



# KPMG Global Corporate Citizenship

Values in action

United Nations Global Compact: Communication on Progress

July 2009

KPMG INTERNATIONAL

# About KPMG International

## **KPMG values**

**We lead by example** at all levels acting in a way that exemplifies what we expect of each other and our member firms' clients.

**We work together** bringing out the best in each other and creating strong and successful working relationships.

**We respect the individual** respecting people for who they are and for their knowledge, skills, and experience as individuals and as team members.

**We seek the facts and provide insight** challenging assumptions, pursuing facts, and strengthening our reputation as trusted and objective business advisors.

**We are open and honest in our communications** sharing information, insight, and advice frequently and constructively, and managing tough situations with courage and candour.

**We are committed to our communities** acting as responsible corporate citizens and broadening our skills, experience and perspectives through work in our communities.

**Above all, we act with integrity** constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

# Who we are

The 137,000 people within KPMG member firms worldwide provide a range of professional services that help clients to meet challenges and respond to opportunities.

We provide Audit, Tax, and Advisory services, offering our member firms' clients multidisciplinary financial and accounting skills and capabilities based on deep industry knowledge.

Our structure is designed to support consistency of service quality and adherence to agreed values wherever in the world member firms operate. By aiming to provide global organizations with the same quality of service and behavior around the world, we can work with them wherever they choose to operate.

Our industry focus helps KPMG people to develop a rich understanding of clients' businesses and the insight, skills, and resources required to address industry-specific issues and opportunities.

KPMG's history spans three centuries and features a number of significant mergers, leading to the merger of Peat Marwick International and Klynveld Main Goerdeler, and their individual member firms, in 1987. Today, KPMG is truly global, with operations in 144 countries and territories.

Throughout this document, 'KPMG,' 'we,' 'our' and 'us' refer to the network of independent member firms operating under the KPMG name and affiliated with KPMG International, or to one or more of these firms. KPMG International provides no client services.

# Legal structure

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services to a wide variety of public and private sector clients.

KPMG International is a Swiss cooperative with which member firms of the KPMG network of independent firms are affiliated. KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but provides no professional services to clients. Professional services to clients are provided exclusively by member firms.

# Global performance highlights

Combined revenues for KPMG member firms increased to U.S.\$22.69 billion for the fiscal year ended September 30, 2008, versus U.S. \$19.81 billion for the prior fiscal year.

KPMG member firms' combined revenues for fiscal year 2008 represent growth of 14.5 percent in U.S. dollars and growth of 8.4 percent in local currency terms. Revenues in 2008 were strong across all three of KPMG's core businesses and across KPMG's geographic regions and member firms, the Asia Pacific region grew fastest in 2008, while Russia saw revenues rise 64.5 percent in U.S. dollars. In India, revenues jumped 48.9 percent, in China revenues rose 25.8 percent, and in Africa revenues increased 16.5 percent, all in U.S. dollars.



# Contents

Foreword	<b>5</b>
About the UN Global Compact	<b>6</b>
The UN Global Compact and KPMG	<b>7</b>
Corporate Citizenship at KPMG	<b>8</b>
Human Rights and Labor Standards	<b>10</b>
Environment	<b>17</b>
KPMG Global Sustainability Services™	<b>25</b>
Anti-Corruption	<b>29</b>
Partnerships for Development	<b>31</b>
Case Studies	<b>32</b>
Other Points of Reference	<b>41</b>

## Foreword



At KPMG, giving back to the communities in which we live and work is one of our core values. KPMG's approach to corporate citizenship is founded on the belief that business has a critical role to play in helping solve the world's problems.

Responsible business practices, which are at the heart of corporate citizenship, help build trust and contribute to broad-based development and sustainable markets. In today's challenging world, this is more important than ever before.

For example, KPMG member firms work to build trust and confidence in the capital markets by providing transparent, accurate financial reporting. Now, businesses must move beyond good governance, compliance and ethical behavior, and be committed partners with other groups in society to tackle global social and environmental issues.

Many of the big issues facing the world today — population growth; climate change; globalization; poverty alleviation; technological change; food, water and energy security; the spread of infectious disease — all affect business. They certainly affect KPMG and its people, who live and work in more than 140 territories around the globe.

The people of KPMG are committed to corporate citizenship; they want to lead change and be involved in dynamic solutions that improve the societies in which they live and work.

A key international platform for dialog is the United Nations Global Compact (the 'Compact'), to which KPMG International remains committed as a continuing participant in 2009. The following pages describe the approach we take to corporate citizenship and our implementation of the Compact's ten principles across the KPMG network of member firms.

I believe it demonstrates our support for the Compact, as well as describing the importance that I and the Global Board of KPMG International attach to corporate citizenship.

We appreciate your interest in our efforts and welcome your comments, suggestions and ideas.

**Timothy P. Flynn**  
Chairman, KPMG International

# About the UN Global Compact

Launched in July 2000, the Compact is both a policy platform and a practical framework for organizations that are committed to sustainability and responsible business practices. As a leadership initiative endorsed by chief executives, it seeks to align operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

Through a wide spectrum of specialized workstreams, management tools, resources and topical programs, the Compact aims to advance two complementary objectives:

- mainstream the ten principles in business activities around the world; and
- catalyze actions in support of broader UN goals, including the Millennium Development Goals (MDGs).

By doing so, business can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere and contribute to a more sustainable and inclusive global economy.

The Compact is not a regulatory instrument, but rather a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation.

## The ten principles of the UN Global Compact

The Compact asks organizations to embrace, support and enact, within their sphere of influence, a set of core values in four areas:

### Human rights

Business should:

- **Principle 1:** support and respect the protection of internationally proclaimed human rights; and
- **Principle 2:** ensure that they are not complicit in human rights abuses.

### Labor

Business should:

- **Principle 3:** uphold the freedom of association and the effective recognition of the right to collective bargaining;
- **Principle 4:** aim to eliminate all forms of forced and compulsory labor;
- **Principle 5:** aim to abolish child labor; and
- **Principle 6:** aim to eliminate discrimination in respect of employment and occupation.

### Environment

Business should:

- **Principle 7:** support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and

- **Principle 9:** encourage the development and diffusion of environmentally-friendly technologies.

### Anti-corruption

Business should:

- **Principle 10:** work against corruption in all its forms, including extortion and bribery.

The UN Global Compact is not a regulatory instrument, but rather a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation.



# The UN Global Compact and KPMG

## Introduction

KPMG International has been a signatory to the Compact since 2002. The aim of this communication is to give an overview of KPMG International's structure and business and its approach to citizenship. It also provides information on how we are addressing the two objectives of the Compact, namely the enactment of the ten principles, and broader support of UN goals, specifically the MDGs.

All ten principles of the Compact are addressed in this report. We have highlighted KPMG International's policies, together with case studies from KPMG member firms, in order to demonstrate our approach to corporate citizenship. We have also included information about our Global Development Initiative, which seeks to deploy KPMG's core skills and capabilities to support the achievement of the MDGs.

Although KPMG International is a signatory to the Compact, as explained on page one, KPMG is a network of independent member firms; some KPMG member firms are individual signatories to the Compact and produce their own 'Communication on Progress' report. This document is not intended to supersede these, but rather to offer an international perspective.

Moreover, this report is not designed to be a standalone document, but rather to complement other KPMG International communications, including *Thinking Beyond: the 2008 KPMG International Annual Review*; *The KPMG International Transparency Report 2009*; and *KPMG Values in Action*, copies of which are available at [www.kpmg.com](http://www.kpmg.com)

## Engagement with the UN Global Compact in 2008–2009

Over the past year, engagement with the Compact has taken place on a number of different levels. The most significant contribution was the secondment of a manager from KPMG in the United Kingdom to the United Nations Global Compact Office in New York. The purpose of this secondment was for KPMG to assist the Compact Office review the reporting requirements issued to signatories, and to provide businesses with more guidance on how to report on the ten principles. The recommendations of this project were approved by the Executive Director (and, subsequently, the Board) of the UN Global Compact, and are in the process of being implemented.

At the World Economic Forum in Davos in January 2009, KPMG presented and co-hosted a Compact event entitled 'Approaching the Second Decade', organized by the Swiss-based Guilé Foundation.

The purpose of the event was to take stock of the Compact's achievements during the first decade of its operation, and to discuss proposals for sustaining the initiative in the future. UN Secretary-General Ban Ki-moon was the guest of honor, and he highlighted the importance of corporate responsibility in rebuilding the world's economy in response to the current financial turmoil. The event was very well attended by chief executives and other senior executives from 34 of the world's largest multinational companies.

