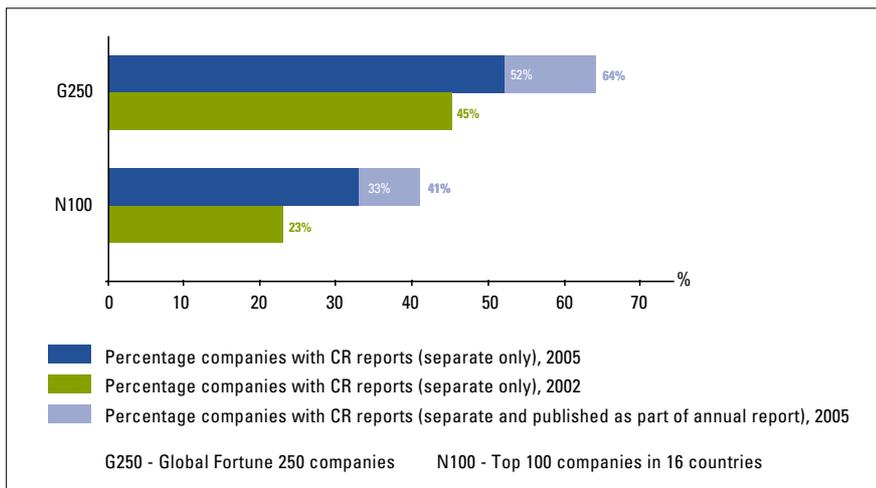


Figure 1: Corporate responsibility (CR) reporting, Global 250 and Top 100 in 16 countries (2002, 2005)

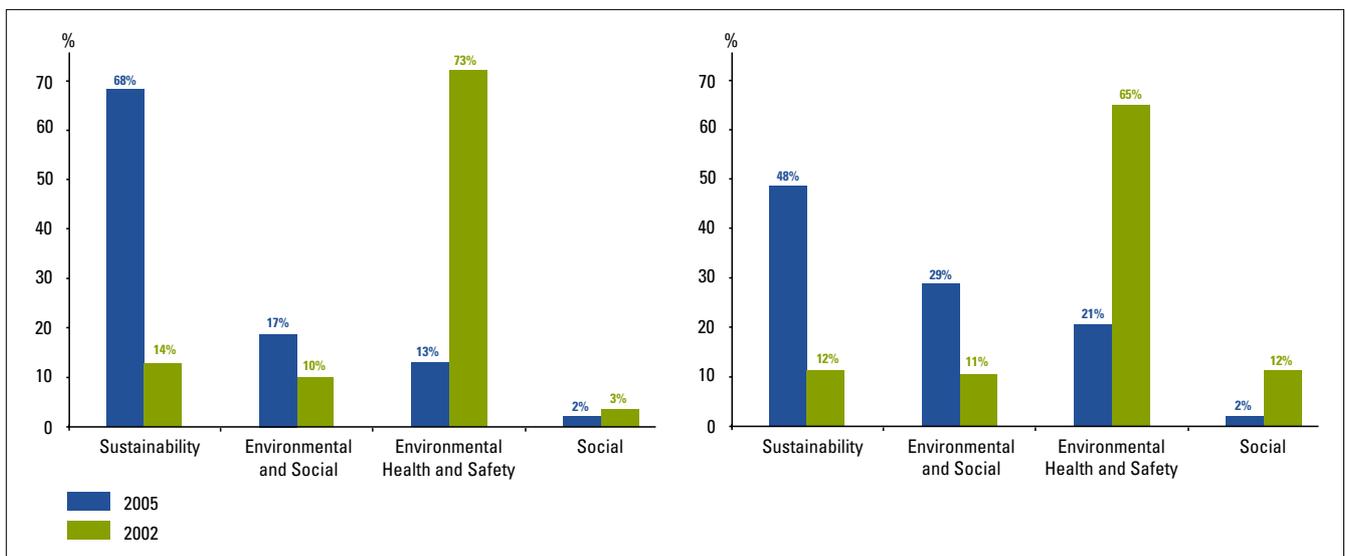


Figure 2a: Type of corporate responsibility (CR) reports, Global 250 (2002, 2005)

Figure 2b: Type of corporate responsibility (CR) reports, Top 100 in 16 countries (2002, 2005)

⁹ The 2002 survey did not segregate information regarding reports that publish CR information in annual reports

¹⁰ Due to change in survey methodology this number has slightly changed from one reported in 2002

2.3 CR reporting by country

Reporting trend by country for N100 companies

Figure 3 presents the data on the number of CR reports published as separate reports and those published as part of annual reports for 2005. Because of the change in the nature of reporting, the trend at national level is only analyzed for separate CR reports.

Japan (80 percent) and the UK (71 percent) take the lead in publishing stand-alone CR reports. The reports are published mainly as separate reports. In all but two of the N100 countries, with the exception of South Africa and Belgium, more than 70 percent of the CR reports are published as separate reports.

Since 2002, the number of separate CR reports in most countries has increased considerably with nearly a twofold increase seen in Italy, Spain, Canada and France. In South Africa the number of separate CR reports has risen from 1 to 18 in the last three years. The research also showed a significant decrease in separate reporting in Norway and Sweden. Although some of these changes can be partially explained by changes in legislation, impetus for these trends can be complex and such analysis is outside the scope of this research.

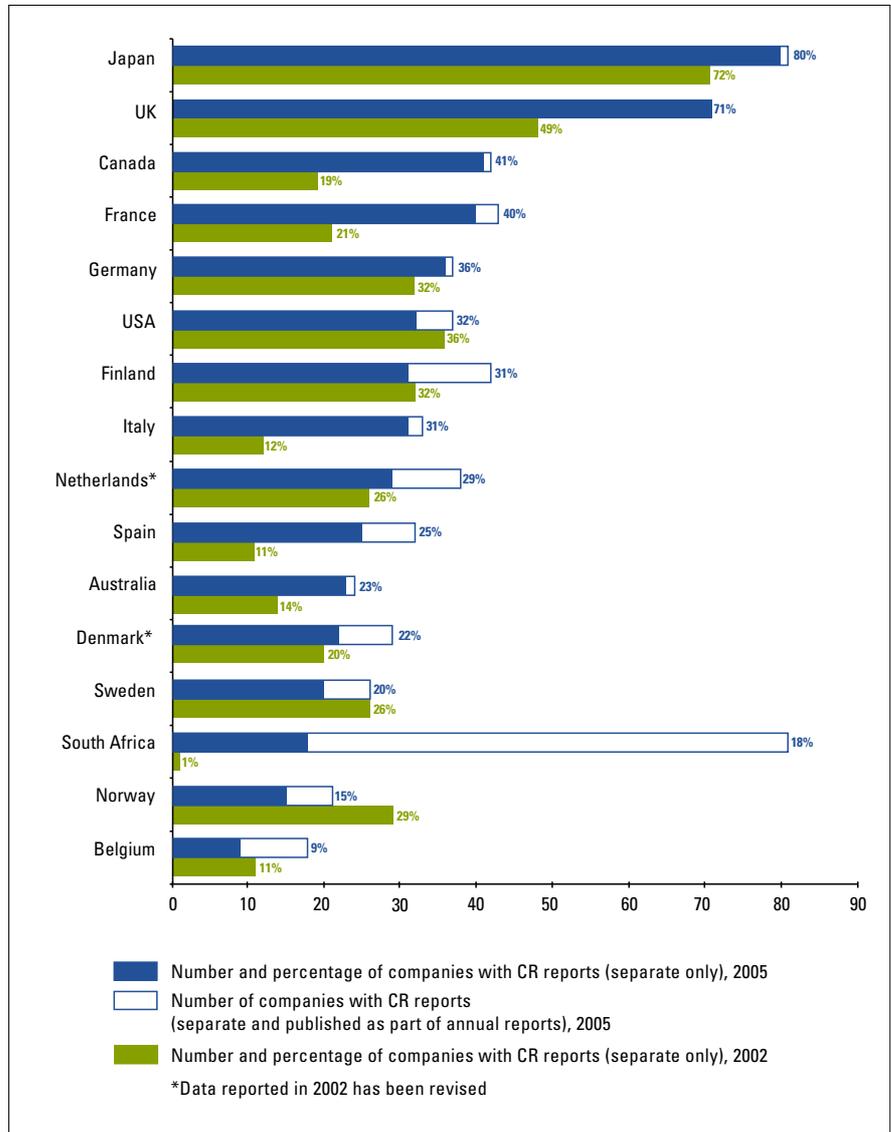


Figure 3: Corporate responsibility (CR) reporting trend by country, Top 100 in 16 countries (2002, 2005)

Geographical distribution of reporting G250 companies

Based on the composition of the Fortune list, the distribution of G250 companies may vary over the years. Therefore, even if the G250 results illustrate the global trend of CR reporting among the biggest multinational companies, they do not represent a truly global overview. In 2005, the G250 corporations are distributed across 21 countries/regions with the largest number of companies located in the USA (100) followed by Japan (40), France (24) and Germany (21).

In 2005, almost 80 percent of companies in nearly all 21 countries/regions have CR reports compared with just over 50 percent in 2002. The only exceptions are USA (35 percent), China (33 percent) and the Scandinavian countries (60 percent). As seen from Figure 4, the CR reporting activity in the G250 countries is in proportion to the number of companies in each country, with the exception of the USA and China. This, to some extent, supports the assumption that the CR movement as indicated by reporting is led primarily by multinational (G250) corporations rather than by other national influences.

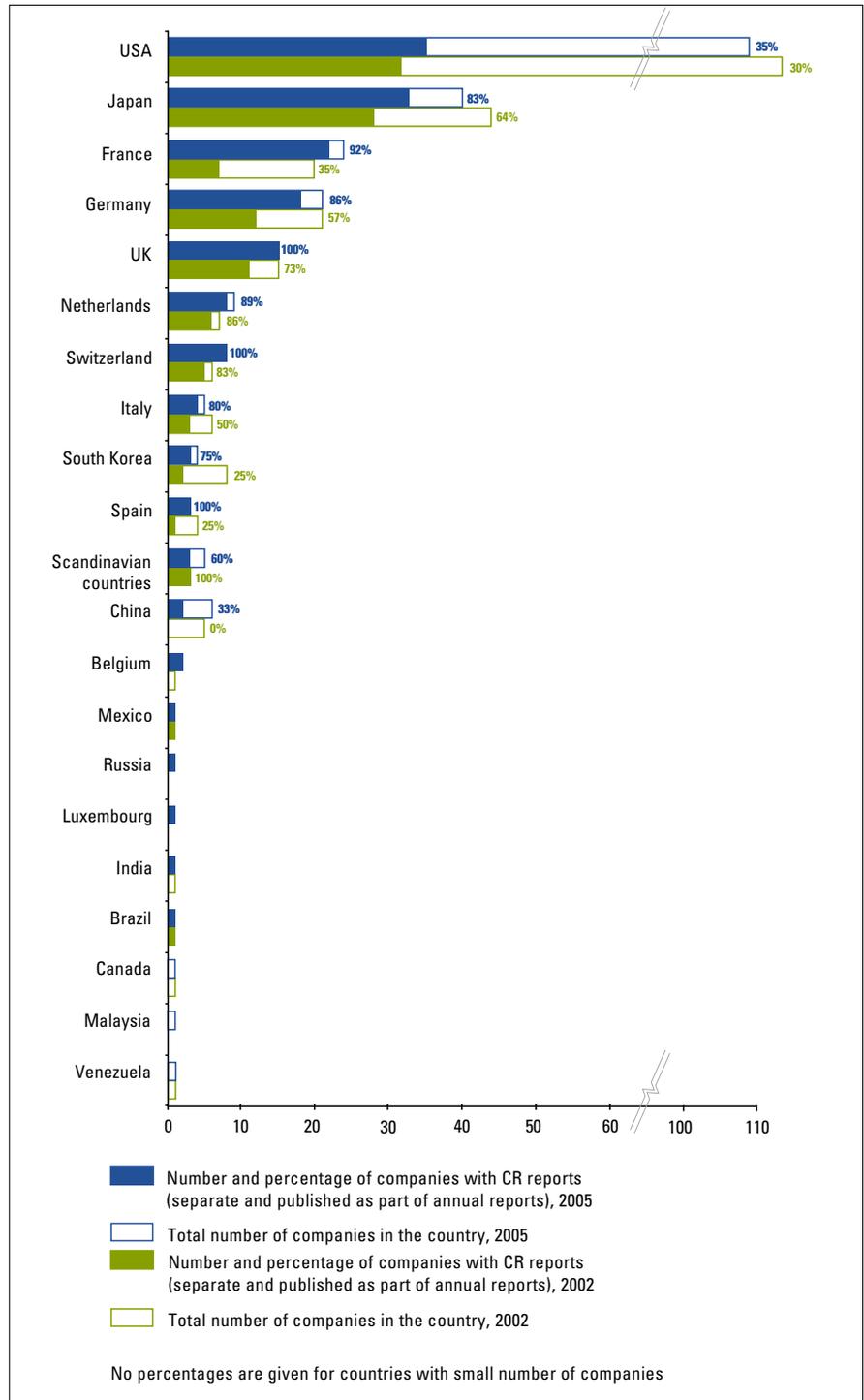


Figure 4: Geographical distribution of reporting companies, G250 (2002, 2005)

