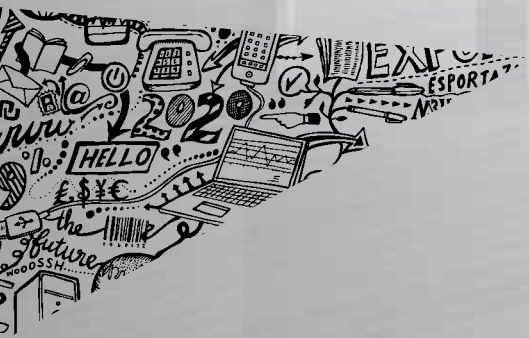


Corporate Responsibility Report 2012

Ernst & Young Ukraine



 **ERNST & YOUNG**
Quality In Everything We Do

Table of contents

3	Opening address from the Managing Partner in Ukraine	38	Environment
4	2012 main achievements	44	Community
6	About Ernst & Young	59	Report parameters and contact information
8	Our approach to corporate responsibility	60	Appendix 1: Ernst & Young's offices in the world
		61	Appendix 2: Ernst & Young's services in Ukraine
		65	Appendix 3: Ernst & Young Ukraine organizational structure
		66	Appendix 4: Corporate Responsibility Committee in Ukraine
9	Stakeholder engagement	67	Appendix 5: Procurement and consumption of materials: our principles and results
10	Workplace	69	Appendix 6: GRI G3 disclosures and performance indicators
26	Marketplace	74	Appendix 7: Our commitment to UNGC principles
		75	Appendix 8: List of abbreviations used in the Report

Opening address from the Managing Partner in Ukraine



Alexei Kredisov,
*Managing Partner,
Ernst & Young
Ukraine*

Dear Readers,

I'm pleased to present Ernst & Young's fourth Corporate Responsibility Report.

The Report highlights the Company's performance and achievements for 2012 financial year, covering the period from 1 July 2011 to 30 June 2012 in four areas: Workplace, Marketplace, Environment and Community.

This year, we celebrated Ernst & Young's 20th anniversary in Ukraine. We have been operating on the Ukrainian market for over 20 years, spreading the culture and values of the Ernst & Young Global Company. Our 20 years on the market coincide with the rapid development of independent Ukraine, and we are going through all the ups and downs with our clients. We know the country, its problems and its needs. We are confident that the sustainable success of a company is possible only on the basis of corporate responsibility, and that the sustainable development of society will be possible when the majority of its people learn to make responsible, farsighted decisions. This is a difficult path, and we all still have to overcome many obstacles in order to comply with the high standards of a responsible business.

In 2008 we joined the UN Global Compact initiative, which gave us the impetus to consolidate our efforts for the development of society and our understanding of the Company's development

strategy in light of human rights, the need to foster good labor practices and protect the environment, and the fight against corruption. Our Company has for four years now been actively engaged in promoting responsible business and sustainable development in Ukraine. In 2012, we joined the UN Global Compact Alliance to support leadership and financial sustainability of the initiative in Ukraine. This year the Company was elected as an international business representative to the Steering Committee of the UN Global Compact – the authority managing strategic development initiatives in Ukraine. This indicates appreciation for our active social position and our long-term activity on the Compact's working committees.

Our corporate responsibility reporting is regular, indicating that we are consistent in our actions and have a desire to improve. We conducted a survey of the Company's partners and employees and arranged a meeting with external stakeholders to hear opinions from clients, representatives of non-government organizations (NGOs), experts, environmental organizations, youth organizations and the academic world. Each comment is very important to us, and most of the stakeholders' wishes were taken into account in the preparation of this Report.

2012 main achievements



Workplace

- Ernst & Young Ukraine won a bronze award in the **"HR Brand Award"** contest held by the HeadHunter group of companies for the Working Mothers' Support Program.
- Based on the results of an internal global survey, the engagement index for Ernst & Young employees in Ukraine was **75%**, which is 4% higher than the 2010 result.
- Based on the results of an internal global survey, **91%** of employees are proud of their work at Ernst & Young.
- During the year, over **53%** of employees volunteered in Company social projects.
- Ernst & Young Ukraine won an honorary award in the category "Education and Culture" for its complex of educational initiatives within the national contest **"Corporate Volunteering in Ukraine."**

- Average staff turnover for the year was **15%**, which is 8% lower than in the previous year.
- In 2012, our client-servicing employees dedicated about **14,000** hours to learning and participated in **204** training courses.

Marketplace

- Ernst & Young is the auditor of **25%** of the companies listed on the Forbes Ukraine "200 Largest Companies" list for 2011.
- Ernst & Young Ukraine's Tax & Law practice has won the **National Tax Firm of the Year** award at the prestigious International Tax Review annual European Tax Awards.
- **96.5%** of clients are ready to recommend Ernst & Young to others according to our global survey.

- Ernst & Young held **15** seminars and conferences on important business issues for clients and the general public.
- More than **1200** people participated in educational programs at the Ernst & Young Academy of Business in 2012.

Environment

- The Company fully abandoned disposable plastic utensils in its offices.
- We offer parking places for bikes.
- Plastic garbage bags were replaced with bags that quickly decompose.
- Imported tea was partially replaced in our kitchens by Ukrainian-made tea.
- The technical capacity of our video conferencing has been improved; video conferencing offers an ecological alternative to business travel.

- Two awareness campaigns for employees and a seminar for the business community on the "green office" concept took place; **1250** Kyiv schoolchildren participated in environmental awareness lessons with support from the Company.

Community

- Nearly **9000** students and schoolchildren participated in educational initiatives implemented or supported by Ernst & Young.
- Students from **18** higher educational establishments of Ukraine took part in the "Step into the Future" career program initiated by the Company.
- During the year, financial support was granted to **17** students deprived of parental care. Nine Company employees served as these scholars' mentors.

- **32** lessons took place at the School of English initiated by Company volunteers for orphaned students.
- **70** employees participated in the Salary Deduction Program to benefit children with cancer: 21 children received regular or one-time financial support during the year. Over the years of the Program, more than **300** children have received support in an amount of more than one million hryvnias.
- Ernst & Young has been recognized as the **company that has the highest awareness rating among students and graduates among the Big Four** in Ukraine according to the Best Employer 2011 Research project, conducted in November 2011 by the rabota.ua portal.

About Ernst & Young

Ernst & Young is a global leader in assurance, tax & legal services, transaction support and advisory services.

Ernst & Young today is an international organization with offices in 700 cities in 150 countries. Our FY 2012 revenues were USD 24.4 billion. Our 167,000 employees are united by our shared values and our high standards of quality. We make a difference by helping our employees, our clients and our wider communities achieve potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal

entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

Our global industry centers draw upon teams of professionals from across the global organization with deep technical and industry experience. They help clients by anticipating trends, identifying their implications and developing points of view on relevant industry issues.

Our networking events around the world – seminars, conferences, roundtables – provide clients with regular forums to discuss current and emerging issues relating to the business environment.

We invest in leading-edge thought leadership to interpret business trends, which delivers valuable insights to our clients.

We engage with regulatory authorities in all our markets, to contribute to the development of an effective and balanced regulatory framework. Our ongoing communication with governmental bodies around the world enables us to help clients to respond quickly and effectively to new regulations and interpretations, promptly addressing any issues that come to light.

2012 awards for Ernst & Young across the world



The high level of financial expertise of Ernst & Young professionals has been recognized internationally. In 2012 it has been ranked number one **"Financial Services Consulting Provider globally for financial consulting revenue in 2010,"** by Kennedy Consulting Research & Advisory.

Ernst & Young is positioned in the **Leaders Quadrant** in **Gartner's** Finance Management Consulting Services **Magic Quadrant**.

Last year Ernst & Young, for the seventh time, was among the top 10 companies in terms of providing good conditions for working mothers, according to the worldwide **2012 Working Mother 100 Best Companies** rating, compiled by Working Mother Media.

Ernst & Young Ukraine

Ernst & Young established its practice in Ukraine in 1991. In September 2006, we were the first among the Big Four to open an office in Donetsk. In the period covered by this Report, Ernst & Young Ukraine employed 524 professionals, 34 of them in Donetsk.

Ernst & Young Ukraine provides services in assurance, advisory, transaction support and tax & legal advisory services (for more detailed information about the Company services see Appendix 2 to this Report). The client portfolio includes world-renowned multinational corporations and influential Ukrainian enterprises.

Ernst & Young is a private limited liability company. The main executive officer in Ernst & Young Ukraine is the Country Managing Partner, who is also the Chair of the Partners Board. The Partners Board is a

group of partners working in the Ukrainian offices, including the Service Line Heads. The total net revenue of the Company in the reporting period was UAH 296 million (UAH 372 million in 2011).



Ernst & Young was honored by Procter & Gamble as one of its best service providers during an annual ceremony at which P&G honored its business partners. Ernst & Young was noted as **one of 12 leading companies from among 75,000 Procter & Gamble** service providers across the world.

In January 2013, Verdantix published a report based on the results of a survey of 250 large companies from 21 industries. Ernst & Young received the **highest scores, as the company that has the strongest team of consultants on sustainable development.**

Our programs to promote equal treatment on the basis of race and gender were awarded in the **"More Talents - More Options"** category in the global BITC Gender and Race Benchmark Survey 2012.

Our approach to corporate responsibility



We are convinced that any company can benefit more than just its own clients.

How can Ernst & Young help society achieve qualitative changes?

What can we do to foster the sustainable development of the planet?

What's the best investment to make today to foster successful development of a company and of society in the future?

We define our corporate responsibility strategy via the answers to these questions.

Globally, we concentrate our efforts in three key areas that are consistent with our business strategy and important for the development of emerging market economies. Ernst & Young supports entrepreneurship, education and environmental sustainability in order to build a better future.

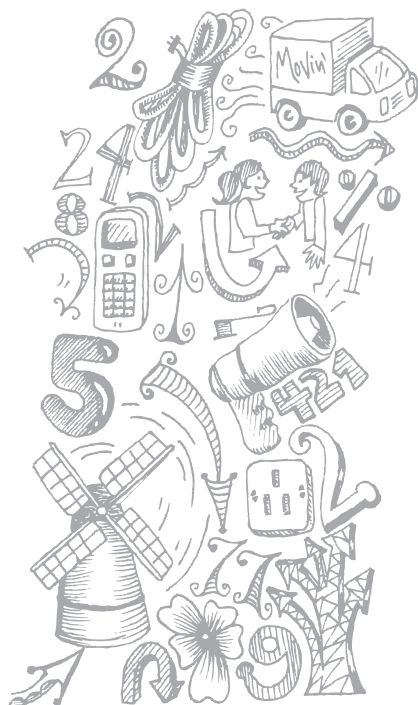
We created a Corporate Responsibility Committee for our Ukrainian offices.

Its tasks are:

- ▶ to embody the values and principles of the global corporate responsibility strategy at all levels of the Company's operation, with regard for local specifics;
- ▶ to communicate on corporate responsibility;
- ▶ to develop corporate volunteering;
- ▶ to manage projects and initiatives aimed at the development and improvement of society, namely: promoting responsible business practices, educational programs for Ukrainian youth, environmental initiatives and charity programs.

Relationships with stakeholders

We see our mission as creating the conditions in which stakeholders can maximize their potential.



We divide our stakeholders into four groups: **Workplace, Marketplace, Environment, Community.**

Workplace

Company partners and employees

Creating a job climate and working conditions in accordance with our values: integrity, enthusiasm, constant growth, teamwork, respect for all

Marketplace

Company clients

Providing services of a constantly high quality in compliance with the principles of auditor independence, transparency and good governance

Legislative bodies, government representatives, investors, expert and professional associations, the business community in general

Active participation in specialized agencies, lobbying for business interests, participation in public events, promotion of corporate responsibility, development of an entrepreneurial culture

Former employees

Support of relationships via the Ernst & Young Alumni Club

Environment

Suppliers, employees, local communities, NGOs

Measures to promote an attitude of respect for the environment

Youth

Educational programs aimed at environmental awareness and responsible behavior

Community

Universities, teachers, youth

Professional educational programs for students and teachers, educational programs that promote leadership and entrepreneurial skills

Children with special needs, philanthropic institutions

Support for educational programs

Vulnerable members of society

Charity programs

Each year we award employees for adherence to our corporate culture principles. The Chairman's Values Award (CVA) is a global program established in 2006. It allows our employees to recognize and celebrate the colleagues who demonstrate our values in their everyday working lives, making a positive contribution to the development of our organization.

In 2012, Olesya Melnyk, the Ernst & Young Ukraine Assurance Partner, was selected as one of the Chairman's Values Award Champions for EMEA.

We are proud that a Ukrainian office employee was selected from among the 4200 Company employees in the CIS.

Code of Conduct

The Global Code of Conduct is a set of norms and rules that we follow when doing business. It regulates behavior in all areas of activity: cooperation on a team and with clients and the community; adherence to professional principles; independence and objectivity; and work in terms of fostering intellectual capital.

Some examples of how the Code governs team relations:

- ▶ *We build relationships with each other based on a shared trust and confidence that each of us has a personal and professional commitment to do the right thing.*
- ▶ *We are committed to communicating openly and honestly.*
- ▶ *We are committed to working in diverse teams and are personally accountable to other team members for the contribution we make.*
- ▶ *We rely upon each other to deliver quality service to our clients and for our individual development.*
- ▶ *We nurture integrity, respect and teaming.*
- ▶ *We consult with each other and value the perspectives of those who are different from us, as well as those who challenge our own point of view.*
- ▶ *We embrace multicultural experience and diversity as strengths of our global organization. As such, we respect one another and strive for an inclusive environment free from discrimination, intimidation and harassment.*
- ▶ *We encourage and support the professional development of our colleagues and promote individual achievement and continuous learning.*

Our Code of Conduct can be found at: www.ey.com/GL/EN/home/Global-Code-of-Conduct.

« *The Working Mothers' Support Program lets you spend more time with your children and thus improves the work-life balance of our employees. Young mothers don't fear that they have to forget about their careers, because they feel that the Company cares about their needs.* »

Marina Zakharina, Head of HR department

Employer brand development

Ernst & Young pays considerable attention to developing its brand as an employer, to attract and retain the best professionals and improve motivation.

In 2012, the following employer brand elements were given the most attention:

- ▶ revision of the Employee Value Proposition to enable differentiation of the Company from others on the labor market;
- ▶ promotion of professional and career development programs for Company personnel that provide for a comprehensive combination of coaching, work experience and training; promotion of global mobility programs allowing our employees to gain work experience, not only in the Ukrainian offices but also abroad;
- ▶ ensuring equal and comfortable working conditions for employees, including competitive salaries, a number of benefits and new solutions for maintaining work-life balance, so that Ernst & Young's employees are inspired by their work;
- ▶ further improvement of our communication strategy; new communication channels;

- ▶ development of and support for projects to promote social welfare in accordance with the corporate responsibility strategy;
- ▶ strategic partnership with leading universities and youth organizations, work on educational projects aimed at development of modern youth leadership skills and building bridges between academia and the business world;
- ▶ use of the most popular social networks as modern tools of communication with young people and for promoting Company projects and initiatives;
- ▶ active participation in professional and business associations, such as the Association of Chartered Certified Accountants (ACCA), Ukrainian Society of Investment Professionals (CFA Society), the European Business Association (EBA), the American Chamber of Commerce (ACC) and others;
- ▶ support for ongoing relationships with the Company's alumni.

In November 2011, Ernst & Young won the bronze award in the **"HR Brand Award"** contest, conducted by the HeadHunter group of companies for the Working Mothers' Support Program. This program offers a range of benefits that support and encourage women to continue their careers after childbirth.



Employee of the Year award

In recognition of our employees' achievements, the annual Employee of the Year award was introduced in Ukraine in 2011. The winners were announced and awarded special prizes during the celebration of the new fiscal year, in September 2012.

They were:

- ▶ Taras Kulyk, Ielizaveta Ogorodnikova – Assurance;
- ▶ Olena Boichenko, Bogdan Malnev – Tax & Law;

- ▶ Iurii Vyshniak, Viktoriya Bondarchuk – Advisory;
- ▶ Nastia Ovchynnikova – HR;
- ▶ Dmytro Iashchenko – IT.

We sincerely congratulate the employees whose personal and professional qualities were honored by their colleagues.

