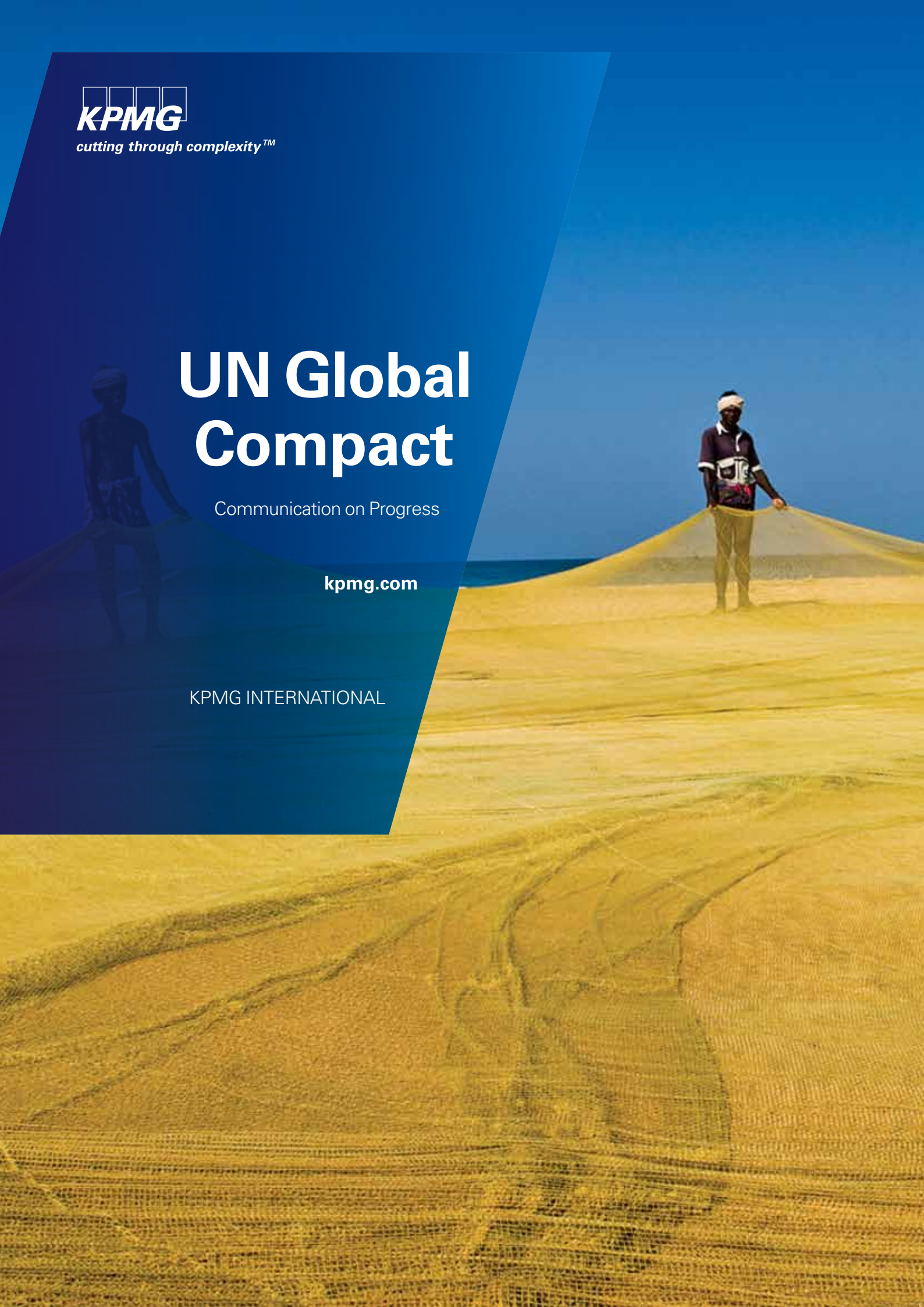


UN Global Compact

Communication on Progress

kpmg.com

KPMG INTERNATIONAL



About KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 144 countries and have 140,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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Foreword

2010 marks the tenth anniversary of the creation of the UN Global Compact, which has grown to become the world's largest corporate citizenship initiative.

Commitment to our communities is one of KPMG's core values and a cornerstone of the culture of our member firms. Our culture and values, which are aligned with the Compact's ten principles, are integrated into how we conduct business.

Now is the time to look forward and take the necessary steps to build the foundation for a sustainable economic recovery that will spur global growth. I believe that the single most important step is to rebuild trust and confidence in both the financial system and business in general.

The accounting profession touches every aspect of the capital markets system and has a clear role to play in this recovery. KPMG's strong member firm network recognizes the unique and special aspects of our people and our communities. We understand that responsible business practices contribute to broad-based development and sustainable markets. We encourage our people to take leadership in and for our communities, and use their skills in creative and determined ways to help deliver and support solutions. Considering the global challenges we all face, this commitment strikes me as perhaps even more important than ever before.

As leaders, we need to focus our people on the future. This is a time to recommit ourselves to operating with the highest level of ethics and integrity, fostering highly ethical business cultures in each of our organizations – cultures

that have a common framework built on trust, integrity and transparency, and grounded in the recognition of the roles and responsibilities that we all have to the capital markets and the communities in which we operate. This document sets out the way in which we demonstrate our support for the UN Global Compact, and conveys the importance that I and the Global Board of KPMG International attach to corporate citizenship.

Our view is that by harnessing the professional skills that KPMG people use every day and applying them to the world around us, KPMG member firms can contribute to positive changes that will help enable the communities in which we live and work to flourish.

Strong, ethical leadership is essential to restore trust and confidence which, more than anything else, should provide sustainability in the markets and drive recovery. Our people want to be leaders who improve and change communities and we support them in this commitment.



Timothy P. Flynn
Chairman
KPMG International



Introduction

KPMG International has been a signatory to the United Nations Global Compact (Global Compact) since 2002. A number of KPMG member firms are also individual signatories to the Global Compact and produce their own 'Communication on Progress' report. This document is not intended to supersede these, but rather to offer an international perspective as well as to complement other KPMG International communications such as the International Annual Review and the Transparency Report.

Citizenship is embedded in the KPMG Values and our member firms have the scale, influence, professional skills and business knowledge to make a significant and positive contribution to the issues affecting our communities and the environment.

All ten principles of the Global 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 and our commitment to the Global Compact. 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 Millennium Development Goals. The Millennium Development Goals (MDG) are eight international

development goals, that all United Nations member states and many international organizations have agreed to achieve by the year 2015. They include reducing extreme poverty and child mortality rates, fighting disease epidemics such as AIDS, and developing a global partnership for development.

United Nations Global Compact

KPMG International is proud to be a signatory to the United Nations Global Compact, a principles-based initiative that aims to influence the creation of a more sustainable and inclusive global economy. The Global Compact's ten principles resonate highly with the KPMG Values, which define our member firms' culture and our commitment to the highest standards of personal and professional conduct.