2.4 CR reporting by sector

This section illustrates sectors that are most active in CR reporting. Both the N100 and G250 sets show an increase in reporting activity in all sectors since 2002. However, the most notable increase is the change in reporting activity of the financial sector, which has traditionally lagged behind other sectors because of the nature of its operations. In 2005, reporting in the financial sector has increased dramatically among both G250 and N100 companies, reflecting the growing attention in this sector for CR related issues (see also Industry focus in Section 3).

N100 At the national level (Figure 5), CR reporting activity has increased since 2002 in all but one sectors for separate reports¹¹. Sectors in which more than 50 percent of companies have CR reports include utilities, mining, chemicals and synthetics, oil and gas, and forestry, pulp and paper. Similar to the G250 results, the N100 results show a 170 percent increase in the number of CR reports published by the financial sector (31 percent).

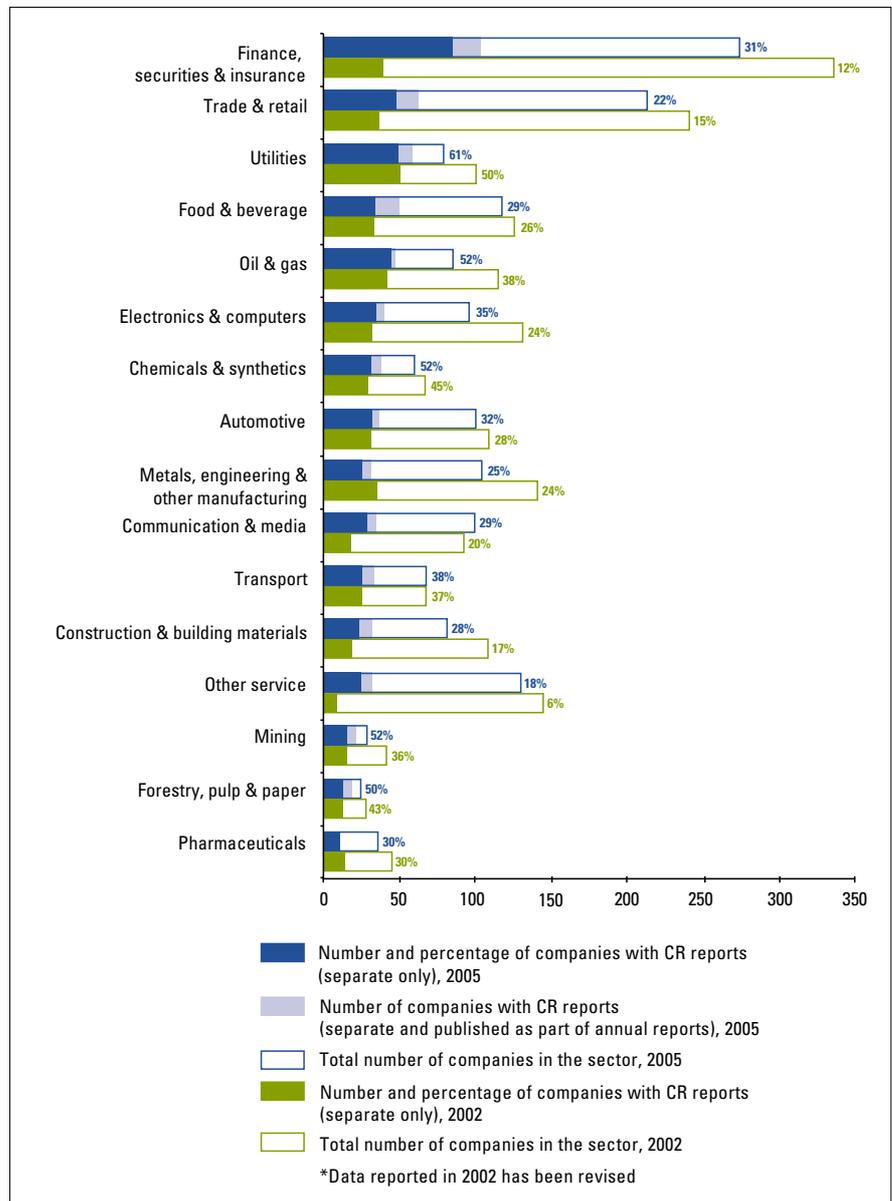


Figure 5: Corporate responsibility (CR) reporting by sector, Top 100 in 16 countries (2002*, 2005)

¹¹ Because of changes in survey methodology, comparison is done only for separate reports.

G250 All but one sector of G250 corporations showed increased reporting activity. Sectors in which more than 80 percent of the companies have CR reports include electronics and computers, utilities, automotive, and oil and gas. The financial sector (57 percent) shows a 138 percent increase in reporting activity since 2002. Some sectors are too small or have a considerably different composition of companies compared with 2002 to be able to draw any conclusions about the changes in reporting activity.

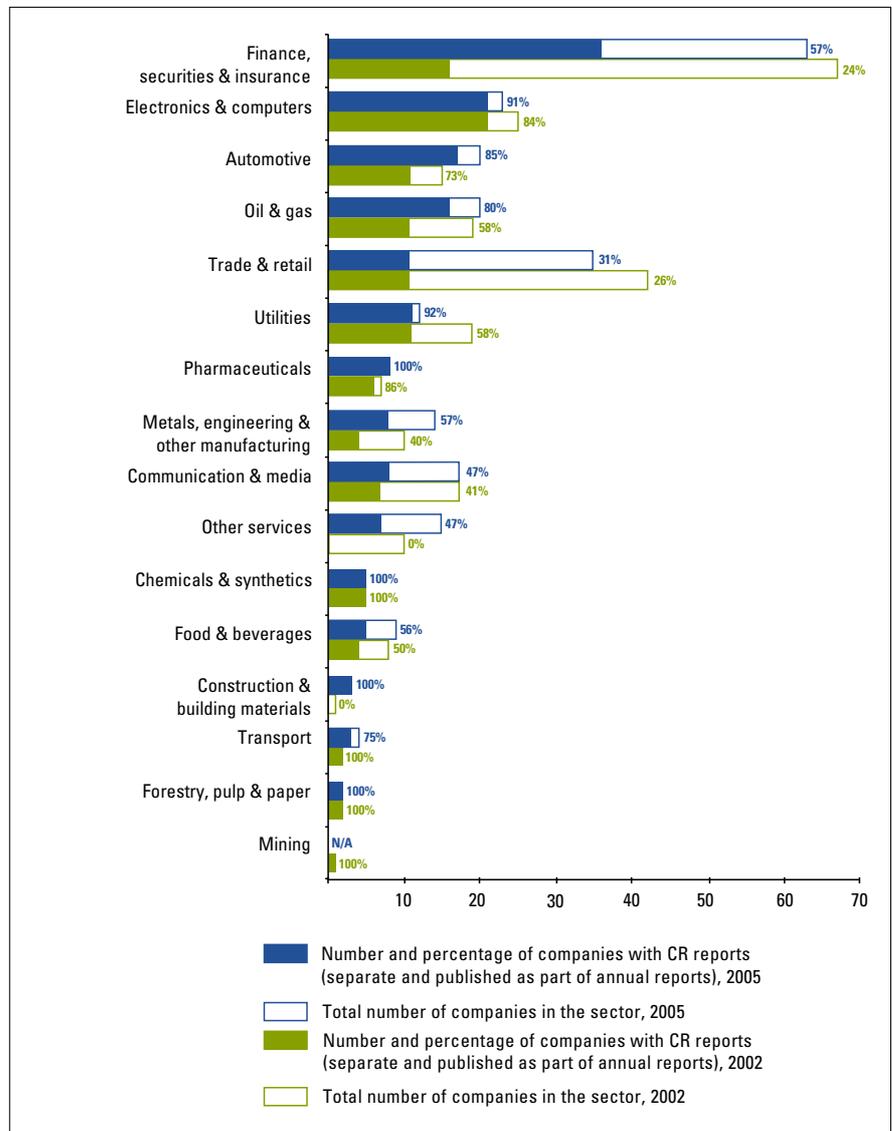


Figure 6: Corporate responsibility (CR) reporting by sector, Global 250 (2002, 2005)

Emerging CR Reporting

Reporting on corporate responsibility has become common practice in a number of countries like the USA, Japan, Australia and South Africa, which are included in the 2005 survey. Four of the regions where CR reporting is still at an emerging stage are described in this section: Asia, Latin America, Russia and Africa. Included are the views of academics and professionals; this may not represent the full picture of the CR reporting practice in emerging regions.



Asia

CR reporting practice in Asia is slow but growing; Japan being the biggest 'outlier' to this generalization. For a number of years, CR reporting in Japan has far surpassed that of Western countries. The picture in the rest of Asia is quite different. Although CR reporting in South Korea has taken off considerably in the past two years, it has still to take root in many other countries including India, Pakistan, Bangladesh, Sri Lanka, Malaysia, Indonesia, Singapore and Thailand.

CR reporting in Asia outside Japan is largely encouraged by Asian subsidiaries of multinational companies, and is generally restricted to large local corporations from sectors with a high environmental impact such as oil and gas, chemicals and steel. Many local companies, driven by the supply chain requirements of multinational companies, are also beginning to show interest in CR reporting, as they hope to win these multinationals as their customers. In the Asian cultures where public recognition plays a very important role, award schemes like the Association of Chartered Certified Accountants (ACCA) corporate reporting awards in Sri Lanka, Malaysia, Pakistan and Hong Kong are a significant stimulus.

CR reporting activity in two of Asia's fastest growing economies is described below:

- In India, although CR reporting is not mandatory, a small but sizeable number of both subsidiaries of multinationals and local companies in, for example, the steel, automotive and entertainment industries are publishing CR reports mostly based on GRI guidelines. However, most CR activities of these companies are focused on community initiatives rather than governance, risk and disclosure.
- In Mainland China, CR reporting is almost non-existent, but this is expected to change as China continues to expand foreign trade, seek overseas listings and as multinational companies increase sourcing of products from Chinese suppliers. In 2002, the GRI guidelines were published in Chinese to encourage local companies to report. At the moment, several Chinese banks publish CR reports as part of the banking sector's reform in anticipation of privatization.