Corporate volunteering

Voluntary participation in social initiatives and events is a component of the corporate culture of our Company.

53% of Company employees volunteered for corporate responsibility projects during the year. They participated in the following initiatives:

- ▶ career initiatives for students;
- ▶ free counseling and training for representatives of government and non-profit organizations;
- ▶ participation in public events for the development of the business community;
- ▶ educational programs and contests to develop leadership and entrepreneurial skills in young people;

- ▶ mentoring teenagers from troubled families;
- ▶ educational modules for students and young adults in orphanages;
- ▶ environmental initiatives;
- ▶ donorship and financial support for children with cancer;
- ▶ sports charity events;
- ▶ visiting orphans;
- ▶ events to honor veterans of the Great Patriotic War;
- ▶ preparing lots for charity sales.

Employee participation in social activities allows them to go beyond the bounds of their day to day work, expand their circle of friends and develop new skills. Most importantly, each employee can join in an important mission: to change the world for the better. The Company's executives provide ideological and administrative support for volunteering. The most active volunteers are compensated for the time they devote to social work in the form of additional paid vacation days.

In March 2012, Ernst & Young won an honorary award in the category "Education and Culture" for its complex of educational initiatives under the title **"We Give Knowledge for Success"**.

Those initiatives took place thanks to the active involvement of Company experts. The award was granted within the framework of the national "Corporate Volunteering in Ukraine" competition, organized by the East Europe Foundation in partnership with the UN Global Compact in Ukraine, the UNV Program, the European Business Association, the American Chamber of Commerce, the US Peace Corps and the Ukrainian Philanthropists' Forum.





Diversity culture

When making decisions pertaining to hiring, promotion, performance evaluation and compensation, we do not take into account factors unrelated to performance of professional activities and competencies.

61% of our employees in Ukraine are women. 52% of employees in middle management positions and 29% of employees in top management positions in Ukraine are women.

65% of our employees are young people under 30. The Wellness Program, aimed at maintaining the physical and emotional health of employees, takes into account this factor.

More information about the Working Mothers' Support and Wellness Programs can be found further on in this Report.

Channels of communication

The Company pays particular attention to internal communications. A whole range of channels has been developed to receive and provide feedback. This supports a corporate culture in which everyone's idea is appreciated and no question is left unanswered.

The main platforms for communication are:

- ▶ People Board;
- ▶ People Advisory Council (PAC);
- ▶ Staff Day;
- ▶ Service Lines meetings;
- ▶ Surveys.

According to a survey conducted in June 2012, 95% of our employees believe that the Company's communication channels are sufficient.

93% of respondents find important or very important having Service Lines meetings and conducting surveys among employees. 89% appreciate the chance to express their views during Staff Day and affect the Company's life by giving suggestions to the People Advisory Council.

People Board

The People Board was established in 2010 with a view to developing and improving HR strategy, discussing current people issues and providing suggestions to solve them. The People Board consists of partners and senior managers from different departments and works closely with the HR Department, Managing Partner, and Service Line Heads.

Examples of projects with the involvement of the People Board in 2012:

- ▶ revision of the Employee Value Proposition;
- ▶ implementation of the Company's employer brand development strategy;
- ▶ conducting employee surveys to get feedback on various aspects of the Company's life and to improve working conditions;
- ▶ communicating survey results to employees and developing action plans;
- ▶ further support for the Working Mothers' Support Program and other initiatives to improve the employee work-life balance and meet the emotional needs of employees.

People Board 2012

Olesya Melnyk,
Partner, Assurance

Olga Gorbanovska,
Partner, Tax

Rostyslav Grygorenko,
Senior Manager, TAS

Anzhela Nikolayenko,
Senior Manager, Advisory Services

Marina Zakharina,
Head of HR department

People Advisory Council

The People Advisory Council is an internal “trade union” consisting of representatives of all Company departments and levels. In 2012, three meetings took place, during which office comfort, improving internal procedures and policies, organizing additional training programs and new solutions to technical issues were discussed. The PAC allows each employee to make suggestions to improve workplace well-being and often drives important decisions.

Examples of PAC meetings results in 2012:

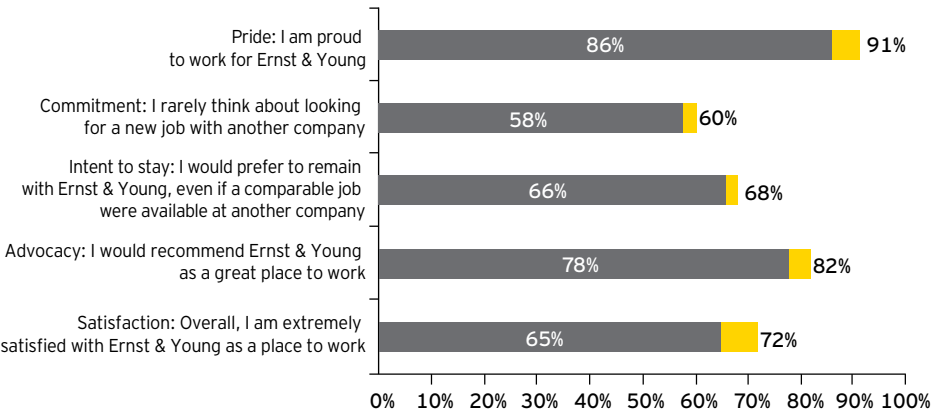
- ▶ provision of additional vacation days for those who spend a lot of time on business trips was agreed;
- ▶ the following have been developed, to eliminate confusion: rules for calculation of hardship allowance and daily expenses on business trips; rules for office access and use of rooms for negotiations; unpaid leave policies; rules for reporting time spent on corporate volunteering programs;
- ▶ the number of 3G modems for use on business trips was increased.

Global People Survey

At Ernst & Young, we are constantly striving to ensure our organization is a great place to work. Every two years Ernst & Young holds a thorough Global People Survey (GPS) based on 74 indicators. Inbetween, the Company runs the short Global People Survey as an interim check on our progress since the last full GPS. We want to know if we have done the right things to improve our people’s motivation to contribute to business outcomes. In May 2012, 58% of our employees took part in the interim short survey.

75% employee engagement index in 2012 (previous year indicator – 71%)

The engagement index is comprised of five survey items and is an indicator of the extent to which employees are motivated to contribute to the Company’s business objectives:



Employees' positive feedback indicates that we are moving in the right direction with our people agenda. Service Line Leaders and People Board members received the detailed results for their respective Service Lines. This helped our leaders reflect on their work over the past year.

CBS service quality evaluation survey

In June 2012, we conducted a regular quality evaluation of the Company's Core Business Services (CBS). On average, the positive answer score was 94%, as compared to 89.5% in the last year's survey. The results confirmed the professionalism of CBS employees and their willingness to provide effective ongoing support to client servicing employees. The CBS leaders received performance results of their units for their further consideration.

Surveys of employees on corporate responsibility programs

To see how employees evaluate the effectiveness of Company initiatives relating to personnel, the environment and the community, and to generate new ideas for

corporate volunteering programs, the 2012 survey included a comprehensive list of programs and initiatives in the following categories:

- ▶ Initiatives for employees:
 - learning and development
 - health
 - sports
 - the Mothers' Support Program
 - initiatives for parents
 - hobby clubs
 - recognition and reward
 - channels of communication
- ▶ Initiatives for the environment
- ▶ Initiatives for the community
 - educational programs for youth
 - charity programs
- ▶ CSR reporting
- ▶ CSR communications

According to the survey, the personnel praised the Company's social programs. The Corporate Responsibility Committee, HR Department and People Board took into account employee proposals, which helped in prioritizing areas for future work and developing appropriate measures.

Staff Day



The tradition of annual staff meetings with the Company's management at the Ukraine and CIS levels was established in November 2010. Presentations by all Service Line leaders have acquainted employees with the Company's market strategy, priorities for the coming year and HR initiatives.

The meeting has also provided for direct communication between employees and top management. During the event in November 2011 an SMS-session took place so that employees could ask questions and get honest answers.

An appearance by famous Ukrainian football player Vladislav Vashchuk was a fascinating aspect of the meeting. He shared the secrets of success in sports and business and held a sports quiz and autograph session.

Learning and development

Adaptation program

We want a new employee to feel comfortable from his or her first minute at the Company and to have enough information with which to navigate. All Ernst & Young Ukraine employees have an employee-counselor from their first day of work. We also offer the "Welcome to Ernst & Young" training session, which is held monthly and provides familiarity with the strategy, values and activities of the Company.

Ernst & Young and You

The global framework for employees' career development, "Ernst & Young and You", offers our employees the skills and knowledge they need to develop great careers. This program provides for a combination of learning, work experience and coaching to elicit employee potential and provide high quality service to our clients.

Counseling

Counseling is a purposeful dialogue between a counselor and a counselee that is intended to help the counselee realize his/her potential within the Company. Counselors are employees who are two or three career steps above their counsees. For the counseling institute to be effective, the Company offers counselors special training on coaching and on building meaningful conversations about career issues.

Ernst & Young and You

Experience – our employees get useful experience as they work. Within each Service Line, the project teams are selected so as to provide high quality services to clients and ensure that each employee has the conditions in which to grow professionally, improve leadership skills, and master relationship skills.

Education – all employees have access to high quality education via a special structured training plan that addresses the specifics of a particular department and the Company as a whole. We offer both traditional classroom training and online modules aimed at improving the skills of employees.

Coaching – this is a format of the effective team communication during the performance of everyday tasks. Developing employee-counselors' coaching skills is a component of the Company's training program.



During 2012:

- ▶ all newly appointed counselors completed an online training module;
- ▶ all newly appointed counselors attended a special seminar at the Ernst & Young Academy of Business;
- ▶ three training sessions on coaching were conducted for managers and senior professionals of the Company;
- ▶ nine individual coaching sessions were held for partners and managers, to improve communication with counselees;
- ▶ the approach to appointing counselors was revised in order to enhance dialogue;
- ▶ the policy that counselor-counselee meetings may be conducted in a format of a business lunch was implemented.

Online training modules

Ernst & Young offers its employees a variety of online educational modules. Due to the mobile nature of the training, employees can access training at a convenient time for them.

Today, the Company offers more than 2000 online courses.

Ernst & Young employees attended 120 courses in 2012.

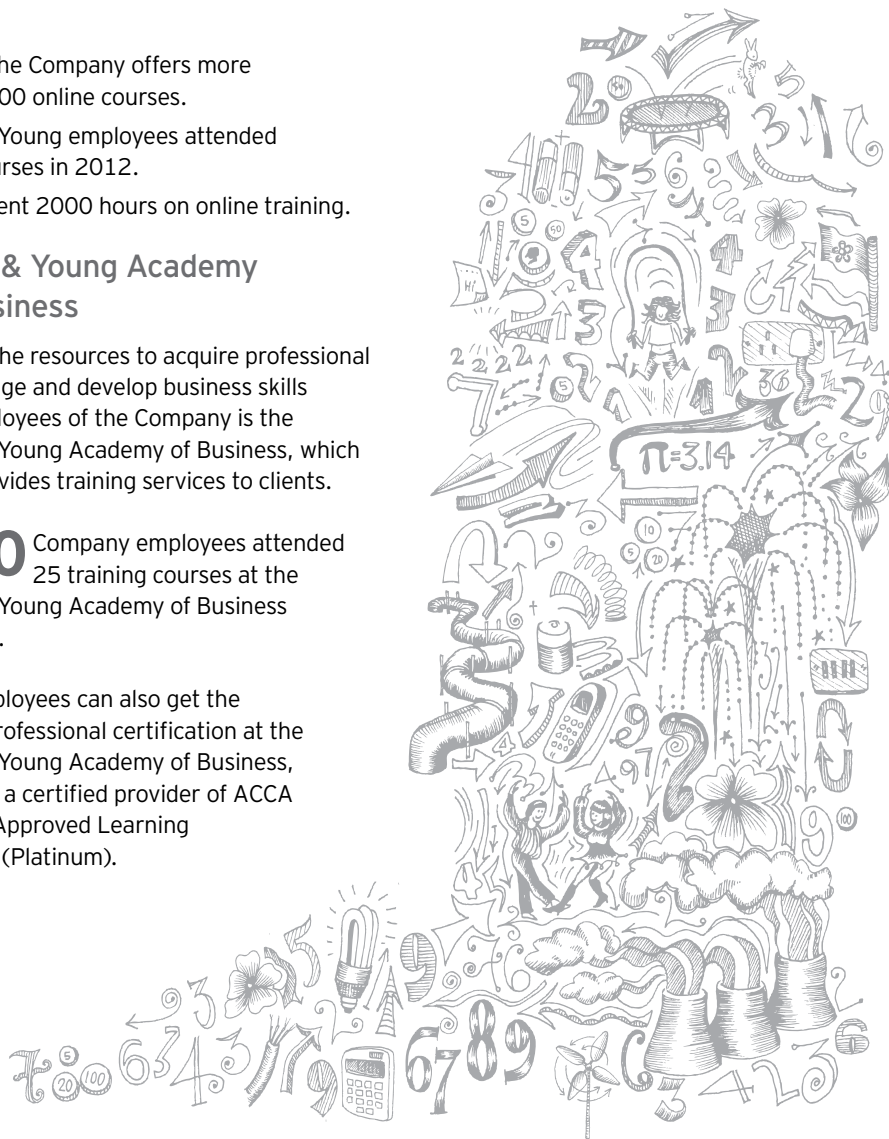
They spent 2000 hours on online training.

Ernst & Young Academy of Business

One of the resources to acquire professional knowledge and develop business skills for employees of the Company is the Ernst & Young Academy of Business, which also provides training services to clients.

100 Company employees attended 25 training courses at the Ernst & Young Academy of Business in 2012.

Our employees can also get the ACCA professional certification at the Ernst & Young Academy of Business, which is a certified provider of ACCA (ACCA Approved Learning Partner (Platinum)).



Professional education and certification

Professional education is an integral part of career development at Ernst & Young. It involves the continuous improvement of professional skills and the obtaining of professional certification, which ensures high quality of performance at various career stages.

14,000 hours were devoted by client servicing employees to training in 2012; they participated in 204 training courses.

58 hours per year per person were devoted by client servicing employees on average to training and certification.

Mobility programs

Mobility programs involve short-term or long-term transfers to work at other Company offices. They allow employees to gain professional experience in a new environment and to learn how to cope with unfamiliar tasks. The experience broadens the mind, familiarizes participants with new cultures and develops tolerance and a sense of the diversity principle. At the same time, participation in mobility programs gives employees the opportunity to accelerate their training and career development through a network of business connections both inside and outside the Company.

The major mobility programs are:

- ▶ **New Horizons** – a 3-month mobility program for specialists and senior specialists;
- ▶ **Expanding Your Horizons** – a 6-12-month mobility program for managers and senior managers;
- ▶ **Global Exchange Program** – an 18-24-month mobility program for professionals at all levels.

In 2012, five employees took the opportunity to gain experience in Company offices in Germany, the Netherlands, Canada and the UK.

In turn, employees from the UK, Belarus and Russia worked at the Kyiv office.

Global Leadership Development Program

The Company is implementing a special program to accelerate the development of our managers' leadership skills - Global NextGen. Our leaders determine the future of our organization, and our attention to their development is a reflection of our commitment to being a global company with a unique corporate culture. To remain a leader in today's business world is not easy. Rapid change, a high level of uncertainty, global interdependence – such things raise the bar for managers. That's why we consider investing in the development of our leaders so important. The Global NextGen Program provides access to a network of



specialists and a wide range of development tools that help ensure success in leadership roles. Two senior managers from Ernst & Young Ukraine took part in the international Global NextGen Program in 2012.

Compensation and benefits

One of the Company's priorities is to ensure the competitiveness of compensation packages for Company employees. Every year we participate in a salary market survey, carefully analyzing its results and relying on them in determining wage levels at the Company.

We pay special attention to the link between employee performance and pay. At the end of each year, the Company conducts the so-called "round tables," where all counselors

and heads of departments collectively discuss and approve performance evaluations and provide recommendations for the career growth of each employee. Compensation levels are reviewed annually based on performance evaluation. Evaluation is also a key factor affecting the annual bonus plans.

Working Mothers' Support Program

More than half of our staff in Ukraine are women, most of them combining career and motherhood. For female employees with children, the balance between family and work is particularly vital.