The centerpiece of KPMG's presence at the 2009 World Economic Forum was an exhibition entitled 'Values in Action: Thinking Beyond', which set out to show the positive contribution that a group of committed people can make in support of their wider social environment. The photographs and accompanying book, an electronic copy of which may be found at [www.kpmg.com/valuesinaction](http://www.kpmg.com/valuesinaction), provide snapshots from KPMG member firms of what their work in the field of corporate citizenship means in practice. As, Timothy P. Flynn, Chairman, KPMG International, commented, "it came as no surprise to me that, whether on big or small projects, personal missions or global initiatives, our people are putting our stated values into action and are thinking beyond their own needs and beyond these difficult times."

## Corporate citizenship at KPMG

Globally, we are focused on addressing two key issues: ensuring environmental sustainability/tackling climate change; and international development/poverty alleviation.



### **KPMG embraces corporate citizenship**

When we talk about 'corporate citizenship', we are describing an active and engaged approach to tackling the major issues that confront our profession, the corporate sector as a whole, and the wider world.

Within KPMG, the Global Corporate Citizenship agenda is led by Lord Hastings of Scarisbrick CBE. In 2008, we established a Global Corporate Citizenship Group (the 'Group'), whose membership comprises the Citizenship/CSR directors in the countries represented on the Global Board of KPMG International, which together constitute approximately 80 percent of KPMG firms' total partners and employees.

The Group meets monthly by conference call to consider citizenship-related issues of KPMG-wide significance, and to share insights on what is happening in the wider world. A key part of the Group's work is to share knowledge and understanding gained through KPMG's engagement with a number of global organizations including the World Business Council for Sustainable Development and the World Economic Forum.

Globally, we are focused on addressing two key issues: ensuring environmental sustainability/tackling climate change; and international development/poverty alleviation.



At a national level, a dominant theme in many KPMG member firms relates to education: helping to advance the skills and potential of young people while promoting enterprise and community cohesion. Our approach to corporate citizenship reflects each member firm's determination to be a responsible business, built on strong values and engaged in the issues that affect the communities in which we operate.

Corporate citizenship is also inextricably linked to our Employer of Choice agenda, which is about enhancing our ability to recruit, retain and develop our people. Our view is that by harnessing the professional skills that KPMG people use every day, and applying them to the world and the communities in which we work, we can help effect positive change that will enable individuals and communities to flourish. You can read more about our business values and our focus on our people in the Human and Labor Rights section of this report.

We believe KPMG's greatest impact is in relation to clients. Specifically in the field of sustainability, we offer services through KPMG Global Sustainability Services™, a network of around 300 practitioners working in more than 40 countries, who work together to better understand and help our clients improve their business performance with regard to corporate responsibility and sustainability.

Every day, people in KPMG are making a significant difference to the communities in which they live and the places where they work.

# Human rights and labor standards



## **The principles of the UN Global Compact: Human rights**

Human rights is one of the most challenging areas of corporate citizenship. In part, this is because human rights have traditionally been the concern of Nation States, and international human rights law has generally been addressed to them alone. Organizations are now coming to realize their legal, moral and/or commercial need to address human rights issues within their own operations and activities. The principles relating to human rights are: Principle 1 (Businesses should support and respect the protection of internationally proclaimed human rights); and Principle 2 (Businesses should make sure that they are not complicit in human rights abuses).

## **The principles of the UN Global Compact: labor standards**

Discrimination in employment and occupation means treating people differently or less favorably because of characteristics that are not related to their merit or the inherent requirements of the job. This includes access to employment and to particular occupations, to training and vocational guidance.

The Compact's labor principles are derived from the ILO Declaration on Fundamental Principles and Rights at Work (1998). Principle 3 states that: "Businesses should uphold the freedom of association and the effective recognition of the right to

collective bargaining". This relates to establishing genuine dialog with freely chosen workers' representatives, which enables both workers and employers to understand each other's problems better and find ways to resolve them. Security of representation is a foundation for building trust on both sides and freedom of association and the exercise of collective bargaining provide opportunities for constructive rather than confrontational dialog.

Principles 4 and 5 refer to the elimination of all forms of forced, compulsory and child labor. KPMG does not use forced, compulsory or child labor. Principle 6 calls for the elimination of discrimination in respect of employment and occupation. KPMG International and KPMG member firms support freedom of association and where applicable, recognize the right to collective bargaining.

## **KPMG, human rights and diversity**

KPMG International recognizes that human rights are an integral part of corporate citizenship and we respect and support the Universal Declaration of Human Rights. During 2009, we will be conducting an analysis to understand how KPMG member firms are approaching their responsibilities in respect of key stakeholder groups: partners and employees, clients, suppliers and the communities in which they operate. The following pages demonstrate how these considerations are integrated into our member firms' businesses, covering principles 1, 2 and 6.

### The KPMG Global Code of Conduct

Each member firm is required to have a Code of Conduct adopting, or based upon, the KPMG International Global Code of Conduct ('Code') which defines the standards of ethical conduct that KPMG International requires from member firms and their personnel. The Code sets out KPMG's ethical principles and helps partners and employees to understand and uphold those principles. The Code emphasizes that each partner and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility. Member firm codes address in more detail standards to ensure compliance with local laws, policies and professional standards, as well as resources available for consultation and assistance.

The Code sets out KPMG's commitment to our people, treating everyone with respect and dignity; respecting the privacy of partners and employees; fostering an environment in which work-life balance can be achieved; and providing a workplace that is free from discrimination, harassment, misuse of substances and unsafe conditions.

In respect of our firms' clients, we commit to acting lawfully and ethically, delivering quality service, maintaining independence and objectivity, preserving client and business confidentiality and privacy as

well as promoting services honestly and competing fairly. Within our communities, we commit to acting as responsible corporate citizens, following high standards of ethical conduct around the world, working with other businesses and charitable organizations to create stronger communities. We encourage active, responsible and voluntary public or community activities.

KPMG International has specific policies that require KPMG people to:

- comply with all applicable laws, regulations and KPMG policies;
- report any illegal acts whether committed by KPMG personnel, clients or other third parties;
- report breaches of risk management policies by KPMG firms or people; and
- refrain from involvement in, or actions likely to be perceived as involvement in, any bribery or corruption.

In 2006, KPMG International launched the KPMG International Hotline. You can find out more about this in the anti-corruption section of this report.

### Our people

Our global human resource management policies, processes and programs further support the commitments laid out in the Global Code of Conduct by providing guidance to our member firms on how to implement them.

The Global People Performance and Culture Group (PPC), a multinational, multi-disciplinary team, supports KPMG member firms worldwide in their goal for attainment and/or ongoing recognition as 'Employers of Choice'. With effect from October 1, 2009, this group is chaired by Rachel Campbell, Global Head of People, Performance and Culture who will report to the Chairman, KPMG International and be a member of the Global Executive Team of KPMG International.

Our global people strategy provides a common human resources template against which all member firms are measured. The goal of being an 'Employer of Choice' is to create and maintain a workplace that enables us to attract, develop, engage and retain the best available people and thereby deliver our business strategy, demonstrating that we really live our values while helping us to realize our brand aspirations.

### Employer of Choice

KPMG's progress towards its 'Employer of Choice' objective is assessed in part by the feedback from our 2008 Global People Survey. Highlights include:

- 83 percent of partners and employees who responded said they would recommend KPMG as a good place to work
- 80 percent said that KPMG has created an environment where people with a wide range of backgrounds can succeed

“Dialog helps us to be successful, both individually and as member firms, by ensuring we continue to progress and develop in a transparent way.”



- 90 percent said that they are proud to be associated with KPMG
- 83 percent said that they have the opportunity for personal development and growth at KPMG
- 83 percent believe that KPMG makes a positive contribution to the communities in which it operates

The Global People, Performance and Culture Group has teams dedicated to the areas of: Learning and Development, People Management, Global Mobility (international assignments), Diversity, Recruitment and Corporate Citizenship.

#### *Performance management*

‘Dialog’ is KPMG’s global tool for managing individuals’ performance and development. Dialog enables KPMG to cascade strategic objectives through to team and individual goals. It also provides guidance on how to live the values day to day by demonstrating the skills and behaviors in interactions with clients and each other. Dialog helps us to be successful, both individually and as member firms, by ensuring we continue to progress and develop in a transparent way.

Our Global Skills and Behaviors guidelines were launched in 2005 and they are the day to day embodiment of our values. They are critical to KPMG’s success and play a vital role in bringing our values to life by defining what we all need to demonstrate for future success.

Several member firms have launched the ‘People Management Leaders’ initiative, the goal of which is to enhance the career experience of KPMG people by putting People Management responsibility into the hands of a small group of well-trained, senior-level professionals. Their responsibilities go beyond traditional performance management to encompass all areas of a person’s work experience, from career development to work-life balance.