Latin America

Developments in the CR field in Latin America are at an early stage. In Latin America there are at present about 20 CR reports, with 80 percent of these concentrated in Brazil, Chile, Argentina and Mexico. Reporting sectors are diverse, with the most active sectors being tobacco and mining, followed by construction and forestry. CR reporting is mainly restricted to large companies. Seven of the 10 largest companies operating in the region produce a report on the CR activities. Report titles vary, but they all signify a balanced approach to sustainability reporting recommended by the GRI guidelines. In Latin America, there is also a strong tendency for obtaining external assurance of CR reports, with more than half of the reports currently having been verified.

Main proponents of corporate responsibility in Latin America are private sector institutions, with weak impetus from the government¹². Unlike some other emerging regions, reporting practice is considerably higher among companies with Latin-American headquarters than for local subsidiaries of multinational companies.



Russia

Leading Russian companies have begun to formulate their ideas regarding corporate responsibility and many are engaged in specific programs in the social and environmental spheres. Current CR reporting may not yet reflect the level of involvement of companies in CR activities, but public and government appetite for reporting seems set to increase.

According to Perm State Technical University, out of the top 100 Russian companies, in 2003-2004 only five produced a separate report on environmental or social matters. Twenty more included CR related information in annual reports. However, many of these reports do not yet follow standard, internationally accepted guidelines such as those published by the GRI. The sectors in Russia with the most reports include oil, non-ferrous and ferrous metals, utilities, banks, and food. A key driver for the development of CR reporting in Russia is the need for transparent reliable information for key stakeholder groups, in particular the general public and local communities and international business partners. Russia's recent corporate governance scandals have also fuelled a broader need to rebuild the confidence of the international investors now skeptical of the management practices and ethics of Russian companies. The positive influence of foreign business partners such as the leading multinational companies with well-established CR activities is also likely to provide added impetus towards increased CR reporting in Russian companies.

¹² "Corporate Social Responsibility in Latin America and the Caribbean," Estrella Peinado-Vara, Inter-American Development Bank, 2004



Africa

With the sole exception of South Africa, where mining, food and beverage, retailing, and insurance sector companies have been producing environmental and corporate citizenship reports for several years, public reporting by companies on their CR performance is still a comparatively new concept in Africa. However, it appears that South Africa is not lagging far behind the rest of the world. Of the 642 reports listed on GRI's website, 31 are from companies operating in Africa, nearly double the number (19) from South and Central America, the Caribbean and the Middle East combined. It should be noted however, that with the exception of those reports from South Africa, the five other African reports are produced by wholly-owned subsidiaries of UK-based tobacco and alcohol companies.

Particularly in the case of South Africa, recent increases in the quantity and quality of CR reporting may be explained by a number of socio-political factors. Increased corporate governance requirements, including the adoption of the King Code of Corporate Governance (King II) for all listed companies, and the advent of the first Socially Responsible Investment (SRI) Index in an emerging market, the Johannesburg Stock Exchange (JSE) Securities Exchange's SRI Index, have increased the level of transparency and accountability required from companies operating in South Africa. Moreover, investors and analysts are becoming increasingly interested in how South African companies are managing their levels of social and environmental responsibility outside South Africa by expecting disclosure of CR issues 'up in Africa'. This has resulted in a push to ensure that the quality of CR reporting is enhanced and that the scope of reports is consistent with the full breadth of African operations.

At present, it appears that CR reporting excellence exists in small pockets of excellence around Africa. Aside from the shared experience of South African and UK parent companies to develop separate country reports, or the inclusion of regional reporting segments in global reports by Dutch, British or US companies, much has to be done to develop the same level of reporting sophistication that is represented by companies in South Africa.

3 CR reporting: drivers and issues

Corporate responsibility is increasingly considered an integral part of core business values and strategy, rather than an isolated function within organizations dealing with risks of non-compliance or damage to reputation from negative publicity or scandals. The reporting of CR performance is quickly moving away from compliance-related disclosure of quantitative data to the reporting of relevant information that is material to the organization's key stakeholders and decision-makers.

As CR reporting continues to develop, the business drivers are becoming clearer. There is growing attention on non-financial disclosures from a broad range of stakeholders who can have a significant influence on the business. Increasing regulation for listed companies is also leading to reports that are more focused on the business critical issues. Businesses using structured CR reporting and assurance processes are increasingly treating this

as a learning process to improve their internal business value and good management practices.

This section discusses the motivation behind corporate responsibility reporting and the main issues or challenges that companies face in determining the contents of CR reports.

"Over the last seven years, The Shell Report has built a proven track record for helping us improve performance and build trust. We have seen how, if done honestly, reporting forces companies to publicly take stock of their environmental and social performance, to decide improvement priorities and deliver through clear targets. Our reader surveys confirm that people receiving our report come away with a significantly greater sense of trust in Shell. We see that role continuing as we redouble our efforts to make The Shell Report an honest and open account of our sustainability performance, and as we take the steps needed to improve our environmental, social and business performance."

- Jeroen van der Veer, CEO, Shell





3.1 Drivers for corporate responsibility

3.1.1 Business drivers

KPMG's survey results (Table 1) highlight a range of drivers for reporting that businesses consider important. While the most common driver for sustainability, as reported by 74 percent of the companies, is 'economic reasons', more than 50 percent of companies reported that their CR behavior is motivated by ethics, values and codes of conduct guiding their business operations.

The economic reasons were either directly linked to increased shareholder value or market share or indirectly linked through increased business

opportunities, innovation, reputation and reduced risk. Thirty-nine percent of the companies reported improved shareholder value, and one in five (21 percent) reported increased market share as an important reason for sustainability. Almost half of the companies reported innovation and risk reduction as their main drivers. About half the companies also listed employee motivation as their driver for CR behavior, which is an indication of the 'war for talent' which is increasingly important in many companies in the G250. Only about a quarter of the reports mentioned 'reputation/brand' as a driver for CR. This appears reasonable as only businesses where performance is closely linked to brand or reputation name this as their driver for CR.

Table 1 Drivers for corporate responsibility

Driver	%
Economic considerations	74
Ethical considerations	53
Innovation and learning	53
Employee motivation	47
Risk management or risk reduction	47
Access to capital or increased shareholder value	39
Reputation or brand	27
Market position (market share) improvement	21
Strengthened supplier relationships	13
Cost saving	9
Improved relationships with governmental authorities	9
Other	11

3.1.2 Governance

Regulatory developments drive companies towards increased scope and governance in relation to their corporate responsibility reporting, as disclosure needs to be of reliable information. Over recent years, the attention to corporate governance has significantly increased, mainly due to corporate scandals. Regulatory developments, such as the 2002 Sarbanes-Oxley Act, the forthcoming Operational Financial Review (OFR) requirements in the UK and the EU Directive requiring the inclusion of environmental and social matters in annual reports, all contribute to the increased reporting on this subject.

As shown in Table 2, the majority of the reports (61 percent) include a

section on corporate governance, albeit that the information is often at a general level, and only 6 percent of the reports specifically link Sarbanes-Oxley to corporate responsibility. The link between corporate governance and corporate responsibility is mentioned in 53 percent of reports although, surprisingly, only one-third of the reports discuss the approach to CR within the company. This is an area for further improvement, specifically in relation to the manner in which CR is embedded in the broad organizational framework. This is further illustrated in how specific subjects are handled. For example, of the one in five reports (18 percent) that include policies for bribery or corruption, few elaborate on how such commitments are put into practice.

Table 2 Corporate governance

Topic	%
Code of conduct or code of ethics	67
Section in report on corporate governance	61
Link between corporate governance and CR	53
CR structure within the organization	32
Ultimately responsibility for CR	30
Separate CSO or CR unit	29
Whistleblower/ombudsman/other independent function	29
Codes related to corruption and/or bribery	18
Link between Sarbanes-Oxley and CR	6

3.2 Issues in CR reporting

3.2.1 Materiality

Given that CR covers an extremely wide range of issues, effective reporting is not about volume, but should enable stakeholders to make informed decisions relevant to their interests. A key issue for many companies is how to decide what they should report – what are the really significant or material issues for users – rather than what they can report. Central to this question is how a reporter identifies the target user groups for their CR report, and their information needs. Whilst a financial report has a key 'user group' (the shareholders and financial analysts), companies often state that the corporate responsibility report is for 'everyone' including employees, customers, suppliers, shareholders, management, non-governmental organizations (NGOs), etc. This often results in information overload – long,

detailed and often inaccessible reports, which are unlikely to reflect the behavior or decision-making of the company or inform its stakeholders.

The survey showed (Table 3) that reactions from stakeholders are often mentioned as providing input for the editorial policy. However, only 21 percent of the companies systematically undertake stakeholder engagement in order to identify the information needs of the specified user groups and only 11 percent give details of their engagement process. The most common tool used to decide report content was GRI, mentioned by 40 percent of reporters, with details given in about 30 percent (not shown in table) of the reports, in the form of a GRI table, for example. However, the discrepancy between these results indicates that although reporters use the indicator list in Part C of the GRI Guidelines, they may not have fully considered the reporting principles in

Part B, particularly on relevance, inclusiveness and completeness. This conclusion is supported by the result that less than 1 percent used AccountAbility's AA1000 principles in deciding materiality and issue selection. The survey showed that a second most important input for deciding the issues to report, particularly for the Japanese (18 reports) and French (4 reports), are national standards and regulations (13 percent). It is interesting that these reports still state that the report is seen as the starting point for dialogue with stakeholders.

It appears that the decision-making process for defining materiality, and therefore the content of sustainability reports, needs further attention if future reports are to fulfill the information needs, and therefore the consequent actions, of investors, customers, neighbors and the public.

Table 3 Materiality: how companies select content of CR report

Reference	%
GRI guidelines	40
Stakeholder consultation	21
Other (e.g. national standards and regulations)	13
Business Principles	3
AA 1000 principles	<1
Risk Assessment	<1

3.2.2 Stakeholder engagement

A company's stakeholders are those groups who impact and/or are impacted, either directly or indirectly, by the company and its activities. Where it was once a 'nice to have', stakeholder engagement is now a critical part of the business strategy of leading global organizations. As shown in Table 4, more than 57 percent of the organizations include information on stakeholders in their CR reports, but only 39 percent refer to structured stakeholder dialogue.

Benefits for companies of a strong stakeholder engagement program include a strengthened license to operate; enhanced two-way communication and trust leading to reduced legal and reputation costs; strengthened shareholder value; increased access to markets and the identification of potential risks. Good stakeholder engagement should feed into risk assessment and business strategy, and ultimately into the reporting process.

Although there are no legal standards for stakeholder engagement, the AA1000 series developed by AccountAbility includes a process of learning through stakeholder engagement. In addition, the GRI consists of a selection of indicators on stakeholder relationships, including the basis for the definition and selection of major stakeholders, the approaches to stakeholder consultation, the type of information generated by consultations and the use of such information. The survey shows that although only 7 percent of the companies report that

they systematically identify stakeholders, more than 39 percent refer to structured dialogue to engage stakeholders. Stakeholder dialogue is used mainly to discuss corporate policies on CR rather than the contents of the reports. In the future, we expect reporting to be more aligned with the critical issues identified by the stakeholders. We also expect a trend toward clearer identification of the target stakeholder groups for reports.