In 2010 a series of measures were proposed:

- ▶ a woman with a child under 14 can use one hour a day (five hours per week) at her own discretion;

- ▶ flexible working hours for employees-mothers;
- ▶ additional payment for the first 12 weeks of maternity leave, so that the gross income of a female employee (payments from the Social Insurance Fund and additional payments from the Company) would be not less than 80% of the basic salary;
- ▶ 100% compensation for five days of leave a year due to the illness of a child, regardless of length of service and salary (in addition to the days that are compensated for all employees);
- ▶ extension of medical insurance program options for children of employees; specifically, an increase in the number of clinics that provide services under the insurance program; extension of the list of services provided by clinics, etc.;

Company employee compensation packages above statutory norms include:

- ▶ free medical insurance for each employee and one immediate family member;
- ▶ life and accident insurance, and insurance when travelling abroad;
- ▶ annual vacation – 25 working days;

- ▶ additional payment for the first 12 weeks of maternity leave;
- ▶ 100% compensation for five days of sick leave during the year regardless of length of service and amount of salary;
- ▶ 2 additional paid days of leave on the occasion of a wedding;
- ▶ 3 additional paid days of paternity leave for new fathers upon childbirth;

- ▶ an additional paid vacation day for 0 days of absence due to illness during the year;
- ▶ additional paid vacation days for those who spend more than 50 days a year on business trips.

- ▶ agreement with the Pechersk District Department for Education to admit children of our employees to one of the kindergartens located next to the office;
- ▶ organization of sports, educating and entertainment events for children of employees.

84% of working mothers consider that the program provides a better work-life balance according to the 2012 survey. Most mothers specified that they appreciate the introduction of the Program, as it shows Company management concern with their problems.

Wellness

A busy schedule limits employee opportunities to maintain physical and emotional health. At the same time, maintaining staff health is essential for the effective operation of the Company. This factor affects the psychological atmosphere of a team and thus the Company's image. The Company wants its employees to find a balance between work and leisure.

We approach this issue comprehensively. In addition to the standard solutions - extended vacations, corporate events - we have developed a number of programs with regard to the wishes and needs of our employees. In 2010, the Working Mothers' Support Program was introduced, and has been highly appraised by our female employees. The next step was

the launch of Wellness Program for all Company employees and their children in 2012.

In 2012, the Wellness Program included the following activities for employees:

- ▶ training sessions on time and stress management;
- ▶ partial payment for memberships at sports clubs and swimming pools;
- ▶ organization of corporate discounts for sports clubs;
- ▶ financial support for football and basketball teams (weekly training and tournaments in Ukraine and abroad);
- ▶ organization of various sports competitions among employees (carting, cycling, table tennis);
- ▶ payment for employee participation in tournaments organized by the European Business Association and the American Chamber of Commerce (squash, basketball, volleyball, table tennis, paintball, etc.) as well as sponsorship of participation in the Kyiv International Marathon;

- ▶ arrangement of recreation areas in the office (a ping-pong table, a horizontal bar, basketball);
- ▶ arrangement of a corporate fan zone during EURO-2012;
- ▶ arrangement of Health Days, which envisage physicians' consultations, lectures on healthy lifestyle themes and various activities in the office;
- ▶ activities for the children of employees (participation in the "We Are the Champions!" sports contests, the New Year celebration, the New Year drawing contest, the "Fancy Kyiv" tour, the master class on Easter decoration, the competition in the rope park, the office tour);
- ▶ organization of hobby clubs (Intellectual Games Club, Arts and Crafts Club, Photo Art Club, Travelers Club, Movie Fans Club, Active Parents Club).

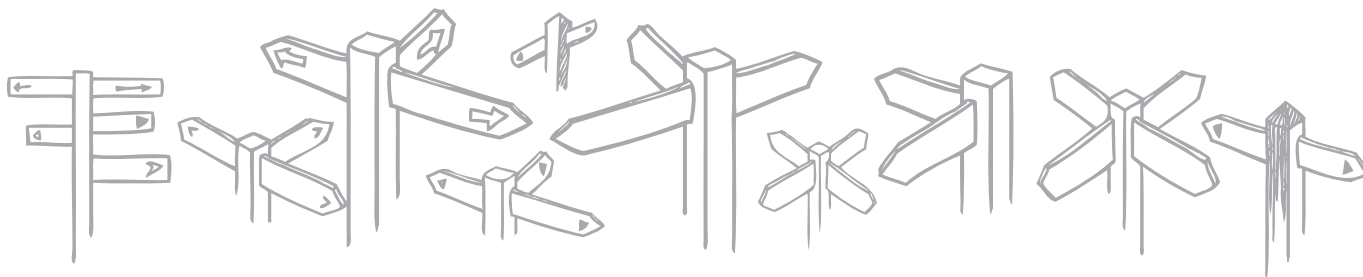
Main Wellness Program areas:

- ▶ development of employee time and stress management skills;
- ▶ organization and support of sports events for employees;
- ▶ organization of sporting and recreational activities for the children of employees;
- ▶ events to promote personnel health and healthy lifestyles;
- ▶ events to foster leisure and informal communication.

Goals for 2013

Given the previous year's results, the Company has determined the following work areas for FY 2013:

- ▶ to maintain the attractiveness of the employer brand, to increase the number of employees who are involved in the employer brand development activities, to present an updated Employee Value Proposition to employees;
- ▶ to promote professional and career development programs for employees (learning and career maps for different levels and service lines; a calendar of training courses; web-based learning, including for studying English); to create database of internal tutors; to increase the number of participants in internal trainings conducted at the Ernst & Young Ukraine office, including training at the Ernst & Young Academy of Business; to monitor the level of satisfaction with training programs among employees; to improve the adaptation program for new employees;
- ▶ to strengthen the role and improve the quality of coaching and counseling using existing tools; to promote a new global online tool for performance evaluation and career development (My Development Site);
- ▶ to support employees' career development using international and regional mobility programs; to promote mobility programs among employees and candidates for vacant positions at the Company; to ensure participation of at least 7 employees at Ukrainian offices in mobility programs;
- ▶ to introduce new initiatives aimed at improving the physical and emotional health of employees: focus on preventive measures for disease prevention among employees; to introduce flexible working hours; to propose new initiatives to develop staff time management skills;
- ▶ to maintain a high level of employee engagement in social projects (at least 50% of employees); to develop a calendar plan of corporate volunteering projects.



Wellness 2012





Marketplace

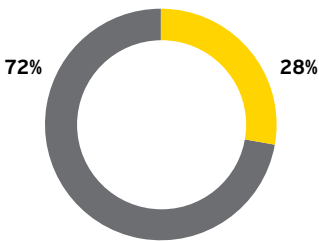
Ernst & Young services in Ukraine

Ernst & Young provides services in four main areas: Assurance, Advisory, Tax & Legal and Transaction Advisory. More information about Company services is provided in Appendix 2 to this Report.

We are proud to provide assurance and advisory services for many leading Ukrainian and international companies. Among our clients are Ukrzaliznytsya (Ukrainian Railways), Interpipe, Starlight Media, the Industrial Union of Donbass, the State Export-Import Bank of Ukraine, Ferrexpo-Poltava Mining, Arcelor Mittal, SCM Group of companies, the National Bank of Ukraine, and others.

As an organization that provides assurance services, we serve the public interest by ensuring transparency, credibility and independence on the market. We recognize the positive impact of our experts' activities around the world and promote it.

Ernst & Young is the auditor of 28% of the companies listed on the Forbes Ukraine Magazine "200 Largest Companies" list in 2011.



In 2012, Ernst & Young Ukraine's Tax & Law practice has won the National Tax Firm of the Year award at the prestigious International Tax Review annual European Tax Awards. The awards are granted to companies that demonstrate excellence, innovation and the ability to deal with complexity.

A collection of line-art illustrations of various trophies, medals, and awards, including cups, stars, and ribbons.

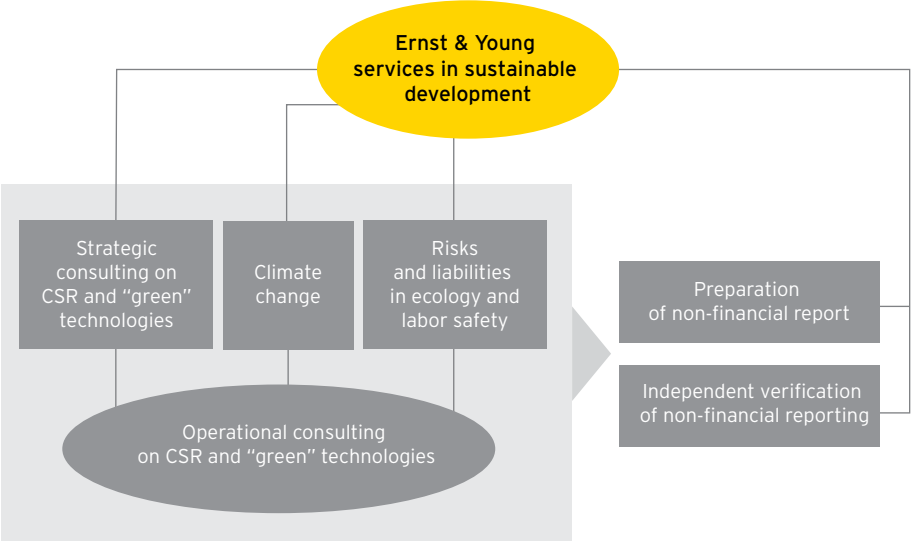
Sustainability Services



Ernst & Young has provided sustainable development services since 1992. These services have been actively developed in the CIS countries since 2007 and in Ukraine since 2010. Among our clients are companies operating in such sectors as metallurgy, mining, energy and pharmaceuticals. The Ukrainian market is just beginning to practice sustainable business development. Many companies

already practice strategic CSR programs and are planning to do even more. We help our clients with CSR strategy development and efficient risk management, contributing

to dissemination of correct information about such activities.



"We consider our main achievement over the two years of our practice in Ukraine to be the creation of a strong local team of CSR and sustainable development experts. We help promote CSR practices at Ukrainian companies by preparing financial reports, systematizing CSR activities and developing CSR strategies. We help companies to better understand their roles in society and examine their social and economic contributions to the sustainable development of the country. Nobody did such examination in the CIS before we did."

Victor Kovalenko,
Head of Sustainability Services





Fraud Investigation & Dispute Services

Companies that counteract fraud, bribery and corruption can gain commercial benefits. We help companies build a reputation for ethical behavior, develop tools to manage risk, investigate cases of alleged fraud and assess the financial implications of disputes and conflicts.

"We began to develop this activity in Ukraine two years ago, seeing a market need to counteract corporate fraud and create more transparent and effective business processes. Our clients are large and medium-sized enterprises, mostly foreign ones, with offices in Ukraine. We perform investigations at the request of individual clients and consulting projects

to improve fraud prevention systems. Unfortunately, not all executive officers on the Ukrainian market pay due attention to strengthening the corporate culture of fraud and bribery rejection and to appropriate employee training. Systematic measures are more efficient in the medium term than is identifying specific crimes or abuses. We see the future of our department

in helping clients solve complex fraud problems and further develop computer forensics services, which are increasingly important in our electronic era."

Oleksandr Dermanets,
Senior Consultant, Fraud Investigation & Dispute Services

Our commitment to quality and risk management

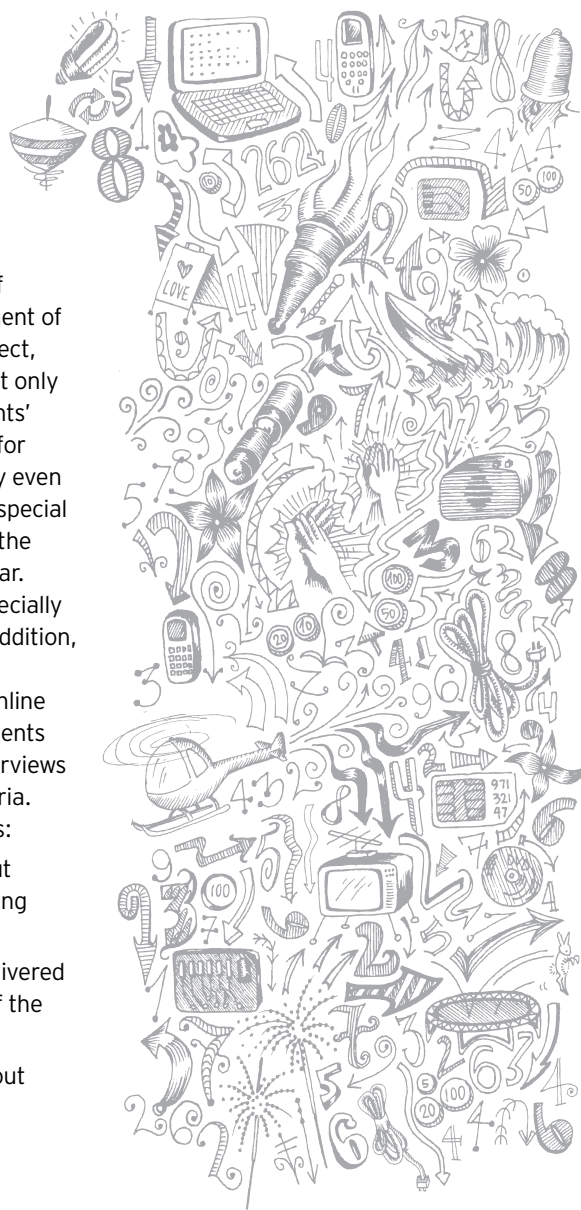
Quality forms the basis of our Company's activities. Our reputation as an independent, impartial and ethical supplier of high quality professional services is the key to the success of the member-companies in the Ernst & Young global network.

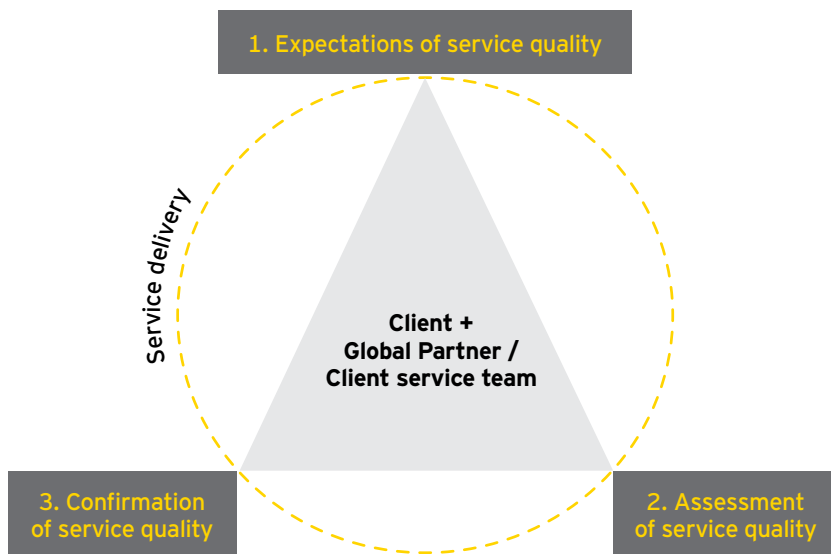
Ernst & Young has developed a set of global policies and quality control practices in order to comply with the international standards published by the International Auditing and Assurance Standards Board and the requirements of the International Federation of Accountants. Our integrated approach allows us to observe high standards of quality worldwide. A number of global tools and procedures unique to all companies in the network help us to make the right decisions to provide proper services (the main ones are presented on page 31).

Assessment of Service Quality

One tool for improving the quality of professional services is the Assessment of Service Quality (ASQ) research project, which is held annually and allows not only for identifying the extent of our clients' satisfaction with our work, but also for identifying ways of improving quality even more. Clients selected according to special criteria are offered to participate in the survey at the end of the financial year. All negative feedback is sent to a specially appointed independent partner. In addition, a new scheme for the survey was introduced in 2012: it now has an online survey to gather a wider range of clients and takes into account personal interviews with clients selected by special criteria. The interview consists of three parts:

- ▶ a study of client expectations about service quality (held at the beginning of the financial year);
- ▶ an assessment of the quality of delivered services according to the results of the financial year;
- ▶ a final interview with the client about the quality of services provided.