#### *Compensation and promotion*

Compensation and promotion are the two major components of our reward practices. All member firms are expected to have reward policies that are simple, clear and linked to the performance evaluation process so that partners and staff know what is expected of them and what they can expect to receive in return.



Our Global Skills and Behaviors guidelines were launched in 2005 and they are the day to day embodiment of our values.



### *Learning and Development*

We develop our people's capabilities, competence and professional development through a variety of Learning and Development (L&D) activities including professional education, continuing professional development, training, work experience and coaching. These range from technical skills training to developing leadership and enabling skills. Each of KPMG's three business areas (Audit, Tax and Advisory) deliver training tailored for client needs and professional requirements within that discipline. The Global L&D program "Compass" offers all KPMG member firms access to leadership, management and business skills programs for every stage of an individual's career.

### *Global mobility*

Global Opportunities (GO) is KPMG's global mobility program. Global mobility's purpose is to develop people and transfer knowledge across borders while delivering value to clients, communities, and enriching the life experiences of our people. Encouraging professionals to undertake international assignments has long been a tradition in member firms. International skills and experience are increasingly valued in KPMG professionals. In 2008, some 2,600 people from 90 countries were on an international assignment.

### *Diversity and inclusion*

Our diversity and inclusion agenda aligns with KPMG's core values of respect, honesty and integrity. We view our commitment to diversity seriously; it is not just a response to legal requirements, but rather the recognition and understanding of the rapidly changing world, which is becoming more diverse and global.

KPMG's goal is to respect and promote everything that diversity and inclusion represents. In 2008 KPMG International conducted assessments with KPMG member firms with regard to their diversity activity, an effort driven by the Chairman, KPMG International. Each member firm was asked to assess itself against a diversity 'Seven Step Framework' to determine the firm's diversity efforts to date. This process has aided global action planning and promoted the sharing of preferred practices among member firms on their strategies. Through this process we have seen an increase in the number of the member firms focused on diversity, with actions including the creation of diversity advisory boards or councils, developing diversity strategies, and dedicating resource to the diversity function.



Globally, our initial focus is on women (to ensure that women have the same opportunities for success as their male counterparts) and disability (to ensure that KPMG member firms become 'disability confident' and provide open access and opportunities to people with a wide range of visible and invisible disabilities). Each member firm determines their own diversity strategy that is best suited to their local context.

The establishment of diversity networks, societies and clubs provide access to top-quality networking opportunities. These networks help people feel comfortable bringing their 'whole selves' to work, open up new opportunities to further their careers, and provide the network members with the ability to develop business in innovative ways. KPMG member firms have networks for various groups including women, various ethnic, religious and cultural groups, people with disabilities, sexual orientation, and various sports and social clubs.

We have a common understanding that diversity equals progress. We recognize that it is important for KPMG people to be representative of clients and the communities which we serve. Greater diversity means greater competitiveness. Leadership in this area can only strengthen our position to win work and allows us to better serve clients.

We are already making great progress. For example, KPMG in Canada was named one of Canada's best diversity employers. KPMG in Saudi Arabia recently won the Women in Business award, and KPMG in the United States received *Consulting* magazine's Excellence in Diversity award.

KPMG in the United States was a proud recipient of the 2009 Catalyst Award, which recognizes and celebrates innovative initiatives that advance women and business. The Award was in respect of KPMG in the United States' 'Great Place to Build a Career' initiative which uses diversity and inclusion as a driver for change, resulting in a culture of career growth, mentoring and accountability that focuses on a talented pool of diverse individuals.

On hearing news of this award, Timothy P. Flynn, Chairman of KPMG in the United States commented: "We are honored by Catalyst's recognition. This initiative, which ensures that all of our professionals, especially women and people of color, are provided with the support and opportunities to make the most of their talents and experiences at every stage of their career, has become embedded into our culture. The talent and professionalism of our people is critical to our long term business success and this initiative has helped us expand and develop our professional workforce."

## Clients

KPMG's global Client and Engagement Acceptance and Continuance process (CEAC process) requires a robust evaluation of all prospective clients and engagements prior to acceptance. This aims to ensure that member firms only engage with appropriate clients, that they have appropriate resources assigned to the engagements based on the risk assessment and that all higher risk engagements have the appropriate level of oversight.

The CEAC process is designed to support a consistent approach to the evaluation of risk at the critical client and engagement acceptance and continuance decision points. It comprises global baseline requirements which include questions, risk grades and required approvals that must be met by each member firm. These evaluations are conducted annually. However, certain events involving clients (e.g., changes in senior executives, regulatory action against the client, material changes in the nature of the business) will trigger the need for a timely re-evaluation.

## Suppliers

As sourcing of suppliers occurs at a country or regional level, each member firm manages and negotiates its contracts accordingly. Some member firms already incorporate human and labor rights considerations into their relationships with suppliers. Below are some preferred practice examples that are shared across the KPMG network.

### *KPMG Europe LLP*

A supplier code of conduct based on the ten principles of the Global Compact was established in 2007 following the formation of KPMG Europe LLP, and it now applies in the following countries: the United Kingdom, Switzerland, Germany and the Netherlands. All existing suppliers were surveyed in order to gauge their activity levels and to develop a procurement profile. Currently 46 percent of U.K. based contract suppliers have signed up to the Supplier Code of Conduct and the aim is for all contract suppliers across those operating subsidiaries of KPMG Europe LLP to do the same.

### *KPMG in Australia*

KPMG will represent the Australian accounting sector in a new national diversity supplier model — the Australian Indigenous Minority Supplier Council (AIMSC). AIMSC is based upon successful models employed in the United States, United Kingdom and Canada. This groundbreaking initiative hopes to address directly economic disadvantage within Australia's indigenous communities. AIMSC has secured Federal Government funding for a three-year pilot. The initiative is scheduled to be launched in August 2009.

### *KPMG in Mexico*

KPMG in Mexico has adopted a purchasing policy designed under the premise of respect and equal opportunities for all suppliers. There is a preference for local suppliers and all suppliers are selected through impartial and objective procedures. The aim is to ensure the quality of products and services that suppliers operate in line with our values.

## Communities

Volunteering is a vital part of our community work and we increasingly look for ways to bring our business skills to bear in our approach to corporate citizenship. This may manifest itself as pro-bono work to build capacity in a local NGO, mentoring or coaching young people from disadvantaged backgrounds, environmental conservation work, secondment to an international development program or senior executives sitting on the board of a charity.

In our 2008 Global People Survey, 81 percent of respondents said that they wanted to use their core skills with an NGO.

We view these activities as career development opportunities for our people, and embed them through various learning and development programs and initiatives taking place all over the world.

### Future plans

KPMG International has been following closely the work of Professor John Ruggie, the UN Special Representative on Business and Human Rights, and has noted the proposed new policy framework which was presented to the UN Human Rights Council in 2008. The framework is based on three core principles:

- the State duty to protect against human rights abuses by third parties, including businesses;
- a corporate responsibility to respect human rights; and
- the need for individuals to have effective access to remedies for breaches of their human rights.

After endorsing this framework, the UN Human Rights Council has asked Professor Ruggie to provide more practical recommendations for the operation of the framework before 2011. We look forward to learning more about these recommendations as they emerge.

Volunteering is a vital part of our community work and we increasingly look for ways to bring our business skills to bear in our approach to corporate citizenship.



# Environment

## The principles of the UN Global Compact: Environment

The UN Global Compact's environment principles are derived from the Rio Declaration on Environment and Development, which are that businesses should:

- **Principle 7:** support a precautionary approach to environmental challenges;
- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and
- **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

## KPMG's Global Green Initiative

In April 2008, KPMG International announced a global climate change strategy and emissions reduction target entitled The Global Green Initiative. By taking responsibility for KPMG's own global carbon emissions and engaging people, suppliers and clients in doing the same, it is using its influence to help make a significant difference.

The Global Green Initiative involves a three tiered approach:

1. Measuring, reducing and reporting global carbon emissions with a principal ambition to reduce the combined global carbon footprint of KPMG member firms by 25 percent by 2010 from a 2007 baseline;
2. Supporting environmental projects within KPMG's wider commitment to our communities; and

3. Working with employees, suppliers and clients to help them reduce their climate change impacts.

Since the launch of the Global Green Initiative in 2008, KPMG has made significant progress in implementing the global approach. Firstly, the initiative serves as an umbrella approach to collect and share the various environmental and conservation programs that had already been established by KPMG member firms. Secondly, leveraging the insight of KPMG's Global Sustainability Services™ practice, KPMG International established an Advisory Council to help define its data collection methodology and established its baseline year global carbon emissions footprint. And thirdly, KPMG International began an ambitious campaign to identify new emission reduction opportunities within specific areas, such as travel, operations and IT infrastructure, and to share preferred practices across the KPMG member firm network. The Global Green Initiative has gained considerable traction across KPMG during its first year, with further momentum building.

