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Committee Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
Canberra
ACT 2600

Our ref KPMG submission into Senate Economics and References Committee (carbon risk disclosure)

29 March 2016

Dear Committee Secretary,

Inquiry into carbon risk disclosure

KPMG would like to bring to your attention our experience and involvement in evaluating and helping to improve carbon risk disclosures across the business community including here in Australia. Overall, our work in this area has concluded that there is a lack of consistency in the carbon information that the world's largest companies publish in their annual financial and/or CR reports. This makes it almost impossible to accurately compare one company's carbon performance with another's.

I lead KPMG's Global Sustainability practice and based on our experience in this area, I am pleased to advise that one of my team (Wim Bartels, based in the Netherlands) is a member of the G20 Financial Stability Board Task Force on Carbon related Financial Disclosures.

In late 2015, KPMG published its 'Survey of Corporate Responsibility Reporting' (attached) in the lead-up to the 21st annual UN Climate Talks (COP21). In this survey, we focused our research on the quality of carbon reporting among the world's 250 largest companies (G250). Within this report we also offer advice on what KPMG member firms consider to be best practice in corporate carbon reporting and we explore how these companies measure up against key criteria.

In order to perform the analysis, the corporate responsibility reports and annual financial reports of the G250 were used to develop a qualitative scoring methodology based on the principles set out within the report (appended).

The main findings of the KPMG 'Survey of Corporate Responsibility Reporting' in relation to carbon reporting are as follows:

- 1 in 5 large companies in high carbon sectors such as mining and chemicals does not report on carbon.
- Companies in the US and Asia Pacific countries including China are the least likely to report on carbon; European companies are the most likely to do so.
- European companies score the highest for their carbon reporting.

- Companies in the transport & leisure sector score highest for carbon reporting among the G250, and oil & gas companies score lowest, when assessed using KPMG's methodology.
- Less than 1 in 10 companies that report on carbon, report on emissions from the use or disposal of their products.
- Around half (47 percent) of the world's largest companies do not publish targets for carbon reduction. European companies are the most likely to do so, and companies in Asia Pacific are the least likely.
- The average timeframe for corporate carbon reduction targets is around 11 years, but few companies are aligning with the 15+ year targets being set by many national governments.
- Only one third (35 percent) of the companies that publish targets to reduce carbon explain in their reports why they have chosen those targets.
- Only half the companies that report on carbon explain how cutting carbon benefits their business.
- Just over half of companies that report on carbon include carbon data in their annual financial or integrated reports.
- 62 percent of carbon reporters invest in independent assurance, in line with global rates of assurance for other CR information in reporting.

The above analysis focused on the largest 250 companies in the world and hence this sample only included a small number of Australian companies. However, our experience from working with numerous Australia companies in this area leads us to believe that many of the findings above would be relevant to current practice in Australia.

In addition to evaluating the quality of carbon information reporting across the G250 companies, this report also provides a recommendation of the basic principles that need to be addressed when publishing carbon information in CR and annual financial reports which you may find useful.

Yours sincerely,

Adrian V King
Partner
Global Head of Climate Change and
Sustainability