Results of ASQ online survey for FY 2012:

FY 2011	Total questionnaires	32
	Answers received	18
FY 2012	Total questionnaires	81
	Answers received	29

Clients' satisfaction indicators

Do you recommend Ernst & Young to others?

FY 2011		FY 2012	
Yes (%)	No (%)	Yes (%)	No* (%)
94.7	5.3	96.5	0

*3,5% of respondents did not answer

Average satisfaction level

FY 2011	FY 2012
Average level of service satisfaction (max. 1 to 5)	Average level of service satisfaction (max. 1 to 5)
4.70	4.52

The principle of independence is fundamental for assurance and dominates in every aspect of the audit firm's relationship with clients. Ernst & Young's compliance with the principle of independence is critical to our providing quality services. We assess our commitment to the principle of independence from several perspectives. Every year Company employees are required to confirm compliance with the principles and procedures of independence that Ernst & Young has developed. The global independent quality review team maintains a number of tests for member companies and visits them in order to assess the degree of compliance with independence principles.

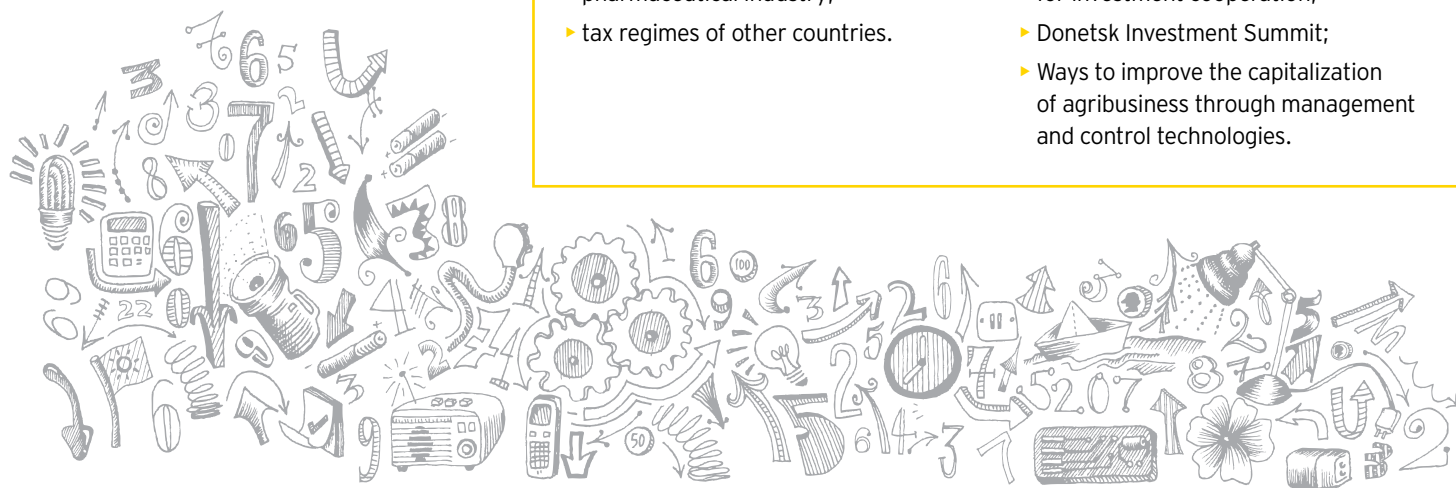
Ernst & Young pays particular attention to investments in social development. We strive to create a business environment in which our organization and society as a whole will flourish for a long time. Ernst & Young employees help in this area by offering knowledge and experience, taking into account the local characteristics and culture of each country. By joining efforts with commercial, government and non-governmental organizations, we create conditions favorable for the development of business, society and protection of the environment.

The Company conducted 15 conferences and workshops during the year on current business issues for clients and the wider public:

- ▶ innovations in the Tax and Customs Codes;
- ▶ transition to IFRS;
- ▶ personnel management;
- ▶ counteracting fraud;
- ▶ transfer pricing;
- ▶ customs regulation of the pharmaceutical industry;
- ▶ tax regimes of other countries.

We supported the following strategic events and conferences, which are important to the Ukraine investment and business climate:

- ▶ Ukrainian Investment Summit;
- ▶ Agribusiness in Ukraine;
- ▶ Financial Leaders Summit;
- ▶ Ukrainian Banking Forum
(Adam Smith Conferences);
- ▶ Kyiv Investment Forum;
- ▶ Moscow-Kyiv: new horizons
for investment cooperation;
- ▶ Donetsk Investment Summit;
- ▶ Ways to improve the capitalization
of agribusiness through management
and control technologies.



We participate in the **Domestic and Foreign Investors Advisory Council** under the auspices of the President of Ukraine. The aim of the Council is to define the main lines of state policy, to improve the investment climate in Ukraine, to attract and use domestic and foreign investment for the economic development of Ukraine and to speed up Ukraine's integration into the European and world economies. The second plenary meeting of the Council, chaired by the President of Ukraine, took place on 7 June 2012. Karl Johansson, Ernst & Young CIS Managing Partner, delivered a speech on "Further Deregulation and Tax Reform: Key Factors for Improving the Business Environment".

Company experts participate in **professional discussions on IFRS in Ukraine**, and provide expertise in connection with the entry into force of the relevant legislation. Ernst & Young helps companies in preparing financial statements and promotes best international practices among Ukrainian businesses. Vladimir Dabizha, Ernst & Young Assurance Partner, participated in a series of events dedicated to IFRS implementation by Ukrainian companies. In addition, Company analytical materials were submitted for

placement on the IFRS international online portal, created under the auspices of the Ministry of Finance of Ukraine: www.msfz.minfin.gov.ua. Ukrainian companies thus have access to reference materials and report samples that comply with international standards.

Ernst & Young experts are involved in various business debates of the **European Business Association (EBA)**: Alexei Kredisov, Country Managing Partner, is the Vice-President of the EBA; Jorge Intriago, Tax Partner, is an Advisor to the EBA Board; Marina Zakharina, Head of HR, is a member of the EBA HR Committee Board; Volodymyr Kotenko, Partner, Head of Tax & Law, is the Chairman of the EBA Tax Committee.

Expert work continues within the framework of the **Reform Club**. This is a public organization that unites Ukrainian business leaders interested in radical improvement of Ukraine's investment climate and business environment through implementing necessary economic and social reforms via constructive dialogue between business and the government.

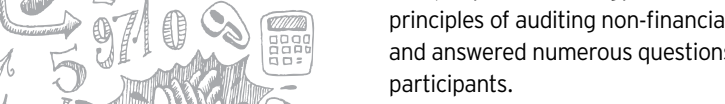
Promoting CSR development in Ukraine



In 2011 Ernst & Young joined the UN Global Compact (GC) Alliance. The Alliance is the organizational structure of the GC network in Ukraine. It aims to provide leadership and the financial sustainability of the initiative and to distribute responsibilities among the most active signatories of the Global Compact. In addition, this year our Company was elected to the UN Global Compact Steering Committee - the authority managing strategic development initiatives. This step is an acknowledgement of Ernst & Young's leadership in CSR and at the same time our commitment to further implement best practices in corporate responsibility.

A dense, hand-drawn collage of various symbols and objects. The central elements include a globe with a heart and a plus sign, a truck labeled 'Mavin', a mobile phone, a windmill, a megaphone, a television, a DVD, a flower, and various numbers and arrows. The drawing is done in a simple, sketchy style with black lines on a white background. The overall composition is a complex network of interconnected symbols, suggesting a theme of global communication, technology, or a complex system.

On 24 April 2012, the VI International Conference "Social Responsibility of Business: Investments in the Future" took place, traditionally organized by the Expert Ukraine business weekly magazine. Victor Kovalenko, Head of the Sustainability Services Group, acted as a moderator for the "CSR as a Tool for Increasing Business Competitiveness" session, which discussed socially responsible investments.



Supporting entrepreneurship and innovation as the driving force of the economy and positive social change

Ernst & Young acted as a general partner to the Second Kyiv **Entrepreholic!** Conference, organized by the Cisco Entrepreneur Institute and the GrowthUp Business Incubator. Hundreds of young entrepreneurs as well as people who are thinking of launching their own businesses participated in the event. The organizers invited interesting speakers who told the participants how to find productive business ideas and unique niches, develop a business, avoid hidden dangers and turn a small business into a money-making empire.

In 2012, the Company also supported the first **"Made in Ukraine" Business Camp**, which brought together entrepreneurs and people who want to build their businesses. During five days of work on teams, the participants created five projects that they plan to develop in Ukraine.

Our Company has been a strategic partner to the **“Global Management Challenge”** strategic management contest for six years already, and has been awarded an

honorably diploma for its work. GMC is a business simulation that gives participants the opportunity to get invaluable experience in complex business management and in solving difficult strategic tasks.

On 17-19 April 2012, the event's International Finals took place in Kyiv for the first time in the GMC's history. Ernst & Young was represented on the International Advisory Council by Alexei Kredisov, Managing Partner, Ernst & Young Ukraine. It is pleasant to note that the Ukrainian team took third place among teams from 25 countries.

The Innovative Breakthrough Project

is a contest for innovations and new technological development ideas. Its aim is to select and implement the most promising and innovative projects with the investment support of local businesses and investors. The Global Management Challenge and the State Agency for Science, Innovation and Informatization are the organizers of the event. Ernst & Young has been a strategic partner to the project for four years already.

Ernst & Young is a partner to the start-up **EastLabs** fund. We provide advisory and educational services to the start-ups' members.



Ernst & Young Academy of Business

The Ernst & Young Academy of Business is a leader in professional training in Ukraine and the CIS countries. In Ukraine, the Academy has been offering educational programs for over 18 years. The main topics it teaches are: financial accounting, company management, financial management, risk management, internal control/audit and development of personal skills. The Academy offers training for exams for the ACCA, CIA and DiplFR certification programs.

1,200 people were the students of Academy in 2012, 119 of whom studied for free or on special terms.

In addition to offering training, the Academy's teachers participate in public events. In 2012 they participated in the following, among other things:

"We highly appreciate the Academy's extremely competent coaches, who coped perfectly with their assignment: to present the maximum amount of material in the shortest possible time. The materials and information they provided during the training session will continue to find use as we carry out national projects. Thank you for your significant contribution to the development of the country. Introducing modern project management standards and methods in the StateInvestProject is crucially important to the public authorities and integral to the successful completion of our projects."

Yuriy Gusev,

Department Director, Department for National Projects, State Agency for Investment and National Projects of Ukraine

- ▶ a training session on "Evaluation of Investment Projects" for representatives of State Region Administrations in Kyiv with the Support of the Ministry of Foreign Affairs of Ukraine;
- ▶ the workshop "Ways of Attracting Investment in the Region," organized by the Donetsk Region State Administration for businesses and government authorities;
- ▶ a joint Academy/EBA seminar on "Project Management: How to Comply with Scheduled Project Terms." Top and middle managers of leading companies in Donetsk attended the event. A similar seminar took place later in Kyiv;
- ▶ the workshop: "Project Management: Investment Projects," for representatives of the State Agency for Investment and National Projects in Ukraine.

"We would like to thank for Ernst & Young participation in the "Standards for the Preparation of Investment Projects" workshop, which took place on 8-9 November 2011 at the Diplomatic Academy of the Ministry of Foreign Affairs of Ukraine. The Ministry appreciates Ernst & Young's excellent work. I would like to note the professionalism and responsible attitude of its employees during this event."

Kostiantyn Gryshchenko,

Minister of Foreign Affairs of Ukraine

Ernst & Young Alumni Club

At Ernst & Young we're committed to building lifelong relationship with our people and have always prided ourselves on the quality of our professionals - around the world and here in Ukraine. We consider our alumni to be very important to our continued success. Many of them become clients or simply remain friends of the firm. We value the knowledge and strength they

brought to the firm as employees and we appreciate the loyalty they continue to show as alumni. The Alumni Club launched its activities in Ukraine in 2007 and since then has held annual events where former Ernst & Young employees can meet with their friends. The Club now boasts more than 300 members.



"Good communications have been, are and always will be the basis of any business. I'm very pleased that Ernst & Young understands that, and that it sets an example that's worthy of emulation. A club of former employees (the Alumni Club) is a relatively new phenomenon for our market, but it's already bringing its first fruits.

Alumni Club members have the unique opportunity to socialize with old friends in a relaxed atmosphere and discuss issues that are not always appropriate to bring up in routine formal meetings.

Business isn't always a structured process; sometimes it's a confluence of interests or plans. Often, bright ideas or design solutions are born in such conditions. Meetings of former colleagues always take place in a friendly and welcoming atmosphere. And because the organizers choose the meeting places with unsurpassed thoroughness, the question of whether to come to the meeting answers itself. Many thanks to Ernst & Young for the excellent opportunity to spend time with professionals and for its ability to keep the bar high."

Valeriy Kushnirenko,
HR Director, PZU Ukraine

Goals for 2013

- ▶ participation in development of legislative initiatives, including those related to the transition to IFRS, the Tax Code, the Customs Code and transfer pricing;
- ▶ ensure effective management and implementation of the final stage of completion of the Client Relationship Management system (CRM);
- ▶ establish a new internal global system for complying with and using branding standards (Brand Factory);
- ▶ adapt and implement policies for using online sources that are in line with new realities: Internet security, use of social media, etc.





Environment

Awareness of the risks associated with climate change has gradually spread beyond the academic and research worlds to penetrate the governmental sector and the public at large. Business leaders around the world recognize their responsibility to reduce the carbon footprints of their organizations and to use resources effectively. As a leading professional services company, Ernst & Young cannot stand on the sidelines. We recognize our responsibility to our employees, to our clients and to society in terms of reducing environmental impact. We have introduced measures aimed at the efficient use of materials in our offices, at reducing the impact on the environment caused by business trips and at creating a responsible attitude to the environment. In addition, our sustainability service departments, which exist at most Ernst & Young offices, help clients manage business with regard to the risks caused by climate change.

The Corporate Responsibility Committee of Ernst & Young Global has set five long-term goals for environmental protection:

- ▶ Measure the Company's carbon footprint; collect and analyze data on business trips and energy consumption at the Company offices.
- ▶ Define operational goals and key performance indicators that take into account the need to reduce negative impact on the environment and create a sustainable business.
- ▶ Adjust business trip policy to reduce the carbon footprint.
- ▶ Develop solutions for the further recycling of waste.
- ▶ Arrange meetings so as to minimize negative impact on the environment.

In Ukraine, the Corporate Responsibility Committee's Green Group is tasked with the following:

- ▶ to monitor the environmental performance of the Company;
- ▶ to initiate positive changes in terms of environmental protection wherever possible;
- ▶ to foster educational activities aimed at Company employees;
- ▶ to identify programs to enhance environmental awareness of young people, and to provide sponsorship;
- ▶ to involve employees in environmental events.

The results of Ernst & Young Ukraine's use of resources in FY 2012 can be found in Appendix 5 to the Report.

Our 2012 results

Most steps towards sustainable consumption mean rejecting habits and practices that have evolved over years: that is, a paradigm shift. We thus consider each of these steps significant, however small each may seem.

- ▶ In 2012, we finally got rid of the disposable plastic utensils in the kitchens of our offices. These items were convenient, but given the negative impact that plastic has on the environment, the quantity we used to consume before 2011 (half a million units per year) in our offices and that these items were not being recycled, we abandoned them. We purchased glassware, chinaware and metal cutlery. In some cases disposable paper cups and stirrers made from sawdust (wood industry waste) are used.
- ▶ In 2012, the Kyiv office arranged space for bike parking and the possibility of establishing showers was agreed on with business center owners. In Kyiv and in Donetsk our offices are located in the city center, and we understand that it is not easy to get there by bike. We are thus especially proud that there are several of our employees who, under favorable

conditions, bike to work, exploiting a completely ecological mode of transport.

- ▶ In 2012, we replaced plastic garbage bags with bio-bags with a decay period of three years. We use about 50,000 bags of different sizes annually. This step increased our costs, but understanding the waste disposal problem at hand, we thought it a good idea.
- ▶ We have included an in-office eco-behavior module in our training program for the newcomers.

Code of Conduct for Suppliers

In 2011 we developed our Code of Conduct for our suppliers. It mandates that our suppliers will respect human rights; eschew child labor; and not discriminate against employees or contractors for any reason. It establishes equal treatment of suppliers on the basis of transparent selection criteria, mandates supplier compliance with health and safety regulations and states that suppliers must be intolerant of corruption, extortion, bribery and theft.