Through the Global Green Initiative, KPMG member firms have realized several benefits, including building our internal capacity to provide climate change services, realizing cost reductions and further supporting our global strength and consistency.

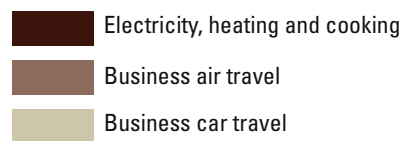
### 1) KPMG's carbon footprint 2007

KPMG International recently completed its baseline year global emissions calculation for calendar year 2007. The nine-month process involved more than 200 participants and focused on its 28 largest member firms. The 2008 emissions data collection process is expected to be complete by August 2009.

KPMG International followed the Greenhouse Gas Protocol, developed by the World Resources Institute and the World Business Council on Sustainable Development, to calculate the carbon emissions of KPMG member firms. Data was obtained from member firms that, collectively, represent more than 80 percent of KPMG people globally; the data was then extrapolated for the remaining population. KPMG International intends to expand participation as the data collection processes are refined.

Baseline results indicate global emissions for 2007 of approximately 3.62 metric tons of carbon dioxide equivalents per partner and employee. Almost half of KPMG's baseline emissions are derived from purchased electricity, heating and cooling. The next most significant contributor resulting is air travel, followed by emissions from company owned vehicles or reimbursed mileage for personal car travel.

### 2007 baseline emissions



Average 2007 headcount	123,322
Total emissions	446,256 tons CO <sub>2</sub> e
Emissions per FTE	3.62 tons CO <sub>2</sub> e
<b>Total emissions by source</b>	
Electricity, heating and cooling	204,271 tons CO <sub>2</sub> e
Business car travel	81,559 tons CO <sub>2</sub> e
Business air travel	160,426 tons CO <sub>2</sub> e





### *Case study: KPMG in the United States*

Living Green demonstrates KPMG in the United States's commitment to taking a leadership role in promoting environmental improvements in our communities. Through Living Green, we are identifying leading practices across the United States firm and establishing new programs and processes to support our environmental goals. These will be implemented at both the national and local levels.

This initiative, along with the efforts of other member firms through the Global Green Initiative, sets the overall direction for KPMG regarding environmental matters, with a special emphasis on the global challenges of climate change. KPMG member firms are committed to reducing the overall carbon footprint by 25 percent by 2010 through emission reduction and renewable energy.

To deliver environmental improvement, we identify and measure key ways in which the business practices of KPMG in the United States affect the environment; adjust our training, procurement programs, incentive programs and work practices to better support our environmental goals and reduce our overall environmental impact; and engrain our environmental improvement programs into our business processes and calculate and measure our progress.

Some of KPMG in the United States's goals for the next three years include reducing the amount of paper used by 15 percent; increasing the use of recycled paper; reducing office-related energy usage by 5 percent; reducing the volume of waste by 10 percent; and incorporating LEED (Leadership in Energy and Environmental Design) standards into renovation and new construction projects.

To try to reduce its environmental impact, operations, information technology (IT) infrastructure and building management are being examined to: reduce consumption of paper, curb business travel, reduce the energy used, and make offices more environmentally friendly. To track progress in these areas, KPMG in the United States, with the help of the KPMG Global Sustainability Services™ network, set goals to be measured annually and on a three year timeline.

In October 2008, KPMG in the United States unveiled its state-of-the-art technology center in Montvale, New Jersey. Recognizing the vast power requirements needed for a building of this kind, the United States firm decided to adopt United States Green Building Council best practices to plan and construct the facility. The facility uses multiple sources for electrical power.

The centerpiece comprises 14 natural gas-powered micro-turbines that provide exceptional energy efficiency, generating 840 kW of electricity that is enough to support the majority of the electricity needed for the technology center. The turbines also produce ultra-low carbon dioxide and particulate emissions; this means the electricity generated is significantly less harmful to the environment than traditional electricity.

Information Technology Services (ITS) also reduced their electrical consumption by using one computer server to do the work of many. This technique, called server virtualization, has avoided the emission of 1,000 tons of CO<sub>2</sub>. In addition, the United States firm has purchased for employees and partners all Energy Star-certified laptops, desktops, monitors, and printers.

Technology has also helped KPMG in the United States reduce business travel. Thanks to state-of-the-art Halo video conferencing equipment in New York, Dallas and Los Angeles (and other collaboration and meeting tools linking across the globe), employees and partners logged fewer air and land miles getting to meetings, which saved on carbon dioxide emissions. And, the firm's flexible work arrangements and telecommuting policies also assist in this effort.



#### Case study: KPMG in Japan

In September 2007, KPMG AZSA & Co. joined the 'Team minus six percent' initiative, a national scheme aimed at achieving the six percent cut in greenhouse gas emissions promised by Japanese government in the Kyoto Protocol.

The program aims to tackle CO<sub>2</sub> reduction on six fronts: through temperature control, water control, car use, product choice, electricity use, and shopping and waste disposal.

In the winter, KPMG AZSA & Co. implemented 'Warm-Biz', adjusting the temperature of its offices to 20°C to reduce energy consumption. During the summer 'Cool-Biz' comes into effect with the temperature set at 28°C from June to September and with the dress code changed to business casual to make working more comfortable.

Every office received thermometer posters to remind partners and staff to cut down on unnecessary energy consumption.



## 2) Supporting environmental projects within our wider commitment to our communities

At a local level, KPMG firms' partners and employees are volunteering in grassroots projects; at the national level, we are forming national relationships; and, at a global level, we are evaluating opportunities to build upon existing partnerships. Some examples of these relationships are shown below:

### *KPMG in Australia: Great Barrier Reef Foundation (ZooX Fund)*

The Great Barrier Reef is the largest continuous coral reef archipelago on earth. It is also under grave threat from rising sea temperatures, an indicator of climate change. KPMG in Australia is an inaugural patron of the Great Barrier Reef Foundation's 'ZooX Fund', which takes its name from *zooxanthellae*, the tiny organisms that live inside coral, giving it both life and color. The aim of the ZooX research is to better understand how these organisms adapt and respond to rising sea temperatures so that the reef might be saved from further coral bleaching. This groundbreaking research may then be used to save other coral reefs around the world. In 2009, KPMG in Australia will launch the ZAP — ZooX Ambassador Program. This e-learning journey and reef experience will provide opportunities for our people to play an active role in this vital research.

### *KPMG in South Africa: Elephant Project at Kruger National Park*

KPMG in South Africa has been supporting elephant relocation exercises in South Africa's Kruger National Park for many years. With few natural enemies, elephants need careful managing or their numbers increase to the detriment of other animals and surrounding vegetation. Until the 1995 moratorium on killing elephants, their numbers were restricted through culling. A new solution was needed. Management of Kruger realized that they could capture and relocate elephants to new emerging conservation areas and thereby manage their numbers. They began building the equipment needed and looked to form a deeper relationship with KPMG to set up the Elephant Relocation Project. KPMG clients and staff have the opportunity to attend capture operations and one of KPMG's directors, an honorary ranger, hosts the guests who come on the capture trips. KPMG in South Africa also provides funding for the equipment needed for the captures. So far, 850 animals have been successfully relocated — including rhinoceros, lion and buffalo captures. The trips not only raise funds and increase the South African firm's involvement in conservation, but also increase awareness of conservation in the wider community.

### *KPMG in the Cayman Islands: Central Caribbean Marine Institute*

KPMG in the Cayman Islands is proud to support the Central Caribbean Marine Institute (CCMI) and the Ocean Literacy program. The mission of the CCMI is to 'conduct and facilitate research, education, conservation, and outreach that will sustain marine diversity for future generations'. As part of this mission, CCMI has begun development of an Ocean Literacy course for school children in the Cayman Islands. The goal of this course is to teach children about the ocean and the diversity of life within it, as well as how the ocean influences life on land. There is no better way to contribute to the preservation of the ocean and the wildlife beneath than to educate our future leaders. The firm has pledged financial support for three years to help change the future of the islands.



### *KPMG in India: Working with community partners*

KPMG in India has worked with its 'charities of choice' to build capacity for renewable energy capture to help them reduce their electricity costs, so that money that can be re-channelled into their social activities.

One project involved funding two solar systems at two charities, an HIV/AIDS NGO in Pune, and an NGO for migrant quarry workers in Chennai. The array of solar street lights, solar water heaters and fans offer a constant supply of electricity when the power is out, weans the charities off non-renewable energy sources and has strengthened capacity as a permanent educational tool, indicative of the importance of environmental protection.

