News

For Immediate Release

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KPMG Analysis Shows Number of U.S. Companies Reporting Sustainability Data Has Doubled Since 2005

Ethics Overtakes Economics as Primary Reason for Disclosure of Environmental, Social and Governance Issues

NEW YORK, October 27, 2008 – Twice as many top U.S. companies publicly released sustainability data on their environmental, social and governance information in 2008 compared with three years earlier, and ethics outweighed economics for the first time as the primary reason for such disclosures, according to a KPMG International global analysis of corporate reports.

Of the top 100 U.S. companies by revenue, 74 percent published corporate responsibility (CR) information in 2008 either as part of their annual financial report or as a separate document, up from 37 percent in KPMG International's 2005 research. Globally, 80 percent of the Global Fortune 250 companies now release CR data, up from 64 percent in the last KPMG International analysis in 2005.

Meanwhile, 70 percent of all companies studied wrote in their 2008 reports to stakeholders that ethical considerations were a primary driver for making CR disclosures, while 50 percent cited economic concerns as the leading reason. By comparison, in 2005 the drivers were reversed, with economic considerations cited by 74 percent of the companies as the reason for reporting CR data, compared with 53 percent of the companies citing ethical reasons for the disclosures.

"With increasing evidence that conducting business responsibly contributes to shareholder value, it's not surprising that more U.S. companies are highlighting their corporate responsibility efforts," said Eric Israel, a managing director and sustainability services leader for the Advisory practice of KPMG LLP, the U.S. audit, tax and advisory member firm of KPMG International. "More U.S. companies are beginning to see the link between profits and principles. Even in a difficult economy we expect this trend to continue, as enhanced transparency and disclosure on non-financial matters will likely grow in importance."

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The *KPMG International Survey on Corporate Responsibility Reporting* is the most comprehensive conducted on environmental, social and governance disclosures, reviewing reports from the Global Fortune 250 (G250) and from the 100 largest companies by revenue in 22 countries.

"This clearly demonstrates that CR reporting has become the norm, rather than the exception, among the largest U.S. companies," said Israel, who pointed to a number of U.S. market drivers:

- Federal: Congressional activity around sustainability issues has risen, with nearly 200 bills introduced this year on climate change, greenhouse gases (GHG) and related issues, five times the number of bills introduced in 2003.
- States: In late 2008, 10 Northeastern U.S. states opened the nation's first trading market greenhouse gas permits, with buyer demands for "allowances" four times the existing supply, while seven Western states plan a similar system in 2012.
- Legal: Greenhouse gas emissions have been recognized by the courts as air pollution under federal statutes, and states have recently taken legal action over climate risks.
- Market: The U.S. Climate Action Partnership, a group of businesses and environmental organizations, have sought legislation for reduced greenhouse gas emissions, calling for climate change policies and advocating reduced GHG emissions by 60-80 percent by 2050; The Carbon Disclosure Project, a private collaboration of over 315 institutional investors with more than $41 trillion in assets, encourages private- and public-sector organizations to measure, manage and reduce emissions and climate change impacts.
- Supply Chain: Some companies are requiring that their vendors and suppliers adhere to a strict code of conduct and report on how they manage environmental, social and governance issues.

Israel explained that companies provide sustainability reports to discuss how the organization is monitoring and managing non-financial information and risks, such as climate change, supply chain integrity, or corruption issues. The company may also provide data on potential business strategies, such as new product development, the implementation of energy cost-saving and waste-reduction programs, or the redesign of business processes to improve performance.

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Additionally, the research showed:

- Nearly all of the G250 companies used the Global Reporting Initiative's Sustainability Reporting Guidelines to compile their CR disclosures.
- Three-quarters of the largest global companies' reports focused on a corporate responsibility strategy, including defined objectives, while 61 percent of the U.S. companies disclosing CR data had a formal sustainability strategy.
- The number of companies globally that utilize third-party commentaries on their sustainability information made a significant jump to 40 percent this year after holding steady at 30 percent in the 2002 and 2005 versions of the survey. Companies said they sought third-party commentaries on their sustainability information for two primary reasons: to improve the quality of the reported information, and to reinforce its credibility among key stakeholders.

"Fewer U.S. companies utilize third party commentaries due to the fact that reporting practices in the U.S. are still evolving," Israel said. "U.S. companies are increasingly preparing to include third- party commentaries as they make progress toward integrating corporate responsibility into their overall business strategy and management."

About KPMG
KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. There are over 123,000 professionals working in over 140 countries worldwide.

About the Survey
The *KPMG International Survey on Corporate Responsibility Reporting* was designed to examine reporting trends among the world's largest companies. It is the sixth in a series conducted by KPMG and various partners since 1993 and is issued every three years. Twenty-two of KPMG International's member firms participated in this study including: Australia, Brazil, Canada, Czech Republic, Denmark, Finland, France, Hungary, Italy, Japan, Mexico, Norway, Portugal, Romania, South Africa, South Korea, Spain, Sweden, Switzerland, The Netherlands, the United Kingdom and the United States. Analysts searched only publicly available information such as websites, corporate responsibility reports, and financial reports, and collected information on over 50 data points from each company associated with corporate responsibility reporting, standards, process, drivers and issues. The sample included the Global Fortune 250, and the 100 largest companies by revenue from 22 countries (except Sweden where the top 70 were examined).

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