Participation in the Global Compact is a way of demonstrating our commitment to advancing the business agenda as an active corporate citizen. It is an opportunity to explain how the professionalism, experience and values of KPMG member firms can contribute to a wider movement for more responsible, legal and ethical behavior in the market place.



About us

KPMG is a global network of professional services firms with around 140,000 people providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. KPMG International is the entity with which all the member firms of the KPMG network are affiliated. Professional services to clients are exclusively provided by member firms.

Through our services, we turn our knowledge into value for the benefit of our clients, our people and our communities. This gives us a clear role and responsibility within the business community. We help companies grow and help establish trust between investors and organizations. Our member firms support public sector reforms and capacity building among the governments – hence fostering integrity and transparency in these areas.

Member firms commit themselves to a common set of KPMG values. Member

firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy KPMG methodologies and tools. Each member firm takes responsibility for its management and the quality of its work. In accordance with KPMG International's Code of Conduct, partners and professionals working within member firms are required to act with integrity at all times.

Throughout this document, 'KPMG', 'we', 'our' and 'us' refers 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's Role in Society

KPMG's role in society is defined by the services we perform and the way in which we engage and commit to the communities in which we work.

KPMG member firms work to build trust and confidence in the capital markets through transparent, accurate financial reporting and by helping companies improve their management and governance systems and, therefore, their performance. KPMG member firms contribute to a better functioning market economy that in turn creates and distributes wealth across societies.

Audit

The purpose of an audit is to enhance intended users' confidence in the audited information, adding credibility and reinforcing trust. At the conclusion of an audit, the independent auditor expresses an opinion on whether the audited information is presented fairly, in all material respects, in accordance with the applicable reporting framework. The auditor obtains evidence to support the auditor's opinion, and evaluates the presentation of the audited information, including the adequacy of related disclosures. The auditor designs and performs the audit to obtain reasonable assurance about whether the audited information is free from material misstatement. Reasonable assurance is a high, but not absolute, level of assurance. Accordingly, the

auditor's conclusions usually are based on evidence that is persuasive rather than conclusive. The auditor performs the audit with due care, exercising professional judgment with an attitude of professional skepticism. Exercising professional judgment with an attitude of professional skepticism is fundamental to the auditor's determination of whether the audited information is presented fairly, in all material respects.

A financial statement audit also includes the consideration of an entity's internal control over financial reporting, and in some cases, tests of those controls. These findings are shared with management and others in charge of governance, which helps the strengthening of internal control over financial reporting.

Laws, regulations and professional standards establish the responsibilities of an auditor and direct the auditor in the performance of an audit. KPMG member firms adopt and implement systems of quality control for conducting their audit practices. These systems of quality control are designed to provide reasonable assurance that KPMG audit personnel comply with applicable laws, regulations and professional standards when performing audit engagements.

Tax

Tax plays a valuable and vital role in today's society. From a government perspective, tax revenues fund public programs and tax incentives can be used to attract investment. As such, tax is a key part of economic policy.





“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 our people, who live and work in more than 140 territories around the globe. I see firsthand how good citizenship helps define the KPMG culture around the world. I also see how member firms can work together to serve the needs of our firms’ clients and advance the careers of our people.

Using the Millennium Development Goals (MDGs) as our blueprint around the world we are aligning our skills and capabilities to help resolve issues like the alleviation of entrenched poverty. Sustainable change can only come through active commitment through and beyond these difficult times.”

Timothy P. Flynn

Chairman, KPMG International

From a taxpayer perspective, organizations are keen to remain compliant and pay the right amount of tax; with multiple incentives and alternative ways to carry out business transactions this is consistent with their duty to satisfy the demands of multiple stakeholders (including shareholders) for creating value and managing risk.

An integral part of the equation are tax advisers, who provide guidance to organizations, helping them understand complex tax laws and the choices they have. Tax advisers also interact with governments, playing a role to help ensure that tax systems are fair and administered in an effective and efficient way.

Around the world, new policies and approaches to tax management are being built based on the concept of ‘enhanced relationships’ between tax authorities, taxpayers and tax advisers. The focus is on how taxpayers manage their tax risks, and how tax authorities can best deploy their resources to administer the tax system and collect properly due tax revenues.

These developments represent a new and forward-looking approach to tax

versus a more traditional approach of tax collector and tax payer – which in the past has become more confrontational than collaborative. There is real opportunity for taxpayers and tax authorities, aided by tax advisers, to make the best use of their resources to help create appropriate value for tax authorities to create a platform of trust, and to make a meaningful contribution to society overall.



Advisory

KPMG's Advisory practice is a helping hand for some of the biggest companies in every sector, right across the world. We seek to add value as our member firm professionals immerse themselves in client operations, understanding their needs, culture and unique requirements.

We provide objective advice based on experience and tailored to support individual circumstances. We seek to go beyond simply supporting operations or transactions and reach into every aspect of corporate strategy, as well as advising on complex services relating to regulation, valuations and risk management.

We do this via our three Service Groups:

- Transactions & Restructuring – because recognizing the new business environment means rethinking every aspect of how our clients operate.

- Performance & Technology – because to make the most of the opportunities that rapid change brings, our clients need reliable advice from experienced professionals.

- Risk & Compliance – because from planning for the future to dealing with present dangers, our clients need to ask whether risk is embedded in their organization.

Our teams are client-focused and cooperate internally, working across both internal business areas and international jurisdictions to deliver genuine results. So, no matter what stage of the business cycle a business is in, or where it wants to be, our member firms' Advisory professionals can point the way forward.

Corporate Citizenship at KPMG

At KPMG, our approach to corporate citizenship is founded on the belief that business has a distinct and vital role to play in helping solve the world's most complex problems. Responsible business practices, which are at the heart of corporate citizenship, help build trust and contribute to development and sustainability of the capital markets. In today's challenging world, this is more important than ever before. But we also know that it is not enough to address the challenges facing our world today. We are committed to doing more – moving beyond good governance, compliance, ethical behavior, and philanthropy to work with governments, societies, and non-governmental organizations to tackle global social and environmental issues. As such, KPMG International's citizenship efforts are focused around two global themes: sustainability and international development.

KPMG International has aligned its global citizenship strategy to both the UN Global Compact's ten principles and the Millennium Development Goals. KPMG International has a Global Citizenship team which sets and drives our global corporate citizenship strategy.

This strategy focuses on the following three key components:

1. Global themes

- The KPMG Global Development Initiative (GDI)

Climate Change and Sustainability Services (CC&S) related to the UNGC

Implementation of the Global Compact Principles: KPMG member firms have helped companies plan their strategy or the implementation of the Global Compact principles. Specifically KPMG member firms' CC&S practices have developed a guide to enable companies to reflect on what the principles mean for the company in question and what measures and resources are needed to implement them.

