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# Sustainable Development Reporting - Assurance

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# Sustainability – Context



## What's happening?

Global warming, poor labour conditions, anti-competitive trade practices, political corruption, resource depletion.

Stakeholders wanting credibility and transparency.



## What's the challenge?

Integrating environmental, social and ethical issues into business strategies

Embedding them in the company to maintain stakeholder confidence.



## What can be done?

Build value by defining, capturing, managing & reporting on indicators beyond traditional financial measures of performance.

Engage in stakeholder dialogue and integrate environmental & social aspects into core business functions,.



Build long term sustainability by helping stakeholders: investors, institutions, employees, customers, communities & suppliers understand & support what the business is trying to do.



# How is the world seeing this issue?

Al Gore's global success of his book *An Inconvenient Truth*

GRI's spread (2000 to 3000 reports globally; 65% of Global 250 companies)

Three-quarters of G250 companies have a corporate responsibility strategy that includes defined objectives.

## Examples...

- GE's Ecomagination multi-billion USD program
- Walmart's Greening initiative sponsored by CEO
- HSBC becomes Carbon Neutral
- Coca Cola, ITC want to become Water Neutral/Positive
- ArcelorMittal plans \$250 million spend to resettle villagers
- Tata's social spend INR 5.5 billion in FY 07

In a world of ever changing challenges companies are shifting away from risk management approaches and toward an approach that has learning and innovation at its heart. Embedding Sustainability is necessity if companies are to know and understand their social and environmental impacts, and how to minimize the dangers and maximize the opportunities associated with new and emerging challenges.

- *Corporate Responsibility Survey for KPMG*

More than half the G 250 companies publicly disclose new business growth opportunities and/or the financial value of corporate responsibility.

Key examples include the Equator Principles, Principles for Responsible Investment (PRI), and the Environment, Social & Governance (ESG) framework issued by Goldman Sachs, S&P and CRISIL in India.

Investors are a key driver for integrating corporate responsibility management into core business practice, and an important audience for reports.

In a number of countries (e.g. US, UK and other European countries), 'sustainability' has become the corporate mantra & sustainability reports are mandatory.

# What is Sustainability Reporting?

- **Sustainability reporting is a voluntary initiative undertaken by companies to report on their environmental, social & ethical performance.**
- **Reporting is a tool to provide internal and external stakeholders with a picture of the corporate's position and activities on economic, environmental, social and ethical dimensions.**

## Benefits

- **Strengthen risk management systems**
- **Identify material sustainability issues**
- **Capture new opportunities for innovation in products & services**
- **Manage relationship with external and internal stakeholders**

## Drivers

- **Differentiation from competition**
- **Obtaining license to operate from a diverse set of stakeholders**
- **Attracting investments from investors conscious about ESG (Environment, Social & Governance) issues**
- **Enhancing reputation and trust among stakeholders**

# What is Assurance?

**Assurance is the process through which a practitioner (assuror) expresses a conclusion (via an assurance statement) designed to enhance the degree of confidence of the intended users (company's stakeholders) other than the responsible party about the outcome of the evaluation or measurement of a subject matter (sustainability report) against criteria (ISAE 3000 or AA1000).**

