



Corporate responsibility report 2009

Ernst & Young
Ukraine

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Welcome from the Country Managing Partner



I am delighted to introduce our first Corporate Responsibility (CR) report, which illustrates the results of Ernst & Young Ukraine's performance in the economic, social and environmental spheres. It covers a wide spectrum of socially responsible projects and initiatives for the financial year 2009. We address the report to our employees, our clients, the business community and our future partners. We are proud to share information about how we responsibly conduct business, how we manage talent and our initiatives outside of our core business areas, such as reducing environmental impact, skill-based volunteering and philanthropy.

In March 2008, Ernst & Young Ukraine joined the United Nations Global Compact (UNGC), the world's largest CR initiative. In joining the UNGC, we are proud to say, we are leading the way among Ernst & Young member firms across the globe. In November 2009 Ernst & Young joined the UN Global Compact on a global basis. On both the global and domestic levels, therefore, we are demonstrating our shared values and commitment to local societies and environmental protection – a subject of increasing importance to the leading companies in Ukraine.

Our company's global CR policy is based on our firm belief that only when the economy and society are strong will our business achieve sustainable growth. We are searching for ways in which we can better assist our critical stakeholder groups: the people we employ, the clients we serve and the wider communities in which we operate.

After years of economic growth, the financial crisis, which hit Ukraine's economy in the fall of 2008, reduced our business possibilities. We believe, however, that business should remain responsible to its stakeholders even during the downturn.

The most important contributors to our success during this period were our clients. They remained with us throughout the difficult times and we are grateful for this faithful relationship. We are also proud of our people, who demonstrated their deep appreciation of our firm and their strong commitment to our company's values. Our recent People Survey proves that.

In addition, during the year we implemented a range of environmentally friendly initiatives within the office, which helped us both reduce costs and raise our people's awareness of the importance of these issues in everyday life. Concerning Ernst & Young Ukraine's traditional community initiatives, we are particularly proud of our new projects with universities and orphaned children.

During the upcoming year we will continue to expand our CR initiatives. Despite a potentially difficult economic situation, we will look for creative new ways to support the community, reduce our environmental impact, deliver high-quality service to our clients and remain responsible to our employees and other stakeholders.

A handwritten signature in black ink, appearing to read 'Alexei Kredisov', with a stylized flourish at the end.

Alexei Kredisov

About Ernst & Young

Ernst & Young in the world

Ernst & Young is one of the global leaders in assurance, tax & legal, transaction and advisory services.

Ernst & Young today is an international organization with offices in 700 cities in 140 countries. Our financial year 2009 revenues were USD 21.4 billion. Our 144,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve potential.

Ernst & Young in the CIS



Ernst & Young is dedicated to helping its clients identify and capitalize on business opportunities throughout the CIS and the world. We are organized by functional business units and industry business units. Our industry specialization in the CIS covers the following key sectors: Asset Management, Automotive, Banking and Capital Markets, Biotechnology, Consumer Products, Diversified Industrial Products, Government & Public Sector, Insurance, Media & Entertainment, Mining & Metals, Oil & Gas, Pharmaceutical, Power & Utilities, Real Estate, Retail & Wholesale, Technology, Telecommunications and Transportation.

We currently have over 3,800 personnel working in 15 offices located in Moscow, St. Petersburg, Ekaterinburg, Novosibirsk, Togliatti, Yuzhno-Sakhalinsk, Kyiv, Donetsk, Minsk, Almaty, Astana, Atyrau, Baku, Tashkent, and Tbilisi.

Ernst & Young in Ukraine

Ernst & Young was among the first international professional services firms to establish its practice in Ukraine, in 1991. Ernst & Young in Ukraine now employs 519 professionals providing high quality services to a number of world famous multinational corporations and influential Ukrainian enterprises. In September 2006, we were the first among the Big Four to open an office in Donetsk.

Our clients

We perform a wide range of professional services for clients of our CIS practice. We are particularly proud that we provide assurance and advisory services for many of the leading local and international companies with operations in the CIS and for many of the world's leading businesses. Globally, we audit 25.2% of the companies listed in Standard & Poor's Global 1200 (2008). Our considerable resources for serving global businesses are clearly recognized by the market. In Ukraine our audit clients are large domestic and international companies including Ukrzaliznytsja (Ukrainian Railways), EastOne, the Industrial Union of Donbass, the State Export-Import Bank of Ukraine, Naftogaz of Ukraine, Ferrexpo-Poltava Mining and Konti.

Our commitment to corporate responsibility



In March 2008 the Ukrainian office of Ernst & Young joined the UN Global Compact (UNGC). The UNGC promotes sustainable development and challenges organizations to demonstrate their commitment to universally-accepted principles in areas including anti-corruption, the environment and human rights. It has 6,800 participating organizations, including 5,100 businesses, along with business associations, public sector bodies, academic institutions and labor organizations.

We became members of Ukraine's Global Compact local network, consisting of over 140 member organizations. By joining the UNGC along with other leading Ukrainian organizations, we demonstrate our commitment to responsible business and contribute to Ukraine's prosperity.

In November 2009 Ernst & Young globally became a signatory to the UN Global Compact. Joining UNGC is a public statement of our commitment to improving the well-being society while adding value to our business. While many signatories are clients and targets, through the UNGC, we can demonstrate our shared values, a subject of increasing importance. We will follow UNGC principles in our everyday business and grow our CR initiatives across the countries where Ernst & Young branches operate.

Our actions, as an organization and as individuals, affect the world around us. That's why it is important that we combine our energy and enthusiasm with our professional skills to make a difference. With 144,000 people in 140 countries, one of the best ways Ernst & Young can contribute to this effort is through skill-based volunteering that's coordinated globally while taking into account local conditions and culture.

We globally channel our efforts into three key areas that are aligned with our business strategy and critical to improving and expanding market economies. By focusing on Entrepreneurship, Education and Environmental Sustainability we can help build a better future:

- ▶ Entrepreneurship – help companies and people achieve their potential through working with entrepreneurs to help them make a difference in markets and communities around the world
- ▶ Education – developing skills and broadening access to make sure the next generation has the skills it needs to make a positive impact
- ▶ Environmental Sustainability – minimizing our impact on the environment.