A second project featured rainwater harvesting projects for institutions prone to ground water shortages due to drought. There is a shortage of clean, safe water in many areas of India and the most common solution is electric or diesel groundwater pumps, which have a detrimental effect of pumping carbon dioxide into the atmosphere. Joining forces with two NGOs, KPMG in India funded the construction of rainwater harvesting structures in Delhi and Mumbai regions for two residential estates, five schools, mobile crèches, an NGO for children that KPMG in India

supports, and two colleges. As a result water pumping costs, both financial and environmental, are reduced by increased water tables and there are better contamination prevention precautions in place.

### *KPMG in Canada*

In 2007, KPMG in Canada formalized its commitment to reduce the firm's environmental footprint with the launch of its Environmental Performance Initiative (EPI). This strategy focuses on the reduction of paper usage, carbon footprint, and waste. KPMG in Canada has been working hard to assess and manage its environmental footprint through a series of initiatives.

The EPI includes a series of aggressive targets for paper usage and the type of paper purchased, and the reduction of air and ground travel, as well as increasing waste diversion from landfills. KPMG in Canada also established a number of firm-wide strategies to support the achievement of these targets, which include:

- A strategy to set printers to double sided printing where possible
- Implementing an e-Fax initiative that digitizes all incoming and outgoing faxes, which is in excess of one million pages per year
- Offering a number of technology-based alternatives to physical meetings to offset the need

to travel — for example, audio and video conferencing, web conferencing, and web casting

- Effective November 2008, all printer and copy paper purchased has 30 percent recycled content
- Implementing infrastructure to support digital files and workflows across the firm
- All meeting rooms are wireless, reducing the need for handouts in meetings
- Using filtered water in reusable containers in meeting rooms as an alternative to bottled water

In the fall of 2009, the Toronto office, KPMG in Canada's largest with over 1,500 people, will move into a new building that is being built to the LEED Gold Standard.

KPMG in Canada also supports KPMG employees and partners by offsetting 50 percent of the cost of home energy assessments that identify potential energy savings and plan energy retrofits.

KPMG in Canada has also appointed office champions to help improve environmental awareness and performance of both the firm and its 5,000 partners and employees. The office champion's role is to oversee the implementation of local environmental initiatives, identify and

address areas requiring environmental improvement, initiate actions at the local level to increase partner and employee awareness, address local questions and concerns, and identify opportunities that need to be addressed at the national level.

KPMG in Canada launched an internal EPI microsite in 2008 to highlight the firm's goals and provide information to its people regarding how they can get involved in helping the environment both at work and at home. KPMG in Canada has also added environmental groups to the list of charitable organizations that the Canadian firm supports financially through the KPMG Foundation.

### **3) Working with our partners and employees, suppliers and clients to help them reduce their climate change impacts**

To meet our ambitious reduction target, KPMG is undertaking a number of different approaches to implement reduction strategies at all levels. Beyond reducing our own emissions, we also hope to magnify our reach by working with our people, suppliers and clients to reduce their climate change impacts. The following section highlights a few initiatives being implemented on a global basis to help us reach our targets; these involve a combination of investment and

behavior change strategies that aim to reduce carbon emissions through approaches taken at the member firm level, for example sourcing green efficient technology, renewable energies and building management, and influencing positive behavior change in employees through training and communications.

Working with partners and employees to change behavior can be seen all around the KPMG member firms. KPMG in China set up a climate change working group, including the Chairmen and senior partners, to develop specific strategies in response to climate change. 'Working Green' relates to the approaches taken by the firm to reduce emissions, that include purchasing hybrid company cars, building accessible video conferencing facilities, using LED lights, installing double sided printers and introducing recycling bins and ceramic mugs. The firm is currently exploring switching sources of energy and new technology. The 'Working Green' program is a campaign to influence and change employee behaviors.

Similar strategies have been implemented in South Africa, where the focus is to educate partners and employees on climate change and its impact, to combat the general low level of awareness in the country as a whole. In India, the 'Living Green'

program was launched to reduce carbon emissions and instill an environment policy, in parallel with implementing an awareness building campaign for partners and employees.

At KPMG in Brazil, partners and staff are engaged to change their behavior through every partner and employee being required to set a personal goal within the firm's performance management system, Dialog, to reduce their carbon footprint at work.

Energy consumption by our IT infrastructure represents a significant source of our global carbon emissions. Leveraging the insights of our Sustainable IT Advisory practice, we are applying preferred practices across our global network to increase efficiency, lower emissions and reduce expenses. We are establishing carbon baselines for our IT inventory with a focus on increasing energy efficiency.

'Green' buildings are an important part of KPMG's commitment to environmental responsibility and many KPMG member firms have made significant advances in the past year. As outlined on page 19, the United States firm has made a commitment to pursue LEED Green Building Rating System™ certification on all new construction and major office renovations.



Its first office building to become certified was in Nashville, Tennessee in November 2008.

KPMG in the United Kingdom has also focused on 'green' building for its new office in Canary Wharf in London. The new fifteen-floor office has set a target to reduce carbon emissions by 50 percent. Twenty percent of the building materials come from recycled material. The building has already received a Green Apple Award for Environmental Best Practice for its impressive environmental credentials.

Working with suppliers to source green energy is happening all over member firms. Since January 2009, three KPMG offices in Germany have switched to 100 percent green power as their source for electricity and the German firm is in the process of converting the remaining offices. KPMG in Australia was recognized as greenhouse gas neutral and in 2008 received Greenhouse Friendly™ certification by the Australian Government's Department of Climate Change. In doing so, the firm became the first of the 'big four' professional services firms in Australia to achieve this certification.

KPMG in Ireland also achieved carbon neutrality in 2008 through implementing an emissions reduction strategy and purchasing high value carbon offsets. The firm implemented several environmental initiatives throughout the year, including the completion of an energy audit, extending video conferencing capabilities and procuring renewable energy. In December 2008, they were recognized for their commitment to the environment by winning the Green Professional Services award at Ireland's Inaugural Green Awards.

We have now implemented HP HALO telepresence studios in a number of offices across the world. In addition to enhancing our global strength and connectivity, these state-of-the-art studios are helping reduce air travel, lower emissions and increase productivity. We are monitoring use of the studios and identifying the resulting correlations with reduced air travel and air spend. In addition to our HALO studios, we are also enhancing our PC video conferencing capabilities.

# KPMG Global Sustainability Services™

“We contribute to the sustainability debate and share our information with the wider market so that the business community can benefit from our findings.”



Companies are increasingly recognizing that corporate responsibility offers value creation opportunities as well as good risk management. The incorporation of environmental, social and economic issues into business strategy is essential for achieving sustained business performance and maintaining stakeholder confidence. We believe that the successful companies of the 21st century will be both profitable and responsible, and it has become clear that there is real value to be gained from executing business activities in a responsible manner.

KPMG's Global Sustainability Services™ is a network of around 300 practitioners working in member firms in more than 40 countries, who work together to better understand and help clients improve their business performance in the area of corporate responsibility. It provides advice to help businesses and organizations better understand, improve and report on their environmental, social and ethical performance.

## Our approach

Our approach is to support our firms' private and public sector clients with the development and embedding of sustainability practices. Our experienced, multi-disciplinary client advisory teams provide services in the following areas:

- Climate change
- Corporate responsibility reporting and assurance
- Corporate responsibility strategy support
- Environmental, health and safety due diligence
- Risk and opportunity analysis
- Performance management and reporting system development
- Policy and process development

## Thought leadership

We are involved with leading sustainability organizations such as the World Business Council for Sustainable Development (WBCSD), the Global Reporting Initiative, the Carbon Disclosure Project, International Emissions Trading Association and standard setting bodies such as AccountAbility.

We contribute to the sustainability debate and share our information with the wider market so that the business community can benefit from our findings.

The KPMG International Survey of Corporate Responsibility Reporting 2008 is designed to examine reporting trends among the world's largest companies and has been influential in driving forward the sustainability agenda for many years. It is the sixth in a series conducted by KPMG International and various co-sponsors since 1993 and is issued every three years.

KPMG in Australia and the group of 100, representing the senior finance officers of Australia's leading enterprises, have developed a comprehensive good practice guide for companies and organizations engaged in the preparation of sustainability reports. The publication, entitled *Sustainability Reporting: A Guide* provides directors and senior executives with a timely and useful tool when addressing this rapidly evolving area of reporting. KPMG in China also published a similar study.

