



KPMG INTERNATIONAL

# **KPMG International Corporate Citizenship**

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Throughout this document, "KPMG", "we", "our" and "us" refers to KPMG International, a Swiss co-operative, and/or to any one or more of the member firms affiliated with KPMG International. KPMG International provides no client services.

London, 24 June 2008

Dear Stakeholder

Since I joined KPMG International as Global Head of Citizenship and Diversity in 2006, our focus has been to develop a comprehensive, strategic citizenship program that affects KPMG member firms at every level.

Our aim has been to raise a sense of ambition in partners and employees worldwide; we want to inspire our people to be engaged with the big issues facing the world today, with a particular focus on climate change and international development.

KPMG has been a signatory to the UN Global Compact since 2002 and we take our commitments seriously. This is the first Communication on Progress ("CoP") we have produced since I took up my position and we have sought in this document to set out what we are doing in each of the four key areas of human rights, labor standards, environment and anti-corruption.

In this initial paper, I wanted us to describe the KPMG organisation, outline our areas of focus and explain why we are doing the things we are doing. KPMG is moving beyond purely volunteer activities and philanthropy to understanding that our greatest assets are the skills our people possess as professionals – skills and capabilities which the rest of the world need. I want everyone in KPMG to understand that KPMG is itself a citizen of the world, and that in turn, their active participation in the citizenship agenda is part of their ingrained professional capabilities. Our people need to experience that what they're doing in the critical area of corporate citizenship is also critical to client relationships.

In this document, we describe the work we are doing in partnership with the UN Global Compact Office. We do not seek to pre-empt the output of that work in this document, but we do expect our next communication to reflect the recommendations of this important piece of work. To that end, we would warmly welcome your feedback.

Yours sincerely



**Michael Hastings**  
Lord Hastings of Scarisbrick CBE  
Global Head of Citizenship and Diversity  
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## **Introduction**

One of the explicit commitments that a company makes when it participates in the UN Global Compact (the “Compact”) is to produce an annual Communication on Progress (“CoP”) that sets out the progress a company has made in implementing the principles of the Compact within their business activities.

KPMG International became a signatory to the UN Global Compact in 2002 and we take our commitment to responsible business practice seriously.

We have two key objectives for this CoP. Firstly, we set out the actions (commitments, activities and partnerships) that we undertake in relation to the ten principles in the four areas of human rights, labor standards, environment and anti-corruption. Secondly, we give an overview of the developments in corporate citizenship at KPMG over the past two years.

## **KPMG and the UN Global Compact**

In February 2007, a meeting took place between the Executive Director of the UN Global Compact and representatives from some of the major global accountancy firms at the offices of the Compact in New York. One of the topics discussed was how professional services organizations (both individual member firms and their respective international organizations) could best report to stakeholders in relation to the Compact. As a result of this and subsequent discussions, in May 2008 KPMG embarked on a piece of work, in partnership with the UN, looking at the nature of reporting for professional services organizations.

The purpose of this project is to examine how entities should report within the CoP structure in a way that is relevant for professional services organisations that do not fit into the traditional mould of manufacturing or extractive industries and have large spheres of influence that spread beyond their everyday transactional business. Different sectors may need different approaches of reporting against the ten principles that are relevant to their core business and stakeholders. The output of this project will be a report covering: opinions and thoughts of Compact stakeholders; the value of CoP for businesses; the identification of best practice; and the positioning of CoP. In relation to the dialogues with business, sector specific models will be constructed which may be based on the sector supplements produced by the Global Reporting Initiative (“GRI”). Through its “Sustainability Reporting Framework”, the GRI provides guidance for organisations to use as the basis for disclosure about their sustainability performance.

A Manager from KPMG in the United Kingdom will be working full time on this project for several months. We hope that this report will help us and other similar organizations in formulating our dialogue with stakeholders going forward.

In this CoP, we want to focus on setting in context the actions we have taken in relation to corporate citizenship over the past two years. We do not seek to pre-empt the conclusions and recommendations of the partnership project currently underway. Stakeholders can expect a further CoP from KPMG International within the next 12 months.

Other activities between KPMG International and the UN Global Compact Office over the past year have included:

- a Director of KPMG International attended and participated in the UN Global Leaders' Summit held in Geneva in July 2007;
- a Manager from KPMG International attended the UN Global Compact Implementation Workshop held in Turin in November 2007; and
- a Manager from KPMG in the United Kingdom participated and spoke at the UN Global Compact “Communication on Progress Workshop” held in Geneva in April 2008. KPMG was one of the sponsors of this workshop.