Corporate responsibility is an imperative for safeguarding the sustainability of our business. As a business, we can only grow if the economy and if society are strong. So we must continually find ways to intersect what we do well with what society needs. In this way, we will help the people we employ, the companies we serve, and the communities in which we operate to achieve their full potential – in both the short and long terms.

This report is divided into four chapters that reflect our corporate strategy focus – Workplace, Marketplace, Community and Environment. In the subsequent pages we share with you some of our activities and our commitment to corporate responsibility.



In the long run, the greatest benefit to Ernst & Young of pursuing our corporate responsibility strategy is that we will have strengthened society and improved the context in which we operate around the world.



Workplace

Our values

Our values define who we are. They are the fundamental beliefs of our organization and guide the actions and behaviours of each one of us. They influence the way we work and interact with each other, as well as the way we serve our clients and engage with all our stakeholders.

Who we are:

- ▶ People who demonstrate integrity, respect and teamwork.
- ▶ People with energy, enthusiasm and the courage to lead.
- ▶ People who build relationships based on doing the right thing.

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

We have a number of policies and instruments that enable our values.

Ernst & Young Global Code of Conduct

Our Global Code of Conduct provides a clear set of standards for our business conduct. It presents an ethical and behavioral framework to guide our response to the challenging and sometimes difficult choices we face. It also reflects the commitments expressed in our values. The CIS Ernst & Young Staff Handbook and Ukrainian Policies and References database are designed to provide a basic understanding of Ernst & Young's standards of ethical conduct and Ukrainian legislative requirements. It also describes the resources available to Ernst & Young's people to help them clarify these standards and to provide practical advice about complying with them.

Ernst & Young Ethics Hotline

The Ernst & Young Ethics Hotline is a supplemental instrument for reporting conduct that may be unethical, illegal, in violation of professional standards or otherwise inconsistent with the Ernst & Young Global Code of Conduct. The hotline is an ongoing commitment to conducting business with integrity, independence and objectivity.

The hotline is used to directly raise an issue with someone at Ernst & Young. A report can be made by calling the hotline or submitting a report in writing to Ethics Point, an independent third party host for the Ernst & Young Ethics Hotline.

Chairman's Values Award 2009

The Chairman's Values Award (CVA) is a global program, that recognizes our outstanding colleagues for living Ernst & Young's values on a daily basis – people whose integrity, leadership and teamwork really make a difference.



In FY2009 **Olga Gorbanovskaya**, a Partner of the Ukrainian Human Capital practice, was short-listed for a Chairman's Value Award 2009. Olga was recognized for her extraordinary contribution to our organization and the positive difference she has made to our people, clients and communities.

Diversity and inclusiveness

We are committed to working in diverse teams and are personally accountable to other team members for the contributions we make. We embrace multiculturalism and diversity as strengths of our global organization. We thus respect one another and strive for an inclusive environment free from discrimination, intimidation and harassment.

We believe that diversity fosters talent. The quality of service is enhanced when employees of different cultures, backgrounds and experiences work together and challenge each other to resolve business issues. A sustainable, inclusive culture will better enable Ernst & Young to deliver high quality service to our clients, create competitive advantage and drive market leadership.

Our leadership and our teams reflect diversity throughout the world. Diversity and inclusiveness have become a part of the way we operate. An inclusive mindset is a pre-requisite for promotion and leadership. Our people survey, which involved the participation of our employees across the globe, indicates favorable overall high results in diversity and inclusiveness Ernst & Young globally (73%) and particularly high results for the Ukrainian practice (78%). As a result, our clients recognize our unique culture and teamworks.

Our firm's culture and environment provide leadership opportunities to both men and women. Consequently, 62% of our practice in Ukraine consists of women. Female employees prevail at the junior and middle management levels (over 60%); the majority of partners and directors, however, are men (75%).

Our Ukrainian practice is young. Some 77% of our employees are 30 or younger, and there are 519 employees, including temporary staff, contractors and 491 permanent employees.

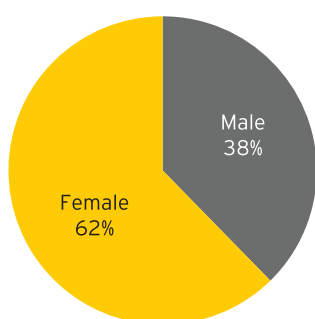
The 2009 financial year has been challenging for Ukraine's economy and the companies operating in the country, and for our organization. In order to maintain business during the economic slow down, we put our best efforts into reducing administrative costs and retaining our people. We were able to maintain a turnover rate at 31%, a rate similar that of 2008, when turnover was 32%*.

* Turnover is calculated as the number of people who left the company to the number of employees at the end of the reporting period

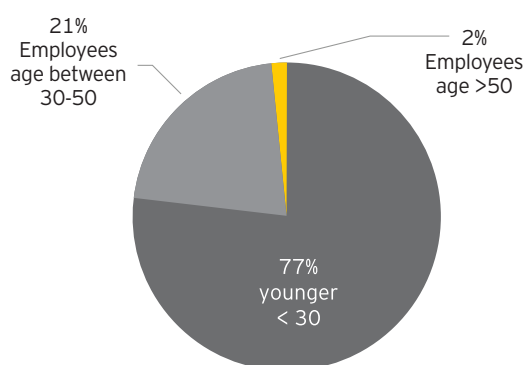


We support a diverse environment and international teamwork. We therefore regularly host colleagues from other Ernst & Young offices to work on local projects and we send our staff on international assignments. Some foreigners work in our office permanently: 3% of total staff consists of expatriates.