In addition to requiring that suppliers follow ethical business practices and the principle of independence in operations with suppliers, the Code requires to consider the impact on the environment and encourages suppliers to support our environmental principles. The following Code provisions express our expectations for suppliers in terms of the environment:

- ▶ we expect our suppliers to demonstrate a clear understanding of the environmental risks, impacts and responsibilities associated with the products and services they provide;
- ▶ suppliers should have in place an effective environmental policy to mitigate environmental risks;
- ▶ our suppliers should continually improve their environmental performance by taking practical measures and employing best practices where possible;
- ▶ our suppliers shall seek to minimize the use of energy, water and raw materials; where possible, these should be renewable or sustainably sourced;

- ▶ our suppliers shall make practical efforts to eliminate or reduce the levels of waste they generate and should re-use and recycle waste materials whenever possible;
- ▶ products and services proposed to Ernst & Young should include options that offer reduced environmental impact via the utilization of environmentally sound technologies, processes and materials.

10 Company suppliers signed the Code of Conduct over the year – that is, 50% of the suppliers that provide goods and administrative services to our offices in Ukraine, i.e. suppliers whose operations are most implicated in environmental issues.

Awareness-raising campaigns for employees



Ernst & Young continues to take steps to minimize impact on the environment wherever possible. Often this depends on the joint efforts of all employees, so environmental awareness-raising

campaigns remain one of the Green Group's most important activities.

The Company's most-used resource is paper. Company employees in Ukraine use about 10 tons of it per year.

In autumn, a “paper campaign” with both educational and practical components started at the Ukrainian offices. The Company has joined Club A4, entering into an agreement on waste paper collection. At the Kyiv office, containers to collect newspapers and magazines have been installed in addition to those meant for the collection of confidential papers. In addition, recommendations on the economic use of paper are propagated at the office.

Another important indicator of resource use by office employees is power consumption. The Green Group conducted an awareness-raising campaign among employees by publishing the striking figures relating to how much power can be saved during a year, if everybody simply starts taking simple steps every day.

In late March employees participated in the traditional Earth Hour international action in response to an appeal from the Green Group.

Ukraine That I Love Photo Contest



From June to November of 2011 the Green Group conducted the Ukraine That I Love Photo Contest among employees. Many Company employees responded with pleasure to this creative initiative and sent in beautiful pictures that depict fabulous places of Ukraine, enchanting landscapes, unique architecture and friendly people. Olena Kyrychenko, Serhiy Korshun and Tetyana Goray were the contest winners; their striking photos won the most votes from their colleagues. The best photos have been displayed in exhibitions in the Kyiv and Donetsk offices. In addition, the selected pictures were used to illustrate the 2012 corporate calendar.

Green Office Workshop: Practical Aspects



To promote green office practices among the Ukrainian business community, Ernst & Young initiated the "Green Office: Practical Aspects" seminar, which was held by the Ukrainian Green Wave Ecological Club with support from the UN Global Compact. The event was aimed not so much at CSR managers who develop green office strategy as at the administrative staff who implement it. On the basis of a survey of potential participants, the most urgent green office issues were identified and discussed during the event. Ecologists moderated the event and highlighted the theoretical aspects of the green office concept and offered practical ideas. The participants were engaged in the discussion, exercises and games. More than 40 representatives of various companies participated in the seminar.

Cooperation with Earthwatch



Since 2009 Ernst & Young has collaborated with the Earthwatch Institute, organizing volunteer expeditions to collect information for research on climate change and providing advisory services to local entrepreneurs to help them develop economically and environmentally sustainable practices. Teams of volunteers from Ernst & Young have been in Brazil, Costa Rica and India. In 2012 Natalia Telenkova had the opportunity to represent the Ukrainian office on a team of volunteers that carried out research and consultancy work in Western Ghats, India. Natalia comments: *"The experience was unforgettable. Me and my colleagues in Ukraine understand the need to pay attention to environmental issues, and volunteering in the tropical forest was a practical contribution to addressing environmental issues. Exchanging ideas with colleagues from different countries and talking to scientists and Earthwatch Institute representatives enriched my understanding of environmental problems and inspired me to seek new ideas and solutions."*

Water Day in Donetsk

25 March 2012 was Water Day in Donetsk, and local EcoFun activists were invited to the first clean-up event of the year. Ernst & Young employees also joined in, picking up garbage left by irresponsible holiday-makers in the city's green zones. Although it was still quite cold, the event fostered a warm and friendly atmosphere.

As a result, the lakeside shone with cleanliness. The participants celebrated the good cause with an eco-picnic.



Green Wave, Ernst & Young Contest

For three years in a row, Ernst & Young has supported the AIESEC youth organization's Green Rush educational program. The program is intended to enhance youth environmental awareness; this year 1,250 students participated in environmental seminars. Ernst & Young has traditionally held a contest among the participants, and this time it asked the young people to think about the problem of battery recycling and to suggest solutions in the form of a persuasive poster.

The winner of the contest was Zlata Odribets, a fifth-grader at the European College of Kyiv. Her work has been displayed in the Ernst & Young offices, and Zlata was invited to the office for a tour and to receive a gift from the Company.



The Environment – Goals for 2013

- ▶ start measuring the carbon footprint of the Company's offices in Ukraine;
- ▶ popularize video conferences as an alternative to business trips and raise employee awareness concerning the environmental impact of different modes of transport;
- ▶ introduce a procedure for the monthly monitoring of electric power, water and paper use;
- ▶ reduce power consumption by 3% minimum compared to prior period;
- ▶ continue searching for more eco-friendly products, including locally produced products and products made from recycled goods;
- ▶ recycle solid wastes;
- ▶ focus greater employee attention on environmental issues via awareness-raising campaigns in a new format;
- ▶ enhance the effectiveness of the AIESEC Green Rush educational ecological program by involving the Company's specialists in the preparation of program materials;
- ▶ sign the Code of Conduct for Suppliers with all Company suppliers of goods and administrative services and suggest that suppliers of other services sign it.



Society

Giving knowledge for success – the Company’s educational projects

Ernst & Young has always paid great attention to its work with young people. In 2012, it implemented a number of initiatives to expand young people’s opportunities to gain the knowledge and skills they need to achieve success in adult life. The Company’s employees actively participate in its educational initiatives.

They share their professional knowledge, leadership philosophy and secrets of success with participants.

88% of employees participating in the people survey to assess the Company’s CSR projects judged educational initiatives for students as “important” or “very important.”

Educational projects that the Company implements and supports:

- ▶ Professional orientation initiatives for students;
- ▶ Developing entrepreneurship and leadership among youth;

- ▶ Support and development programs for deprived children.

Educational projects	2012
Financial support for educational projects, UAH	737,700
Total hourly cost for Ernst & Young employees that participated in educational projects during the year, UAH	589,830
Total investments in educational projects, UAH	1,327,530
Students and pupils involved	8,700

Educational projects – **benefits for participants**

- A deeper knowledge of selected subjects
- Deeper understanding of the Company’s specialization; getting information important for decision-making about employment
- Practical experience and first-hand information about the Company
- Development of new skills, expansion of participants’ social circles
- Opportunity to impact social development by participating in social projects

- Access to high quality education and the opportunity to feel like an equal member of society for disadvantaged young people.

Educational projects – **benefits for the Company**

- A more efficient staff selection process
- Popularization of the employer brand
- Opportunity to impact the education and upbringing of potential employees or business partners and to promote principles of responsibility among youth

- Skills development and new self-fulfillment opportunities for employees via involvement in educational programs
- Strengthening the Company’s reputation as a responsible member of society.

Educational projects – **benefits for society**

- Valuable contribution to building up the education system for today’s youth
- Building up social awareness and responsibility among modern youth
- Helping society solve problems associated with the upbringing and social adaptation of orphans.

Step into the Future 2012 – professional orientation initiatives for students

The 2011-2012 academic year was the second year to see successful implementation of Step into the Future, a complex career program for students of Ukrainian higher education establishments.

The program includes several modules.

Ernst & Young University – seminars for students at the Company's office. The main goal is to provide students with an opportunity to discuss with the Company's employees key trends in the profession and possible paths for career growth.



Depending on their preferences and qualifications, in the 2011/2012 academic year students chose one of the following modules: Audit, Taxes or Transaction Support. This year a new Corporate Social Responsibility module has been introduced in the University program. Teaching about CSR has started at certain Ukrainian universities recently, and the CSR module is attracting keen interest from students.

180 students from various universities in Ukraine participated in University workshops; **10** of them passed their tests successfully and gained employment with the Company.

16 workshops took place; **19** Company employees taught at the University.

We are grateful to those Company employees who served as Ernst & Young University teachers in the 2011-2012 academic year:

- Ganna Kurylenko, Mariana Simak, Iryna Sukhanovska, Mykola Yerin, Anna Popova, Olena Pivovar, Assurance;
- Igor Chufarov, Iryna Kalyta, Olga Anufriyeva, Mykola Khomenko, Oksana Lapiy, Dina Bokatoval, Tax & Law;

- Olexandr Romanishyn, Lyudmyla Kravchuk, Marianna Yakubenko, Pavlo Kolesnyk, Transaction Advisory Services ;
- Natalia Telenkova, Victor Kovalenko, Ielizaveta Maksymets, Corporate Responsibility Committee.

Lectures for students in Donetsk



Lectures by Company experts are always of current interest to students and teachers. Presentations on audit matters and the roles of auditors in IPOs were made at leading Donetsk universities by Olena Matviyenko, Yuliya Dolganova, Olexandr Spesivtsev, Iryna Baranenko, Danylo Klymenkov and Denys Maksymets, assurance specialists at Ernst & Young's Donetsk branch.

The Coffee with a Partner – program sets up meetings where students can talk with Company executives about the secrets of a successful Ernst & Young career in an informal atmosphere. During the 2011/2012 academic year students had a chance to communicate with the Head of Tax & Law and with partners from Assurance. We are grateful to Vladimir Kotenko, Tom Cradock-Watson and Yuliya Studynska for their contribution to youth development.



Open Door Days – this year we were visited by about 100 students from universities in Kyiv. Human Resources employees told them about career opportunities for graduates, Ernst & Young's structure, and corporate culture.

"This was a unique opportunity to see the office, to talk with representatives from various departments and to learn more about how to get an entry-level position at the Company. I was impressed by the Company and the people who work there."

Yevgen Makarevich,
Student of the International Economy
Faculty of V. Hetman Kyiv National
Economic University

A business case contest was held for senior students of V. Hetman Kyiv National Economic University. Six students who demonstrated the most profound accounting and audit knowledge won internships at the Company.

We are grateful to Ganna Kurylenko and Andriy Misky-Oglu for the preparation and implementation of the contest.

In 2012 more than 800 students from 18 universities of Ukraine participated in the Step into the Future Program.

Universities, participants of the Step into the Future 2012 Project

- ▶ Vadym Hetman Kyiv National Economic University
- ▶ Kyiv National University of Trade and Economics
- ▶ National University Kyiv-Mohyla Academy
- ▶ National Technical University of Ukraine Kyiv Polytechnic Institute

- ▶ Taras Shevchenko Kyiv National University
- ▶ Kyiv National Technology and Design University
- ▶ Kyiv School of Economics
- ▶ Kryvyi Rig National University
- ▶ International University of Finances
- ▶ National Aeronautical University
- ▶ National University of the State Tax Service of Ukraine

- ▶ National University of Bioresources and Nature Management of Ukraine
- ▶ Kharkiv National Economic University
- ▶ Cherkassy State Technological University
- ▶ Donetsk National University
- ▶ Donetsk National Technical University
- ▶ M. Tugan-Baranovsky Donetsk National University of Economics and Trade
- ▶ Donetsk State University of Management

Social networks – a modern platform for open communication

In 2010 a career group was created on the Vkontakte network, in 2011 we set up a page on Facebook. By using social media we remain in active dialogue with students and graduates, answering their questions, discussing our educational projects, sharing our professional knowledge and inviting students to participate in internships.

Developing entrepreneurship and leadership among young people

Ernst & Young believes that the new generation of entrepreneurs and leaders can bring positive changes in the economic and social life of our country. It thus materially supports projects in this area as well as encourages its employees to act as experts, judges and mentors in special programs and contests. Our employees also share their experience at youth conferences and host workshops and training sessions.

Strategic partnership with AIESEC in Ukraine



AIESEC is an international youth organization uniting active young people in more than 100 countries who grow professionally through joint projects and initiatives and try to change the world for the better. AIESEC has been functioning in Ukraine since 1994 and includes more than 1000 students from 70 Ukrainian institutions of higher learning. Ernst & Young is a strategic partner to AIESEC in Ukraine. Alexei Kredisov, Managing Partner, and Marina Zakharina, Human Resources Head, have joined the AIESEC Advisory Council, which helps to develop strategy and analyze the organization's achievements. In 2012, Ernst & Young experts participated in a number of AIESEC educational initiatives.

► Leadership Development Seminar.

In July 2011, 150 of the most active senior students in Ukraine participated in the Leadership Development Seminar. Company employees shared experience on how to create and manage a team. They also discussed the important role that corporate courtesy and culture play in an organization's life.

► The annual **AIESEC Youth Forum** in December 2011 was devoted to CSR and innovations. A Company representative discussed its CSR strategy and principal social projects, answered questions and proposed to students that they try their hand in solving cases related to the practical implementation of CSR practices. The best student proposals won Company prizes.

► Talents Fair (Kyiv) and Career Forum (Donetsk).

Ernst & Young representatives participated in annual AIESEC professional orientation events, talking with students about the peculiarities of the professions of auditor, tax adviser and risk management consultant. They also shared advice on looking for jobs and held skills development mini-training sessions that will help students find success in the business environment.

► World Without Borders and Green Rush

The Company has supported educational projects aimed at forming social and environmental awareness among young people, as well as leadership development and cultural tolerance.

The results of the World Without Borders and Green Rush Projects for the 2011/2012 academic year are as follows:

- ▶ Educational events were held in 30 Kyiv schools; about 2,500 young people were involved;
- ▶ 60 students of 27 nationalities participated in the Project;
- ▶ 270 training sessions and three conferences took place, as did the "Green World: Create It Yourself" eco-event and a festival of cultures.

We are grateful to the following Ernst & Young specialists who participated in AIESEC 2011/2012 academic year projects:

- ▶ Rostyslav Grygorenko, Transaction Support;
- ▶ Tamila Teleganenko, Human Capital Group;
- ▶ Maksym Popko, Tax & Law;
- ▶ Natalya Yakovleva, Advisory;
- ▶ Veronika Matviychuk, Kateryna Tereschenko, Vasyl Klets, Assurance;
- ▶ Natalia Telenkova, Ielyzaveta Maksymets, Natalia Vyshnevetska, Kateryna Kayda, Corporate Responsibility Committee.

Enterprise 2020: Students' Ideas

In February 2012 the Enterprise 2020: Students' Ideas Conference, organized by the CSR Development Center, took place in Kyiv. The Conference brought together more than 100 students from all regions of the country as well as representatives of leading Ukrainian companies, international organizations and universities. The participants outlined the characteristics of an enterprise of the future, creating the "Entrepreneur's 2020 ABC". An award ceremony was held for the winners of the "Enterprise 2020: What Do You See?" essay contest during the conference. Some 95 students from 30 higher educational establishments in 15 cities of Ukraine participated in the contest. Natalia Telenkova, Head of the Corporate Responsibility Committee at Ernst & Young, was on the jury panel. Those students who won first and second places in the contest won paid internships at Ernst & Young for a month.

Summit NGO G20 – Youth Unites for Change



Ernst & Young supported the First All-Ukrainian Summit of the Largest Youth Organizations of Ukraine, which took place in May 2012 in Kyiv. The organizers of the event – JCI, AIESEC and EYP – gathered 20 reputable youth non-government organizations of Ukraine to develop a joint development strategy for the period until 2020, to prepare an educational program of current interest and to establish partner relationships. Nataliia Krivtsova of Ernst & Young's HR Department discussed the prospects for youth organizations seeking to partner with business. Artiom Kozlovski, Advisory Partner at Ernst & Young, held a theory session on developing efficient strategies for non-government organizations.