### **Climate Changes Your Business 2008**

Businesses face much bigger climate change costs than they realize. That is the conclusion of *Climate Changes Your Business*, a report produced by Global Sustainability Service™ in 2008. The climate change risks that companies should be paying more attention to are physical risks, regulatory risks as well as risk to reputation and the emerging risk of litigation, says the report. It argues that the risks associated with climate change tend to be underestimated.

### **Count me in: the readers' take on sustainability reporting**

Conducted by KPMG Global Sustainability Services and SustainAbility Ltd., the report presents the findings and analysis from the first Global Reporting Initiative Readers' Choice survey of readers of sustainability reports. Conducted from October 2007 through the end of January 2008, the *Readers' Choice Survey* looks for the first time at the readers, their preferences and behaviour. Nearly 2,300 readers and non-readers from around the world responded to the survey.

# Case Study: Royal BAM Group

Royal BAM Group is a leading European construction company, employing 30,000 people. In 2006 Royal BAM Group decided to look in more detail at what sustainability means for their business. As a first step, they made it the topic of their annual conference, a meeting of the top 100 managers and key stakeholders such as clients, government representatives and opinion leaders. To frame the context, they solicited the help of KPMG Global Sustainability Services™ to write a special report for the conference, to set out what sustainability means for the industry.

The conference set the pace for Royal BAM Group's aspiration to stay at the forefront of corporate social responsibility. This began a relationship that strives to find both strategic and practical solutions to fulfil this vision.

In 2007 Royal BAM Group published a second special report during their annual event, 'Climate change in the built environment', on which KPMG Global Sustainability Services™ worked

with the company's experts to develop a carbon footprinting model, in line with the World Business Council for Sustainable Development's protocol. This report was a success and an ensuing objective was that Royal BAM Group would apply their core competencies to contribute to a low-carbon built environment.

To share their experience and knowledge within the sector, Royal BAM Group decided to publish this report and launch a CO<sub>2</sub> desk, where clients and partners in the supply chain could seek advice on developing climate change objectives and reduction measures.

During this time KPMG Global Sustainability Services™ also consulted on the development of the first and second group-wide sustainability reports in 2008 and 2009, identifying the key performance indicators most relevant and in line with business objectives. The key performance indicators were shared with the European Network of Construction companies for Research and Development, to inform the industry debate.

This has helped Royal BAM Group to profile itself as a leading construction company and to directly contribute and influence the construction sector's approach to sustainability.

"We look beyond just piling up stones," says Nico de Vries, vice-chairman of the Executive Board of Royal BAM Group, "We think, where is the added value, where can we make a difference? Sustainability has been a hot issue during the past few years and we noticed the importance of this and did not want to miss the boat. The KPMG Global Sustainability Services™ team has helped us to remain in the leading pack."

Royal BAM Group is now working with KPMG Global Sustainability Services™ on the third special report on reduction of carbon emissions in projects for the 2009 annual conference.

# Case Study: ACCIONA in Spain



ACCIONA's mission is to be a leader in the creation, development, and management of infrastructure, energy, and water, and to contribute actively to social well-being, sustainable development, and creating value for its stakeholder groups. This Spanish conglomerate group dedicated to civil engineering, construction and infrastructures operates in 30 countries with over 35,000 employees, and had earnings of €12,665 million in 2008.

ACCIONA's commitment to sustainability has taken the company to a leadership position in the Dow Jones Sustainability Index heavy construction sector, for the second straight year.

KPMG in Spain's strong business relationship with ACCIONA has led to a series of fruitful collaborations in the sustainability arena in line with ACCIONA's mission. Below we have highlighted some of the company's key

initiatives where KPMG in Spain has been able to help the company reinforce its position as a pioneer in sustainable development.

From 2007 to date, KPMG in Spain has helped ACCIONA undertake an extensive exercise to identify its main stakeholders in its key markets. A wide-ranging consultation was developed aimed at communicating the company's commitments to opinion leaders and understanding their expectations. Country-specific analyses — throughout four regions — on environmental and social issues, together with the engagement of key stakeholders, were used to develop market-specific action plans.

For the second year, the company has engaged with a committee of independent experts whose role is to ask questions on key issues the committee believes to be relevant

for ACCIONA's stakeholders from a materiality point of view. This panel then issues a public opinion on whether the company's report contains sufficient and appropriate information about these issues along with its recommendations to meet this goal. This initiative, along with formal assurance of its report, is key to creating and maintaining the trust of stakeholders.

ACCIONA's desire not only to have a trustworthy assurance provider such as KPMG in Spain to assure the consistency of its sustainability report's content but to acknowledge publicly its stakeholders' views and expectations reinforces the fact that stakeholders are truly taken into account. As a promoter of the creation of this committee, KPMG in Spain also facilitates the communication and dialog between the different parties.



# Anti-corruption

## The principles of the UN Global Compact: Anti-Corruption

The Compact's Anti-Corruption principle is derived from the United Nations Convention against Corruption.

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

Corruption is recognized to be one of the world's greatest challenges. It is a major hindrance to sustainable development, with a disproportionate impact on poor communities and is corrosive on the very fabric of society. The impact on the private sector is also considerable — it impedes economic growth, distorts competition and represents serious legal and reputational risks.

KPMG International and KPMG member firms take their commitments to anti-bribery, anti-corruption and ethical business very seriously. This is reflected in KPMG's policy, training and values, the Global Code of Conduct and international agreements entered into by KPMG International such as the signing up to World Economic Forum's Partnering Against Corruption – Principles for Countering Bribery.

These principles commit signatories to the adoption of a zero tolerance policy on bribery and development of practical and effective internal programs for implementing that policy. This section covers KPMG International's policies, training and its International Hotline.

## Policies

KPMG International has global policies concerning compliance with laws, regulations and professional standards; requirements to report, and consult in relation to, suspected wrongdoing by KPMG firms or personnel, clients or third parties; and anti-bribery. All KPMG member firms' partners and staff are required, at a minimum, to adhere to these policies.

The key aspects of the anti-bribery policy are:

- A specific prohibition against involvement (or an impression of involvement) in any type of bribery even if such conduct is legal or permitted under applicable law or local practice. This prohibition extends to both public and private sectors
- A prohibition against making facilitation payments on behalf of a client or third party under any circumstances

## Training

Web based training covering the policy areas set out above is required to be completed by client facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining a KPMG member firm.

In broad terms, the training covers:

- Obligations to report suspected non-compliance with laws, regulations, professional standards, or KPMG policy

“Businesses should work against corruption in all its forms, including extortion and bribery.”



- What to report, when to report, who to report the matter(s) to and the consequences of noncompliance with laws, regulations and KPMG policy
- Definitions and KPMG's policies on bribery and facilitation payments and an overview of laws regarding bribery around the world, including U.S. FCPA and U.K. law — there is a strong emphasis on the extraterritorial reach of these laws.

#### International Hotline

The KPMG International hotline is a vehicle for KPMG firms' partners, employees, clients and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, its employees or the senior leadership of a KPMG member firm.

The hotline deals with reports made in relation to the following: Accounting; internal accounting controls; auditing; banking crime; financial crime; and anti-bribery (including in relation to a client of a KPMG member firm, in so far as it affects KPMG). In addition, it can be used for reporting instances where either personnel of one of the member firms of the KPMG network or reports issued by them are felt not to comply with professional, regulatory or legal obligations.

Several of the member firms of the KPMG network have their own formal complaints procedures including national hotlines.

The hotline is available 24 hours a day, seven days a week. All reports are handled confidentially, to the extent permitted by law and consistent with KPMG International's requirement to investigate and address the reported conduct.

Reports are reviewed by a member of the KPMG International Office of General Counsel who will determine the appropriate initial action. If it is not appropriate for the member firm to investigate the matter itself (for example where it concerns the senior leadership of the firm) then the investigation will be conducted under the auspices of KPMG International.

Several of the member firms of the KPMG network have their own formal complaints procedures including national hotlines. The hotline is available 24 hours a day, seven days a week and follow the same format for gathering information. All reports are handled confidentially, to the extent permitted by law and consistent with KPMG International's requirement to investigate and address the reported conduct.

Reports are reviewed by a member of the KPMG International Office of General Counsel who will determine the appropriate initial action. If it is not appropriate for the member firm to investigate the matter itself (for example where it concerns the senior leadership of the firm) then the investigation will be conducted under the auspices of KPMG International.

“The hotline is a vehicle for KPMG partners, employees, clients to confidentially report concerns they have relating to certain areas of activity by KPMG International itself.”



# Partnerships for development

## **The KPMG Global Development Initiative**

In addition to asking companies to implement the ten principles, the Global Compact encourages participants to engage in partnership projects in support of broader UN goals, in particular the Millennium Development Goals.