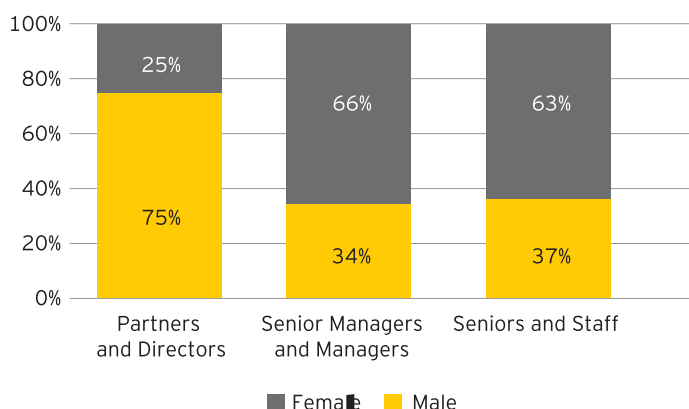
Total workforce by gender



Ernst & Young – young organisation



Ernst & Young by grade and gender, %



Global People Survey

The Global People Survey is the employee feedback mechanism that helps us measure how we are doing in all aspects of our business and culture. The results we received for the reporting period in Ukraine highlight overall strong results in comparison with the results for Ernst & Young Global and EMEA. This gives us a strong platform on which to keep building our success in the future.

The results of the Global People Survey in Ukraine are summarized below:

Rate of response	60%
Employee satisfaction: Global People Survey 2009	Ernst & Young Ukraine: favourable responses
Inclusiveness	78%
Living our values	79%
Strategy and leadership	76%
Teaming	76%
Quality in everything we do	74%
Engagement index	74%
Manager effectiveness	73%
Corporate responsibility	73%
Developing our people	68%
Recognition and rewards	66%

People Advisory Committee (PAC)



The People Advisory Committee (PAC) is the means of communication between employees and the management of the firm. Chaired by Oleg Svetleuschiy, a Partner of the Ukrainian Assurance practice, the committee serves as an internal "labor union". It gathers leaders of all grades and service lines to discuss issues and provide suggestions about how to improve of work-related matters and processes.

In 2009 the PAC met three times. This year the meetings helped raise questions and to find solutions or consensus concerning various issues. Questions discussed related to education, internal communications, work processes, compensation and benefits, vacation time and work comfort.

Alumni

Ernst & Young does not forget its people after they leave the firm. Its Alumni Club unites former Ernst & Young employees, providing a space in which Ernst & Young people can network and socialize with our old friends and colleagues. Ernst & Young runs this club for alumni globally. Many of our alumni become clients or simply remain the friends of the firm.



Career development

We encourage and support the professional development of our colleagues and promote individual achievement and continuous learning.

At Ernst & Young we foster a high-performance environment in which our people have the opportunity to grow, succeed and develop into competent and effective professionals. We are committed to providing our employees with the right work experiences, learning and coaching opportunities to help them achieve their potential.

We encourage all our employees to take charge of their careers and we support them as they grow. We have created instruments for this purpose, which form a key part of our talent management strategy.

Instruments for career development	Results for FY2009
Counselling	100% employees receive annual feedback about their performance and set goals for the next year
Performance Management Development Process (PMDP)	
Training on counselling and coaching skills	E-training available; we also prepared the class training provision to all counsellors in 2010.
Multi-Source Feedback	Over 60% employees participated in the feedback provision. This is an annual voluntary program.

Professional Education

Professional education is an essential part of career development at Ernst & Young and is important for the firm. It makes sure that employees are continuously enhancing their professional skills and that they receive professional certification adequate to their roles and responsibilities as their career progresses.

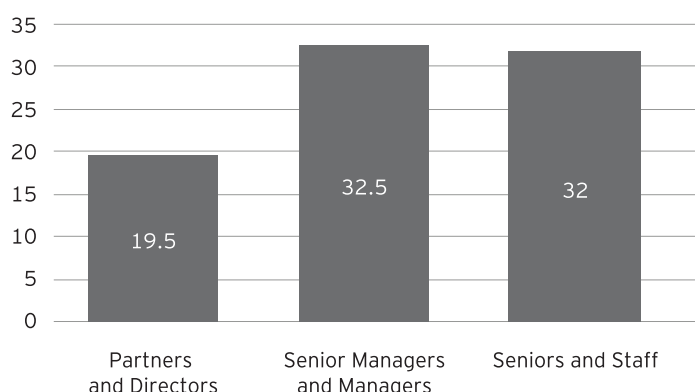
Ernst & Young provides a significant amount of support to employees in their professional education and certification program endeavours. Not only does Ernst & Young sponsor employees' professional education, but it also provides bonuses for successful completion of certification.

Our learning curriculum is designed to develop our people's knowledge and insights, so that they can become successful Ernst & Young professionals:

Ernst & Young Academy of Business	Ernst & Young Academy of Business is open for clients' training requests as well as for employees' skills development and preparation for professional certification.
E-learning	This internet based learning system provides a convenient way of self-study in downloadable video playbacks, also for real-time practice opportunities in the office and at home. It is available to all Ernst & Young people to leverage their general business skills or obtain specific industry/service knowledge.
New comers Training "Welcome to Ernst & Young"	Education in Ernst & Young begins on the first week of joining the Firm, when the new comers receive an overview on work related aspects of life in the office during his/her first training session. Each employee receives necessary information so one has a comfortable career start in Ernst & Young.
Training for new seniors, new managers, new partners	Extensive trainings devoted to the new role introduction. They cover various soft and technical skills required from the employees (i.e. new responsibilities, expectations, teambuilding).

As the result of our focus on education, the average client-serving staffer spent 28 hours his or her studies during FY2009*.

Training FY2009 year on average (hours)



* Calculation based on the total hours of training as registered in time sheets.



Benefits

Ernst & Young highly values its employees. We put an emphasis on a good work environment and on employee health. The firm provides competitive salaries and social packages. Our health insurance policy provides health service to all permanent employees, including life insurance and health insurance for family members. Ernst & Young employees' interests are protected by the Labor Law of Ukraine.

The firm is a comfortable and secure place in which to work and provides benefits beyond those required by the national legislation, such as:

- ▶ Ernst & Young pays salaries to employees who are hospitalized for a long period of time.
- ▶ Ernst & Young encourages women to continue their professional careers with the firm after child-birth: we provide salary during maternity leave (up to 100% pay in certain conditions) and offer flexible work schedules to those of our female employees, who want to continue their careers with Ernst & Young.
- ▶ All our employees receive 25 work days of vacation per year and additional leave days for various family events.
- ▶ Employees who work long hours are eligible for taxi rides home at the company's expense.