Over 32 percent of companies invite specific feedback on the reports from users, but only 8 percent report on the feedback. In future, companies are expected to come under pressure to demonstrate responsiveness to the issues and concerns raised by stakeholders through the process of engagement. While it might be impossible for companies to pledge to meet all of the demands of all of their stakeholders, they should be able to show in their CR reports that the concerns raised have been fed into the decision-making process at the highest level and provide examples of where outcomes have been influenced.



Table 4 Stakeholder engagement	
Topic	%
Key stakeholders mentioned	57
Structured stakeholder dialogue	39
Specific feedback on the report from stakeholders	32
Company publicly responds to stakeholder feedback	8
Stakeholders identification	7
Company measures impact of report via stakeholders dialogue	6

Spotlight on the automotive sector

Although the need and benefits of mobility that the automotive sector brings to the society are undisputable, this sector is clearly confronted with the challenge of corporate responsibility. Issues such as air quality, reliance on non-renewable resources, CO₂-emissions, traffic safety and congestion problems all present challenges which need to be addressed. Additionally automakers that increasingly operate on a global scale and outsource parts of the value chain to developing countries have to respond to social issues like human rights, diversity and the HIV/AIDS pandemic. This trend may explain the rise in CR reporting in this sector. In 2005, almost 85 percent of the 15 global G250 automotive companies published a corporate responsibility report, an increase of 12 percent compared with 2002.

How are the leading automotive companies responding to the challenge of CR and CR reporting?
Let's take a look at Toyota and Ford.



Toyota Motor Corporation, Environmental & Social Report 2004

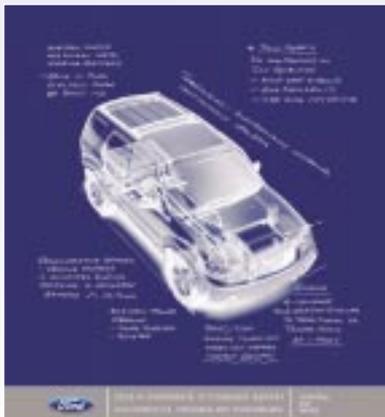
Toyota Motor Corporation (Toyota) issued its first environmental report in 1998. When responding to the challenge of CR, the environment has always been a top priority for Toyota. In fact, developing environmentally friendly technology is also seen as one of Toyota's key societal responsibilities. This vision is clearly reflected in Toyota's CR reports. However, since the 2003 financial year Toyota has extended the scope of the reports to include both social and economical aspects of the company's CR performance.

The 2004 report thoroughly discusses the environmental management and impact of Toyota's activities in most of its business functions from Design to Sales/After Sales. The report presents environmental data and achievements against both its past and future goals. The report also discusses Toyota's second-generation hybrid vehicle, Prius, which has received high acclaim and support from a wide spectrum of stakeholders, including some environmental NGOs.

But what is most interesting is that in the 2004 report Toyota specifically addresses social topics in relation to its customers, employees, business partners, shareholders and society at large. Toyota sees this as a first step only to be enhanced over time to further improve its *accountability* which is the company's main driver for reporting both environmental and social performance.

“In the future, Toyota plans to continue enhancing disclosure of information both the environmental and social aspects of its activities”

– Kosuke Shiramizu, Executive Vice President, Toyota Motor Corporation



Ford Motor Company, 2003/4 Corporate Citizenship Report

Since Ford issued its first Corporate Citizenship report in 1999, it has seen the role of its reporting change. What started as a sign of commitment and a stake in the ground on issues such as climate change and human rights is becoming more and more a consistent and systematic discussion of Ford's economic, environmental and social performance.

The 2004 report clearly addresses the most important sector issues like sustainable mobility, hybrid cars, fuel economy, vehicle safety and diversity. Furthermore, interesting sections explore such key issues as protection of human rights in the supply chain, developments in China and responding to the threat of HIV/AIDS.

The report shows a remarkable candor in addressing challenges and presenting both quantitative and qualitative information. It touches, for example, on not meeting a goal of improving SUV fuel economy and includes several outside perspectives, including critical ones. According to Ford, some challenges revolve around discussing the need for multi-sector cooperation and involvement of other actors, and encouraging more stakeholder groups and people to read the report.

“Reporting is part of a continuous improvement process, not an end in and of itself. While the report is certainly a means to communicate externally, surprisingly a good portion of its value comes from raising awareness and building alignment internally.”

–Tim O'Brien, Vice-President of Corporate Relations, Ford Motor Company

Issues and Topics in CR Reports

Social Issues

The trend toward a greater coverage of social issues in CR reports, which until the end of the 1990s had primarily addressed environmental, safety and health concerns, has continued in recent years. Four important social topics covered in the CR reports of G250 companies are: core labor standards, working conditions, community involvement and philanthropy. Standards and guidelines adopted by international organizations continue to be the main reference for companies reporting on their social performance.

Core labor standards

Table 5 shows that the majority of reports contain general commitments to human rights, which encompass the core labor standards defined by the International Labour Organization (ILO): the right to equality of opportunity and treatment, the right to freedom of association and collective bargaining, the abolition of child labor and the prohibition of forced labor. Among these, the right to equality of opportunity and treatment features most prominently in the reports, along with commitments to diversity. In contrast, less than a third of the reports mention any of the other core labor standards. Few of the reports provide details on how pledges to respect these and other human rights are translated into practice. With the growing pressure on companies to be accountable for the actions of their suppliers, we expect that the attention given to human rights issues will increase in future reports.

Working conditions

As Table 6 illustrates, most of the CR reports address general working conditions. These cover aspects such as working time and work organization, wages and incomes, work and family,

maternity protection, occupational safety and health, harassment, stress and violence. However, companies usually report only on a selected number of issues concerning terms and conditions at work in plants and supply firms.

Three-quarters of the reports mention occupational health and safety, often with specific information on accident rates and health management systems. An equally high number of reports touch upon employee training, which is not surprising given that lifelong learning features high on the agenda of organizational development. Reports that provide specific information on employee satisfaction are in the minority, which could be due to the sensitive nature of potentially negative ratings, difficulties in specifying the factors that affect staff (dis)satisfaction and problems in quantifying the economic cost of employee discontent.

Table 5 Social issues: core labor standards

Topic	%
Diversity	68
Equal opportunity	61
Human rights	51
Collective bargaining	33
Child/forced labor	30
Freedom of association	27

Table 6 Social issues: working conditions

Topic	%
Health and safety	72
Training	72
Working conditions	62
Employee satisfaction	32

Community involvement

Most reports cite programs that address the needs of local communities. The relevance of such programs depends on the degree to which they address social concerns related to a company's operations, and to the assumed business value of the community interventions.

As Table 7 suggests, many companies recognize that they are not isolated from the social environments in which they operate. Programs aimed at improved health or education services or at HIV/AIDS prevention and treatment are perceived to be beneficial for the wellbeing of the local workforce. Employee volunteer programs, which constitute a particular form of community involvement, may bring additional benefits to the company, including skills development and higher employee morale, improved communication across departments, deepened relations with potential customers and business partners, and improved reputation.

Philanthropy

Three out of four G250 companies report on their philanthropic activities. Leaving aside possible PR and tax benefits gained from making charitable contributions or from running a corporate foundation (Table 8), philanthropic programs tend to be less strategic than other forms of social investments in terms of the added social and business value. The social causes KPMG addressed by voluntary giving are often of little or no relevance to a company's productivity and profitability. On the other hand,

companies may find it easier to implement philanthropic programs compared with efforts to mainstream CR programs into their strategies and operations, e.g. by ensuring the application of core labor standards throughout the supply chain, or by strategic long-term engagements in the community.

International standards and codes

Most of the reports (Table 9) refer to the standards established by the UN system (including ILO, the United Nation's (UN) Declaration of Human Rights and the Global Compact), followed by the Organisation for

Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Management frameworks, such as SA8000 or the more recently developed AA1000, play a relatively marginal role in CR reporting.

This suggests that the UN and ILO continue to be regarded as the principle providers of universally recognized standards for social and labor practice. At the same time, the standards established by the UN system contain no direct provision for stakeholder engagement or third-party assurance as established under SA8000 and AA1000.

Table 7 Community involvement

Topic	%
School/education programs	65
Employee involvement (volunteering)	58
Health programs	40
HIV/AIDS	29
Water projects	11

Table 8 Philanthropy

Topic	%
Philanthropy	74
Foundation	47

Corporate reporting on social performance is often anecdotal, especially where the criteria for the selection and development of specific social programs are not disclosed. This could be explained by the absence of universally accepted social indicators and by the hesitation of most corporations to fully embrace the reporting standards on corporate social performance that have emerged in recent years. Information provided is not always substantiated through quantitative data.

In part, this may be due to the sensitive nature of such information, but also due to difficulties in measuring performance against social performance indicators.

In the future, the frontrunners in social reporting will distinguish themselves by means of policies and programs that are informed by the views of stakeholder groups directly affected by corporate decision-making and that can be independently verified against a clear set of performance indicators.

Economic issues

Presenting data on economic performance in CR reports not only provides information on the size and economic importance of a company, but may have the additional advantage of serving as a reference against which the relative significance of voluntary contributions to society can be measured. Table 10 shows that only a minority of companies discuss the economic impact of their core business operations in their CR reports. This may be due to the perception of corporate responsibility as an add-on to a company's economic performance, rather than an integral part of it. In addition, it is difficult to quantify the diverse social gains of economic activity.

Almost two thirds of G250 companies provide basic information on their economic performance, including sales and profits, in CR reports. A few companies add information on the amount of taxes paid. Only a quarter of the companies specifically highlight the economic impact of their operations on society. Fair trade is mentioned by only 6 percent of companies and refers mostly to initiatives aimed at promoting awareness among employees (e.g. by offering fair trade certified food in cafeterias) rather than integration of this concept in core business operations. Fair competition, both in terms of anti-trust policies and procedures for selecting supplier firms, receives little attention. We foresee that business-to-consumer companies will report increasingly on their engagement with the 'bottom of the pyramid'¹³, i.e. lower income markets

Table 9 International standards

Standard	%
Global Compact	35
ILO	19
UN Declaration of Human Rights	16
OECD guidelines	11
Equator principles	7
Other UN Declarations	5
SA8000	4
AA1000	4
ICC Business Charter	4
Sullivan Principles	3
Responsible Care	4
Other	<1

Table 10 Economic issues

Issue	%
Basic information (e.g. profits)	61%
Impact of economic activities on society (direct)	25%
Tax issues (e.g. tax payments, transfer pricing)	16%
Fair trade	6%
Fair competition	6%

¹³ "The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits", C. K. Prahalad, 2004

whose combined purchasing power and entrepreneurial capabilities are considered to hold the key to both more profits and poverty alleviation. It is unclear if more contentious issues such as the social impact of corporate restructuring and outsourcing will be more openly addressed in corporate responsibility reports.

Supply chain issues

Supply chain issues are a relatively new phenomenon in corporate responsibility reporting. In a global economy with companies relocating part of their production to suppliers in low cost countries, the responsibility agenda will grow throughout the supply chain. NGOs, media and other stakeholders are putting significant pressure on global companies to take responsible actions in their supply chain. Companies are asked to be accountable in the long-term for their supplier actions and conditions, not just to take corrective actions such as removing suppliers that are not in compliance with the company's code of conduct. The supply chain agenda scope mainly relates to human rights issues, child and forced labor issues, working conditions and environmental issues.

The survey results show that 80 percent of the CR reports mention supply chain issues. Almost 70 percent of reports mention some form of supplier declaration, for example, a code of conduct that the company requires from its suppliers. However, only 16 percent companies report that they conduct supplier audits to see how well these are implemented.

The results suggest that the content of supply chain reporting is still immature in terms of the depth of issues discussed. The fact that a minority of companies report on supplier audit could be an indication of the difficulties companies face with accounting for supplier performance and that companies have more developmental work to do before they can prove how they 'walk the talk' in the supply chain.