Since 2007, KPMG has been engaged in issues relating to international development and the MDGs. Under the banner of the 'Global Development Initiative' (GDI), KPMG firms undertook a number of engagements with international NGOs where we applied our skills and expertise to some intractable problems.

Through the GDI, we intend to use our skills and our resources to become fully involved in finding sustainable solutions to global and local issues, working alongside governments, civil society groups and international agencies.

The Global Board of KPMG International has agreed that international development should be the second global theme of KPMG International's corporate citizenship approach, alongside climate change and the environment. KPMG firms around the world will determine the best way with which they can engage with the issues. It could take the form of a secondment, a piece of pro bono work, executive mentoring or employee volunteering.

At the KPMG International level, we have a flagship partnership with Millennium Promise, co-founded by Professor Jeffrey D. Sachs, Director of the Earth Institute at Columbia University and Special Advisor to the UN Secretary-General; KPMG International has pledged to support the Millennium Village program.

We will continue our work on the Millennium Cities Initiative — where KPMG member firms' teams within KPMG member firms' Transaction Services businesses provide specialist technical knowledge to help cities in Africa that are deemed 'tier 2' to attract inward investment.

In addition to this partnership, KPMG is building working relationships with a number of major international NGOs in pursuit of our wider goal of ensuring that KPMG firms worldwide are engaged with the issues being addressed by the MDGs.

In 2008, KPMG International put in place a framework to guide its immediate and long term response to those affected by natural disasters around the world.

This is managed by the Disasters Emergency Relief Council which was formed in 2008. This Council coordinates the national and international efforts of member firms in helping those most in need, working with appropriate agencies on the ground.

# Case studies



## KPMG in India

**“Corporate Citizenship in India began in 2005 in response to the devastating tsunami that shocked South Asia. We have achieved much over the last three years by touching communities and trying to change lives.”**

***Rupendra Singh, Chairman of the KPMG India Foundation***

The Indian firm concentrates its activities in development, the environment and education.

The World Bank estimates that 75.6 percent of the Indian population lives on less than U.S.\$2 a day. The Indian firm aims to confront some of the gravest issues affecting India’s development dream through the ‘Charities of Choice Initiative’, whose objectives align with the MDGs.

The Charity of Choice (CofC) model is based on volunteers drawing up a shortlist of local NGOs that have been successful and whose objectives align with those of the KPMG Foundation. Local office staff then vote for an NGO to be their office’s nominated charity and then support the organization with resources from the Foundation and partner/employee volunteering. This goes far beyond ‘distance funding’ as our people are directly involved at the grassroots level helping to build capacity and infrastructure.



### KPMG in Australia

**"At KPMG we are committed to our communities and their wellbeing. This is intrinsic to the way we operate, and goes to the very heart of our values. Corporate Citizenship is at the core of our culture, it helps define who we are as individuals and, collectively, as a firm."**

**Geoff Wilson, Chief Executive, KPMG in Australia**

KPMG in Australia views its corporate citizenship activity as a key demonstration of business values and as a strategy, it aligns with the organization's business objectives, enhancing Employer of Choice and Diversity agendas and relationships with clients.

The Corporate Citizenship Director works directly with the CEO and Chairman and the 'Citizenship Advisory Board', made up of 12 partners across the Australian firm to provide a consultation mechanism with the

Partnership, and to act in an advisory capacity. The total community investment for 2008 was close to one percent of pre-tax profits of the Australian firm.

The main areas of strategic focus are education, environment, social inclusion and health. Consistent across each of these areas is a strong commitment to address economic and social disadvantage within indigenous communities and to support reconciliation through a deeper respect and understanding towards indigenous Australians. We specifically work with Indigenous Enterprise Partnerships, a non-profit organization that aims to do just that, focusing on long-term, sustainable initiatives that will help break the cycle of welfare dependency in indigenous communities.

This relationship provides opportunities for the Australian firm's people to undertake secondments to work on

projects within indigenous communities, to help build the capacity of local businesses and, ultimately, healthier and more sustainable communities. So far this has been successful and popular, with 27 KPMG in Australia employees taking part in the secondment program since October 2007. Many have returned feeling a sense of profound change/clarity and satisfaction at the contribution they have made.

**"The partnerships it (IEP) forms with KPMG foster an exchange of knowledge and experiences that are life-affirming and often life-changing. It just goes to prove that we can have a significant impact when we put our minds to something."**

**Maria Niedzwiecka, KPMG in Australia**





### KPMG in China

*“CSR at KPMG China is understood to be not just about an ethical code of conduct and philanthropy, it is about addressing social and environmental issues, working with clients, non-government organizations, local government, and other stakeholders, and empowering our people to be the driving force of this process.”*

*Diana Tsui, Director, Corporate Social Responsibility, KPMG in China*

A dedicated full-time CSR team based in Hong Kong, Shanghai and Beijing is led by a director who reports to the Chairmen of KPMG China. The team works closely with the Social and Environmental Action teams consisting of committed volunteers and led by a partner-in-charge, in each of the 12 offices. The KPMG (China) Foundation, a non-profit entity set up in February 2008, manages the partnership's contributions and strategic allocation of funds to complement the CSR strategy.

The partnership committed US\$4.5 million in corporate social responsibility activities in the financial years 2008/2009. The strategic focus in KPMG China is on Education, Environment and Empowerment. Through a range of partnership projects KPMG people in China use their specific skill sets and energy for social good, empowering people to improve their own lives and the lives of those around them. Some examples of these partnerships are the Student in Free Enterprise (SIFE), Operation Smile and the China Development Marketplace (CDM).

SIFE establishes university student teams to develop entrepreneurship and implement programs to create economic opportunities in their communities. In addition to financial support, KPMG China provided business advisors, trainers to SIFE students and judges for the competitions.

This year, 83 KPMG business advisors are helping more than 70 SIFE teams across China. Since 2004, KPMG China has sent over 80 volunteers to medical missions organized by Operation Smile, a non-profit organization that performs free reconstructive surgery on cleft lips and palates for children. Our volunteers work as interpreters, counselors and assisted doctors and nurses with onsite coordination, photo-taking and patient treatment.

The CDM was initiated by the World Bank and aims to encourage civil society organizations, businesses, governments, development agencies and academia to work together to improve the quality and delivery of social work. As a Capacity Building Strategic Partner, KPMG China provided training and tools on financial management to winning organizations, in addition to sponsoring two of the 60 winning projects and donating laptops.





### KPMG in the Netherlands

**"The pressure on our ecosystems is immense. Biodiversity is under threat and climate change will disrupt our natural, economic and social systems. It is our responsibility to do whatever we can to contribute to innovative and sustainable solutions that make an impact."**

**Jan van den Herik, Director, Corporate Social Responsibility, KPMG in the Netherlands**

KPMG in the Netherlands has a long lasting tradition of involvement with its local communities. Pro bono work and voluntary participation have been a part of KPMG in the Netherlands' business for decades. In addition the firm has been providing audit and advisory services with KPMG Sustainability and KPMG Forensic and Integrity for over 15 years contributing to the evolution of CSR in client organizations and continues to do so. Since 2006, a CSR strategy based on four strategic pillars has been in place, which supports the vision that CSR affects all business processes, and that corporate responsibility should be aligned with stakeholders' expectations.

KPMG in the Netherlands first measured its carbon footprint in 2006 and consequently initiated a carbon reduction program. The carbon reduction measures included switching to renewable energy sources, investment in sustainable buildings such as the new offices in Rotterdam and Amstelveen, more efficient heating and cooling systems, providing a flexible working environment (including home based working and tele/video conferencing facilities), utilizing only fuel-efficient vehicles in the company car fleet, and establishing communication programs aimed at generating awareness and stimulating behavioral change.

The firm implemented a strategic mobility program to reduce fuel consumption and the resulting carbon dioxide emissions from car travel. The first important initiative was to change the car lease program. The firm provides corporate cars to partners and employees, so a policy was implemented that required them to choose only those cars identified with an energy label of A, B or C.

This ensures that KPMG partners and employees are driving cars that are at least 10 percent more fuel efficient than the average vehicle in their class, while still giving them a wide range of cars to choose from.

Several new initiatives will be implemented in 2009. Partners and staff will be offered courses in safe and fuel efficient driving techniques. These courses will be web-based so that they can be completed at any time or at any location. Furthermore, KPMG in the Netherlands will provide its staff with the NS Business Card, which makes it possible to use the Dutch railway system, make use of meeting points around the stations, and use free bikes and taxis. Through these efforts, KPMG in the Netherlands hopes to significantly improve and reduce its emissions and stimulate its personnel to choose the most environmentally friendly and convenient transportation option at the right moment.