While this document is intended to be read as a stand-alone communication, further information on KPMG can be found in the International Annual Review, copies of which may be found on the website: [www.kpmg.com](http://www.kpmg.com). This document has been placed on the website of the UN Global Compact.

## **KPMG Member Firms and the Global Compact**

A number of member firms of the KPMG network have signed the UN Global Compact separately. At the present time, KPMG member firms in Mozambique, Panama, Spain, Armenia, the Dominican Republic, Mexico and the Republic of Korea are all signatories to the Compact. Mozambique, Panama and Spain have all issued separate CoP.

Over time, we intend that the CoP from KPMG International will provide the single reference point in respect of KPMG member firms worldwide.

## Overview

KPMG International is a Swiss co-operative with which member firms of the KPMG network of independent firms are affiliated. KPMG International provides no services to clients. All services are provided to clients by member firms or by other independent firms licensed to use the KPMG name. Each KPMG firm is separate and legally distinct.

The 123,000 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, and aspire to a globally consistent set of multidisciplinary financial and accounting skills and capabilities based on deep industry knowledge.

Global capability and consistency are central to the way we work; by providing global organizations with high quality service and behavior around the world, we can work with them wherever they choose to operate. Our focus on global industries 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.

The history of KPMG spans three centuries and features a number of high profile 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 more than 145 territories.

In Fiscal Year 2007, aggregate revenues of KPMG member firms totaled US\$19.81bn.

## Corporate Governance

The Board of KPMG International comprises 20 members, including the KPMG International Chairman, the International Chief Executive, the three Regional Chairmen (Asia Pacific; Americas; and Europe, Middle East and Africa), representatives drawn from the seven largest member firms by revenue, and representatives from other member firms nominated by the Board and the International Council on the recommendation of the Chairman.

The Board reviews and endorses the policies and procedures of KPMG International and monitors their implementation. The Board delegates authority to the International Management Committee to oversee the management of KPMG International through the International Executive Team. It also makes recommendations to the Council on membership and strategic matters.

The Council consists of the KPMG International Chairman, the senior partners from the 25 largest member firms, and members nominated by the Board and the Council on the recommendation of the Chairman. Its role is to approve common goals, direction and policies. It also approves membership matters, the annual international budget and other financial decisions, as well as recommends the annual financial statements of KPMG International for approval by the General Meeting.

A list of the International Board and Council Members together with a list of the territories in which KPMG operates can be found on pages 52 through 56 in the *KPMG International Annual Review*, a copy of which is available from [www.kpmg.com](http://www.kpmg.com).

The KPMG Values and the Global Code of Conduct define a common culture within KPMG, including a collective commitment to the highest principles of personal and professional conduct.

## People, Performance and Culture

The four-strong global corporate citizenship team at KPMG International is part of the wider "Global People, Performance and Culture Group" ("PPC"), a multinational, multidisciplinary team that supports KPMG member firms worldwide in their aim to be recognized as Employers of Choice. The recruitment, retention and engagement of great people is one of the four pillars of the KPMG global strategy.

Giving our people among the best learning and development opportunities is high on the Global PPC agenda, to keep all KPMG people motivated, growing and delivering great service. By 2010, we want to be known for our consistent culture and great people; to ensure that at least 25 percent of our partners are female; to have the lowest attrition of the 'Big Four'; to be a Top 3 employer of the best graduates; and also to be recognized as a leader in the field of corporate citizenship.

Over the past year, a set of Global Skills and Behaviors was completed. This framework was launched to all member firms in February 2007. The KPMG Global Skills and Behaviors, including technical knowledge, is part of "Dialogue", KPMG's global performance management process. Employees of KPMG are assessed not only for what they do, but the way in which they behave.

## KPMG Values

Our values define how we go about our work:

- 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 team members.
- We seek the facts and provide insight - challenging assumptions, pursuing facts, and strengthening our reputation as trusted and objective business advisers.
- We are open and honest in our communication - 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.

Our values are at the heart of our Global Code of Conduct, which defines the standards of ethical conduct required of every partner and employee of every KPMG member firm.

## KPMG Global Code of Conduct

The Global Code of Conduct has been developed to define the values and standards by which KPMG does business. It embraces all of the core values of KPMG, but its specific principles are underpinned by the core value of integrity. At KPMG, integrity is about doing the right thing – adhering to high standards of ethical conduct and being honest, accountable and consistent with KPMG's rigorous standards of professionalism. The Global Code is designed to provide a basic understanding of the standards of ethical conduct that KPMG requires around the world. The Global Code applies to all KPMG partners and employees, regardless of title or position, and serves as a road map to help guide actions and behaviors while working at KPMG. It spells out fundamental ethical principles and highlights resources available to help partners and employees understand and uphold those principles.