Greenhouse gas issues

One of the most pressing environmental issues for companies is climate change. Not surprisingly, about 85 percent of the CR reports address climate change, while 67 percent measure and report on the amount of direct greenhouse gas (GHG) emissions from their own business operations.

Reporting of indirect emissions is much lower, with 33 percent reporting emissions from purchased electricity and 26 percent reporting emissions from other sources, including transportation or emissions associated with the use of the company's products or services. Many companies report on a wide range of activities undertaken to reduce emissions, such as the introduction of hybrid vehicles by automobile companies, purchase of renewable energy and carbon sequestration by capturing and storing CO₂, which is growing in popularity.

Two recent developments are helping to bring the climate change agenda to the heart of business operations and are having a direct impact upon reporting. These are the

implementation of the European Union Emission Trading Scheme (EU ETS) and the ratification of the Kyoto Protocol. The EU ETS focuses on direct emissions of CO₂ on installation level, and companies with facilities within the EU will find themselves increasingly well equipped to collect and report verifiable GHG data in annual reports. Based on the survey results, about 24 percent of G250 companies are beginning to explore the consequences of emissions trading, predominantly those from sectors that are most affected by climate policy, such as companies in the energy sector and automobile manufacturers.

The enforcement of the Kyoto Protocol in 2008-2012 creates opportunities for companies to participate in the Protocol's project mechanisms, Joint Implementation (JI) and Clean Development Mechanism (CDM). These mechanisms are attracting considerable interest from companies as they provide an opportunity to generate emissions reduction credits that can be used by companies participating in the EU ETS and other schemes. Only about 13 percent of the companies discuss their involvement in carbon reducing projects or are planning such projects. These initiatives are more popular among Japanese companies investing in other East Asian countries.

Industry Focus

Financial sector

The financial sector has made significant progress on corporate responsibility in the last three years. Where the sector had seen responsibility for protecting human rights and the environment as an issue for industrial companies, it is now increasingly recognizing its own responsibility. Due to the increase in public interest about where money is invested and the growing evidence of long-term financial benefits of social and environmental consideration, financial service providers have started to incorporate CR in their core business. Almost 60 percent of the sector in G250 and more than 30 percent of the sector in N100 publishes a CR report.

Financial companies show different styles in incorporating CR into core activities. Thirty-five percent of the reporting companies have a Steering Group that places CR directly at the business units. Thirteen percent established a CR department to support their business units. In some cases similar but more decentralized structures were found, such as working groups, a 'policy review' group and a CR advisory committee.

Most significant sector developments in terms of CR have been the Equator Principles guidelines for project finance, industry-wide attempts to encourage socially responsible lending in emerging markets, and the growth of sustainable asset management in Asia, Europe and the USA, which currently represents about 6 percent

of the total amount of retail and institutional assets worldwide. Under pressure from external stakeholders like customers and NGOs, the main challenges for the financial sector are the incorporation of CR related risks and opportunities in mainstream asset management, credits and insurance activities.

Consumer markets: food & beverage and trade & retail

In the food & beverage sector 56 percent of the G250 companies and 29 percent of the N100 companies published a CR report. In the trade & retail sector, the numbers are 31 percent and 22 percent, respectively. Compared with 2002, there was no significant change in the number of companies reporting on CR in both sectors. These sectors are therefore still lagging behind others, while the CR issues in these markets become increasingly evident. For example, there have been a number of high profile media cases highlighting poor labor standards in supply chains and food safety scandals and there is growing government and public concern on issues associated with obesity and consumer health.

Both sectors state that employee motivation is an important driver for managing sustainability related issues; a company with a visible approach to sustainability is viewed positively by employees and helps to attract new recruits. For trade & retail companies in particular, sustainability is strongly linked with quality and customer satisfaction. For food & beverage companies, ethical behavior throughout the value chain, towards suppliers,

employees and customers, is viewed as essential.

The majority of reports mention supply chain management, specifically ethical training provided to suppliers and supplier audits. There seems to be general acceptance that responsibilities go beyond companies' direct control and that the management of supply chain issues serves to both enhance and protect brand and reputation.

In 40 percent of the reports published in both sectors, consumer health and safety issues were covered, including specific information on ingredient use, animal testing, genetically modified organisms, and pesticide use in agriculture. About 60 percent of the trade & retail company reports discuss how they are improving the integrity of their product ranges, e.g. by means of the introduction of organic or fair trade products, or through local sourcing initiatives to support local suppliers and businesses.

Energy and natural resources: oil & gas

The oil & gas sector has for years been one of the leading sectors in environmental reporting /sustainability reporting. This explains why 80 percent of the twenty G250 oil and gas companies report on CR issues. Approximately half of these were published as part of annual reports. The trend towards reporting in annual reports is an indication of the increasing importance attached to CR issues by shareholders. This trend is likely to increase with national regulatory listing requirements.

Another interesting trend is the link made by companies with corporate governance. In their reports, half of the companies specifically link good corporate governance to CR, with many discussing transparency and 46 percent specifically referring to contributions to the Extractive Industries Transparency Initiative (EITI)¹⁴.

Despite the relatively long experience with environmental or sustainability issues in this sector, most of the reports do not mention specific target groups. Only one company mentions that it targets specific groups for the report. This could indicate a lack of clarity as to who the key audiences of CR reports in this sector are and raises the question whether these reports are sufficiently tailored to the specific information needs of their stakeholders.

Companies in the sector are becoming more explicit about the business drivers for CR. Of those reporting, half or more mentioned the following as business drivers for CR: economic reasons (69 percent), risk management and reduction (56 percent); innovation and learning (56 percent); and 37 percent mentioned access to capital/shareholder value. This pattern is very much in line with the pattern of drivers for the survey overall.

There was little mention of specific CR standards (one company mentions AA1000 and two mention national CSR standards). The ISO14001 standard for environmental management systems was mentioned by 50 percent and the

Global Compact was mentioned by 37 percent. All 16 of those reporting refer to GRI with 14 claiming to be in accordance with GRI.

As would be expected for this sector, most reports talk about climate change issues, verification of GHG emissions and preparation for participation in emissions trading schemes, with 93 percent mentioning the economic implications of climate change policy.

Chemicals & pharmaceuticals

The chemicals and pharmaceutical sectors have for many years been scrutinized for their environmental and social performance. Traditionally, the chemicals sector has been perceived as polluting and hazardous and has been afflicted by several high profile incidents (Seveso, Sandos, Bhopal). Issues such as affordability and access to medicines in deprived communities have been the subject of significant attention in the pharmaceuticals sector. The sectors have been subjected to increasing regulation as well as developing their own sector guidance through the Responsible Care® programs. This may explain why all of the thirteen G250 chemicals (five companies) and pharmaceutical companies (eight companies) report on their CR performance, either as part of the annual report and accounts or as a separate report.

Nine of the companies specifically link good corporate governance to CR, and eleven referred to codes of conduct, which suggests that CR performance is embedded in the way most companies do business in this sector.

All the chemicals companies and five of the pharmaceutical companies mentioned supply chain audits which indicates the importance attached to supply chain integrity in the sector. Stakeholder analysis is mentioned in twelve of the reports illustrating recognition in the sector of the importance of stakeholders.

In terms of drivers for CR, the predominant drivers quoted in the chemicals sector are: economic reasons (80 percent), ethical reasons (80 percent) and innovation and learning (60 percent). In the pharmaceuticals sector, the main driver, at 60 percent, appeared to be innovation and learning. Interestingly, only two of the pharmaceutical companies reported on the affordability and access issue, although all discussed the effects of patent challenges. Two of the chemicals and all of the pharmaceuticals companies report on their performance in the Responsible Care program. All companies report against GRI and declare to be in accordance with GRI.

As would be expected for this sector, most reports discuss climate change issues, verification of GHG emissions and preparation for participation in emissions trading schemes, with 93 percent mentioning the economic implications of climate change policy.

¹⁴ www.eitransparency.org

4 Assurance

4.1 Overview

The increase in the number and proportion of reports with external assurance in both the G250 and the N100 (Figure 7) indicates that reporting organizations continue to value the overall contribution assurance makes to the reporting process, by helping to continuously improve the underlying management and reporting systems we well as the reliability of the information. The number of reports with a formal assurance statement has increased slightly to 30 percent (48 reports) from 29 percent in 2002 for the G250 and to 33 percent (171 reports) from 27 percent in 2002 for the N100. Two reports in the G250 contained statements from more than one assurance provider. In addition to the formal assurance statements, a number of companies sought other types of (expert) opinions, sometimes along with formal assurance (5 for G250) or, mainly in Japan, instead of it (14 for G250).

Although companies appear to value independent assurance, very few reports mention the reasons for seeking assurance. Furthermore, the G250 statements analyzed in the survey showed considerable variation in the scope of the assurance engagement and the approach and methodologies used, leading to very divergent assurance statements. These varied from reporting findings on management systems at selected sites to detailed opinions on aggregated corporate performance data. The majority was restricted to assurance on specific information or data sets with only 22 percent of statements covering the whole report. These results, in conjunction with the finding that only 21 percent of companies mention stakeholder consultation in deciding report content (see Section 3.2.1), would suggest that not only do stakeholders have very little influence in deciding what information they need for decision-making, but they are rarely consulted about the type or level of

assurance they need in order to feel 'assured'.

If the companies' stakeholders are the target audience for assurance, the survey indicates that more attention is needed in some cases to ensure that users can access and actually read the assurance statement.

It is interesting to note that companies that include CR information as part of their annual (financial) reports have started seeking assurance on the CR section in their annual report (6 of the G250) along with the audit of the financial statements. For example, in relation to their CR governance structure or the social and environmental risks associated with investments. In the reports without assurance statements, a number of companies state that they are investigating options for assurance, while another has asked for 'expert opinions' while this process continues.

Overall, assurance on CR reports is increasing. However, it seems that further thought is needed to develop focused and rigorous assurance processes that are useful and meaningful for both reporters and report users.

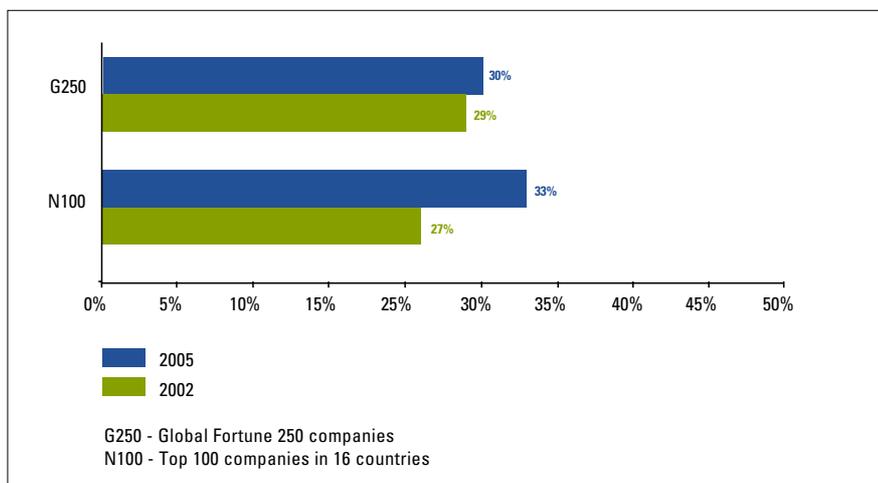


Figure 7: Corporate responsibility (CR) reports with external assurance statements, Global 250 and Top 100 in 16 countries (2002, 2005)

4.2 Country results¹⁵

The results for the N100 (Figure 8) show that, outside Europe, an increase in assurance on reports is seen in Japan, Canada, Australia and South Africa. In the USA, only one report out of 32 was assured, indicating that US companies, despite the Sarbanes-Oxley requirements for transparency in corporate affairs and governance, are still reluctant to submit their non-financial reports to the scrutiny of assurance.