Life outside the office and sports

Our firm maintains established traditions and is always looking for new opportunities to build strong relationship among colleagues outside work. Our corporate soccer team achieved good results in various tournaments in 2009, playing against international companies in Ukraine and with the CIS football team abroad. This year we also organized our first basketball team in Ukraine, a mix of men and women. We are planning to continue our sport efforts by enhancing our strength in both football and basketball and through participating in and hopefully winning Ukrainian and international corporate sports events.

On the European level, Ernst & Young supports international football games between teams from offices across Europe. In 2009, our best Ukrainian players, Oleg Skrypnyk and Ruslan Furtas, joined the CIS football team for the International Ernst & Young football tournament held in Munich on 26-28 June 2009. The CIS football team emerged from the tournament as one of the six leading Ernst & Young football teams in Europe.





Marketplace

We address ethical questions and consult appropriately to help resolve them. We compete energetically and vigorously, and recognize the need to be honest in our competitive behavior.

Our marketplace practices employ a variety of activities. These include client engagement and the quality controls associated with it; maintenance of Ernst & Young public image: support of entrepreneurs and of the business community; involvement in public discussions about changes to Ukrainian legislation; and partnerships with non-profit organizations. All these activities are described in this chapter in more detail.

After 18 years on the Ukrainian market, our business maintains its high level of responsibility in every possible manner: Ernst & Young Ukraine is a responsible employer in the eyes of our people, a trusted business partner to our clients and a responsible tax payer. We are always seeking to offer increasing transparency to our stakeholders. By leading in a responsible way, we are convincing other companies to take the same path.

Economic Performance*	Million UAH, FY2009
* Includes all entities operating under Ernst & Young brand in Ukraine	
Total Net Revenue	263.828
Paid taxes*	63.032
* Includes profit tax, VAT, social funds contributions – wage tax employer's share, community charges and environment tax	
Collected taxes*	23.982
* Includes wage tax – employees share	

We work with the leading companies in the industries that have a high impact on forming Ukrainian GDP. These industries are the energy, chemical and utilities sectors, financial services, industrial products, technology, retail and consumer products and services. For the companies we serve and the economic environment we operate in, we strive to bring cutting edge business practices and compliance in every engagement with our clients.

Our Sustainability Assurance and Advisory practice in Ukraine helps our clients build up their corporate social responsibility management systems, providing a wide range of services in sustainability advisory and assurance of non-financial reporting.

Whatever the type of engagement, whether it is Audit or Tax work, Advisory work, or Transaction work, all our services bring transparency, reliability and independence to the marketplace.

We are strong advocates for better regulatory regimes and good market governance; we support efforts to fight corruption. Corporate Social Responsibility is a concept that comprehends the entirety of our services and because it does, we are having a positive impact on Ukraine's development.

Our entrepreneurship efforts are reflected in intellectual leadership, client engagement, knowledge-sharing events and advocacy, all of which further support our brand.

Examples of our Intellectual Leadership

- Ernst & Young Practice Leaders have spoken at conferences, devoted to the development of the Ukrainian economy and industry. These include: the Energy Forum, Donetsk; the Investment Summit; the Annual Banking Forum; the Real Estate Summit; the Open Donbas Forum (International Economic Forum); the Retail Summit; and the Metal Forum.



- Our Sustainability Assurance and Advisory Leader spoke at the third international Corporate Social Responsibility conference, dedicated to global challenges and national CR solutions in Ukraine and organized by Expert magazine (29 April 2009).
- Our ongoing crisis survey, which we conducted throughout the economic crisis, focuses on business in Ukraine. We presented the study at the Verkhovna Rada (the Ukrainian Parliament) and at a roundtable dedicated to macro-economic issues and the economy, organized by Expert magazine. The study was also referenced in a number of articles in leading newspapers and journals.
- The European Fraud Survey, which we conducted across a number of European countries, included the results for fraud in Ukraine. The survey was widely distributed in Ukraine.



Our intellectual leadership demonstrates itself through active public position in Ukraine's business community. Our professionals participate in various business societies and public events and place publications in business magazines and newspapers. Ernst & Young also conducts studies about relevant business issues. These are free and open to the public.

The aim of our public activity is, of course, to maintain market leadership, grow our market, recruit and retain the best people and maintain our strong relationships with all our stakeholders (including clients, regulators, investors, academics, the media, our communities and our people).

Ernst & Young's Entrepreneur of the Year program

Entrepreneurs have always been and will remain key figures in business. They are a source of new ideas and solutions of the sort every organization requires to survive a changing economic landscape.



Ernst & Young's Entrepreneur Of The Year® (EOY) program honors entrepreneurs whose ingenuity and perseverance have created and sustained successful, growing business ventures. Celebrating its twenty-third anniversary in 2009, this worldwide program covers 50 countries with awards that are presented annually to over 900 of the world's most successful and innovative entrepreneurs. Contest participants are middle and large businesses, and the winners in each participating country are announced by a national jury consisting of independent experts who are well-known members of the business community. Ukraine joined the program in 2006.

At the end of 2008, Borys Lozhkin, President of the United Media Holding, was named the winner of the national round of the Entre-

preneur Of The Year 2008 Award in Ukraine. In May 2009, he represented Ukraine at the World Entrepreneur of the Year Award finals in Monte Carlo, Monaco.

Our achievements as entrepreneurs

Ernst & Young roundtables for the business community

Ernst & Young Ukraine is also an active organizer of workshops on various business issues. In FY2009 we conducted six roundtables that were open to general public. The aim was to discuss current and emerging business issues and share views and knowledge about them. The themes covered during this period were: the human capital management and new immigration legislation challenges, tax disputes, court practices and the custom authorities and cost reduction methods toward maintaining business during the economic downturn.

Cooperation with associations and unions

We are committed to serving both our clients, and the community in which we operate as underlined by our role as official coordinator of foreign investors for the Foreign Investment Advisory Council (FIAC) chaired by the President of Ukraine.

Ernst & Young has also demonstrated its leadership in the Ukrainian business environment through its extensive work with the Investors' Council at the Cabinet of Ministers of Ukraine, the Ukrainian Union of Industrialists and Entrepreneurs, the US-Ukraine Business Council, the European Business Association (EBA) and the American Chamber of Commerce (AmCham).

Our employees are actively involved in contributing to the success of these associations. This means that they are not only knowledgeable about the political and economic drivers of our clients' businesses, but they also have insight about developing matters and they are key influencers of the Ukraine's economy.