A copy of the *KPMG Global Code of Conduct* is attached to this document.

## Key partnerships

KPMG International is an active member of the following global civil society organizations:

- The **World Business Council for Sustainable Development**. Lord Hastings is KPMG's "Chief Executive" representative.
- The **World Economic Forum**. Lord Hastings is a member of the WEF's Global Corporate Citizenship Initiative.
- The Prince of Wales's **International Business Leaders' Forum**. Lord Hastings is a Trustee of IBLF
- The **Global Partners' Network**. Michael P. Wareing, Chief Executive, KPMG International, is Chairman of the GPN, an international network of civil society organizations

Additionally, over the past twelve months, KPMG International has been working with The Center for Corporate Citizenship at Boston College in relation to a project profiling the nature of the corporate citizenship profession. KPMG LLP in the United States is a member of the Center.

## Human Rights

We have been following closely the work of Professor John Ruggie, the UN Secretary-General's special representative on Human Rights as he examines the role of business in relation to Human Rights. Over the coming months we plan to engage with stakeholders to understand better the concept of "sphere of influence" and what it means for professional services firms such as KPMG. Human Rights will form a key component of this work.

## Corporate citizenship

Corporate citizenship is a key component of KPMG's corporate strategy. We want to inspire our people to be engaged with the big issues facing the world today, like climate change and international development.

Through our engagement with some of the key global civil society organizations, we are developing a sense within KPMG of what Professor Klaus Schwab, Chairman of the World Economic Forum, has described as "a new imperative for business, best described as global corporate citizenship".

It is the belief that companies not only must be engaged with their stakeholders, but *are themselves stakeholders* alongside governments and civil society that is guiding our approach to citizenship.

Following the appointment of the firm's first ever global head of citizenship and diversity, KPMG's emphasis over the past 18 months has been to raise a sense of ambition in partners and employees worldwide. We need to go beyond volunteer activities and "philanthropy" into understanding that citizenship is about what we do as a business. It is about the skills our people possess as professionals. It is also the case that the work of KPMG employees in the field of corporate citizenship.

Our approach to citizenship is firmly linked to the KPMG people agenda. The firm is placing enormous emphasis on people, in part because we need to attract a large number of "Generation Y" recruits who have skills we need. They are sensitive to social, community, and global issues. We have to prove that we are serious about making a difference on issues like energy consumption and climate change.

Over the past 18 months, a number of key appointments have been made to Corporate Citizenship Director positions, including Ireland, China and Hong Kong, Korea, Singapore, Germany, Australia and India. A Director of Corporate Citizenship for KPMG in the United States was appointed in June 2007, who will report direct to the Chief Operating Officer.

With a dedicated international corporate citizenship director/team being a relatively new area - it did not exist two years ago - in December 2007, we convened KPMG's first global citizenship conference, bringing together some 40 individuals in member firms around the world who have responsibility for bringing citizenship to life, whether in the client, employee or citizenship arena. And, in pursuit of our determination to put citizenship on the agenda of every firm, Lord Hastings made some 34 visits to firms around the world during 2007.

We are establishing a KPMG Global Corporate Citizenship Leadership Group, comprising senior directors or partners from all corners of the globe: from North America, South America, Europe, Middle East & South Asia, India, Africa, Asia Pacific and Australasia. This group will be chaired by the Global Head of Citizenship and Diversity. Although KPMG is a network of independent member firms, it is our aim to create a genuine, global sense of what it means to be part of KPMG. A worldwide communications program is planned for the second half of 2008 that will convey to all partners and employees the importance of corporate citizenship to the leadership of KPMG International.

## The KPMG Global Development Initiative

During 2007, KPMG International piloted the "KPMG Global Development Initiative", a program that will give partners and employees around the world the opportunity to make a difference to issues of global significance while inspiring and uniting the KPMG network of member firms. The Global Development Initiative is KPMG's contribution to the UN Millennium Development Goals, and our response to the UN Secretary-General's call for the world's largest businesses to help solve the world's big challenges.

The KPMG Global Development Initiative commits KPMG member firms to providing leadership in the corporate citizenship arena by applying KPMG's core capabilities to solving international development problems.