## Objectives

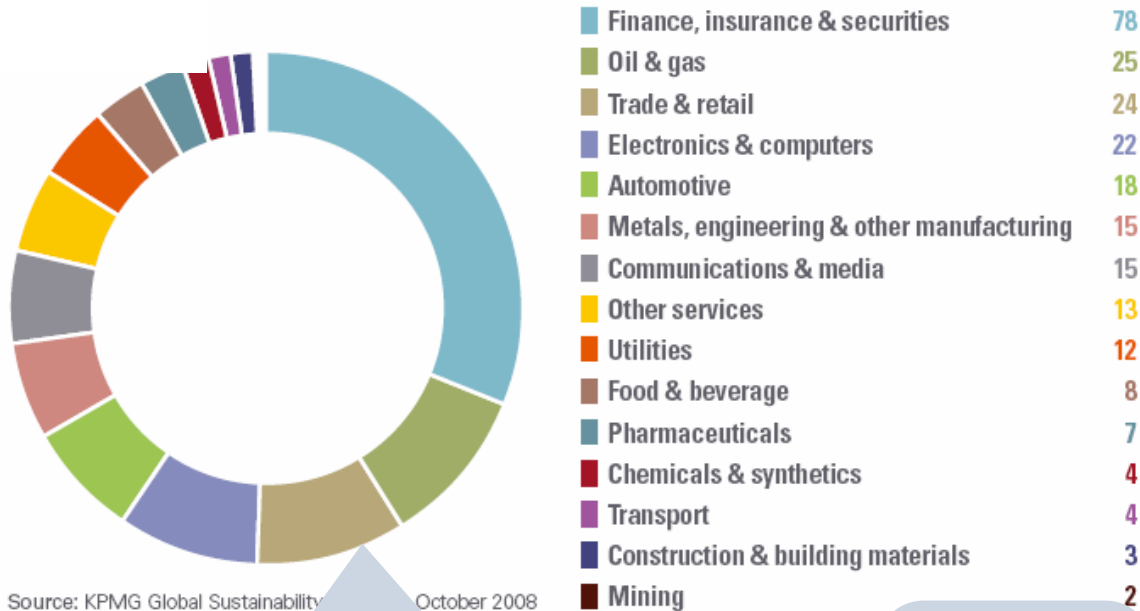
- Test the data collection and collation processes
- Review the application of quality assurance processes
- Review coverage of data reported across the businesses

## Value Addition

- Developing conclusions on quality, accuracy & consistency of data reported
- Developing conclusions on whether information available at group level is complete

# Global scenario

Companies by sector (G250)

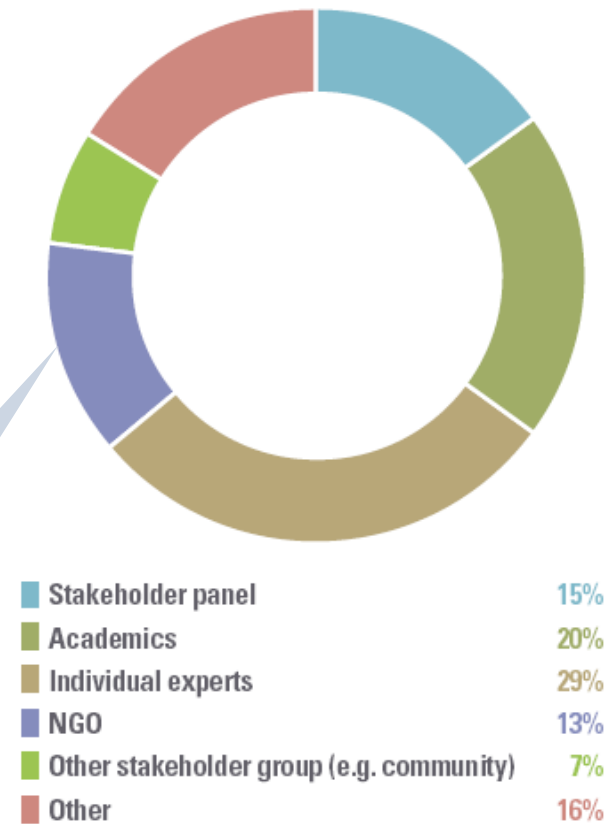


Source: KPMG Global Sustainability Services, October 2008

**More than 80% of world's G250 companies now report on corporate responsibility**

**Assurance increased from 30% to 40% in G250 reports**

Reports that include third party commentary (other than formal assurance), by type (G250)