Analysis of Global Compact Principles: KPMG member firms have helped companies analyze the

risks of each category of the Global Compact in the countries in which they operate in order to assess the state of implementation.

Industry best practice analysis:

KPMG member firms have assisted companies in analyzing peers in their sector in regard to industry best practices in management and in each principle of the Global Compact in order to design improvement plans.

Dissemination of Global Compact Principles: KPMG member firms have given courses to companies on the Global Compact principles and on how these translate into corporate responsibility actions relevant to each company.

- The KPMG Global Green Initiative (GGI)

2. Global policy issues relating to corporate responsibility

KPMG participates in global policy discussions through the World Economic Forum and other key global multi-stakeholder coalitions. The Global Citizenship team provides guidance and policy leadership across the network of KPMG member firms.

3. Leadership action to tackle community and country concerns through support to member firm programs with senior partners setting the pace of engagement

It is important that we continue to contribute to our local communities as well as to extend our reach to our international neighbors living in extreme poverty.

KPMG partners and employees are involved in citizenship projects around the world, and our member firms are developing initiatives to suit their local communities and environments. By harnessing the skills we use every day and applying them to the world and communities around us, we can help make positive changes in our communities, locally and across the world.

Core Corporate Citizenship Topics

With KPMG member firms operating in so many countries, the communities in which we work have very different needs and priorities. But there are some common topics that unite all members of the KPMG network and which the Global Board has adopted in order to provide a framework for each of our member firms around the world.

Education – Building the capacity of schools and colleges, working with children and young people to advance potential, and investing in skills that support enterprise and community cohesion. Member firms collaborate with SIFE (Students in Free Enterprise), which mobilizes university students from around the world to make a difference in their communities, while developing the skills of future leaders. More than 30,000 students across 1,500 universities participate in SIFE worldwide.

Environment – Investing in responsible energy use, working with leadership groups to address issues such as climate change and food and water scarcity, and helping our own people behave in a sustainable way. In 2008 we launched the Global Green Initiative, which embraces various elements, around the aim of reducing the combined global carbon footprint of KPMG member firms by 25 percent by 2010 from a 2007 baseline. In July 2010, Yvo de Boer, former Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC) joined KPMG. Mr. de Boer will play a key role in developing a sustainability framework for our organization and provide support to firms as they assist clients with sustainability issues.

Development – Investing in social justice and building sustainable enterprises to tackle poverty in line with the aims of the Millennium Development Goals. This approach is embodied in the Global Development Initiative. At a global level, KPMG works with the Millennium Cities Initiative, where KPMG member firms apply their technical skills and experience to help cities in Africa attract inward investment.

Stakeholder Engagement – This year KPMG International has embarked on a process of stakeholder engagement in order to help us understand more fully the range and materiality of the social and environmental issues that are related to the way that KPMG does business. By engaging with some key stakeholders in individual markets, through face to face and telephone interviews, KPMG member firms will be able to gain a deeper understanding of the issues that matter most to the people who matter most to our business, namely our clients, employees, partners, suppliers, regulators, NGOs and the media.

Currently, four KPMG member firms have participated in this process, namely: China, Germany, India and the United States.

These four KPMG member firms are making good progress with the research, and we have already seen some strong themes emerging around:

- 1 The opportunities KPMG member firms have to use their skills to help clients and governments find ways to tackle social challenges

- 2 KPMG member firms' ability to develop solutions to help clients conduct their business in a more socially and environmentally responsible way
- 3 The high ethical standards clients expect KPMG member firms to adhere to in conducting their business

The results of the research in the pilot member firms will be published later this year. Internally, the results will be used to develop national corporate citizenship strategies that are closely tied to the most material issues identified, and to support more thorough reporting on these issues at a national level. Globally, the use of a consistent research process across a number of KPMG member firms will enable KPMG International to build a picture of key global issues, as perceived by our stakeholders, something that will become clearer as more member firms participate in the process.



KPMG and the UN Global Compact

KPMG International became a signatory to the Global Compact in 2002. In 2010, a focal point of collaboration was the Global Compact event held at the World Economic Forum in Davos, Switzerland. KPMG International co-hosted this event for the second time with the Swiss-based Guilé Foundation. The main purpose of the event, chaired by UN Assistant Secretary-General Robert C. Orr, was

to provide business leaders with a blueprint for Corporate Sustainability Leadership in the context of the Global Compact.

We developed a pocket guide on the Global Compact principles for the participants of the event. This pocket guide serves as a reminder of the principles and as a tool for executives to understand how the principles can best be applied.



Reader's Guide

How the Global Compact principles have been addressed in this document:

In order to communicate the steps KPMG International has taken towards implementing the ten principles of the Global Compact, we have structured each section of this "Communication on Progress" in the following manner:

We have grouped the principles into the following categories: Human Rights, Labor, Environment, Anti-Corruption.

In each of the sections, we have implemented the following structure (where possible):

- **An introductory paragraph stating our commitment**
- **The relevant principles for this section, and what these mean for KPMG member firms**
- **Our policies and systems**
These are the frameworks, global policies, management systems and processes in place which help to turn our commitments into actions.
- **Actions we are taking**

Initiatives

This section describes the practical actions (recent and ongoing) we have taken at a global level to implement the Global Compact principles.

Thought leadership

KPMG International and KPMG member firms publish many documents in which we share our knowledge and insight on key topics. Here we mention those relevant to the Global Compact principles.

Services

Here we describe some of the professional services KPMG member firms offer that relate directly to the Global Compact principles.

On the ground: case studies from member firms

Since many policies and initiatives are developed and carried out by member firms, this section shows examples of what KPMG member firms are doing for their partners, employees, the environment and their communities around the world.