Ernst & Young members are closely involved with the European Business Association (EBA). Alexei Kredisov, Country Managing Partner of Ernst & Young, holds the post of Vice-President in the European Business Association. Jorge Intriago and Tom Cradock-Watson are Advisors to the EBA Board, and Vladimir Kotenko is the Chair of the EBA's Tax Committee.

Some of the aims of our participation in the EBA and AmCham forums are the following: to discuss and resolve problems facing the private sector in Ukraine; and to perform collective advocacy for members' interests within the central and local government power structures of Ukraine and before foreign and international organizations. The Ukrainian Union of Industrialists and Entrepreneurs, meanwhile, enables a systematic dialogue with the authorities for maintaining a mutually responsible relationship between business and government – one that is consistent with the country priorities.

Our participation in banking law development via the American Chamber of Commerce and the European Business Association



Vladimir Kotenko, the Head of the Tax & Legal department, and Igor Chufarov, the Senior Manager of the Tax & Legal department, participated in meetings of the American Chamber of Commerce's Financial and Banking committee and the European Business Association's Tax committee during the crisis period.

The meetings were devoted to the development of banking legislation (2008-2009). As a result of the committees' activities a number of letters with suggestions and recommendations were sent to the Ukrainian Parliament, the Cabinet of Ministers and the President of Ukraine. The legislation enacted at the end of 2009 took into account many of these suggestions.

Our participation in labor law development via the Investors' Council of the Cabinet of Ministers of Ukraine



Oksana Lapii, on behalf of Ernst & Young – a member of the Investors' Council of the Cabinet of Ministers of Ukraine – is a member of the Working Group on Employment Issues. The group's aim is to improve Ukrainian legislation and research the issues that negatively impact the current Ukrainian labor market

(starting in February 2009). The working group developed a number of suggestions for bringing Ukrainian labor legislation in line with international standards, in order to make Ukraine more attractive to foreign investors.

Client engagements

The financial year 2009 was marked by a business slowdown, and many organizations in Ukraine faced difficulties. Nevertheless, Ernst & Young Ukraine was able to win new engagements, which generated revenue and developed the Firm.

The most significant wins for the Firm were consulting and audit engagements with state organizations such as the National Bank of Ukraine and Ukrzaliznytsia (Ukrainian Railways); and a number of transaction advisory projects, such as restructuring services for leading metals companies, merger and acquisition deals for leading international and local companies and in the banking sector and valuation of assets for leading metallurgical and mining companies.

Our client engagements in the fields of Sustainability Assurance and Advisory services included assurance of sustainability reports for two large Ukrainian companies: SCM (System Capital Management) and DTEK (Donbass Fuel-energy Company). For both companies we performed projects aimed at verifying their sustainability reports, issuing assurance statements in accordance with the ISAE 3000 standard.

We also worked with the city municipality of Lviv and the International HIV/AIDS Alliance in Ukraine and continued to provide professional services for the World Bank, the International Financial Corporation and the European Commission.

- ▶ The Lviv City Council project was devoted to analysis of the development concept and recommendations for sustainable development for a large-scale urban territory around the new football stadium that is being built for the EURO 2012 Football Championship. Our real estate professionals studied how to improve the territory from the social and economic points of view. The aim of the project was to improve the overall infrastructure according to national requirements and gain a competitive advantage for the city of Lviv.
- ▶ For a several years our audit team has provided services to the Victor Pinchuk Foundation (since 2006) and to Olena Franchuk AntiAIDS Foundation (since 2005).
 - The Pinchuk Foundation's main goals are to assist the development of arts and culture in Ukraine; preserve the public heritage; support disadvantaged, unemployed and disabled people; contribute to the modernization of Ukraine; and support the emergence of a new generation of Ukrainian leaders who are committed to serving their country.
 - The goal of the Franchuk AntiAIDS Foundation is to combat the HIV/AIDS epidemic in Ukraine, reduce its escalation, support people living with HIV/AIDS by improving their quality of life, and bring to Ukraine the best international experience in combating HIV/AIDS.

Our commitment to quality and risk management

We commit ourselves, as professionals to upholding the trust placed in us by others. We maintain and affirm our objectivity and independence, recognising that these are critical to our professional responsibilities. We avoid working with clients and others whose standards are incompatible with our Global Code of Conduct.

Our firm values the integrity of our people and of our engagements with clients. Independence is fundamental to our profession. We demand that our professionals be free from interests that might be regarded as being incompatible with objectivity, integrity and impartiality.

Our unwavering commitment to quality and risk management is supported by a variety of policies, procedures and tools. This means that our clients can be confident of high-quality work.

The Ernst & Young Global Independence Policy (EYG Policy) sets the minimum standards expected from all country practices and professionals, and is designed to comply with or exceed the elements of the IFAC Code of Ethics for Professional Accountants (the IFAC Code) that deal with independence, objectivity and integrity.

The EYG Policy, together with additional CIS QRM (Quality and Risk Management) policies, sets out the standards expected from Ukrainian and other CIS practices, to ensure that independence is always achieved and applied throughout the audit and professional engagement period.

The Ernst & Young Anti-bribery Global Policy and the Insider Trading Global Policy supplement the Ernst & Young Global Code of Conduct.

- Our Anti-bribery policy identifies our obligation to comply with anti-bribery laws, provides greater definition regarding what bribery is and identifies reporting responsibilities with respect to bribery of or by Ernst & Young personnel, as well as our clients.
- The Insider Trading Global policy, which reaffirms our obligations not to trade in securities with insider information, provides greater detail on the topic and identifies with whom our people need to consult in the event there are questions regarding the application of this policy to particular situations.