Girls in IT



In April 2012, CISCO organized a seminar dedicated to Girls in "Information and Communication Technologies International Day". The seminar's attendants were graduates of CISCO Networking Academies. There were 50 attendants, more than half of them girls. The speakers at the seminar were successful women representing leading Ukrainian companies. Anzhela Nikolayenko, Advisory Senior Manager, Ernst & Young, talked about her career and about her experience in maintaining a successful work-life balance.

Young Tax Professional of the Year



Ernst & Young's Young Tax Professional of the Year International Contest took place in Ukraine in the spring of 2012 for the first time. Eight finalists, who demonstrated the deepest tax knowledge and skills, were chosen from more than 300 registered participants from Ukraine. This year Olexandr Sakalosh, a master's student at T. Shevchenko National University, won the contest.

Olexandr Sakalosh comments: *"The Young Tax Professional of the Year Contest gives talented students the chance to demonstrate their knowledge in the tax field. As the winner of the Ukrainian contest I'll represent Ukraine in the International Finals in Boston, Massachusetts. I'll do my best to win."* Olexandr was among the six international contest finalists.

Ernst & Young and Enactus



Enactus is an international organization that unites students, teachers and business representatives in 40 countries. Enactus numbers more than 57,000 students from 1,600 universities. Working as a team led by a coach, Enactus students use their academic knowledge to teach others the principles of the market economy, entrepreneurship skills, financial expertise, environmental knowledge and business ethics. Since 2010 Alexei Kredisov, Ernst & Young Managing Partner, has been a co-chairman of Enactus Ukraine's Business Advisory Council. Thanks to the Council, more representatives of large Ukrainian businesses have been attracted to the program. In April 2012, participants from various teams got the opportunity to attend "Learning to Speak in Public" master class, led by Mykola Khomenko, Tax & Law expert at Ernst & Young. Alexei Kredisov, Marina Zakharina and Natalia Telenkova were the judges in the finals, and Ielyzaveta Maksymets acted as league coordinator.



The winner of Enactus national competition in 2012 was a team from the Vinnytsya National Technical University. The team won the contest for the second consecutive time.

Team's projects:

As part of the Milk of Life project, an audit took place of the production activity of Muson, a Vinnytsya enterprise. Muson produces and maintains electronic equipment for cow farms. The proposal was made to use high-performance switched

mode power supply units equipped with built-in protection against overheating and short circuit. The replacement reduced the enterprise's monthly repair and maintenance costs, increasing the reliability of the enterprise's operation, reducing the likelihood of production downtime and of bovine diseases, and decreasing lead penetration of soil as a result of the recycling of power supply units.

The goal of the ECO-style Tourism project was to overcome poverty in the city of

Mukachevo in Zakarpattia region and to create a clean and healthy recreation area for Israeli visitors. The team reached an agreement with the head office of the Israeli company DIDWW on financial support, owing to which 15 families had their guest houses restored. Seminars were held with the families on the theme of teaching foreign tourists about Ukrainian Traditions and DIDWW promoted vacationing in Ukraine among its Israeli clients and partners. As a result of the Project, 15 families from Mukachevo made a profit, Israelis got to vacation in an ecologically pristine area of the Carpathians, and DIDWW's employees received a great benefit - a chance of a new type of recreation that could improve their health.

The From 70 Towards 20 project has helped to improve the lives of pensioners in Vinnytsya. A physical training groups has been created for the elderly and 45 pensioners received free of charge healthcare products of UAH 82,000 from the Zdravo Company. Green Vinnytsya, a movement of Vinnytsya pensioners to improve the environmental situation, was organized, as a result of which 240 trees were planted in the city and 125 bags of garbage were collected.

CFA Institute Investment Research Contest

Ernst & Young supported the 2nd All-Ukrainian Investment Research Contest, held by the CFA Institute. The CFA Institute encourages the development of best practices concerning share market research among future financial analysts, attracting coaches from the business community and conducting intensive training in enterprise analysis and presentation skills. This year Stanislav Kartavykh, Senior Consultant, Corporate Finance and M&A, Ernst & Young, served as a mentor to Kharkiv National Economic University's team. Thanks to the cooperation between mentor and team, the students won a place in the finals as one of the six best teams in Ukraine.

IASA CaseChamp Business Case Championship

Marianna Yakubenko and Dmytro Yeremenko, Business Valuation specialists, Ernst & Young, judged the IASA CaseChamp Spring 2012 Business Case Championship, organized by the students of the KPI Institute for Applied and System Analysis. The participants determined the fair value of one corporate share, performed corporate operating forecasts and developed a five-year model for discounted cash flows. The Atlant team, consisting of third-year students, won the contest. The winners received certificates to participate in professional training at the Ernst & Young Academy of Business and got the chance to undergo summer training in business valuation.

Ernst & Young and Global Management Challenge for Students (GMC Junior)

Ernst & Young has been supporting GMC Junior competitions in Ukraine since 2008. We are strategic partners to this initiative, in which senior students from Ukrainian universities participate. Each team establishes a board of directors for a large virtual manufacturing enterprise, and then analyzes that enterprise's financial position, production capacities and market positions in order to implement a corporate strategy for successful development and share value maximization. The severe competition for consumers helps the students feel what it's like to run a real business, and they obtain crucial managerial experience.

In autumn 2012, 3333 students from 188 Ukrainian universities participated in the championship. The eight leading teams (from among 834) teams were from Kyiv, Ternopil, Sevastopol, Kryvyi Rig and Dnipropetrovsk. They won the right to participate in the Global Management Challenge adult league, where they will compete with the best top managers from Ukraine's leading companies.

Ernst & Young Scholarship Fund at NUKMA



Ernst & Young's Incentive Scholarship Fund at the National University Kyiv-Mohyla Academy was established in

2008. Annual scholarships go to the best teachers and students of the Academy, as selected on a competition basis. In 2012 a professor scholarship was awarded to Iryna Grygorivna Lukyanenko, Professor, Finance Chair; a student scholarship was awarded to Olesya Mykhailenko, a third-year student. The Fund is used also to finance research and innovation projects.

Developing a new generation of economists



Kyiv School of Economics
founded by EERC and the Victor Pinchuk Foundation

The Kyiv School of Economics (KSE) is one of Europe's leading educational establishments; graduates are committed to improving Ukraine's economic, political and business environments. Recognizing the need to support a new generation of economists, Ernst & Young joined the Friends of the KSE Association and selected scholars for the 2011/2012 academic year: Zoryana Podilchuk and Anton Vorush, first-year students.

KSE students participate in the Ernst & Young University educational program and Company specialists are guests of KSE on occasion. On 30 November 2011, Alexei Kredisov, Managing Partner of Ernst & Young, visited KSE and talked to students about his career path and the Company's activities. He also answered questions about the prospects for the audit and consulting market in Ukraine.

Real Start



The participants of the Real Start project under the auspices of Kyiv National Economic University had the opportunity to hear Mykola Khomenko, Tax & Law, Ernst & Young, lecture "Legal Aspects of

Starting-up Your Own Business: Choosing Patterns of Ownership and Taxation". The participants took part in a business plan contest. The jurors, who were entrepreneurs, economists and consultants, estimated the feasibility of the plans and provided their comments to the first-time entrepreneurs. Pavlo Kolesnyk, Senior Consultant, Transactions, Ernst & Young, participated in the jury's work. The authors of the best business plans won special prizes from Ernst & Young: the opportunity to spend a day at the Company, certificates to attend the Ernst & Young Academy of Business and the right to participate in an Ernst & Young University seminar.

Successful Youth Club

In November, students of the Successful Youth Club, a short-term business education program, visited the Ernst & Young Kyiv office, and attended a seminar "Corporate Culture and its Diagnosis," which was held by Tamila Teleganenko, Human Capital Group.

International Summit Child Youth Finance International



Ernst & Young supported the senior female students from the Zhytomyr Humanitarian Gymnasium who, in concert with the international organization IREX, attended the Child Youth Finance International summit in Amsterdam. The goal of the summit was to gather young people aged 8 - 18 from various countries to discuss challenges in financial education. Alina Yakymchuk, Daryna Vlasyuk and Yuliya Frolova were invited to participate in the summit as an award for their academic achievements and proactive roles in school life. The Ukrainian girls submitted papers on such topics as what money means for young people, youth loans and financial education as a part of the educational process.

Support and development programs for senior students and graduates of orphanages

Ernst & Young believes that everyone can succeed if you give them the chance. Kids in orphanages require particular attention and the Company supports several programs in this very area.

The Scholar program

For the fifth year in a row Ernst & Young is supporting the Scholar program for orphaned students, which is implemented by the Pryyateli Ditey (Friends of Children) Charity Fund. Teenagers who leave orphanages often lack social skills, have no goals, perceive the world negatively and are unable to solve the simplest problems.

"What distinguishes Ernst & Young work is its volunteers, who get personally involved in our projects. Workshops, visits of interesting coaches and communication with the students in the Scholar program create an atmosphere of trust and transparency between the Fund and the Company's employees. Thanks to the charitable support of Ernst & Young, Pryyateli Ditey (Friends of Children) projects are developing and providing assistance to kids who are moving on to independent lives and who represent the most vulnerable part of society. Ernst & Young's work has resulted in a higher quality of care for these children, as they themselves testify."

Maryna Krysa

President, Pryyateli Ditey Charity Fund

Statistics on the lives of these teenagers can be sad. The goal of the Scholar program is to support orphans who want to be full members of society. It's not only scholarships, however, that help orphans get higher education. It's also human concern and friendship. Cultural events, training, psychological and legal advice, and meetings with and speeches by successful people – all these things help orphans change their attitudes to the world, to adapt and to find themselves.

Ernst & Young volunteers often meet with orphans and will testify that the program is very important for the teens. The program has many times served as a starting point for changing the lives of those whose chances for success seemed low. Ernst & Young employees act as sponsors and coaches within the program. In 2012 the Company paid for nine students to participate in the program. Another eight students got individual financial support from Company employees.



"Last year I joined the Scholar program as a coach to a student. We meet at events organized by the Fund, but we also try to find other times to get together. Recently, for example, we went to the theater together. I'm sure that children without a family and deprived of parental care and love find it extremely important to have an older friend who can serve as an example and help with a kind word or advice in a difficult time. I also feel that my new role enriches me as a person. It requires integrity and responsibility and encourages me to improve myself, to be more kind and compassionate."

Anzhela Nikolayenko,

Advisory Senior Manager



Company employees made the following presentations during meetings with the 2011/2012 Scholars:

- ▶ “How to Prepare a Competent Resume,” Ielyzaveta Maksymets, Human Resources specialist
- ▶ “How to Prevent Conflicts and Resolve Them,” Svitlana Sologub, Audit Assistant
- ▶ “Why to Learn English,” Anna Roshchupkina, Tax & Law assistant.

From January to May 2012, Ernst & Young organized a **School of English** for the Scholars. Lessons took place in the Company’s office in three groups, organized according to the level of students’ preparation. In the summer, two Scholars were selected to participate in international youth exchange programs and to travel to Slovakia and the UK for their achievements in English classes. We are grateful to all those employees who taught at the Saturday School of English: Anna

Roshchupkina, Olga Podilchuk, Hanna Sydorchuk, Kateryna Korolenko, Elena Bykova, Nastya Lysyanska, Valya Ivanets and Nadiya Trynchuk.

Students to Children

Scholar program participants have the opportunity to be trained as teachers in the Students to Children Project and share their experiences with senior orphan pupils who are just starting out in the world. The Project was launched in 2008 by the Pryyateli Ditey (Friends of Children) Charity Fund with the participation of Ernst & Young. The Project involves discussion sessions oriented around the following themes: “Achieving Personal Goals,” “The World of Modern Professions,” “Countertrafficking,” “HIV/AIDS Prevention and Drug Avoidance,” “Love and Family Planning” and “The Search for Housing.”

Training materials were prepared by the Fund’s employees and reviewed by the



Director of the Psychology and Social Pedagogy Institute of Ukraine. All student teachers are provided with preliminary training conducted by the Project Coordinator. Exercises, work in groups, games and handouts enable discussion and help teens find answers to important questions.

The results of the Students to Children 2011 - 2012 program are as follows: there were 44 training sessions at 13 orphanages, attended by 330 senior pupils. Seventeen students from the Scholar Program became teachers. Student volunteers who distinguished themselves as dedicated and talented teachers received certificates for professional training at the Ernst & Young Academy of Business.

Way to Success

In the 2011-2012 academic year we continued supporting the “Way to Success” program, which is implemented by the Edinstvennaya Charity Foundation. During the year professional trainers, psychologists and teachers contributed to the development of young leaders under the Leadership Breakthrough program, in which participated 55 children aged 12 to 17 from orphanages in three regions of Ukraine. Ernst & Young employees not only financially supported four program modules, but also shared practical knowledge during sessions on time management, conflict management and

budgeting. Teachers and trainers noticed real changes in the personal development of the children, as their self-confidence and leadership skills improved. Here's what Project participants confess themselves:

- ▶ "I learned to perform on stage, in front of the footlights"
- ▶ "I realized that not everything I'm taught is true"
- ▶ "I believed in my own power"
- ▶ "I never thought that I could confess to my faults"
- ▶ "I've overcome my awkwardness"
- ▶ "I learned to appreciate the people around me"
- ▶ "Now I know who I want to become"
- ▶ "I'm now able to plan for 5-15 years ahead."



Over the summer, the next stage in the Way to Success program was achieved with Ernst & Young's support: 40 children from orphanages in the Chernigiv region participated in the **Seven me of My Adult Life** tent camp, aimed at developing leadership and teamwork and at fostering preparation for an independent life.

"Teens in orphanages need help, and sometimes the skill and strength of the teachers who work with them daily aren't enough. The development programs implemented by the Charity Foundation with the support of the business community help both teenagers and teachers. In participating in our programs, children expand their knowledge about life outside the orphanage, becoming more open and

learning to plan for the future. Teachers at our seminars, meanwhile, improve their skills, and thus are better able to help children. Ernst & Young is continually supportive of our work; we're grateful for its attention to the problems of orphans and for its confidence in the Foundation."

Olena Viter,
Director, Edinstvennaya Charity Foundation

Charity

Charity initiatives remain integral to our interaction with society. We plan corporate charity programs so that they have maximum positive effect. We adhere to the principle of consistency: we work in selected areas for a long time. At the same time, we're always looking for new activities and new partners.

92% of our employees who participated in a people survey to assess the Company's CSR projects, determined charity initiatives as "important" or "very important."

Charity donations, UAH	2012
Orphanage support projects	92,345
Helping children with cancer	290,750
Other charity donations	73,873
Total charity donations	456,968

Day's Salary for Charity

The Day's Salary for Charity event traditionally takes place on the eve of the New Year at Ernst & Young's Ukrainian offices. The funds raised through this event have resulted in:

- ▶ eight volunteer trips to visit children in orphanages throughout the year; tourism training for children in Ivaniv; contests, games, picnics and holiday gifts for children from three orphanages; and purchase of equipment for orphanages;
- ▶ the "Best Pupils" contest, held at three orphanages and aimed at encouraging children to succeed in school;
- ▶ the repair of a bedroom for girls at the orphanage in Ivaniv;
- ▶ the repair of a ceiling and purchase of sanitary ware items at the orphanage in Snizhne;
- ▶ payment for plastic surgery for a girl from the Ivaniv orphanage who suffered from severe burns;
- ▶ payment for airfare for a disabled student, a participant in the Scholar program, to participate in a summer program for people with disabilities, in Italy;
- ▶ support to a summer camp for 26 children who had been victims of trafficking, organized by the International Organization for Migration;

- ▶ support for a Charity Mini-Football and Paintball Tournament to raise funds for the Center for Early Development of Children with Down Syndrome;
- ▶ support for a children's picture contest to benefit the Pediatric Epilepsy Center.

The orphanages supported by the Company from 2004-2005 are:

- Ivaniv, Vinnytsya Region
- Boyarka, Kyiv Region
- Snizhne, Donetsk Region

Gifts from Saint Nicholas



In December 2011, the Company's employees helped prepare gifts for children in the orphanages the Company patronized. Participants in the initiative received letters from children addressed to St. Nicholas. In the letters, the children told St. Nicholas about their achievements, confessed their bad deeds and shared their dreams.