Summary of the Communication on Progress

Principles	Commitment	Systems	Actions
Human Rights			
1. Businesses should support and respect the protection of internationally proclaimed human rights; 2. and make sure that they are not complicit in human rights abuses.	KPMG International and KPMG member firms recognize that Human Rights are an integral part of corporate citizenship and we respect and support the Universal Declaration of Human Rights.	<ul style="list-style-type: none"> • Corporate Values • Code of Conduct • Supplier Code of Conduct 	<ul style="list-style-type: none"> • Global Citizenship and Diversity Team • Disaster Relief Efforts
Labor Standards			
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labor; 5. the effective abolition of child labor; 6. and the elimination of discrimination in respect of employment and occupation.	KPMG International and KPMG member firms do not use forced, compulsory or child labor. KPMG International and KPMG member firms support freedom of association and, where applicable, recognize the right to collective bargaining. Our people want to work for an organization that encourages and respects individuality, and this is one of our core values at KPMG International and the KPMG member firms. Our drive to create a global culture of diversity and inclusion is therefore fundamental to who we are, and critical to retaining our best people.	<ul style="list-style-type: none"> • Code of Conduct • Global People Performance and Culture Group • Global Diversity Team 	<ul style="list-style-type: none"> • Flexibility at Work • Rewards and Benefits • Learning and Development • Global Opportunities Program (GO) • Promotion of a Diverse Workforce • Support of Minority Groups • Women@KPMG • KPMG's Network of Women (KNOW) • Disability@KPMG
Environment			
7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; 9. and encourage the development and diffusion of environmentally friendly technologies.	KPMG International and KPMG member firms are dedicated to managing our environmental impacts pro-actively and we are committed to working together across borders to make an even bigger difference. KPMG International is an active and engaged member of the World Business Council for Sustainable Development.	<ul style="list-style-type: none"> • Global Green Initiative 	<ul style="list-style-type: none"> • Advocacy • Capacity Building • E-Audit • Sustainable IT • Video Collaboration • Virtual Classroom • Supplier Initiative • Racing Green Endurance
Anti-Corruption			
10. Businesses should work against corruption in all its forms, including extortion and bribery.	KPMG International and KPMG member firms are committed to achieving a high standard of ethical behavior in everything that we do.	<ul style="list-style-type: none"> • Code of Conduct • Anti-bribery Policy • Monitoring • Ethics and Compliance • Acceptance and Continuance of Clients and Engagements 	<ul style="list-style-type: none"> • Training • Ethics and Compliance Hotline • Evaluation, Compensation and Promotion • KPMG International Transparency Report • Principles for Countering Bribery

Human Rights

KPMG International recognizes that Human Rights are an integral part of corporate citizenship and we respect and support the Universal Declaration of Human Rights. Our Code of Conduct as well as various initiatives and partnerships are consistent with this commitment. We also support the implementation of wider UN Goals, such as the Millennium Development Goals.



UN Global Compact Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

For KPMG member firms this means encouraging the respect of human rights within our direct sphere of influence, as well as helping uphold human rights and universal values wherever we operate.

Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

For KPMG member firms this means complying with the 'KPMG Way', which defines our culture and our commitment to the highest principles of personal and professional conduct.

Relevant Policies and Systems

Our commitment to integrity and responsibility in the way we operate towards our:

- people
- organization
- member firm clients and markets; and
- communities

are embodied in the policies described overleaf.

Our Corporate Values

Acting with integrity, supporting the communities in which we work and respecting the individual are at the heart of what it means to be part of KPMG. Our values are integrated into how we conduct business and how we work every day. The respect for Human Rights is integral to our commitment to the highest principles of personal and professional conduct.

What you will find in this section

Human Rights

UNGC Principles 1 & 2 Relevant Policies and Systems

Corporate Values
Code of Conduct
Supplier Code of Conduct

Actions we are Taking

Global Citizenship and Diversity Team
Disaster Relief Efforts

Thought Leadership

Human Rights within our Professional Services

On the Ground: Case Studies from Member Firms

Pequeno Cidadão (Little Citizen) Project.
KPMG in Brazil

Indigenous Enterprise Partnerships.
KPMG in Australia

KPMG ELLP Initiatives



Our Corporate Values

The KPMG Way – is our definition of who we are, what we do, and how we do it. Our core values lie at the heart of The KPMG Way. They define our culture and our commitment to the highest principles of personal and professional conduct.

We lead by example – at all levels acting in a way that exemplifies what we expect of each other and our 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 candor.

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.



Code of Conduct

KPMG International's Code of Conduct is a statement of our commitment to quality and integrity, and it defines the standards of ethical conduct that KPMG International requires from member firms and their personnel. The Code of Conduct sets out KPMG's ethical principles and helps partners and employees to understand and uphold those principles. The Code of Conduct is of vital importance since it is the platform on which we build trust with stakeholders and we sustain and enhance confidence in our profession.

The commitments to our partners and employees set out in the Code of Conduct are in line with the Universal Declaration of Human Rights. The Code

of Conduct 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.

The Code of Conduct also states KPMG member firms' commitment to the communities where they operate. In this respect, we aim to act as a responsible corporate citizen, following high standards of ethical conduct around the world. We also aim to team with other business and with charitable organizations to create stronger communities.

Code of Conduct Commitments

People

- Treating everyone with respect and dignity
- Respecting the privacy of partners and employees
- Fostering an environment in which partner and employee work/life balance can be achieved
- Providing a workplace that is free from discrimination, harassment, misuse of substances, and unsafe conditions

Organization

- Upholding member firms' and individuals' responsibilities for professional development
- Exercising care in the use of assets and resources

- Observing rigorous standards of client and engagement acceptance
- Applying appropriate KPMG methodologies and procedures
- Remaining vigilant in the application of risk management and other applicable policies
- Preserving KPMG's brand and reputation by avoiding actions that would discredit the organization

Member Firms' Clients and Markets

- Acting lawfully and ethically, and encouraging this behavior in the marketplace
- Delivering quality service to clients in line with qualifications, professional commitments, and engagement terms

- Maintaining independence and objectivity, and avoiding conflicts of interest or undue influence
- Preserving client and business confidentiality and privacy
- Promoting member firms' services honestly and competing fairly

Communities

- Acting as a responsible corporate citizen and following high standards of ethical conduct around the world
- Teaming with other businesses and with charitable organizations to create stronger communities

The commitments we make to our partners and employees through the Code of Conduct are consistent with the Universal Declaration of Human Rights:

“Treating everyone with respect and dignity”

KPMG member firms seek to offer their combined workforce an environment of mutual esteem, where people are respected for who they are and for their knowledge, skills, and experience as individuals and team members.

Relevant direct or indirect Universal Declaration of Human Right Articles: 1, 2, 3, 4, 5, 7, 10, 23

“Respecting the privacy of its partners and employees”

Relevant direct or indirect Universal Declaration of Human Right Articles: 12

“Fostering an environment in which partner and employee work/life balance can be achieved”

KPMG member firms respect the need for a work/life balance and understand that providing flexibility is critical to retaining and motivating top talent. KPMG offers flexible work options that include telecommuting, annualized hours, job sharing, and working part time.

Relevant direct or indirect Human Right Articles: 23, 24, 25

“Providing a workplace that is free from discrimination, harassment, misuse of substances, and unsafe conditions”

Relevant direct or indirect Universal Declaration of Human Right Articles: 1, 2, 3, 18, 19

Each member firm is required to have a Code of Conduct adopting, or based upon, the KPMG International Code of Conduct. The Code of Conduct 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 of Conduct address in more detail standards to ensure compliance with local laws, policies and professional standards, as well as resources available for consultation and assistance.

Supplier Code of Conduct

As the corporate citizenship agenda continues to evolve, we are increasingly conscious of our sphere of influence and want to conduct business with others who are also committed to acting with transparency, responsibility and integrity. This is why an increasing number of KPMG member firms now encourage suppliers to adhere to a Suppliers Code of Conduct, which is based on the ten UN Global Compact Principles.