We continuously monitor our independence, knowledge of EYG standards and of the Ernst & Young Global Code of Conduct and quality of our client engagement work through annual attestation of all clients' service employees and by asking our clients to provide their feedback. We use the following instruments:

Name of the risk management tool	Application description	Results FY2009
EYG Independence policy training update	All client service employees	100% complete
Independence confirmation test	Annually	100% complete
Client Engagement Acceptance & Continuance (CEAC) and Global Tool for Acceptance and Continuance (GTAC)-effective from FY2010	Application to every potential client and vendor	100% application
Assurance Quality Review*	Random check for assurance and other service lines every 3 years * Monitoring tool for quality control and support of other risk management and continuous improvement initiatives.	In the result of the 2009 review, the Audit practice demonstrated very good results
Assessment Service Quality*	Application to large client engagements. Annual survey. * Ernst & Young Global monitoring tool, which allows monitoring quality of our services, survey request sent to clients with certain criteria.	78% favourable feedbacks All unfavourable feedbacks have been followed up

Respecting intellectual capital, confidentiality and security of information

We respect and protect confidential information obtained from, or relating to, our clients or third parties, as well as personal information about our people, in accordance with local law and professional standards.



Ernst & Young's information and information systems are valuable assets, and their confidentiality, integrity and availability are critical to our business. The goal of information security is to protect those assets from a wide range of threats and effectively lower business risk. Information security is achieved by imposing a suitable set of controls, including policies, processes, procedures, organizational structures, and software and hardware. The Ernst & Young Global Information Security Policy, also called the Code of Connection 2009 defines the security rules, roles and responsibilities protecting information and information systems.

Ernst & Young maintains a high level of information security. Security controls are implemented, reviewed periodically and improved when necessary. In line with our continuous security improvement policy, this year we deployed a data encryption system for multimedia devices (flash drives).

As a result of our continuous efforts to improve our information security, including clients' data, no losses of information have ever been identified and no sensitive information has ever become public.

Name of security instrument	Period	Result FY2009
Security audit	Annual audit on compliance with global security standards	Done



Environment

Being green isn't a choice – it's a business imperative. We must explore new ways, both eco-friendly and business-smart, to operate in this changing environment. Ernst & Young seeks to be recognized throughout the globe as the professional services firm committed to "making a difference" by minimizing its impact on the environment.

Because we believe that any commitment to a greener world has to start at home, we are challenging ourselves to work in a more environmentally responsible way. Applying this global focus to our local approach, we designed and launched the following initiatives.

Our achievements in environmental sustainability

Initiative	Description and result
Make our PC standards comply with ecological standards	Our purchasing policy is to buy equipment with high ecological standards and that does not harm the environment. EY purchases all its computer equipment from well-known manufacturers who, according to Greenpeace's "Guide to Greener Electronics," are among the top 18 electronic manufacturers in terms of their policies on toxic chemicals, recycling and climate change and their continuous product improvements.
Saving energy	We are careful consumers of electricity. Personal computers and printers are set to enter safety/sleeping mode automatically after a few minutes of standing idle. No light is left unattended. Security and cleaning staff control the electricity usage during non-working hours.
Kitchen	We try to minimize the use of plastic cutlery in the office. Specifically, we stopped purchasing disposable plastic cups for hot drinks and encourage our employees to bring from home reusable cups for coffee and tea. We are seeking to make additional cuts in plastic usage in our kitchen areas.
Paper purchase	We purchase office paper from a producer that observes environmentally friendly standards in its manufacturing process.
Paper recycling	In all our offices in Ukraine can be found boxes for the disposal of confidential papers. They are collected and sent out for confidential disposal. Eventually they end up at a paper plant for recycling. At one of our office locations we collect cardboard boxes for recycling at a paper board plant.
Printers	We've reduced the number of printers in our offices from 11 to 8 large printers. Our paper supplier also collects used printer toner cartridges for re-use.
Double-sided printing	We've launched an office-wide initiative to use double-sided printing, and many have supported it. As a result of all our combined initiatives, average paper consumption has fallen by 20% per month and average cartridge consumption has fallen 59% per month.
Economic travel policy	In the third quarter of 2008 we introduced a new travel policy. The focus of the policy is to rationalize business travel. Due to this policy as well as to the economic slowdown, the average quantity of business trips has fallen from 260 to 148 trips per month.
Video conferencing vs. business travel	To compensate for less business travel we made an investment in video conferencing facilities. This communication instrument reduced the time spent on travel between international and client offices and made our meetings more environmentally friendly.

* Guide to Greener Electronics, <http://www.greenpeace.org/international/campaigns/toxics/electronics/how-the-companies-line-up>, October, 2009.



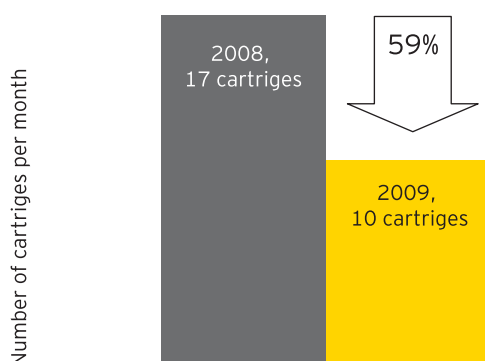
Vladimir Korolyov,
Head of IT department:

"We reduced the number of printers in the office and observed that if a printer is located further from the employee's desk, he or she tends to print out fewer documents."

Our Operations Executive Committee (OEC) recently agreed to five global environmental initiatives to improve our environmental responsibility:

1. Measuring our own carbon footprint, by collecting and analyzing data on business travel and energy consumption in our offices
2. Setting operational goals and key performance indicators that measurably reduce our environmental footprint and promote sustainable business practices
3. Putting in place an environmentally responsible travel policy
4. Establishing guidelines for waste management
5. Making our meetings more environmentally friendly, whether they takeplace in Kyiv, London or San Francisco.

Usage of printer cartridges per month



Green group

Ernst & Young will continue launching new environmental initiatives, establishing a consistent recycling solution and responsible travel policy and educating our people about environmental issues. For this purpose, in 2009 we formed an internal Green Group dedicated to making our office greener by implementing environmental initiatives within our firm.

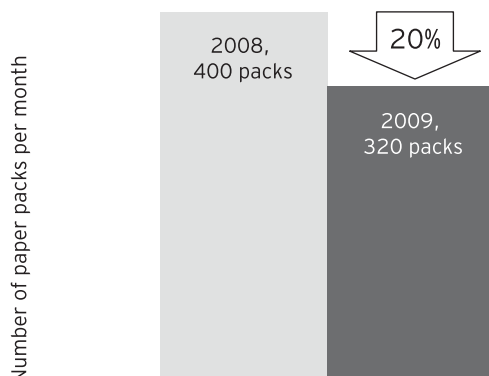
Although our business does not have a direct impact on the environment, we draw the attention of our employees to the environmental issues in Ukraine and the world. The members of the Ernst & Young Ukraine Green Group plan to consider every possibility to reduce our negative environmental impact.