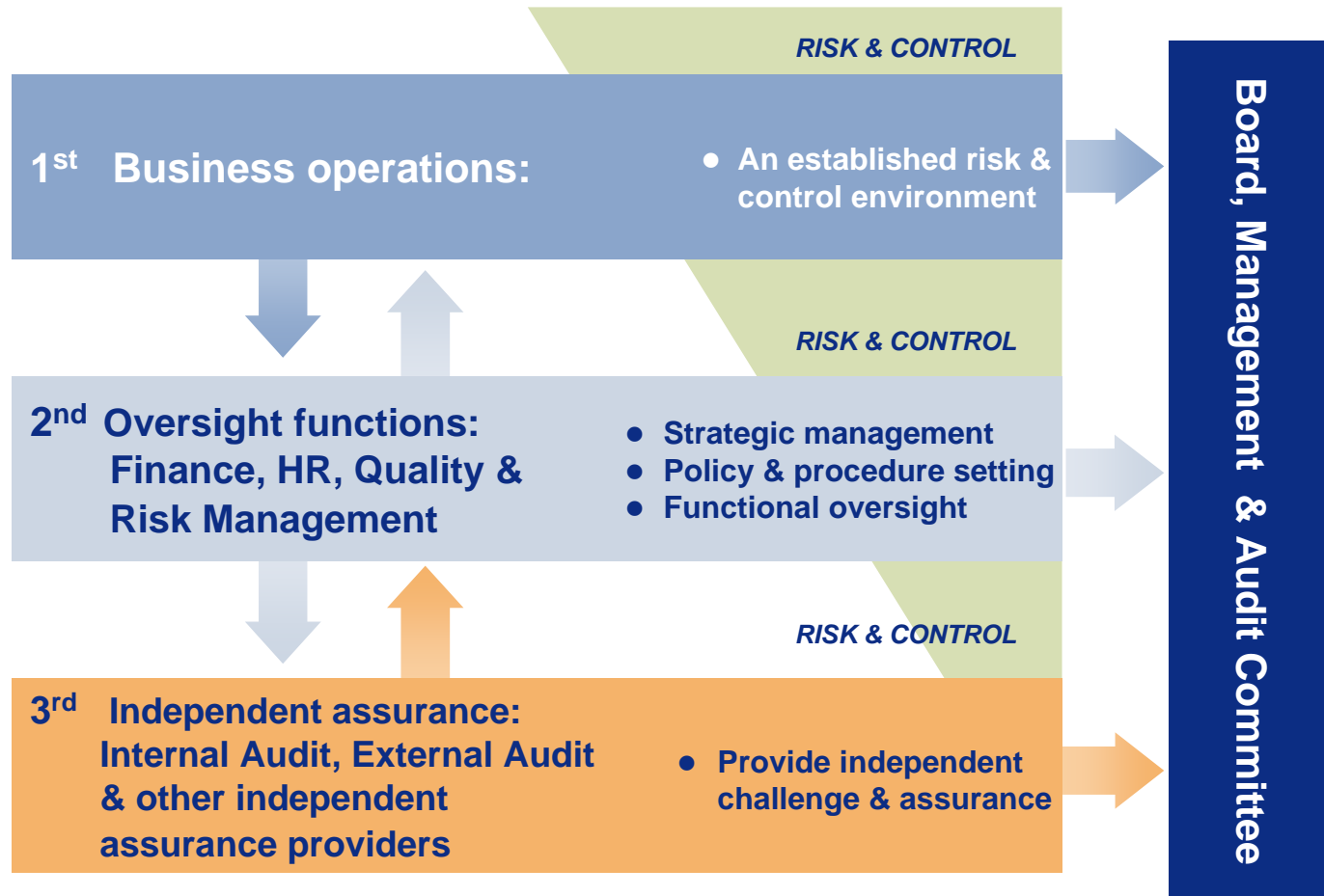


Source: KPMG Global Sustainability Services, October 2008

**Indian Scenario**  
 16 companies reported on sustainability in 2007;  
 of this 10 were externally assured

# Assurance - three lines of defence

Clarity on different sources of assurance on CR performance helps focus resources.



# How are KPMG clients seeing this?

**At GSK we have publicly reported our health, safety & environmental performance since the company was formed and we have had the data assured since the very first report.**

**Assurance by a third party is beneficial first and foremost to enhance the credibility of information. But we should not forget that there are other benefits:**

- **Enhanced data quality**
- **Confidence in the measures of progress and success**
- **Demonstrated importance of the data**
- **Ideas for continuous improvement so that each year the data gets a little better and the process gets a little more efficient**

**Nancy English, Director, EHS Reporting  
– GlaxoSmithKline**

**Independent assurance provides evidence to report users that:**

- **the right things are in the report – that all major issues relevant to stakeholders are included**
- **the things in the report are right – that data is reliable and claims are not exaggerated**

**Chris Tuppen, Head of Sustainable  
Development & Corporate Accountability – BT**

# How are KPMG clients seeing this?

**In 2007, as part of annual research into the success of our sustainability reporting we asked key socially responsible investors and NGOs whether external assurance added value to our reporting and disclosure.**

**Their answers were clear: firstly, they expected a company with the scope and scale of BP to have had its report externally assured; and secondly, they wouldn't have the confidence to make decisions based on the information in the sustainability report without it.**