Actions we are Taking

Human Rights in the Community

Global Citizenship and Diversity Team

KPMG International has set up a Global Citizenship and Diversity team to set a strategic direction for KPMG member firms to support communities around the world. This team has identified themes that unite the KPMG network and provide a framework for our work: Sustainability and International Development. The Global Citizenship team provides guidance and policy leadership around these issues across the network of KPMG member firms.

The Global Development Initiative

The Global Development Initiative ('GDI') is an innovative program designed to take our commitment to corporate citizenship to a new global

level. It can be defined as 'putting our skills to work in pursuit of the Millennium Development Goals'. KPMG member firms are developing relationships with nongovernmental organizations (NGOs), the UN and public-private networks to tackle global issues, using our skills and resources to help find sustainable solutions. The GDI is focusing on the first three Millennium Development Goals:

- *Eradicate extreme poverty and hunger*
- *Achieve universal primary education*
- *Promote gender equality and empower women*

In this context, the GDI has set the following objectives:

- Put our professional skills to work in pursuit of the above mentioned Millennium Development Goals

- Develop solutions to bring about systemic change that addresses the root causes of poverty
- Develop solutions which can be replicated and scaled up
- Participate in public-private networks that act against extreme poverty
- Act as a catalyst and advisor for increased action from others

KPMG International's Global Board has resolved to primarily focus on relationships with six key global development organizations: Save the Children, Oxfam, UNICEF, World Vision, the Red Cross and the Millennium Promise, which hosts the Millennium Villages and Cities programs across Africa.

Collaboration

Member firms are working with non-governmental organizations, companies, governments and local groups to address some of the most important and pressing issues facing their communities. Globally, we are combining KPMG's knowledge and experience with international development agencies to tackle global issues and improve levels of overall governance. Member firms have been working in areas such as disaster relief, education and mentoring, homelessness, and establishing charitable foundations.

Disaster Relief Efforts

Human Rights can be jeopardized from one day to another due to natural disasters. We believe therefore that a network of our size and with our reputation should respond actively to such events. We have therefore put our skills at work to respond to natural catastrophes such as the tsunami in South East Asia, Hurricane Katrina in New Orleans and earthquakes in China, Pakistan and Haiti.

In recent years we have evolved our disaster relief strategy and we've learned that if we apply our business skills as well as our financial support, we

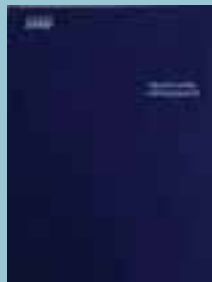
can make an even greater, more lasting difference. And the most effective way of applying our skills is in collaboration with the field experience of non-governmental organizations.

According to the Disaster Relief Report published by KPMG International in October 2009, over 130,000 people from KPMG member firms have financially contributed to disaster relief efforts so far.

Learn more about KPMG's global community engagement



The Global Development Initiative. Putting our skills to work in pursuit of the Millennium Development Goals.



KPMG in the community. Values in action - Thinking beyond



Disaster relief efforts. The disaster relief report. Putting our skills to work.



International development services

Thought Leadership

KPMG member firms' work with the Millennium Cities Initiative has resulted in open publications on investment opportunities in diverse cities across Africa. These are meant to provide insight for investors as well as promote development in those cities.

The following publications have resulted from our member firms' work with the Millennium Cities Initiative



*Blantyre, Malawi
Potential
opportunities for
investors*



*Ondo State,
Nigeria Market
feasibility study
for sustainable
development*



*Kisumu, Kenya:
potential
opportunities for
investors*



*Kumasi Ghana,
Potential
opportunities for
investors*



*Mekelle, Ethiopia,
Potential
opportunities for
investors*

KPMG Member Firms' Services

Professional Services that relate to Human Rights

KPMG member firms also help clients through services that relate to development and the protection of Human Rights. We do so by:

Helping companies define their policies on human rights issues.

The aim is to help clients define their commitments to human rights, especially in institutionally weak areas. Our work also provides assistance for the implementation and dissemination of those commitments within the company.

Helping companies define their wider commitments to ethics, integrity and responsibility.

Our work assists clients in the definition of actions for the implementation, compliance and dissemination of the commitments within the company.

Providing international development services.

KPMG member firms' professional services for development cover the following main areas:

- Public Sector Reform and Performance Improvement
- Private Sector Development
- Audit and Assurance
- Program and Project Management

On the Ground: Case Studies from Member Firms

Pequeno Cidadão (Little Citizen) Project. KPMG in Brazil

Since 1996, the Pequeno Cidadão Project has been establishing expectations of change and a better quality of life for innumerable children and their families in the city of São Paulo. The concept of 'Little Citizen' comes from the aim to recover the conscious, critical, social action of those that take part and participate in the project's activities over a period of four years, during which time their families are also indirectly engaged. The project has assumed the responsibility of orienting and integrating into society girls and boys who are in a vulnerable socio-economic situation. The project currently involves 220 boys and girls between the ages of 10-14 in a profound effort which aims at recovering their self-esteem, recuperating the family as an institution and amplifying the prospects of these young people with respect to new opportunities for personal growth. The 220 boys and girls are offered supplementary schooling, computer classes, medical supervision, alimentary education and sports activities.

Indigenous Enterprise Partnerships. KPMG in Australia

KPMG in Australia has an ongoing partnership with not-for-profit organization Indigenous Enterprise Partnerships (IEP). IEP seeks to break the cycle of welfare dependency in indigenous communities by fostering economic and social development, focusing on long-term, sustainable initiatives that empower indigenous leaders to take responsibility for their communities' progress. The program involves KPMG people undertaking secondments for a minimum of one month up to one year, in both remote and urban locations. By working on a project basis within indigenous communities, secondees transfer their skills and knowledge to help build more robust businesses, the objective being to create greater employment opportunities, higher community engagement, better ways of doing business and ultimately, healthier and more sustainable communities.

KPMG Europe LLP

Here are a few examples of how the KPMG Europe LLP member firms are investing in communities:

In September 2009, the doors opened at the new City Academy, Hackney in London, which KPMG in the UK is co-sponsoring, investing more than €1.3 million. Specializing in business and financial services, by 2013 this new London school will eventually offer 900 places for 11-16 year-olds and 240 sixth form places. Our people are already working with feeder primary schools in the area as well as providing pro bono support for the school's development.

The KPMG Foundation pioneered The Every Child a Reader program, which focuses on providing skilled one-to-one teaching to lift the lowest achieving primary school children out of literacy difficulties. The program started as a £10 million funding partnership between charities, the business sector

and the then British Government. A commitment by the previous British Government resulted in the scheme rolling out nationally from September 2008, with 30,000 children set to benefit in the school year 2010-11.