In Europe, assurance continues to increase but the picture has changed considerably since the 2002 survey, with large increases in France, Spain and Italy (a total of 50 in 2005 compared with 14 in 2002). In Italy, 72 percent of the reports included an assurance statement. However, we observe assurance statements decreasing in the CR reports of all of the Scandinavian countries, perhaps compensated by the increasing integration of non-financial information into financial reports. The UK shows an increase of 12 percent and is the only country other than Italy where more than 50 percent of the CR reports contain an assurance statement. In Western Europe, Germany, with its emphasis on management systems certification is still scoring remarkably low on report assurance.

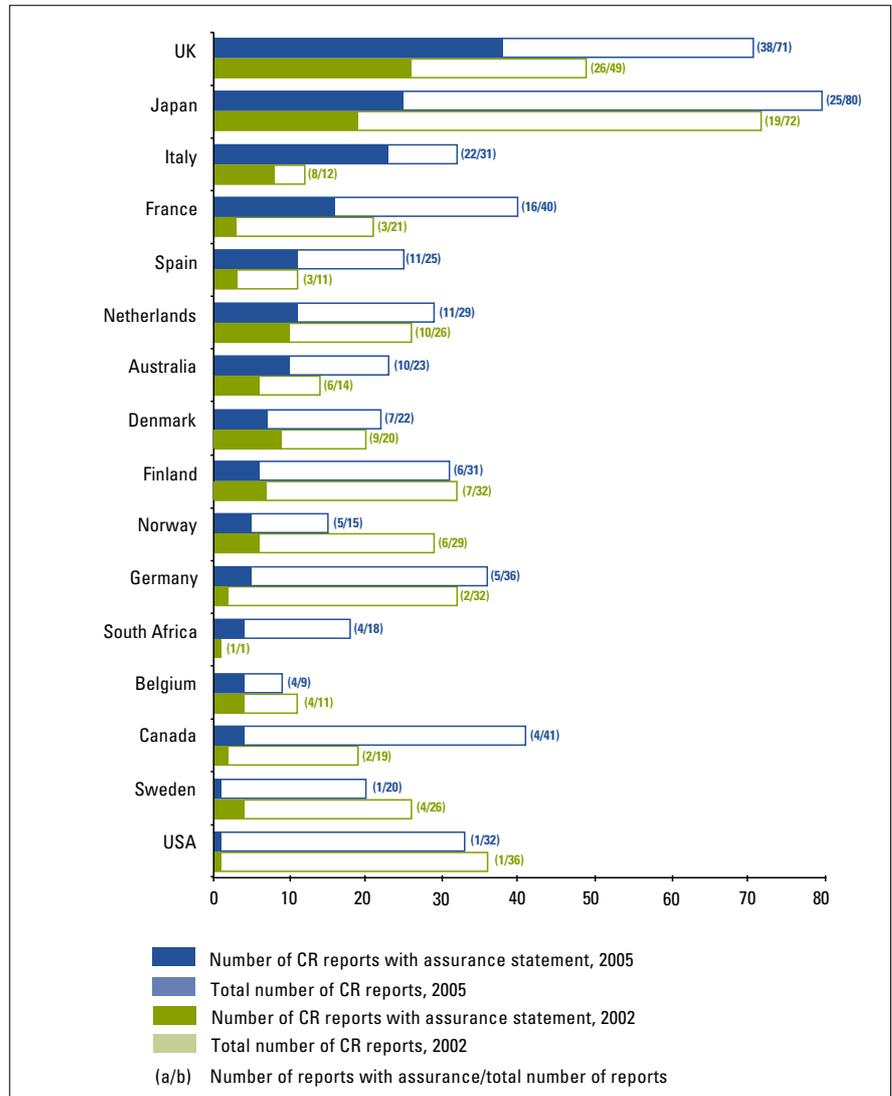


Figure 8: Number of reports with assurance statement by country, Top 100 in 16 countries (2002, 2005)

¹⁵ Results for the G250 are not presented as some countries are poorly represented in this group making the results unrepresentative.

4.3 Sector results

The results of the N100 (Figure 9) show a large increase in assurance on CR reports in the utilities and financial services sectors. As a result, the oil and gas sector has been pushed down from top to third place even though this sector had the same number of reports assured as in 2002. This may reflect the high number of oil and gas companies that, due to their environmental and social impacts and a high level of public interest, were already seeking assurance in 2002.

The results in the financial services sector are partly due to an increase in the number of companies in this sector in the N100, but may also reflect public interest about where money is invested and awareness of the influence of financial institutions on CR, for example through lending.

Utilities companies have now joined mining as the only two sectors where more than 50 percent of the separate reports include an assurance statement.

The top three G250 sectors in terms of assurance reports are the same as those of the N100. In the oil and gas and utilities sectors, 50 percent of reports contained assurance statements, with financial services with 37 percent coming in second. The UK and the Netherlands dominated financial service sector companies with assurance, while France and Italy produced three of the five assured reports in the utilities sector.

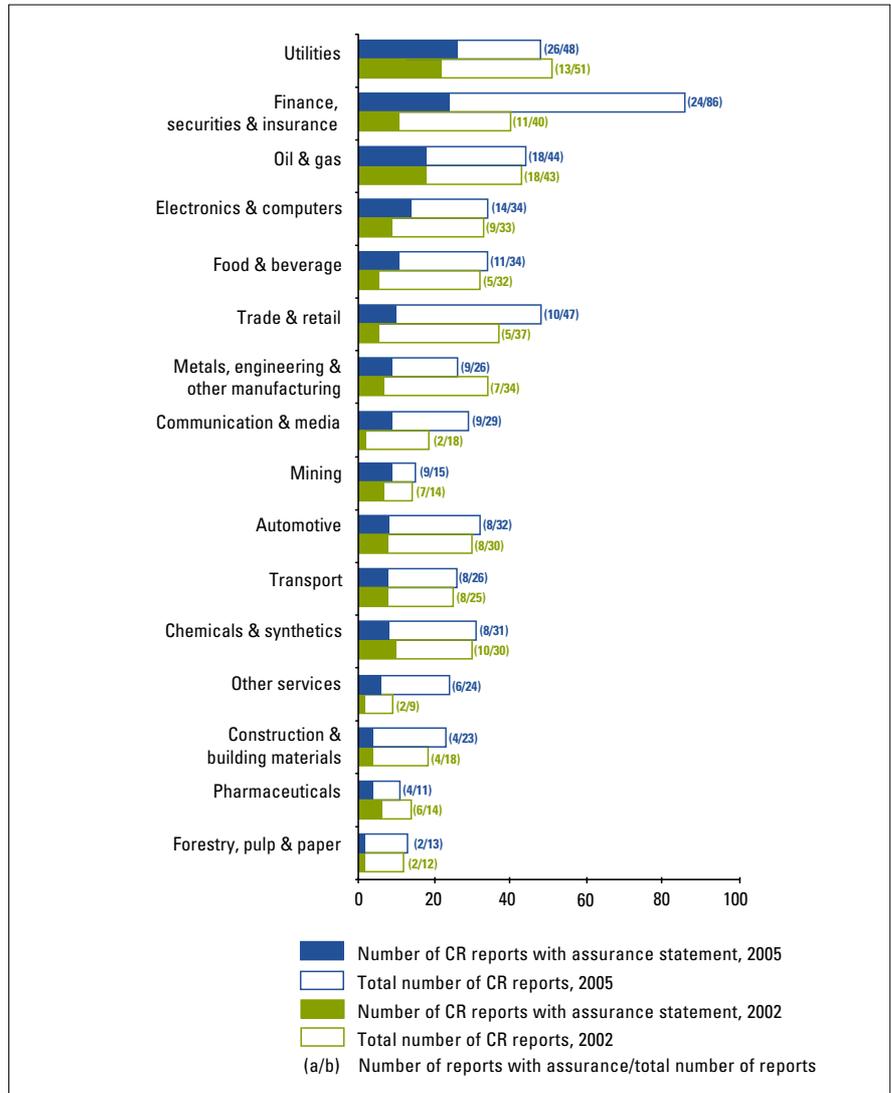
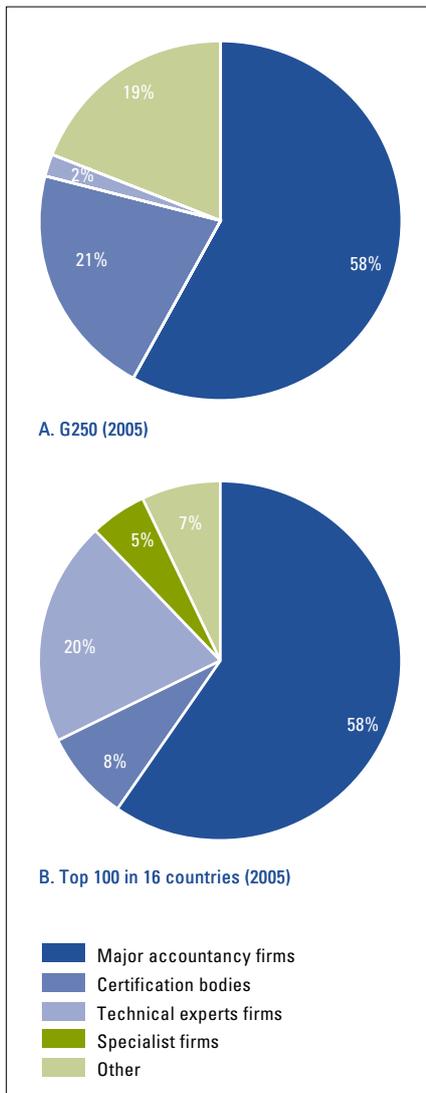


Figure 9: Number of reports with assurance statement by sector, Top 100 in 16 countries (2002, 2005)

4.4 Choice of assurance provider



The survey reveals (Figure 10) that the major accounting firms still dominate the assurance market in CR reporting both at global and national level, even though the share of other providers has increased slightly since 2002.

Statements still vary in length and detail, but in general appear to be more detailed than three years ago. Overall the length of assurance statements (particularly those referring to AA1000AS) has increased, in some cases to two or more pages of detailed findings. One reason for this is the inclusion of recommendations in the statement. Although most of the 35 percent of statements that included recommendations came from technical (consulting) firms, five came from major accounting firms. This may be a response to the possibility under the new ISAE3000 standard to include additional comments in the statements.

Assurance standards were referenced in many statements with international auditing standards dominating the G250 statements (24 percent), followed by AA1000AS (18 percent) and national standards (8 percent). In the N100 statements national standards were referred to most often (21 percent), followed by international auditing standards (14 percent) and AA1000AS (10 percent). In addition, of the 27 statements issued by big accountancy firms, 12 reported findings relating to a limited number of specific procedures undertaken rather than overall assurance.

Figure 10: Choice of assurance providers

4.5 Developments in assurance¹⁶

In the 2002 survey we reported that the strong rise in the number of reports with external assurance reflected the public's demand for reliable and credible information. We also highlighted some shortcomings in assurance, in particular that inconsistencies in approach may undermine the credibility of assurance with stakeholders, and suggested that this was partly caused by a lack of assurance standards. In this section we look at whether these issues have been addressed.

4.5.1 Assurance standards

The last three years have seen the introduction of new assurance standards amid continuing discussion and debate on the value of independent assurance, in particular for the users of CR reports. Two global standards have been released – ISAE 3000 and AA1000AS – which now guide the work of many assurance providers in the field of CR. A number of national standards have also been introduced (appendix E).