Participation in UN Global Compact environmental initiatives in Ukraine

On 3 July 2008 Ernst & Young joined the Go Green campaign initiated by the United Nations in Ukraine under the auspices of the Global Compact Network. Alexei Kredisov, Country Managing Partner, together with representatives of Ukrainian businesses, signed the declaration at the National Botanical Garden. This initiative stresses the role of the environmental protection, which is critically important in Ukraine and promotes corporate and individual responsible behavior.

It has become a tradition for Ernst & Young to participate in different environmental activities organized by UN Ukraine. This year Ernst & Young Ukraine participated in a number of projects. This experience was beneficial for our employees, uniting our efforts and those of our families and friends. We are planning to take an active part in future events related to environmental issues in Kyiv.

Monthly paper consumption





Examples of our participation in UN Global Compact initiatives

► Dnipro Day – an environmental initiative for cleaning up Trukhaniv Island in Kyiv. Volunteers from UN member organizations participated in cleaning up the waste on the territory. All the gathered garbage (five tons' worth) was taken by a waste management company for further sorting and recycling (July 2008).



- Zelena Toloka – an environmental initiative. Ernst & Young volunteers and other members of the Global Compact Organization cleaned up the garbage between the Moskoskiy to Zaliznychny bridges on Kyiv's Trukhaniv Island (April 2009).
- Green office conference – Ernst & Young participated in this new project organized by the UN (February 2009).
- Earth Hour – all UN members, including Ernst & Young Ukraine, were invited to join a global action initiated by the World Wildlife Fund. At 8:30pm on Saturday, 28 March, people from all corners of the world turned off their lights for one hour to cast their vote for action on climate change (March 2009).
- Corporate volunteerism conference – Ernst & Young Marketing Specialist Olena Vlasenko presented our company's experience in this field (June 2009).



Community

By focusing on community engagements, we create lasting relationships with each other, with Ernst & Young leaders and with others in the community.

Our people are the heart of corporate responsibility at Ernst & Young. With support from our organization, they volunteer their time and experience, making a difference in their communities and building valuable leadership skills along the way. Our goals are straightforward – to recognize the contribution of our people and inspire others to ask: “How can I make a difference?”

Our work for the community is spread across Ukraine and involves people from our Kyiv and Donetsk offices.

The main streams of our initiatives are Education and Charity. The majority of the support comes directly from our people in the form of skills volunteering and financial donations.

Our achievements in education

In our education efforts we develop skills and broaden access to make sure the next generation has the skills it needs to make a positive impact.

Our education focus-based business strategy fosters social impact, as well as leading to growth and creating positive experiences for our people.

Ernst & Young professionals participate in student life. In order to help students step from their studies and into the business world we have established a number of initiatives, which also help us make contact with the new generation and meet our potential employees.

By focusing on education initiatives in Ukraine, we improve the education and achievement level. This leads to:

- ▶ An improved ability to recruit and retain a diverse workforce
- ▶ Creation of a more successful, diverse and economically competitive market.

Lectures at universities

From October to December 2008, Ernst & Young delivered lectures on accounting and audit, compensation and benefits, business valuation and tax issues at various Kyiv universities. Ten lectures and career presentations attracted a total 400 students at six universities – Kyiv-Mohyla Academy, Kyiv National Economic University, Kyiv National Trade Economic University, Kyiv Polytechnic Institute, Kyiv Institute of International Relations and KROK University. We at the same time launched a recruitment initiative to help us fill entry-level positions in a manner that is less time-consuming and more strategic and effective.

As the next step, in 2010 we will see the development of more practical workshops in which students can practice business cases and discuss the results.

Acknowledgement to Ernst & Young employees who delivered lectures at Kyiv Universities

- ▶ Tania Mykolenko and Olga Anufriieva from the Tax & Legal practice
- ▶ Olga Gorbanovskaya and Halyna Khomenko from Human Capital
- ▶ Yuliya Zakharova, Denis Sikorsky and Oleksandr Dermanets from Assurance
- ▶ Nadiya Konovalenko from Accounting Advisory
- ▶ Natalia Telenkova from CR/Administration
- ▶ Ruslan Tschebanenko and Marianna Yakubenko from Valuation and Business Modeling
- ▶ Natalia Krivtsova from HR department



Scholarship fund

In 2008, Ernst & Young established a special Ernst & Young Fund with the Kyiv-Mohyla Academy, aimed at honoring the university's best teacher and student each year. The project contributes to forming an endowment for the school that will ensure that it can implement its charter objectives, govern itself and remain independent in the face of any unfavorable economic and social changes. In addition, the endowment supports scientific research and the latest technological developments.

Scholarship winners 2008-2009 academic year

- Natalia Ivanova, the Dean of the Faculty of Economic Sciences at Kyiv-Mohyla Academy, was a winner of a professorship in 2008-2009.
- Oleg Andreykiv, a student in his fourth year in the Kyiv-Mohyla Academy Law faculty, was awarded with a scholarship under the auspices "Career with the Tax and Legal Department of Ernst & Young" program in 2008 – 2009. Oleg was also offered an internship at our firm.

Participants and winners of SIFE 2009

This year, seven teams from the universities of Lviv, Sevastopol, Odesa, Zaporizhyya, and Kharkiv competed for the national championship title on 2 June 2009. SIFE teams presented their outreach programs to the jury.

Lviv National University ended up winning the national competition. The team went on to the SIFE World Cup 2009 in Berlin to compete with teams from 39 other countries on 4-6 October 2009.

"...We saw presentations of really important and helpful projects. By using business concepts, the students are not only developing a sense of service and responsibility to the community, but are also developing their own business and leadership skills. They are the future elite of our country. Our company always looks ahead and is always ready to invite active and talented young experts on board, people who might bring modern new ideas to the company," said Alexey Kredisov, Country Managing Partner of Ernst & Young Ukraine.