In 2008, more than 9,500 people of KPMG in the UK and Germany voted for our new People Charities for a 2 year relationship. Since then, KPMG has been supporting Deutsche Kinder- und Jugendstiftung in Germany and the Alzheimer's Society in the UK. The firms support the charities in a variety of ways including encouraging KPMG people to volunteer using their skills and experience, taking part in national and local fundraising activities and donating by our payroll giving facility. Within 18 months, KPMG people in the UK have raised over £700,000 for the charity and helped raise awareness regarding dementia. In the UK, KPMG is also working in collaboration with Clifford Chance, Morgan Stanley and Clare

College, to help young people in East London win university places.

KPMG in Germany continues to provide mentoring support to Head Teachers through the Partners in Leadership program. To date, 60 partners have participated. Furthermore, KPMG in Germany helped develop the Social Marketplaces project which, since 2006, has been bringing businesses and non-profit organizations together to trade skills, services and knowledge. There have been 60 markets so far and some 3,500 agreements signed.

KPMG Europe LLP is a founding sponsor of the European Venture Philanthropy Association, working with other businesses to help improve the financial and operational management of charities using venture capital techniques.





Key Partnerships

Millennium Cities Initiative

KPMG member firms have been providing economic and commercial due diligence work to support the Millennium Cities Initiative's investment reports. The reports on cities in Ethiopia, Ghana, Kenya, Malawi, Nigeria and Tanzania will be used to encourage investment to lift the local economies.

Save the Children

KPMG in the UK's Advisory Team provided zero fee services to Save the Children's global finance community on the development of implementation plans that enable the International Save the Children Alliance to harmonize core processes across numerous countries. Additionally, KPMG in the UK provided a Change Manager to assist in bringing the operations of Save the Children Sweden and Save the Children UK together into a Unified Presence in Côte D'Ivoire.

UNICEF

A number of member firms have been working with UNICEF as part of the GDI. One of these projects required KPMG in Brazil, Portugal and Mozambique to work together to assist UNICEF's Country Office in Mozambique with the implementation of the UN's Harmonized Approach to Cash Transfers program, which is a more effective and efficient cash transfer system for the UN and its implementing partners. Also, KPMG in Mozambique partnered with UNICEF to launch a series of CEO briefings to engage the business community in issues facing children.

Another project involved KPMG in the US, Switzerland and the UK working together to help UNICEF develop its Cards and Gifts business in Latin America. This enabled UNICEF to transform its Cards and Gifts value chain, providing the ability to adapt to market conditions, improve its cost/income ratio and ultimately create a platform to enter new high potential market segments.

Oxfam

KPMG Europe LLP engagements with Oxfam have included a secondment to develop an information management system which helps improve the collection, storage and use of data, especially for disaster response. This focused on the organizational framework which influences ICT usage, seeking to ensure equipment is standardized, suitable training is provided and common levels of ICT provision are available in similar field situations.

World Vision

KPMG in Ghana advised World Vision on the transformation of a microfinance institution in Ghana into a subsidiary of Vision Fund. Additionally, KPMG in India supported World Vision in India to design a knowledge management system and a marketing strategy.

Labor Standards

At KPMG we know that our future success depends on how we nurture great individual talent and help people to flourish. Through our commitment to our people, through our values and through embracing diversity and responsibility to our communities, we aim to create an environment in which our people are proud to work – and to foster a rich pool of talent to support our clients' business. After all, our reputation is founded on exceptional people.



With 140,000 people around the world, KPMG is a globally diverse network. But there is still progress to be made, locally and globally, to ensure that we create an environment of inclusiveness and respect for all our people.

Embracing our differences – our culture, race, color, ethnic or national heritage, gender, sexual orientation and gender identity, marital or parental status, age, disability, faith or religion – is good for business.

Enabling our people to bring their whole selves to work means they are more engaged and therefore more productive. Removing barriers that are irrelevant to our people's ability to do their work, will make the business more profitable. For the same reason, by being famous for diversity we will attract and retain talented people from all areas of society – and this is absolutely central

to our member firms' 'Employer of Choice' agenda. To promote and explore diversity, our member firms have networking forums for minority groups, based on gender, sexual orientation, ethnicity and more. And when we recruit, we actively seek out different skills, experience and opinions.

At KPMG, we are committed to ensuring that opportunities will be equally open to everyone. Regardless of gender, ethnicity, age, disability or sexual orientation, we will help our people succeed at KPMG.

KPMG International and KPMG member firms do not use forced, compulsory or child labor.

KPMG International and KPMG member firms support freedom of association and, where applicable, recognize the right to collective bargaining.

UN Global Compact Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

For KPMG member firms this means always respecting employee rights.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor.

For KPMG member firms this means objecting to any type of forced, compulsory or child labor.

Principle 5: Business should uphold the effective abolition of child labor.

For KPMG member firms this means promoting fair labor practices among our partners, employees and suppliers, ensuring healthy working conditions and a work/life balance for KPMG people.

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

For KPMG member firms this means promoting diversity at the workplace and supporting minority groups.

What you will find in this section

Labor Standards

UNGC Principles 3, 4, 5 & 6
Relevant Policies and Systems
Code of Conduct
Global People Performance and Culture
Group Global
Diversity Team

Actions we are Taking

Flexibility at Work
Rewards and Benefits
Learning and Development

Global Opportunities Program (GO)
Promotion of a Diverse Workforce
Support of Minority Groups
Women@KPMG
KPMG's Network of Women (KNOW)
Disability@KPMG

On the Ground: Case Studies from Member Firms

Family Resources. KPMG in the United States

Wellbeing Benefits. KPMG in Australia

Harassment and Discrimination. KPMG in Canada

Women's Advisory Board. KPMG in the United States

Sustainable Procurement Questionnaire. KPMG in the United Kingdom

KGEN (KPMG's Gay, Lesbian, Bisexual, Transgender Employee Network). KPMG in Australia

Our Policies and Systems

The KPMG Way

KPMG International's commitment to promote fair labor practices among its member firms and their suppliers is embedded in the KPMG Way:

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

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

Code of Conduct

KPMG International's commitment to eliminate discrimination is embedded in KPMG International's Code of Conduct:

"Providing a workplace that is free from discrimination, harassment, misuse of substances, and unsafe conditions"

KPMG International's commitment to promote healthy working conditions is embedded in KPMG International's Code of Conduct:

"Fostering an environment in which partner and employee work/ life balance can be achieved"

Global People, Performance and Culture (PPC) Group

The PPC is a multinational, multidisciplinary team, which supports KPMG member firms worldwide in their goal for attainment and/or ongoing recognition as 'Employer of Choice'. It is an initiative to identify leading practices around the globe, to share them and to help every member firm to reach the highest standard. 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.