ISAE 3000 is designed to ensure that assurance engagements are carried

out with professional rigor and independence. In AA1000AS stakeholder engagement is an integral part of the assurance process, which largely focuses on the underlying processes an organization has in place to manage its financial, social and environmental impacts.

The International Standard on Assurance Engagements (ISAE 3000)

was introduced by The International Auditing and Accounting Standards Board (IAASB) of the International Federation of Accountants in December 2003. ISAE 3000 is a generic standard for the provision of assurance, excluding historical financial information, to be used by accounting firms for all statements issued after January 1, 2005.

The AA1000 Assurance Standard (AA1000AS)

was launched by AccountAbility in March 2003. It is designed to cover the full range of an organization's disclosure and performance, based on the three principles of materiality, completeness and responsiveness.

Both of these standards address certain quality aspects of assurance such as the need for the appropriate knowledge and skills to be available in the assurance team, and the importance of independence. In practice, however, the use of these two standards by assurance providers tends to result in different types of statements. ISAE 3000, largely focused on the information in the report, places greater emphasis on the company reporting its limitations and weaknesses. For limited assurance engagements (which constituted more than 80 percent of the statements from accounting firms for the G250 where the level of assurance was mentioned) it also prescribes a negative form of conclusion in the statement. AA1000AS requires assurance providers to report their findings against the three core criteria. This results in a narrative statement, highlighting both strengths and weaknesses in report content as well as underlying management systems and the company's responsiveness to stakeholder concerns.

It will be interesting to see in the next survey whether the introduction of these two standards produces more comparable and understandable assurance statements.

¹⁶ This section is based on the views of field professionals as well as on the survey results.

“'Assurance' is a desired outcome, not a standard, method or activity. Organizations seek to 'assure' key stakeholders that what they consider material is being effectively taken into account - hence the importance the AA1000 Assurance Standard places on a stakeholder-centric approach to establishing what is material. Assuring stakeholders is about providing credible information that informs stakeholder decisions and behavior, which ultimately impacts on the organization. To be credible, professional assurance providers must establish a robust duty of care to those stakeholders to whom they offer assurance.”

- Simon Zadek, CEO, AccountAbility

The form and content of the assurance statements have certainly changed since the last survey, with longer reports designed to make the assurance process more transparent for users. Many statements contained a detailed description of the work undertaken as well as detailed findings and recommendations. However, there was still considerable variation in format as well as the volume and type of information provided, which may not improve accessibility to any but the most dedicated users. The increasing length of the statements has also led to more statements only being published in full on the reporter's Web site rather than in the printed report.

4.5.2 The assurance process

The second issue is whether the assurance process has progressed in terms of recognizing the needs of the user groups in its scope and approach.

As very few reports provided information in this respect, the role of stakeholder engagement in defining what actually assures them in relation to the company's actions and performance remains unclear.

Many statements from the CR reports were restricted to an opinion on the health and safety and environmental information systems and data, perhaps indicating that assurance is still largely focusing on what 'can' be assured, based on existing data registration systems, rather than what 'should' be assured, taking account of the identified user groups.

The assurance process continues to evolve as do the corporate responsibility reports themselves. Many of the challenges facing issuers of corporate responsibility reports are also faced by the assurance provider.



Appendices

A Comparison of the surveys, 1993, 1996, 1999, 2002 and 2005

Survey Year	1993	1996	1999	2002	2005
Research set(s)	Top 100 in 10 countries	Top 100 in 13 countries	Top 100 in 11 countries and Global 250	Top 100 in 19 countries and Global 250	Top 100 in 16 countries and Global 250
Countries	(10) Belgium, Canada, Denmark, France, Germany, Ireland, Netherlands, Portugal, UK, USA	(13) Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Netherlands, New Zealand, Norway, Portugal, Sweden, Switzerland, UK, USA	(11) Australia, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden, UK, USA	(19) Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Japan, Netherlands, Norway, Slovenia, South Africa, Spain, Sweden, UK, USA	(16) Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, South Africa, Spain, Sweden, UK, USA
Total number of companies included	810	1,300	1,100+	1,900+	1,600+
Response rate	85%	69%	98%	96%	98%
N100: Percent of companies with CR reports	13%	17%	24%	23% (28% for 11 countries in 1999)	33% (41% including CR information in annual reports)
G250: Percent of companies with CR reports	–	–	35%	45%	52% (64% including CR information in annual reports)

B Fortune sectors and clusters

The sector categories are based on the 2004 Fortune list, which we have adapted a little to provide logical clustering (see the table below). This sector classification was also applied to the Top 100 companies in the 16 countries.

KPMG sectors	Number of Companies (G250)	Fortune sectors
Automotive	20	Motor vehicles and parts
Chemicals & synthetics	5	Chemicals, rubber and plastic products, soaps, cosmetics
Communications & media	17	Telecommunications
Construction & building materials	3	Building materials, glass, engineering, construction
Electronics & computers	23	Computer, office equipment, electronics, electrical equipment, network, other communications equipment, publishing, printing, scientific, photo, control equipment, semiconductors, other components.
Finance, securities & insurance	63	Banks: commercial and savings, diversified financials. Insurance: life, health, p&c (mutual and stock), securities.
Food & beverages	9	Beverages, food and tobacco, food consumer products
Forestry, pulp & paper	2	Forestry and paper products
Metals, engineering & other manufacturing	14	Aerospace, industrial and farm equipment, metal products and metals
Mining	0	Mining
Oil & gas	20	Petroleum refining, crude oil production and extraction
Other services	15	Computer services and software, diversified outsourcing services, entertainment, health care, hotels, casinos, resorts, mail, package and freight delivery
Pharmaceuticals	8	Pharmaceuticals
Trade & retail	35	Food and drug stores, general merchandisers, specialty retailers, trading, wholesalers
Transport	4	Airlines, railroads, road transport, shipping, harbour/airports
Utilities	12	Energy, utilities: gas/electric

C Mandatory reporting

This is a summary of mandatory requirements in the countries surveyed as identified by the survey team. This may not represent a complete list.

Country/Region	Content
European Union	<ul style="list-style-type: none"> • The EU Modernization Directive (2003/51/EC) requires organizations seeking a stock market listing to disclose risks associated with capital assets and requires financial regulators to assess those risks (in line with Commission Recommendation 2001/453/EC). So far 23 countries have transposed the law to national level. • The application of the International Accounting Standards (IAS) at EU level (EC regulation no. 1606/2002) requires organizations to account for changes to asset values stemming from environmental factor if they are financial (e.g. trading permits). • Based on article 15 of the Integrated Pollution Prevention and Control Directive (IPPC), (96/16/EC), Member States are required to register emission data from large companies (so called IPPC installations) and report these data to the Commission. Monitored industrial emissions data should be made publicly available.
Australia	<ul style="list-style-type: none"> • Corporations Law (section 299 [1f]) was introduced in 1999 and requires companies that prepare a directors' report to provide details of the entity's performance in relation to environmental regulations. On 1 July, 2004, the Corporate Law Economic Reform Program (Audit Reform & Corporate Disclosure) Bill 2003 (CLERP 9), extended this to the operations and financial position of the entity and its business strategies and prospects (Section 99A[1]). • Financial Services Reform Act 2001 commenced in March 2002 and requires fund managers and financial product providers to state "the extent to which labor standards or environmental, social or ethical considerations are taken into account in the selection, retention or realization of the investment." • National Pollutant Inventory requires industrial companies to report emissions and inventories for specific substances and fuel to regulatory authorities for inclusion in a public database. www.npi.gov.au • ASIC Section 1013DA Disclosure Guidelines, Australian Securities and Investments Commission - guidelines to product issuers for disclosure about labor standards or environmental, social and ethical considerations in Product Disclosure Statements (PDS). The guidelines compliment the Financial Services Reform Act mentioned above. www.asic.gov.au
Belgium	<ul style="list-style-type: none"> • Article 4.1.8 of VLAREM II stipulates that certain companies have to issue an annual environmental report (only applicable for the region of Flanders). • The Bilan Social requires organizations' reporting of data on the nature and the evolution of employment (e.g. training).
Canada	<ul style="list-style-type: none"> • The Securities Commission requires public companies to report the current and future financial or operational effects of environmental protection requirements in an Annual Information Form. • The Bank Act requires banks and other financial institutions with equity of USD 1 billion or more are required to publish an annual statement describing their contributions to the Canadian economy and society.

C Mandatory reporting (continued)

Country/Region	Content
Denmark	<ul style="list-style-type: none"> • The Danish Financial Statements Act requires reporting on intellectual capital resources and environmental aspects in the management report if it is material to providing a true and fair view of the company's financial position. • The Green Accounts Act requires certain listed companies to draw up green accounts and include a statement from the authorities.
Finland	<ul style="list-style-type: none"> • The Finnish Accounting Act requires companies to include material non-financial issues in their directors' report of the annual/financial report and refers to guidelines (Appendix D) for good practice.
France	<ul style="list-style-type: none"> • "Law n°2001-420 related to new economic regulations (Art. 116)" environmental and social reporting is mandatory for publicly-quoted companies. • "La note de cadrage" (framework memo) and "L'étude d'impact" (impact study). These documents accompany the 2001-420 law and are a kind of guidelines to help companies implement it. • The CJDES Bilan Societal is a tool for internal and external information exchange. By means of a questionnaire, companies can report on their social profile and improve performance.
Germany	<ul style="list-style-type: none"> • The Bilanzrechtsreformgesetz (BilReG) - New law that extends reporting duties of German companies to non-financial performance indicators such as environmental or employee issues.
Italy	No mandatory reporting requirements identified
Japan	<ul style="list-style-type: none"> • The Law of promotion of environmentally conscious business activities requires "specified entities" to publish an environmental report every year. • The Pollutant Release and Transfer Register (PRTR) Law concerns reporting of releases to the environment of specific chemical substances and promoting improvements in their management.
Norway	<ul style="list-style-type: none"> • The Norwegian Accounting Act (Regnskapsloven) requires the inclusion in the Directors' Report of several social, environmental and health and safety issues and the implementation of measures that can prevent or reduce negative impacts and trends.
South Africa	No mandatory reporting requirements identified
Spain	<ul style="list-style-type: none"> • The 'Resolución de 25 de marzo de 2002' (el Insitituto de Contabilidad y Auditoría de Cuentas) states that organizations are obliged to include environmental assets, provisions, investments and expenses in their financial statements. • In addition, the National Accounting Plan for the Electricity Sector specifies environmental issues in more detail.

C Mandatory reporting (continued)

Country/Region	Content
Sweden	<ul style="list-style-type: none"> The (amendment to the) Annual Accounts Act (Årsredovisningslagen) states that certain companies have an obligation to include a brief disclosure of environmental and social information in the board of directors' report section of the annual report.
The Netherlands	<ul style="list-style-type: none"> The Environmental Protection Act includes a section on environmental reporting for the 'largest polluters' of the country. To date, over 250 companies each publish two reports a year: one public report and one governmental report.
United Kingdom	<ul style="list-style-type: none"> The Operating and Financial Review (OFR) will be a legal requirement for all UK listed companies to provide a narrative within their Annual Report on the company's strategies, performance, future plans and key risks which may include ethical, social, environmental, brand and reputational risks. The Combined Code as part of the Financial Services Authority's listing requirements requires organizations to report on governance and internal controls, which cover, among other things, material non-financial issues.
United States of America	<ul style="list-style-type: none"> The EEO-1 Survey requires annual filing by the US Equal Employment Opportunity Commission regarding employment records, including the racial and gender profiles of employees. The Sarbanes-Oxley Act imposed several new reporting requirements for US-listed companies to increasing corporate transparency (mainly corporate governance). The Securities & Exchange Commission (SEC) Under Regulation S-K, the SEC requires "appropriate disclosure...as to the material effects that compliance with Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries." In addition, disclosure is required for any material estimated capital expenditures for environmental control facilities and for select legal proceedings on environmental matters. For foreign issuers in the United States, Form 20-F requires companies to "describe any environmental issues that may affect the company's utilization of the assets." The Toxic Release Inventory (TRI) tells companies with more than 10 full-time employees to submit data on emissions of specified toxic chemicals to the Environmental Protection Agency. In addition, the Securities and Exchange Commission requires disclosures on legislative compliance, judicial proceedings and liabilities relating to the environment in Form K-10.