Ernst & Young and Students in Free Enterprise, 2009

In 2009, Ernst & Young officially became the Golden Sponsor of the SIFE (Students in Free Enterprise) competition. SIFE is an international NGO that works with higher education to mobilize university students to make a difference in their communities while developing the skills they need to become socially responsible business leaders. Students from the participating universities got together to develop projects that would improve the quality of life and standard of living for people in need. In the summer, the winners of the regional competitions participated in the national SIFE competition and presented the results of their projects to a jury of business leaders.

Open Door Day at Ernst & Young, Kyiv

Open door days are held on a regular basis for students and graduates. On 3 June 2009, Ernst & Young in Kyiv opened its doors to SIFE participants.

The participants were briefly told about career opportunities for graduates at our firm and introduced to the Ernst & Young structure and corporate culture and to what the company's future prospects are. This was followed by an office tour around the Assurance practice area. The guests asked questions about the daily work routine of the audit and advisory teams and learned specifics about different departments.

After that was an HR team presentation about how to take the first steps toward a successful career, compose a good CV, search for a job, prepare for an interview and have a successful the first working day. The presentation was supported by personal examples and valuable tips.



Charity work

Our Charity Program has always been driven by the enthusiasm and commitment of Ernst & Young volunteers. Our people get directly involved in charity programs and spend time with school kids and students. These grassroots initiatives make our Charity Program sustainable, which is especially evident in the past year, when the Ukrainian economy was severely hit by the crisis, and when on a corporate level we were able to allocate less funding than before. Still, the Charity Program in 2009 managed to expand the scope of its projects, adding the "Students to Children" program to its agenda and donating to the Bone Marrow Donors Registry and Transplantation Laboratory project of the Krona Fund. During the Christmas half-day salary deduction project we were able to raise funds that were used in 2009 to finance our traditional projects, as well as two new programs.

The Ernst & Young Ukraine Charity Committee was formed in January 2006. In FY2009 we followed the program priorities set by the Charity Committee: we provided assistance to orphanages in Ivaniv, Boyarka and Snizhne, allocated funds to help children with cancer and continued the graduate orphan support program. Overall we spent UAH 235,000 (approximately USD 38,778) on charity activity during the reporting period.

Our work with orphanages



Kids from Ivaniv, Boyarka, and Snizhne know the volunteers from the Ernst & Young Charity Team well – after all, the latter regularly visit orphanages in order to keep up a long-term relationship with children and their tutors and to provide regular support. In November, volunteers held master classes for kids in Ivaniv: kids showed off their talents in dancing, singing, embroidering, playing games and presenting a theatrical performance.

For Christmas and the New Year, celebrations at an Ivaniv circus performance was arranged, while kids from Boyarka were taken on a tour around an ostrich farm. The traditional Did Moroz and Sniguronka visited kids in Snizhne. On June 1, in Ivaniv, we organized a picnic and Sashko Lirnyk concert, a master class on decoupage in Boyarka, and a summer picnic in Snizhne. Because we're always trying to give our young friends what they want, we've given them a standing offer to write to us and inform us what they would like to get.



Helping students from orphanages to adapt to a new life

To brighten the futures of children who graduate from orphanages, in 2008 Ernst & Young started participating in the Graduate Support program developed by the Priyateli Ditey Fund. Its goal is to support orphans in the first years after they leave school. The program encompasses not only financial but also legal, psychological and medical assistance to children. It also involves the sponsors in communication with the children whom they help. In 2009 a group of our colleagues supported two students, and we are planning to support a few more in the next year.



Students to Children, a new program launched in 2009, consisted of educational workshops for orphans, to help them prepare for life after graduation from boarding schools. The workshops were conducted by young people, former participants of boarding schools who are now students. With the organizational support of the Priyateli Ditey Fund and methodological and financial support from Ernst & Young, workshops took place in Ivaniv, Boyarka, and Lutugino.

Donor help and blood donors



In 2007, Ernst & Young launched a program to support children with cancer. Thanks to funds raised through the Christmas period, the introduction of cash boxes at offices in Kyiv and Donetsk and a salary deduction program, in FY2009 we were able to support 14 children during the year on a monthly basis. Our employees provide not only financial but also emotional support; we communicate with the kids through out the year, visiting them in hospitals to give them food and medicine.

To contribute to long-term changes in Ukrainian healthcare, we contributed to the efforts of the Krona Foundation. The overall aim of their project, which we supported in 2009, is to establish a reference center for bone marrow transplantation and bone marrow donors. One of the project's tasks is to decrease the cost of treatment and provide children with quality oncological services in Ukraine.

Because blood donation can be essential to saving children's lives, Ernst & Young Ukraine has formed a group of volunteers who donate blood on request. We hope the group will grow in the upcoming years and save many more lives.



Report parameters

This is the first Corporate Responsibility (CR) Report for Ernst & Young in Ukraine. It covers the activities of the three offices located in Kyiv and Donetsk during the financial year 2009, i.e. the period from July 1, 2008 to June 30, 2009.

The Report was prepared in accordance with UN Global Compact requirements for Communication on Progress (COP). It describes the Ernst & Young Ukraine activities towards implementing UN Global Compact principles, which cover such issues as human rights, labor relations, the environment, anti-corruption measures and partnership with communities. We organized the information into four chapters: Work place, Marketplace, Environment and Community programs. This structure corresponds to our overall approach to CR.

For the preparation of this Report, we established an internal working group, which was responsible for the analysis and selection of significant issues for the Report. Internal processes were used to ensure the accuracy, completeness and reliability of this Report. They include review by our CR expert team and the Administrative, Marketing, Quality & Risk Management and Legal divisions, along with the Human Resources Manager and Charity Committee head, our Manager of Communications and the Country Managing Partner.

Our intention is to prepare CR Reports on a yearly basis.

If you have any questions regarding this report, please contact Svetlana Smayls, Svetlana.Smayls@ua.ey.com



Ernst & Young

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About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transactions and advisory services. Worldwide, our 144 000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients, and our wider communities achieve potential.

For more information, please visit: www.ey.com/ua.

In Ukraine Ernst & Young established its practice in 1991. Ernst & Young Ukraine now employs more than 500 professionals providing a full range of services to a number of multinational corporations and Ukrainian enterprises.

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