Global Diversity Team

At KPMG we have the opportunity to take a lead in promoting diversity – and to become famous for it. More and more of our member firms are starting to address the challenges of balancing the needs of employees against the needs of the business in their respective countries. That requires significant change to our culture. To lead that change and to assist member firms, KPMG has created the Global Diversity Team. Led by Michael Hastings, Global Head of Citizenship and Diversity, the team's primary focus is to drive change across KPMG. They are starting this process by engaging with the Global Executive Team of KPMG International and member firms' leadership around the world to raise the business focus on diversity and challenge thinking and behavior. In addition, the team is involved in a number of activities:

Ten reasons why diversity is a critical business issue:

Understanding diverse networks and cultures can help us identify and win new business

Our member firms' clients increasingly want to work with diverse organizations

Some clients are looking at nonfinancial criteria, such as diversity, when choosing service providers

Diversity is important in attracting and retaining talent

People who can bring their whole self to work are more productive

We can be better advisors if we have a more diverse outlook

We can gain competitive advantage by taking a lead role in diversity and inclusion

Our people should be able to apply all their qualities to their work and strengthen that reputation

Globalization means that having a broad cultural and diversity awareness will help our business

By being more aware of diversity and legislation/regulation, we will reduce the risk of litigation

Research and Analysis

The team is working on a number of on-going projects which focus on the legal frameworks relating to diversity, cultural awareness and the economic value of certain diverse groups. The team will also be gathering client and competitor intelligence.

Education and Training

The team hosts quarterly internal Diversity Education WebEx sessions on a wide range of diversity related topics. These are particularly aimed at those who are responsible for HR and Diversity related issues.

Communications

The team is responsible for collating diversity related articles from our member firms across the globe. These can be found in the Diversity section of People News in the KPMG intranet. Other responsibilities will include drafting articles for external publications and journals.

Engagement with external organizations

In order to assist national diversity efforts, the team engages with a number of external organizations to gain best practice information and develop effective and practical strategies.

Engagement with member firms

The team seeks to help individual member firms with developing their own diversity strategies, policies and initiatives. This may include advising on how to set up an employee network, developing people surveys, or finding innovative and tailored ways to deal with recruitment challenges.





Actions we are Taking

Healthy Work Environment

Flexibility at Work

For KPMG getting the right balance between personal and professional life is important. That is why, in many locations, we offer flexible working and other support such as study leave for graduates and remote working.

Our remote working options enable KPMG people to work on the move, while travelling to or from another location such as a client office, or from home. We understand that this level of flexibility is important and many member firms offer specialist technology to support our people.

Flexible working options vary according to location but may include part-time work, flexitime, job sharing, compressed work week, telecommuting, career breaks and unpaid leave. Hundreds of highly successful KPMG people choose flexible working so they can spend more time with their family or develop other interests.

Rewards and Benefits

We recognize that good benefits play an important role in attracting and retaining great people. So, we offer a strong combination of financial and non-financial benefits. Globally KPMG member firms offer competitive salaries, while other benefits vary from firm to firm. Many member firms offer flexible packages which KPMG professionals can design to suit their personal lifestyles. These may include benefits such as health services, car and pension schemes, buy/sell holiday schemes and bonus schemes. Many member firms also offer a wide range of non-financial benefits to help the person achieve a good balance between work and home life. For example, in some locations it is possible to take advantage of concierge services, generous parental leave and receive other practical parenting help.



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. Each of KPMG's three business areas (Audit, Tax and Advisory) deliver training tailored for client needs and professional requirements within that discipline. KPMG's Global L&D program offers member firms access to technical, business and leadership training programs for every stage of an individual's career.

Global Opportunities Program – GO

GO gives KPMG partners and employees the chance to work in member firms all over the world, getting exposure to new clients, industries, cultures and a new way of life. The assignments range in length from three months to two years. Opportunities vary according to the area of the business and the individual's level of experience.

Integrate Feedback

Wherever possible we adapt our work environment to ensure we maximize the engagement of all our people. Member firms conduct a biannual global people survey and act on the feedback received.

KPMG in the U.S. Awards



Diversity

Promotion of a Diverse Workforce

Over the last two years, many member firms have undertaken an internal benchmarking program – reviewing their national strategies around diversity, measuring progress, and driving improvements particularly in relation to the advancement of women and the integration of professionals from minority or indigenous communities. Many member firms have explicit policies on ‘diversity, equality and inclusion’, ‘supplier diversity’ and ‘equal opportunity’.

Minority Groups

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.

Women@KPMG

Women@KPMG is a globally accessible intranet site. It provides a tool for encouraging the development of women as business leaders, and for women themselves to use for identifying support available to help them succeed.

Labor Conditions and Human Rights in KPMG Europe LLP’s Supplier Code of Conduct

Our policies are underpinned by a respect for each individual’s dignity and internationally recognized rights. We expect our member firms’ suppliers to:

Allow employees the freedom to associate and have effective ways of collective negotiations.

Provide a safe working environment and support the occupational health of employees.

Never make use of child, forced or bonded labor.

Treat employees fairly and do not discriminate on the basis of differences such as age, race, ethnic background, religion, gender, sexual orientation, disability or status as a parent or carer.



Global Diversity Intranet Website for KPMG people to learn more about the different initiatives



Women@KPMG Intranet Site



Disability@KPMG Intranet Site

KPMG's Network of Women (KNOW)

KNOW was established globally in 2003 to help support women's initiatives and enhance the personal and professional objectives of women professionals at KPMG member firms. Since its inception, KNOW has expanded rapidly, proving to be a successful venue for women to connect with peers, meet mentors and share career experiences. The objectives of KNOW are to:

- Help drive the organization's Employer of Choice goal
- Recognize and celebrate the contributions and successes of our KPMG women
- Increase networking opportunities for women
- Develop mentoring relationships
- Highlight career and professional development opportunities
- Provide a forum for women and men to share experiences and support each other in personal and professional pursuits
- Enhance competitive position and client outreach

Disability@KPMG

This intranet site offers a starting point to help raise awareness of how disability affects our business and how we can work together to adapt our thinking about disability so that we can reap the potential benefits and become a more disability confident organization. There are a variety of resources within this area of the site including a number of podcast interviews with people living with, caring for or working with people with disabilities as well as a Diversity Insight paper on disability produced by the Global Diversity team.



On the Ground: Case Studies from Member Firms

Healthy Work Environment

Family Resources. KPMG in the United States

KPMG provides third-party resources to assist partners and employees when becoming a new parent or caring for their own parents, seeking advice about college tuition or counselling on a confidential matter.

Adoption Reimbursement Program

The U.S. firm acknowledges that adopting a child often involves financial as well as other issues, and offers the Adoption Reimbursement Program. Through the program, employees may submit up to U.S. \$5,000 for reimbursement of adoption-related expenses.

Backup Child Care

KPMG offers backup child care services that provide access to inhome or centre based backup child care.

Shared Backup Child Care

Shared Backup Child Care enables employees the opportunity to share unused backup care usages with colleagues who have exhausted their allotment of backup care usages for the calendar year.

Backup Elder Care

KPMG offers backup elder care services that provide access to inhome backup elder care, through Bright Horizons.