D Standards, codes and guidelines

The main standards and guidelines on corporate management and reporting are outlined in this table as identified by the survey team. This may not represent a complete list.

Country/Region	Standards, Codes and Guidelines
Global	<ul style="list-style-type: none"> • The AA1000 guidelines from AccountAbility provides guidance on how to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting systems needed to ensure its effectiveness in impacting on decisions, activities and overall organizational performance. www.accountability.org.uk • The Association of Chartered Certified Accountants (ACCA) publishes a report on their website that gives guidance on how to report on the web. www.accaglobal.com • The European Chemical Industry Council (CEFIC) established the Responsible Care Programme as a worldwide commitment for chemical industry to improving EHS performance and communication. www.cefic.be • The Global Reporting Initiative (GRI) describes itself as a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. Its Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services based on reporting principles. www.globalreporting.org • The International Standards Organisation (ISO) has developed an extensive range of standards. Among those that are directly related to corporate responsibility are those that refer to quality and the environment through the ISO 9000 and ISO 14000 series. • The guideline SA8000 of Social Accountability is a uniform, auditable standard for social accountability with a third-party assurance system and is based on the Core Conventions of the International Labour Organization (ILO). www.cepa.org • UN Global Compact is an initiative that facilitates a network of UN agencies, business, labor, NGOs and governments to promote companies to adhere to ten principles in the areas of human rights, labor, environment, and anti-corruption. www.globalcompact.org • The Organisation for Economic Co-operation and Development (OECD) issued non-binding guidelines based on 9 recommendations. www.oecd.org • The Global Sullivan Principles of Social Responsibility is a code of conduct to encourage participating companies and organizations working toward the common goals of human rights, social justice and economic opportunity. www.globalsullivanprinciples.org • CERES encourages corporate environmental responsibility in a number of ways, from encouraging companies to endorse the CERES Principles, working with endorsing companies, both on meeting their commitment and on environmental reporting through the Global Reporting Initiative, and mobilizing the network in activist projects like the Sustainable Governance Project and the Green Hotel Initiative. CERES also convenes forums for discussion among diverse groups, from the annual CERES conference to industry-specific dialogues. www.ceres.org
Europe	<ul style="list-style-type: none"> • EMAS - The EU Eco-Management and Audit Scheme (EMAS) is a management tool for companies and other organizations to evaluate, report and improve their environmental performance. The scheme has been available for participation by companies since 1995 (Council Regulation (EEC) No 1836/93 of June 29 1993) on a voluntary basis.

D Standards, codes and guidelines (continued)

Country/Region	Standards, Codes and Guidelines
Australia	<ul style="list-style-type: none"> • Australian Minerals Industry Framework for Sustainable Development "Enduring Value" - Minerals Council of Australia guidelines for sustainable development requiring a commitment to public sustainability reporting on an annual basis from members, with reporting metrics self-selected from the Global Reporting Initiative (GRI) Mining and Metals Sector Supplement or self-developed. A commitment to independent verification of reports is also required. www.minerals.org.au • Triple Bottom Line Reporting in Australia – A guide to reporting against environmental indicators, Department of Environment and Heritage – All companies, guideline for company reporting on environmental performance, consistent with the Guidelines of the Global Reporting Initiative (GRI). www.deh.gov.au • Greenhouse Challenge Program - Industry members commit to preparing emissions inventories and forecasts, identifying and undertaking abatement plans and reporting progress against the action plan annually. They also agree to their progress being subject to independent verification where appropriate.
Belgium	<ul style="list-style-type: none"> • No standards, codes and guidelines identified
Canada	<ul style="list-style-type: none"> • No standards, codes and guidelines identified
Denmark	<ul style="list-style-type: none"> • New guideline for Intellectual Capital Statements is a key to knowledge management. www.videnskabsministeriet.dk • The Social-ethical Accounts is a guideline for private and public companies that wish to draw up a report on their social and ethical initiatives. www.bm.dk • The Etikbasen / CSR Scorecard 2002 is a public database on the internet where companies can report on their CSR initiatives and performance. www.csr-scorecard.org • The Social Index is a tool for measuring a company's degree of social responsibility on a score from 0 to 100. It requires external verification and certification to use the Social Index for external reporting. www.detsocialeindeks.dk
Finland	<ul style="list-style-type: none"> • The Finnish Accounting Standards Board (FASB) issues guidelines that deal with the disclosure of environmental expenditures and environmental liabilities as a part of the legally required financial accounts to the extent that the environmental information may have material consequences on the financial position of the company.
France	<ul style="list-style-type: none"> • No standards, codes and guidelines identified
Germany	<ul style="list-style-type: none"> • No standards, codes and guidelines identified

D Standards, codes and guidelines (continued)

Country/Region	Standards, Codes and Guidelines
Italy	<ul style="list-style-type: none"> • The Study Group for Social Reporting (GBS) provides organizations with social reporting standards. www.gruppobilanciosociale.org • The Associazione Bancaria Italiana/IBS (ABI) has guidelines for social reporting in the financial sector. www.abi.it • The CSR-SC project allows organizations to voluntarily participate and adopt a 'social statement' according to pre-defined guidelines and a set of indicators. www.welfare.gov.it
Japan	<ul style="list-style-type: none"> • Environmental Reporting Guidelines are issued by the Ministry of the Environment. www.env.go.jp • Environmental Performance Indicators Guidelines for business issued by the Ministry of the Environment www.env.go.jp
Norway	<ul style="list-style-type: none"> • The Næringslivets Hovedorganisasjon (NHO) has recommendations from the Employers' organization, based on existing guidelines and standards. www.nho.no
South Africa	<ul style="list-style-type: none"> • The King II Code on Corporate Governance 2002 is a non-legislated code on good corporate governance. It includes a comprehensive section on integrated sustainability reporting. www.iodsa.co.za • The launch of the Johannesburg Securities Exchange Socially Responsible Index requires companies in the FTSE/JSE All Share Index that choose to participate to report publicly on sustainability related issues. www.jse.co.za/sri
Spain	<ul style="list-style-type: none"> • No standards, codes and guidelines identified
Sweden	<ul style="list-style-type: none"> • The Swedish Accounting Standards Board (Bokföringsnämnden) provides guidelines on environmental information in the Directors' report section of the annual report (BFN U 98:2). www.bfn.se
The Netherlands	<ul style="list-style-type: none"> • The Assurance Standards Committee (RJ) provides guidelines for the integration of social and environmental activities in the financial reporting of companies. Furthermore, the RJ provided a framework for the publication of a separate report on these activities.
United Kingdom	<ul style="list-style-type: none"> • The Department for Environmental, Food & Rural Affairs (DEFRA) published general guidelines for environmental reporting on greenhouse gas emissions, on waste and on water. www.defra.gov.uk/environment/envrpg/guidelines.htm • The Public Environmental Reporting Initiative (PERI) provides a tool for organizations to produce a balanced perspective on their environmental policies, practices and performance.
United States of America	<ul style="list-style-type: none"> • No standards, codes and guidelines identified

E Assurance standards

The main standards used for assurance on environmental and sustainability reports are outlined below as identified by the survey team. This may not represent a complete list.

Country/Region	Standards
Global	<p>The International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information was developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). IFAC is the body responsible for issuing international accounting and auditing standards for the accounting profession. ISAE 3000 was first published in December 2003 to be used by accounting firms to guide their assurance engagements on sustainability reports.</p> <p>In Australia, the ISAE 3000 standard has already been accepted for the audit of greenhouse gas emissions under the NSW Greenhouse Gas Abatement Scheme.</p> <p>In March 2003 the UK-based AccountAbility issued the AA1000 Assurance Standard (AA1000AS). AccountAbility used a phased multi-stakeholder process to develop AA1000AS, a standard that covers the full range of an organization's disclosure and performance based on the three core principles of "materiality," "completeness" and "responsiveness" to ensure that reporting and assurance meets stakeholders' needs and expectations.</p>
Australia	<ul style="list-style-type: none"> Standards Australia has published the Standard DR03422: General Guidelines on the Verification, Validation and Assurance of Environmental and Sustainability Reports. Work on this Standard was carried out by the joint Standards Australia and Standards New Zealand Committee QR-011 Environmental Management Systems. A marked difference between this Standard and the AA1000, AUS and ISAE 3000 standards is the definition and use of the terms verification and validation. DR03422 has been issued as an Interim Standard for a period of two years, after which it will be reviewed. Australian Auditing Standards (for accounting firms) can be applied to the audit and review of sustainability reports. AUS102.44 states that "Australian Auditing and Assurance Standards, while developed primarily in the context of financial report audits, are to be applied, adapted as necessary, to all audits of financial and non-financial information, to all other assurance engagements, and to all audit related services"
Germany	<ul style="list-style-type: none"> The German Institute of Chartered Accountants (IDW) has elaborated a Standard for Assurance Engagements of Sustainability Reports. It will be available for comment during the first half of 2005 and is expected to be finalized within 2005.
Japan	<ul style="list-style-type: none"> The Japanese Institute of Certified Public Accountants (JICPA) published the "Environmental Report Assurance Services Guidelines (Interim Report)" in 2001.
Sweden	<ul style="list-style-type: none"> The Swedish Institute for the Accountancy Profession (FAR, www.far.se) issued a draft recommendation "Independent Assurance on Voluntary Separate Sustainability reports" in February 2004. The recommendation is in compliance with ISAE 3000 and has references to AA1000 AS.
The Netherlands	<ul style="list-style-type: none"> The Royal Dutch Institute for Register Accountants (NIVRA) issued an Exposure Draft Standard RL 3410 Assurance Engagements relating to Sustainability Reports early 2005. The Exposure Draft is designed to comply with ISAE 3000 while incorporating the principles of AA1000AS and drawing on the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

F Glossary

AA1000	AccountAbility's principles
AA1000AS	AA1000 Assurance Standard
ACCA	The Association of Chartered Certified Accountants
CDM	Clean Development Mechanism
CSR	Corporate Social Responsibility
CR	Corporate Responsibility
DJSI	Dow Jones Sustainability Index
EHS	Environmental, Health & Safety
EITI	Extractive Industries Transparency Initiative
EU ETS	European Union Emission Trading Scheme
G250	Global 250, top 250 companies of the Fortune 500
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
GSS	KPMG Global Sustainability Services
IFAC	International Federation of Accountants
ILO	International Labour Organization
ISAE	International Standards on Assurance Engagements
JI	Joint Implementation
JSE	Johannesburg Stock Exchange
King II	King Code of Corporate Governance, South Africa
N100	National 100, top 100 companies in 16 countries
NGO	Non-Governmental Organizations
OECD	Organisation for Economic Co-operation and Development
OFR	Operational Financial Review
SA8000	Social Accountability 8000
SRI	Socially Responsible Investment
UN	United Nations
WBCSD	World Business Council for Sustainable Development

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