**Michael Rook, Manager,  
Sustainability Reporting - BP**

**Our report verification delivers much more than simply assurance. The process and challenge have helped us to identify potential opportunities to deliver performance improvements in our approach to Corporate Responsibility.**

**We welcome and value the challenge, as through internal exploration it stimulates improvements to help us identify, develop and implement strategic decisions to the benefit of our business.**

**Corporate Responsibility Manager  
– NEXT plc**

# Benefits of assurance

***Improves report's credibility and builds trust among readers***

**A reputable assessor with the required professional expertise, following a sound methodology, can check the report and background documentation so that stakeholders can have confidence in the reliability and balance of the report's content.**

***Enhances brand image of the company***

**Assurance from competent assessors reflects well on the reporting company. It indicates efforts to go the extra mile by ensuring information availability to the assessors to have an unbiased opinion.**

***Ensures completeness and comparability***

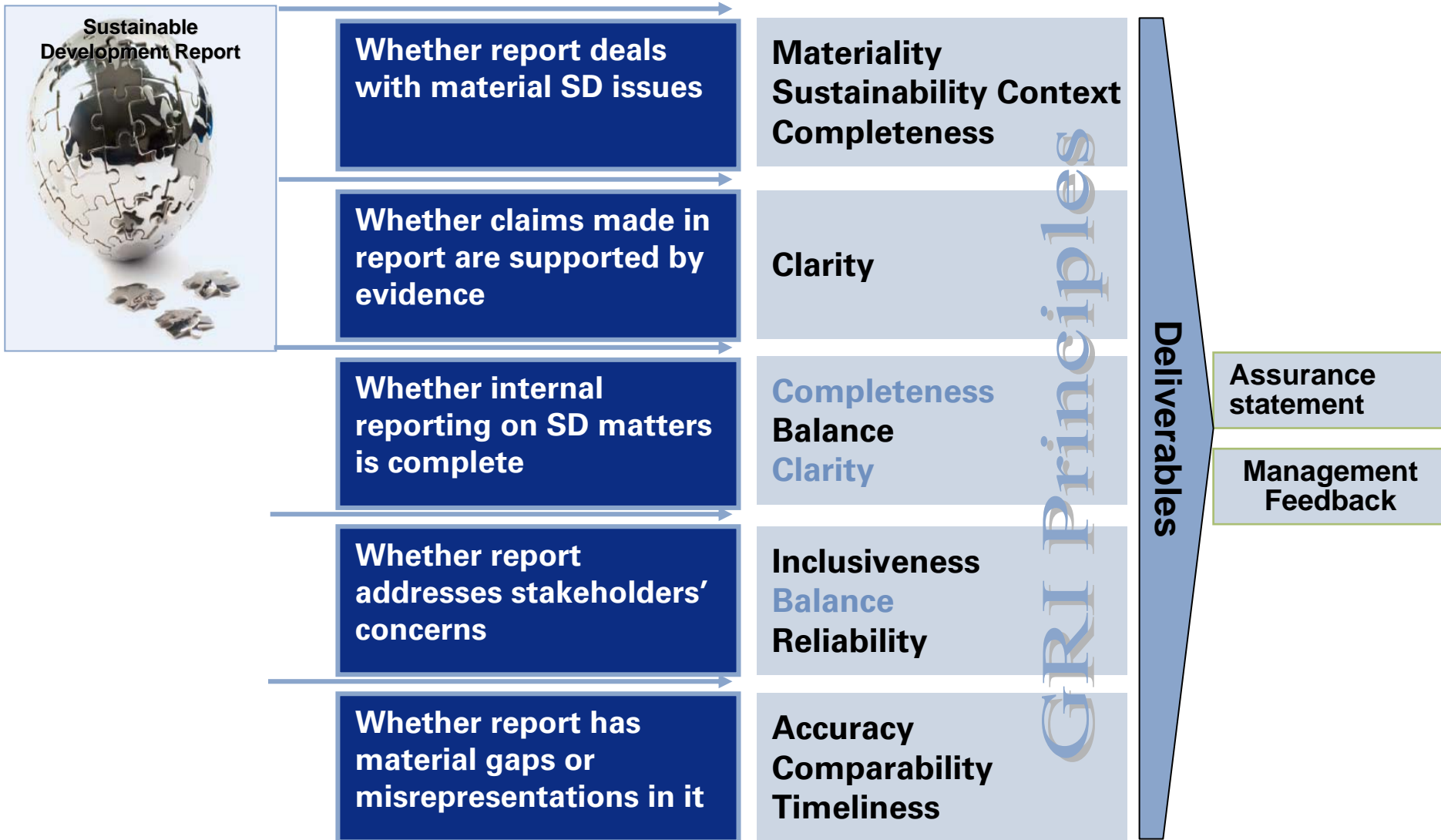
**Comprehensive assurance ensures the report's adherence to principles stated by sustainability reporting guidelines such as GRI G3 or assurance guidelines such as AA1000.**