#### KPMG in Ireland

*"I wanted to support Hospice Africa Ireland because I felt that KPMG in Ireland's support for this fledgling charity would make a real and valued difference to a worthwhile organization. On my visit to the hospice in Uganda, I was humbled to see that our support helps ease the pain and suffering experienced by so many people with HIV and cancer."*

*Terence O'Rourke, Senior Partner,  
KPMG in Ireland*

KPMG in Ireland is fully committed to the CSR agenda and sees it as way to unite the firm, strengthen its reputation and create vital links with the communities in which it operates. The aim is to motivate partners and employees to be part of this effort and actively get involved in CSR activities that will ultimately make a real positive impact on society.

The firm have just conducted a full strategic review with a CSR plan in place for the next three years, focusing on the areas of: education and young people, the environment and the developing world. The firm wanted to broaden its CSR scope farther afield than Ireland, as working on projects in the developing world helps to reach out to people living in extreme poverty and dire health conditions.

Hospice Africa Ireland was formed to provide support to Hospice Africa Uganda, an organization that owns and operates three hospices in Uganda and employs approximately 100 people. A flagship hospice organization in Africa, it provides care for about 1,400 patients every year, most of whom suffer from cancer and AIDS.

When the charity established a Dublin office, to provide professional support for the hospice, the KPMG in Ireland's CEO made it his responsibility to help by seconding a director to act as interim CEO, advising and assisting the Board for six months in developing the vision, goals, processes and procedures for the organization. Over the next three years the Irish firm will fund the new clinical building in Uganda, which will be a center of excellence in palliative care education for the region. Its benefits will stretch beyond Uganda, as medical staff from other countries will be invited to come and share learning and best practice so that they can take these learnings back to their own countries.



### KPMG in Europe LLP

The head of CSR for KPMG Europe LLP is supported by a team of 18 people in five locations. The team in the United Kingdom was established in 1995, in Germany 2004, in Switzerland 2006 and in Belgium 2008.

The total Community Investment of CSR related activities in FY 07/08 totalled €15 million. This includes volunteering time, gifts-in-kind, cash donations and fundraising.

A total of 57,000 hours were contributed to the community by 5,500 volunteers during working time.

KPMG Europe LLP and its operating subsidiaries have a number of focus areas: education, employability (social inclusion), enterprise and the environment which are split into overarching areas of impact including community, environment, workplace and the marketplace.



#### KPMG in Brazil

KPMG in Brazil has been active in CSR related projects for many years. The general understanding of what CSR means has changed from social investments and philanthropy and now the concept has broader scope as it involves actions which benefit all the audiences the firm interacts with. The Corporate Citizenship team was officially created in October 2008 and reports to the Chairman, KPMG in Brazil. The strategy focuses on how to further the social, environmental and economic impacts of the firm in the areas of education, environment, development and community.

CSR activity can take the form of pro-bono services for NGOs, donations and volunteer campaigns in the community (30 different campaigns took place in KPMG offices in Brazil in 2008), and a newly launched volunteer work project called 'KPMG in Community'. KPMG in Brazil support cultural events and sports for partners, staff and their families.

In 1997 KPMG in Brazil and a state university partnered to create the Little Citizen Project. The university provides the premises and sports facilities and we provide full financial support. So far, KPMG in Brazil have helped nearly 2,000 children who, over the past 12 years have attended around 60 thousand hours of artistic, sports and educational activities, while being provided nutritious and balanced meals. Each child is socially and economically vulnerable. When they reach their fourth year in the project they can take a vocational course which will improve their chance of getting a job and, hopefully, lead to a better quality of life.





### KPMG in Canada

In early 2009, KPMG in Canada demonstrated its commitment to the community and the environment with the appointment of the National Leader of Corporate Citizenship role, sponsored by the Chief Executive. The mandate of this new senior leadership role includes developing and overseeing a firm-wide corporate citizenship and sustainability strategy that encompasses volunteerism, philanthropy, and sponsorships, supporting KPMG people in their own volunteer efforts and helping to reduce environmental impact wherever possible. In addition, KPMG in Canada has been recognized as one of Canada's Greenest Employers for 2009 for its environmental strategy and efforts. This award recognizes employers that make a commitment to the environment as part of their corporate values and culture. As Tania Carnegie, National Leader of Corporate Citizenship for KPMG, said, "We are on a journey here at KPMG. We are continuing to challenge ourselves to do more when it comes to the environment and our environmental footprint."



### KPMG in Spain

CSR in KPMG Spain is seen to be a way to live the business values. The CSR strategy is aligned to and complements the commitment to people, communities, environment and culture. The KPMG Spain Foundation, was set up three and a half years ago to enable everyone in the firm to have a positive impact in local communities, focusing on areas of education, development and the environment. As part of the strategy, KPMG in Spain tries to find sustainable solutions to global and local issues through providing pro-bono services, employee volunteering projects and financial support for social projects.

In the area of development, the firm works with two key organizations to contribute to the achievement of the MDGs. The Codespa Foundation aims to generate employment as a solution to poverty alleviation in 18 countries in Latin America, Africa, the Middle East and Morocco through promoting access to education, financial services and market access. KPMG in Spain has been providing pro-bono support since 2005, involving ten professionals.

The KPMG people involved in this project find it very inspiring to use their skills to support the tremendous activity of Codespa, to help poor people and communities in become part of the global economy.

Another project is Médicos sin Fronteras-Médecins Sans Frontières (MSF). Pro bono support is provided to this organization that provides emergency medical assistance to populations in danger in more than 70 countries. Six committed professionals have worked 200 hours this year and were able to visit the projects that MSF develop. Francesc Gibert visited Zambia last year. He stayed in the central base, where MSF collaborates with authorities, and also went to rural areas, where MSF works in rehabilitation of dispensaries, vaccination programs and providing quality healthcare to people living with HIV/AIDS, and involving the community in prevention. As he states: "To go Zambia to see the impact that MSF is achieving was a great experience. You understand the meaning of our support."



### KPMG in South Africa

*“KPMG seeks to ‘turn knowledge into value.’ The Enterprise Development initiative is all about putting our skills to work — doing what we do best to the benefit of our communities. In so doing, we are able to make a real difference to businesses in South Africa through relevant skills and knowledge transfer.”*

*Moses Kgosana, Chief Executive of KPMG in South Africa*

KPMG in South Africa has a long history of ethical business practice and charitable giving. Our Corporate Citizenship program is directly aligned with transformation, the key Government theme that underpins attempts to change institutions in post-apartheid South Africa to achieve social and economic democracy.

Enterprise Development is a key transformation initiative. It involves growing and nurturing emerging black-owned/black empowered businesses through skills transfer to create jobs and wealth, on the underlying premise of long-term, sustainable profitability.

By doing so, real economic growth is achievable. Research shows that South Africa has a relatively low rate of entrepreneurial activity. It is a responsibility of large organizations to find proactive ways to support the viability and sustainability of emerging enterprises.

KPMG in South Africa hosted the ground-breaking KPMG Enterprise Development Day in August 2008 with the second such day held in June 2009. The day was held in proud association with Absa, one of South Africa’s largest Financial Services organisations and part of Barclays PLC. Through structured two-hour high-level mentoring sessions, over 400 volunteers engaged with more than 200 black owned businesses in a single day. A range of topics were covered, including good financial management, business management in an economic downturn, black economic empowerment, tax and employment law.

The business mentoring panels consisted of KPMG in South Africa representatives from Audit, Tax, Advisory and a support/administration person, with an Absa Relationship Executive hosting the meeting.

The initiative made an immediate impact on these businesses, with a sustainable outcome facilitated primarily through the Absa Relationship Executive. The South African firm’s partners and employees felt privileged to have been able to share their knowledge and make a difference in this way. The estimated value of the investment was over ZAR5 million.



# Other points of reference

**Available at [www.kpmg.com](http://www.kpmg.com)**

- KPMG Global Code of Conduct
- KPMG International Annual Review 2008
- KPMG Values in Action
- KPMG International Transparency Report 2009

# Contacts

## **Michael Hastings**

Lord Hastings of Scarisbrick CBE  
Global Head of Citizenship and Diversity  
michael.hastings@kpmg.co.uk  
+44 (0)20 7694 8050

## **Richard Hamilton**

Director  
Global Citizenship  
richard.hamilton@kpmg.co.uk  
+44 (0)20 7694 3874

## **Brad Sparks**

Director  
Global Green Initiative  
bradsparks@kpmg.com  
+1 213 955 8653

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.

Designed and produced by KPMG LLP (U.K.)'s Design Services.

Publication name: KPMG Global Corporate Citizenship

Publication number: RRD-145441

Publication date: July 2009