In the pilot year, over 200 people across 36 countries have been involved in 17 engagements. KPMG member firms contributed time and expertise that enhanced the development and efficiency of a number of international NGOs – organisations that would have been unable to fund these engagements (which range from one to one mentoring to large scale implementation projects) on their own. KPMG International established agreements with five organisations: The Global Fund to fight AIDS, Tuberculosis and Malaria, the UN Millennium Cities Initiative, Save the Children, UNICEF and World Vision. Once we have evaluated fully the work of the pilots, we will review the list and consider extending the number of organisations with which we work.

In the 2006 employee opinion survey, KPMG employees and partners were asked whether they wanted the opportunity to use their skills and expertise to support a development organisation. 79% of respondents said that they did. The eventual shape of the Global Development Initiative will be structured to ensure it meets the evident demand of our employees.

We aim to launch the Global Development Initiative during the course of 2008, and we look forward to reporting back to stakeholders on our progress.



### **KPMG Global Green Initiative**

Climate change is one of the most serious challenges facing the world today. During the United Nations Climate Change Conference held in Bali in December 2007, 192 nations agreed that deep cuts in global emissions were needed to address climate change. The group set the 2009 Copenhagen Summit as the deadline for agreeing to a mechanism to achieve these cuts.

The business sector has a critical role to play in responding to this unprecedented set of challenges, which look set to shape business and government for the foreseeable future.

KPMG's core values call for us to care for the communities where we live and work, and as global citizens, KPMG member firms have responsibilities to do what they can to improve our impact on the environment.

Few commercial organizations in the world have as much potential influence on the business sector as the major accounting firms and for this reason alone, climate change is central to KPMG's approach to corporate citizenship.

For this reason, during 2007, KPMG International's Board established a sub-committee on climate change to research options and recommend a strategy that would enable KPMG member firms to make a meaningful global impact on climate change and provide support to our clients.

As a result of the subcommittee's work, and following approval by the International Board, Timothy P. Flynn, KPMG International Chairman, announced a three-tiered global approach to help address the challenges of climate change. Announced in April 2008, KPMG has committed to being a leader among the business community in our commitment to addressing climate change, which includes:

- Announcing our ambition to reduce combined member firms' carbon footprint by 25 percent by the year 2010 from a 2007 baseline by reducing emissions and using renewable energy;
- Supporting environmental projects to help address the challenges of climate change within our wider commitment to our communities; and
- Working with our member firms' partners and employees to work towards reducing their own impact by at least 10 percent by 2010, and with their suppliers and clients to help them measure, report, and improve their impact on the climate.

To meet this commitment, we have established a dedicated steering group, chaired by Lord Hastings and comprised of sustainability specialists from across our member firm network, to support KPMG's Global Green Initiative. The first step will be to understand our carbon footprint by measuring and reporting on our global footprint and assisting partners, employees and clients in doing the same. This is fundamental to our carbon management strategy.

We will also provide our partners and employees with the information and tools that they need to improve their own climate impacts both in the workplace and at home. We are asking everyone working at KPMG to review their carbon impact and aim to reduce energy consumption and waste – working towards at least a 10 percent reduction per person over this target period as a start.

Already a number of KPMG member firms around the world have set out ambitious climate change programs, ranging from reducing energy consumption through energy efficient buildings and finding alternatives to business travel to working with business partners and selected not-for-profit organizations on verifiable and credible environmental programs.

In addition, the KPMG Global Sustainability Services network has more than 15 years experience, and provides services to our firms' clients on meeting, managing, and reporting their carbon emissions and wider environmental and social impacts. Over the next three years, we intend to build on this experience to expand our sustainability services beyond our current reach.

As we now move to implementation, we are developing the measurement processes that will enable us to measure our progress and report to stakeholders.



### **Bribery and Corruption**

KPMG strongly supports the international fight against bribery and corruption.

KPMG International is a signatory to the World Economic Forum, Partnership Against Corruption – Principles for Countering Bribery (“PACI Principles”), and has recently been actively involved in consultation with the OECD Working Group on Bribery in relation to a review of the OECD’s anti-bribery instruments.

KPMG policy:

- Specifically prohibits involvement in bribery, even if such conduct is legal or permitted under applicable law or local practice. This prohibition applies to all bribery, regardless of whether it is in the public or private sectors.
- Prohibits making facilitation payments on behalf of clients or third parties.
- Acknowledges that KPMG firms must work towards the identification and elimination of all facilitation payments and sets out stringent conditions that must be satisfied in order for a facilitation payment to be made by KPMG firms or personnel.

KPMG has established an extensive on-line training program that covers anti-bribery, and compliance with laws and regulations.