**Data assurance that conforms report's adherence to GRI G3 guidelines, principles and data protocols ensure report's comparability across global reporters.**

***Strengthen data management and monitoring***

**Assurance of reports involves detailed inspection of data collection & collation protocols, thereby providing avenues for strengthening the company's data management and monitoring processes.**

# What is assurance provided on?



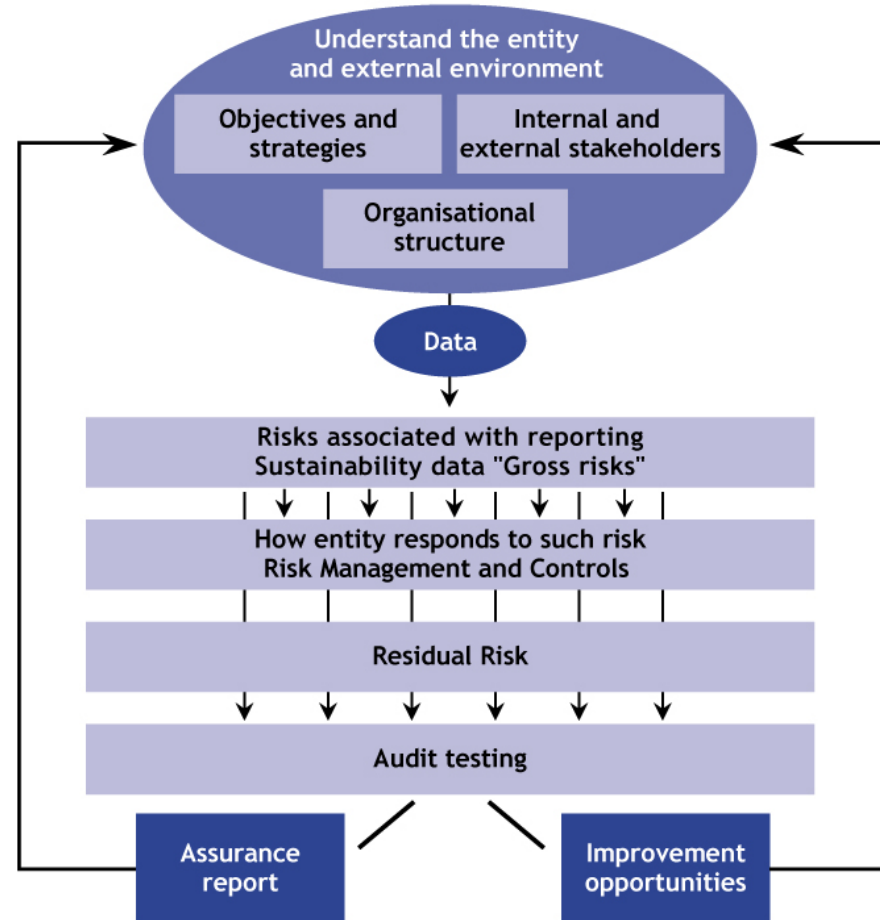
# Risk based approach to assurance

Assurance methodology should report on risks and on underlying systems and controls for measuring and reporting data.

‘Controls’ are internal checks performed on data before it is reported, e.g. cross-checking electricity invoices against on-site meter readings. Where robust controls are present, reduce the assessed risk associated with an indicator. One can then focus on areas with high residual risk.

Consider ways in which indicators are defined by the company and focus on consistency with which definitions are applied in reporting. Also consider application of organisational reporting boundaries.

Review reporting systems & controls at site-level and head office. HO review should include information flows and data aggregation process.



# KPMG assurance process