More than 100 employees participated in the event, and the wishes of 200 children came true on the eve of the holidays: they received the gifts they wished for. They also prepared a concert for the volunteer team and chatted with their Ernst & Young friends.

"The children and employees of the Ivaniv special orphanage are sincerely grateful for your friendship. The children's eyes glow with joy when you come to visit us. You're no longer guests, but rather our sincere friends. Your moral and material support is a manifestation of heart, soul and kindness."

Vira Tkachuk,
Director, Ivaniv orphanage

Special Children

2012 was a year of friendship between Ernst & Young and the All-Ukrainian Charitable Organization Down Syndrome. The Company's employees participated with pleasure in tournaments the fund organized. We provided support to the fund's mini-football and paintball championships, which raised funds for the Center for Early Development of Children with Down Syndrome.



Helping children with cancer

Since 2007 the Company is continuing its Salary Deduction Program in favor of children with cancer. As a rule, oncological diseases require prolonged and expensive treatment, and parents alone often cannot cope with the bills. That's when benefactors come to help them out.

Seventy Company employees served as benefactors during the past year. Thanks to them, 21 children received regular or one-time financial support. Funds went to pay for medication and visits to the doctor, allowing children to get vital treatment in time. In addition to targeted assistance to the children, we provided financial support totaling UAH 16,300 to the Bone Marrow Transplant Department at the Okhmatdyt hospital for purchase of rapidly consumed materials and equipment.

From 2007 to 2012 financial assistance of more than one million UAH was provided to more than 300 children.

We are always looking for new ways to provide assistance. Thus, since 2011 that Company has been organizing an **online fair**. Items made by the hands of talented employees – paintings, photographs, knitting and decor items – are offered for sale, and the funds raised go to children in need. During the year the fair raised UAH 18,000, which went to the parents of Nastia Pilyayeva, to pay for her treatment at the Kyiv City Oncology Clinic.

In addition, Company employees participated in a charity project sponsored by the Small Tablets (Tabletochky) initiative group: the **Euro Coins (Euromonetky)** initiative. Small-denomination Euro coins, which people find themselves stuck with after they return from Europe, are useless in Ukraine. This project

collected these stray coins until there were enough of them to send them, via a volunteer chain, back to Europe, where they were used to buy medicines that are scarce in Ukraine; via another chain, the medicine was transferred to the Pediatric Oncology Department at Okhmatdyt. About 130 Euro was collected between May and July 2012.

To benefit children in the Donetsk Hospital oncology department, the volunteers from the Company's Donetsk office organized a pre-holiday celebration, including sweets. For a few hours, the contests and pleasant surprises distracted the children from their challenges.

In June 2012, the Company organized the first **Donor Day** event – a mobile team from the Blood Center in Kyiv was invited to the Company office, and employees could donate blood. Only five employees dared to give, but we hope that their example will inspire others, and there will be more brave souls next time.



Jeans Day

No one can respond to all requests for help, but sometimes trouble comes close and is impossible to avoid. Jeans Day is a way of keeping the fundraising going that our colleagues from the Western offices have shared with us. Jeans Day means that an employee can wear jeans on Friday if he or she makes a charitable contribution.

The funds raised go to a person who needs immediate assistance (usually we receive information about pertinent cases from our own employees).

Ernst & Young's Ukraine offices have conducted seven Jeans Days, thus raising about 48 thousand UAH.

April 2011	Kyiv	fundraising for treatment of Nikita Pochatovsky (deafness);
April 2011	Donetsk	fundraising for treatment of Zhasmin Grebenyuk (cancer);
September 2011	Kyiv	fundraising for purchase of 100 pairs of shoes for children in the orphanage in Ivaniv;
March 2012	Kyiv and Donetsk	fundraising for Kostya Hetman, a student of Kyiv-Mohyla Academy and of Ernst & Young University who was brutally beaten in the street;
April 2012	Kyiv and Donetsk	fundraising to organize a holiday for veterans, including gifts;
July 2012	Kyiv	fundraising for purchase of an infusomat for the Adult Oncology Department of the Oblast Hospital, where a Company employee was treated;
August 2012	Donetsk	fundraising for treatment of Sofia Sklyarevska (cancer).

Society – Goals for 2013

- ▶ maintain efficient relations with recurring partners in education and charity projects;
- ▶ develop the new Young Generation of Financial Managers educational program;
- ▶ participate more actively in educational programs for teaching staff at universities;
- ▶ develop a mentoring program for student-orphans.



Report Parameters and Contact Information

This is the fourth Corporate Responsibility Report of the Ernst & Young Ukraine entities (Ernst & Young LLC and Ernst & Young Audit Services LLC).

It covers the activities of the two offices in Kyiv and Donetsk during the 2012 financial year, i.e. the period from 1 July 2011 to 30 June 2012.

The structure of the Report is consistent with Ernst & Young's overall approach to corporate responsibility and presents information in four chapters: Office, Marketplace, Environment and Society. The Report describes the Company's performance in the economic, social and environmental areas whenever the effect may be considered as significant. It is prepared in accordance with the Global Reporting Initiative (GRI), G3 standard. Disclosure level is C, self-declared.

Representatives of the Corporate Responsibility Committee, Human Resources, the Procurement Team and Resources, and Marketing/PR took part in the Report's preparation.

The Report was reviewed by the Company's non-financial reporting and sustainability specialists.

The report has been prepared taking into account comments and suggestions that the Company received after issuing the previous Report. To obtain feedback, the Company conducted:

- ▶ a survey of the Company's employees and partners; there were 153 respondents;
- ▶ a meeting with stakeholders – there were 12 guests, representing clients, expert organizations, academia, non-profit organizations and the media.

The prior Report was issued in May 2012 and covered the period from 1 July 2010 to 30 June 2011. It can be found at: www.ey.com/ua/cr.

We plan to continue reporting on the Company's corporate responsibility activities on a yearly basis.

Your feedback on the Report is important for us.

We look forward to receiving your comments and will be ready to answer your questions at the following address: **Natalia.Telenkova@ua.ey.com**.

Appendix 1

Ernst & Young's offices in the world

Ernst & Young has offices in more than 150 countries of the world, in four regions: North and South America; Asia Pacific; Europe, Middle East, India and Africa (EMEIA); and Japan.

Belgium	Cyprus	Hungary	Liechtenstein	Norway	South Sudan
Bermuda	Czech Republic	Iceland	Lithuania	Oman	Spain
Bolivia	Denmark	India	Luxembourg	Pakistan	Sri Lanka
Bosnia and Herzegovina	Dominican Republic	Indonesia	Macedonia	Palestinian Authority	Sweden
Botswana	Ecuador	Iraq	Madagascar	Panama	Switzerland
Brazil	Egypt	Ireland	Malawi	Papua New Guinea	Syria
British Virgin Islands	El Salvador	Isle of Man	Malaysia	Paraguay	Taiwan
Brunei	Equatorial Guinea	Israel	Maldives	Peru	Tanzania
Bulgaria	Estonia	Italy	Malta	Philippines	Thailand
Cambodia	Ethiopia	Ivory Coast	Mauritius	Poland	Trinidad and Tobago
Cameroon	Fiji	Jamaica	Mexico	Portugal	Tunisia
Canada	Finland	Japan	Moldova, Republic of	Qatar	Turkey
Cayman Islands	France	Jersey	Mongolia	Romania	Uganda
Chad	Gabon	Jordan	Montenegro	Russia	Ukraine
Chile	Georgia	Kazakhstan	Morocco	Rwanda	United Arab Emirates
China	Germany	Kenya	Mozambique	Saudi Arabia	United Kingdom
Colombia	Ghana	Korea, Republic of	Namibia	Senegal	United States
Congo	Greece	Kuwait	Netherlands	Serbia, Republic of	Uruguay
Congo, the Democratic Republic	Guam	Lao People's Democratic Republic	New Zealand	Seychelles	Uzbekistan
Costa Rica	Guatemala	Latvia	Nicaragua	Singapore	Venezuela
Croatia	Guernsey	Lebanon	Nigeria	Slovakia	Vietnam
Curacao	Guinea	Libya	Northern Mariana Islands	Slovenia	Zambia
	Honduras			South Africa	Zimbabwe

Appendix 2

Ernst & Young's services in Ukraine

Assurance

Financial statement audit

- Financial statement audit in accordance with International Financial Reporting Standards (IFRS) and National Accounting Standards (US GAAP, Ukrainian Accounting Standards)
- Reviews
- Assistance in financial reporting preparation
- Accounting advisory services
- Transition to IFRS
- Special reports and agreed-upon procedures
- Initial Public Offering (IPO) support.

Financial Accounting Advisory Services

- Transition to IFRS
- IPO or other public offerings and refinancing issues
- Accounting standards and regulatory accounting requirements
- Accounting and financial reporting processes.

Fraud Investigation and Dispute Services

- Fraud investigation
- Collection of evidence and facts in financial documents and electronic data analysis
- Dispute services.

Climate Change and Sustainability services

- Strategic advisory, including development of strategies and programs in the area of corporate social responsibility, assistance in building management systems and developing relevant key performance indicators
- Support in the development and further improvement of non-financial reporting systems, as well as in preparation of non-financial reports
- Independent assurance of non-financial reports in accordance with international standards
- Advisory on climate change, including strategy development and introduction of relevant management and control tools, as well as verification of greenhouse gas emissions
- Assessment of the company's environmental, health and safety (EHS) risks and liabilities.

Advisory Services

Performance Improvement

- ▶ **Financial management** (transformation of finance operating model, designing and managing outsourcing, offshoring and shared services center, sharpening performance management framework, designing and implementing financial systems, conceiving and implementing enterprise cost)
- ▶ **Client relationship management** (development and deployment of market and customer strategy, development and implementation of insightful customer analytics that allow a company to understand and anticipate customer needs, development of pricing, product promotion, marketing to increase profits, improvement of customer service management, improvement of marketing and sales performance, modernization and acceleration of collections processes)
- ▶ **Supply chain management** (obtaining information on supply chain conditions through reliable data analysis; transformation of global supply chains through a cross-disciplinary approach covering operations, tax and risk; revision, improvement and assessment of risks of procurement functions to realize long-term, sustainable benefits; improvement of supply chains and infrastructure in emerging markets as a powerful catalyst to secure new market share and drive revenue growth; provision of sector-specific supply chain insights with our experienced industry supply chain professionals)
- ▶ **Program and project management** (program and project management advisory services, program assurance and delivery)
- ▶ **Strategic performance** (strategic review, operating model design, transformation programs, pricing and commercial strategy)
- ▶ **Personnel and organization management** (organizational design, performance management systems and KPIs, change management strategy)
- ▶ **Information systems advisory** (IT strategy, IT program delivery, system selection and technology sourcing, IT system architecture, IT security assessment/penetration tests)
- ▶ **SAP Roll-out assistance** (evaluation of Business Blueprint and standard system settings (corporate template) and identification of major gaps from the point of view of Ukrainian statutory requirements; assistance with configuring the standard Ukrainian localization package (AddOn), assistance with test planning and execution; training key users and end users; supervision of data cutover (migration); post go-live support).

Business advisory services

Risk

- Corporate Governance
- Risk management
- Internal audit
- Internal control
- Contract risk management
- Program management.

Information Technology and IT-Risk Management

- **Information technology advisory services** (IT transformation, technology assistance, client-side advisory programs (transformation of core ERP systems, overall transformation program, including management of 3rd party vendors)
- **IT risk and assurance services** (IT control services, IT risk transformation, IT assurance).

Ernst & Young Academy of Business

- Ernst & Young Academy of Business is a leader in providing training and professional development services in Ukraine and the CIS countries and offers a wide range of training courses in accounting, finance and company management:
 - open training (more than 70 topics in total)
 - international qualification programs (DipIFR, ACCA, CFA®, CIA)
 - corporate training.

Tax & Law

Tax

- Tax planning, corporate tax, cross border advisory, customs and international trade, tax accounting, tax performance advisory, tax policy and controversy, transaction taxes, transfer pricing, indirect taxation.

Human Capital Group

- Advisory on international employee transfer (business immigration, outsourcing advisory, advisory services on international employee transfer)
- Performance management and staff motivation advisory services (remuneration system, short-term motivation programs, long-term motivation programs (including profit sharing), staff performance management, audit of HR functions, improvement of staff management performance processes, legal risk management, mergers and acquisitions support, HR due diligence, labor market monitoring, training and seminars)
- Personal tax services.

Law

- Commercial law
- Corporate Company law
- Commercial agreements
- Distribution (supply), procurement, license, R&D and services agreements
- Corporate reorganizations
- Regulatory advice for public companies
- Corporate governance advice and implementation.

Transaction

Transaction Support

- Acquisition of assets
- Disposals
- Management buy-outs
- Buy-ins and fundraising
- Initial Public Offering (IPO)
- Acquisitions
- Mergers
- Strategic Reviews.

Restructuring

- Corporate restructuring
- Working capital management
- Capital markets.

Valuation & Business Modeling

- Business valuation;
- Intellectual property valuation;
- Valuation of assets.

Real Estate Advisory

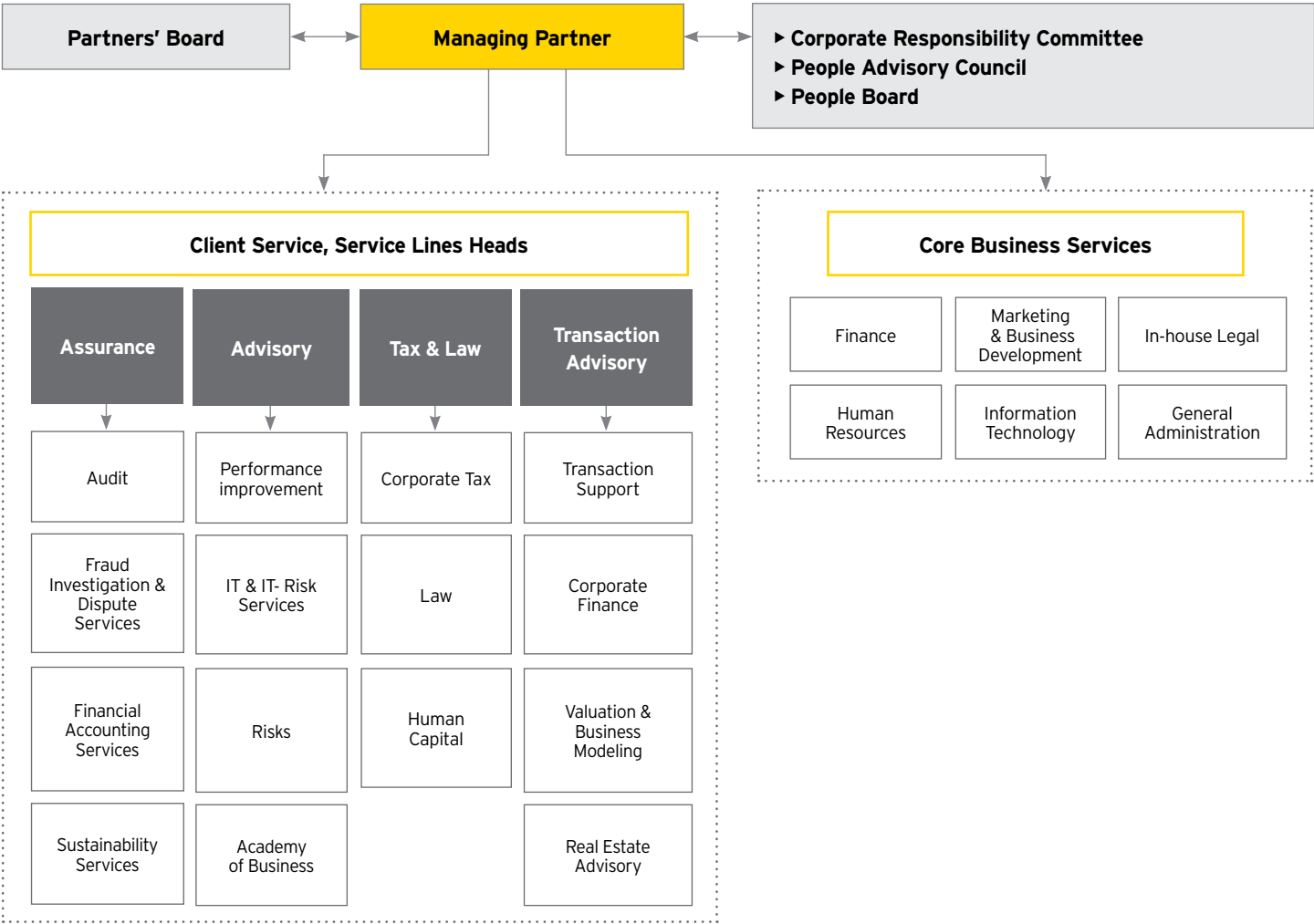
- Real estate appraisal
- Hospitality and leisure advisory services
- Due diligence of real estate objects
- Project development and management
- Advisory services on real estate mega-projects
- Assistance in strategy development
- Location advisory services
- Strategic financing.

Services on Operating Contract Integration

- Carve-out readiness and support
- Operational due diligence
- Synergy assessment and delivery
- Day-one readiness assessment and 100-day planning
- Integration process support.

Appendix 3

Ernst & Young Ukraine organizational structure



Appendix 4

Corporate Responsibility Committee in Ukraine



Natalia Telenkova
Head of the Committee
Administration Manager
Natalia.Telenkova@ua.ey.com



Svitlana Sologub
Audit Assistant
Svitlana.Sologub@ua.ey.com



Yuliya Byba
Key Legal Adviser
Yuliya.Byba@ua.ey.com



Alexei Kredisov
Managing Partner in Ukraine
Alexei.Kredisov@ua.ey.com



Kateryna Gorbunova
Business Advisory Manager
Kateryna.Gorbunova@ua.ey.com



Yuriy Shibanov
Transaction Support
Manager
Yuriy.Shibanov@ua.ey.com



Victor Kovalenko
Head, Sustainability Services
Victor.Kovalenko@ua.ey.com



Nataliia Krivtsova
HR Key Specialist
Nataliia.Krivtsova@ua.ey.com



Natalia Vyshnevetska
Administration Manager
Natalia.Vyshnevetska@ua.ey.com



Olga Danchenkova
PR Senior Specialist
Olga.Danchenkova@ua.ey.com



Kateryna Kayda
Administration Senior
Specialist
Kateryna.Kayda@ua.ey.com



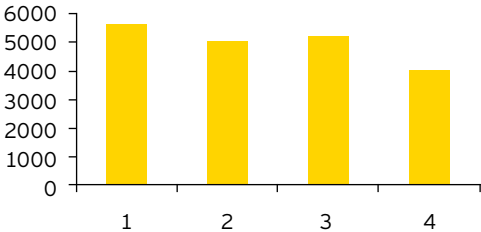
Ielyzaveta Maksymets
Human Resources Specialist
Ielyzaveta.Maksymets@ua.ey.com



Mykola Yerin
Audit Manager
Mykola.Yerin@ua.ey.com

Appendix 5

Procurement and consumption of materials: our principles and results

Item	Our approach and results, 2012 financial year											
Suppliers	<p>In 2011 the Code of Conduct was developed, requiring compliance with high legal, ethical, environmental and labor standards on our part and on the part of our contractors.</p> <p>As of the end of 2012 financial year, the Code had been signed by 10 Company contractors: half of the suppliers of goods and administrative services to the Company.</p>											
Office equipment	<p>The office equipment used by the Company in Ukraine complies with energy saving classes "A" and "A+."</p> <p>During the 2012 financial year the number of office equipment items (printers, copiers, and multifunctional devices) remained unchanged.</p>											
Power	<p>In the 2012 financial year power consumption decreased by 23% as compared to the previous period. This significant decrease in power consumption is related to optimization of the Kyiv office premises.</p> <p>Green Group activity had concentrated on making employees aware of power consumption indicators and of simple daily steps that decrease power consumption.</p>	<p>Power consumption by Ernst & Young in Ukraine, 2009-2012 financial years, kWh per month</p>  <table><caption>Power consumption by Ernst & Young in Ukraine, 2009-2012 financial years, kWh per month</caption><thead><tr><th>Period</th><th>Power consumption (kWh per month)</th></tr></thead><tbody><tr><td>1</td><td>5500</td></tr><tr><td>2</td><td>5000</td></tr><tr><td>3</td><td>5200</td></tr><tr><td>4</td><td>4000</td></tr></tbody></table>	Period	Power consumption (kWh per month)	1	5500	2	5000	3	5200	4	4000
Period	Power consumption (kWh per month)											
1	5500											
2	5000											
3	5200											
4	4000											

Item	Our approach and results, 2012 financial year	
------	---	--

Paper	<p>In the 2012 financial year paper use increased 18%, to 14580 kg per year.</p> <p>Starting from 2013 there will be monthly monitoring of paper use in various Company departments in order to take steps to decrease its use wherever possible.</p> <p>All paper used in the Company's Ukrainian offices is FSC (Forest Stewardship Council) eco-marked.</p> <p>We compensate for our high consumption of paper by delivering our used paper for recycling. We work with two contractors, one of them responsible for shredding and recycling confidential paper waste, the other responsible for removal and recycling of non-confidential paper waste. During the year Ernst & Young's Ukraine offices delivered 16,768 kg of waste paper for recycling. This significant quantity is explained by the fact that some archive documents were delivered for shredding.</p> <p>The Company has conducted an awareness-raising campaign for employees, including paper use indicators and useful tips on how to decrease paper use. It also encourages recycling of paper.</p>	<p>Paper use by Ernst & Young in Ukraine, 2008-2012 financial years, packs per month</p> <table> <caption>Paper use by Ernst & Young in Ukraine, 2008-2012 financial years, packs per month</caption> <tr> <th>Year</th> <th>Packs per month</th> </tr> <tr> <td>2008</td> <td>430</td> </tr> <tr> <td>2009</td> <td>340</td> </tr> <tr> <td>2010</td> <td>370</td> </tr> <tr> <td>2011</td> <td>410</td> </tr> <tr> <td>2012</td> <td>480</td> </tr> </table>	Year	Packs per month	2008	430	2009	340	2010	370	2011	410	2012	480
Year	Packs per month													
2008	430													
2009	340													
2010	370													
2011	410													
2012	480													
Business trips	<p>During the year the number of flights of the Company's employees took increased by 63%, while the number of trips they took by land transport decreased by 6%.</p> <p>At the same time, engineering capabilities for video conferencing have improved. Tandberg Movi software has been installed for all Company partners and managers, to facilitate video conferences. The data transfer channel has been enhanced threefold, significantly improving video conference quality.</p>													

Appendix 6

GRI G3 disclosures and performance indicators

GRI disclosures and indicators	Short description	Pages, comments	Level of disclosure
1.1	Corporate responsibility statement by the Managing Partner	3	disclosed
1.2	Characteristics of key impacts, risks and opportunities	3, 8, 9, 26, 32, 38, 40, 44	disclosed
2.1	Name of the organization	6	disclosed
2.2	Principal services	7, 61 - 64	disclosed
2.3	Operating structure	65	disclosed
2.4	Location of organization's headquarters	6, offices in Ukraine - 7	disclosed
2.5	Number of countries where the organization operates	6, 60	disclosed
2.6	Nature of ownership and legal form	7	disclosed
2.7	Markets served	6, 7	disclosed
2.8	Scale of the reporting organization	7	disclosed partly
2.9	Significant changes during the reporting period regarding size, structure,	There were no significant changes apart from partners number changed from 14 to 15.	disclosed
2.10	Awards received in the reporting period	6, 7, 12, 13, 26	disclosed
3.1	Reporting period	3, 59	disclosed
3.2	Date of most recent previous report	59	disclosed
3.3	Reporting cycle	59	disclosed
3.4	Contact person for questions regarding the report or its contents	59	disclosed
3.5	Process for defining report content	59	disclosed
3.6	Boundary of the report	59	disclosed
3.7	Specific limitations on the scope or boundary of the report	No limitations.	disclosed
3.8	Basis for reporting on other entities that can significantly affect comparability	No other entities.	disclosed
3.10	Explanation of the impact of any changes in the treatment of disclosure of information presented in prior periods	No significant changes.	disclosed

GRI disclosures and indicators	Short description	Pages, comments	Level of disclosure
3.11	Significant changes from previous reporting periods in scope, boundary or measurement methods	No significant changes.	disclosed
3.12	Table identifying the location of standards disclosures	69 - 72	disclosed
4.1	Governance structure of the organization	7, 65	disclosed partly
4.2	Indication of whether the Chair of the highest governance body is also an executive officer	7	disclosed partly
4.3	Number of members of the highest governance body that are independent and/or non-executive members	Without independent or non-executive members of the governance body.	disclosed
4.4	Mechanism through which shareholders and employees can provide recommendations or directions to the highest governance body	15 - 17	disclosed
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance	8, 9, 11, 26, 29, 31, 32, 38, 44	disclosed
4.13	Membership in associations and (inter)national advocacy organizations	33	disclosed
4.14	List of stakeholders	9	disclosed
4.15	Basis for identification and selection of stakeholders	The Company interacts with stakeholder groups that are relevant for its principal activities. The Company also supports corporate volunteer activity in areas to be identified by the Company's employees.	disclosed
4.16	Approach to interaction with stakeholders	9	disclosed
EC1	Economic performance	7	disclosed partly
EC2	Financial aspects and other risks and opportunities related to organization operation in the context of climate change	38	disclosed partly
EC5	Range of standard wage at the entry-level vs established minimum wage in the regions where the Company operates	Minimum wage at the entry level in the reporting period exceeded statutory minimum wage in Ukraine by 274% on average.	disclosed

GRI disclosures and indicators	Short description	Pages, comments	Level of disclosure
EC7	Recruitment procedures for local population and proportion of top executives hired from the local population	The Company gives preference to citizens of Ukraine in hiring. In the reporting period: the share of workers hired from the local population was 98%, the proportion of top executives hired from the local population was 67%.	disclosed
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagements	44, 55, 58	disclosed partly
EN1	Materials used	40, 41, 68	disclosed
EN 4	Energy used	67	disclosed
EN26	Initiatives to mitigate environmental impact of services	38 - 43, 67, 68	disclosed
LA1	Total workforce by employment type, employment contract, and region	According to the data as of the end of the reporting period, in Ukraine 524 were employed, 490 of them in Kyiv and 34 in Donetsk. 92% of employees have permanent employment contracts, 1% have fixed term contracts, 2% serve part time, 5% are persons who provide services under civil law agreements.	disclosed
LA2	Total number and rate of employee turnover by age group, gender and region	Average turnover (ratio of employees who left the Company during the year to the total headcount as at the reporting year-end) was 15%. Male turnover is 18%, female turnover is 13%. Turnover of employees aged 20 to 29 was 16%, aged 30 to 49 was 12%, aged more than 50 is 13%. Employee turnover in Kyiv was 14%, in Donetsk - 26%.	disclosed

GRI disclosures and indicators	Short description	Pages, comments	Level of disclosure
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Part-time employees and those under fixed term agreements (in the reporting period 2% and 1%, respectively) make free use of benefits (pages 21-22 of the Report).	disclosed
LA4	Percentage of employees covered by the collective agreement	Pursuant to Item 1.2 of the Collective Agreement, its conditions apply to all entity employees and are mandatory both for owners and administration and for the labor staff and each employee.	disclosed
LA6	Percentage of total workforce that is represented in formal joint committees and develops guidelines concerning occupational health and safety programs	People Board includes 5 executives (1% of staff), People Advisory Council comprises 20 representatives of staff at various levels (4% of staff).	disclosed
LA8	Existing education, training, counseling and prevention programs regarding serious diseases to assist workforce members and their families	21-22	disclosed
LA10	Average hours of training per year per employee, by employee category	Average hours of training for partners and directors - 23; for senior managers and managers - 32; for senior and young specialists - 26. These data do not include training for obtaining certification.	disclosed
LA12	Percentage of employees receiving regular performance and career development reviews	100% employees per year receive a performance evaluation and corresponding proposals regarding career development.	disclosed

GRI disclosures and indicators	Short description	Pages, comments	Level of disclosure
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	In the whole, during the reporting period 61% of staff consisted of female employees. 52% of middle-level managers and 29% of top-level managers were represented by women. Employees aged from 20 to 30 comprise 65%, aged from 30 to 50 comprise 34%, aged more than 50 comprise 2%.	disclosed partly
LA14	Ratio of basic salary of men to women by employee category	In determining remuneration, the Company does not make gender differentiations.	disclosed
HR4	Total number of incidents of discrimination and corrective actions taken	There were no incidents of discrimination in the reporting period.	disclosed
HR5	Operations in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	There were no incidents in which freedom of association and collective bargaining could have been at risk in the reporting period.	disclosed
HR6	Risk for incidents of child labor	The Company does not use child labor.	disclosed
HR7	Risk for incidents of forced or compulsory labor	The Company does not use forced or compulsory labor.	disclosed
HR9	Total number of incidents of violations involving rights of indigenous people	There were no incidents of violations in the reporting period.	disclosed
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	100% of employees providing services to clients.	disclosed
SO5	Public policy positions and participation in public policy development and lobbying	33	disclosed
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	29 - 30	disclosed
PR8	Total number of substantiated complaints regarding breaches of customer privacy	There were no breaches in the reporting period.	disclosed
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning provision of services	There were no breaches in the reporting period.	disclosed

GRI application level

		C	C+	B	B+	A	A+
Mandatory	Self-declared	√					
Optional	Third party checked						
	GRI confirmed						

Appendix 7

Our commitment to UNGC principles



UN Global Compact principles	Reference to the pages in the Report disclosing information on compliance with the principles
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.	71, 72
Principle 2: Businesses should make sure that they are not complicit in human rights abuses.	72
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	71
Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.	72
Principle 5: Businesses should uphold the effective abolition of child labor.	72
Principle 6: Businesses should uphold the elimination of discrimination in employment and occupation.	72
Principle 7: Businesses should support a precautionary approach to environmental challenges.	38-43
Principle 8: Businesses should undertake initiatives to promote environmental responsibility.	38-43
Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.	38-43
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	28, 72

Appendix 8

List of abbreviations used in the Report

ACC	American Chamber of Commerce	NGO	Non-governmental organization
ACCA	Association of Chartered Certified Accountants	SAP	Systems, Applications and Products
ASQ	Assessment of Service Quality	SORT	Service Offering Reference Tool
BITC	Business in the Community	HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
CFA	Chartered Financial Analyst	HEE	Higher education establishment
CIA	Certified Internal Auditor	GC	Global Compact
CRM	Client Relationship Management	DipIFR	Diploma in International Financial Reporting
CVA	Chairman's Values Award	EBA	European Business Association
EMEIA	Europe, Middle East, India and Africa	CSR	Corporate Social Responsibility
ERP	Enterprise resource planning	EC	Efficiency coefficient
EYP	European Youth Parliament	KPI	Kyiv Polytechnic Institute
FSC	Forest Stewardship Council	MFA	Ministry of Foreign Affairs
FY	Financial year	IFRS	International Financial Reporting Standards
GAAP	Generally Accepted Accounting Principles	NUKMA	National University Kyiv-Mohyla Academy
GMC	Global Management Challenge	UAE	United Arab Emirates
GRI	Global Reporting Initiative	UN	United Nations
ITR	International Tax Review	UNV	United Nations Volunteers
IPO	Initial Public Offering	USA	United States of America
IREX	International Research & Exchanges Board	CIS	Commonwealth of Independent States
IT	Information technology	UAMDBE	Ukrainian Association of Management Development and Business Education
JCI	Junior Chamber International		
KSE	Kyiv School of Economics (Kyiv School of Economics)		
M&A	Mergers and Acquisitions		

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services.

Worldwide, our 167,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young expands its services and resources in accordance with clients' needs throughout the CIS. 4,500 professionals work at 19 offices in Moscow, St. Petersburg, Novosibirsk, Ekaterinburg, Kazan, Krasnodar, Togliatti, Vladivostok, Yuzhno-Sakhalinsk, Almaty, Astana, Atyrau, Baku, Kyiv, Donetsk, Tashkent, Tbilisi, Yerevan, and Minsk.

In Ukraine, the Company has been operating since 1991. Currently, Ernst & Young's offices in Ukraine employ more than 500 professionals providing full range of services to international and Ukrainian companies.

For more information about our organization, please visit www.ey.com.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

© 2013 Ernst & Young
All Rights Reserved.