Shared Backup Elder Care Program

The Shared Backup Elder Care program enables employees the opportunity to share unused backup care usages with colleagues who have exhausted their allotment of backup care usages for the calendar year.

My 9 Months

A wide variety of practical and fun information for parents-to-be is available on the My 9 Months Web site including in-depth articles and content for individuals thinking of starting a family and for new parents.

Privacy Rooms

Whether our people are returning to work or travelling on business, KPMG recognizes the need for privacy for nursing mothers and provides privacy rooms in most U.S. firm offices.

Wellbeing Benefits. KPMG in Australia

KPMG's myWellbeing program covers a range of relevant benefits.

Wellbeing program

This includes health information sessions, flu vaccinations and health fairs.

Employee assistance program

KPMG in Australia provides confidential professional counselling for work, personal or family problems. It covers both KPMG employees and their immediate families.

Workplace health and safety

Their national workplace health and safety management system seeks to provide a safe and healthy work environment for all of our people.

Personal leave

Combined sick leave and career's leave entitlements provide up to 10 days paid personal leave each year to recover from illness or injury, or to care for an immediate family or household member.

Diversity

Harassment and Discrimination – Guidance for Members. KPMG in Canada

KPMG in Canada provides its partners and employees with guidelines on what defines a harassment and on steps on how it could be solved. Furthermore, the way to deal with a harassment complaint is clearly described.

Women's Advisory Board. KPMG in the United States

KPMG formed the Women's Advisory Board (WAB) in 2003 to create a more compelling work environment and enhance career opportunities for women across the firm by driving national and local initiatives that support, advance, retain, and reward them.

Comprising nearly half of all new hires at KPMG, women represent an enormous part of KPMG's talent pool, and thanks to the ongoing commitment of KPMG's leadership and the work of WAB and KPMG's Network of Women, the success of KPMG's women's initiatives is evident on a multitude of levels:

- The firm has seen a 48 percent increase in the number of women partners since 2003

- Women accounted for 27 percent of the firm's FY09 new partner class
- Women represented 45 percent of promotions to manager roles in 2008

In their most recent work environment survey, more than four-fifths of women respondents said they consider KPMG both a great place to work and a great place to build their careers.

Sustainable Procurement Questionnaire. KPMG in the United Kingdom

Since 2008 KPMG in the UK widened its perspective further and gave considerable thought to the vital role that their suppliers play in the achievement of KPMG's Corporate Social Responsibility (CSR), Diversity and Inclusion objectives. As a result of this work, the UK firm established the Sustainable Procurement program which seeks to maximize the contribution of suppliers to these key agendas. As a first step towards the establishment of the program KPMG in the UK wants to better understand two key aspects of their existing supply-base. Firstly, the demographics of their suppliers in terms of employees, management and ownership. Secondly, their suppliers' own approach to the subjects of CSR, Diversity and Inclusion.

The questionnaire has been developed to enable the firm to collate this information.

KGEN (KPMG's Gay, Lesbian, Bisexual, Transgender Employee Network). KPMG in Australia

KGEN is an initiative of KPMG's Diversity Advisory Board, which recognized the need for a network to support gay, lesbian, bisexual and transgender (GLBT) employees. KGen aims at:

- Increasing the visibility of GLBT members of the KPMG workforce
- Providing a forum to enable members to network both within KPMG and with peer networks in other organizations
- Providing peer support to GLBT staff
- Engaging directly with the needs of gay staff and positively contributing to amendments to firm policy which impact GLBT staff
- Contributing to the GLBT community through voluntary involvement with GLBT organizations and supporting GLBT community events that align with KGEN objectives.

Environment

We are dedicated to managing our environmental impacts proactively and we are committed to working together across borders to make an even bigger difference. Among the different issues we face, climate change is perhaps the biggest challenge, and to tackle it requires concerted global action. We have an important role to play in addressing this challenge – both in terms of our member firms' own operations as well as the services our member firms provide to their clients.



UN Global Compact Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges.

For KPMG member firms this means understanding and managing their own impact on their environment, while also working with their stakeholders to proactively respond to the environmental challenges facing the world.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

For KPMG member firms this means promoting sustainable workplace policies and greater environmental responsibility among our stakeholders.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

For KPMG member firms this means leveraging environmentally friendly technologies within the member firms, providing services to assist companies leading the transition to the low-carbon economy, and supporting activities promoting alternative technology.

Our Policies and Systems

The Global Green Initiative

To enable a consistent and structured approach to steadily improve our environmental performance locally, we introduced in 2008 our member firms' most significant response to climate change and other environmental challenges – the Global Green Initiative.

The principal ambition of 'KPMG's Global Green Initiative' is to reduce our member firms' combined carbon footprint by 25 percent by the year 2010 from a 2007 baseline, through emission reduction schemes and the use of renewable energy in our member firms. Moreover, in several member firms, we are also now purchasing third-party verified, high-quality carbon offsets. In addition, we are providing our member firms' partners and employees with the information and tools that they need to improve their own climate impacts both in the workplace and at home.

What you will find in this section

Environment

Principles 7, 8 & 9 Our Policies and Systems

The Global Green Initiative

Actions we are Taking

Yvo de Boer joins KPMG International
E-Audit
Sustainable IT Initiatives
Supplier Initiatives
Local Green Initiatives

On the Ground: Case Studies from Member Firms

General Country Approach

Organization and Communication Initiatives

Environmentally Responsible Initiatives

Environmentally Friendly Energy Initiatives

Key Performance Indicators

KPMG Member Firms Services

The Global Green Initiative is centered around three ambitions:

First – measuring, reducing and reporting KPMG’s carbon footprint

Second – supporting environmental projects to help address the challenges of climate change within our wider commitment to our communities

Third – working with our partners, employees, suppliers and clients to help them improve their climate change impacts

KPMG’s Global Green Initiative represents a realistic and attainable set of goals. We have utilized the experience of KPMG’s Climate Change & Sustainability services network, which has more than 15 years

sustainability experience and provides services to our member firms’ clients on meeting, managing, and reporting their carbon emissions; and of many of our member firms which have already made impressive reductions themselves.

Since establishing our 2007 global baseline, we have made tremendous progress in reducing our greenhouse gas emissions and environmental impacts, with member firms around the world implementing an impressive array of initiatives. Throughout 2010 – the final year of the first phase of KPMG’s Global Green Initiative – we are challenged to continue making progress and achieve our ambition of a combined 25 percent reduction by year-end.

“Although it is the role of governments to provide the necessary policy frameworks, I have always maintained that business will deliver the necessary innovation and solutions, providing the right conditions are created. With KPMG, I now have a chance to help make that happen.”

Yvo De Boer

Former Executive Secretary of the United Nations Framework Convention on Climate Change (‘UNFCCC’)

“Climate change is now widely regarded as one of the most serious challenges the world faces. It has reached a tipping point in global awareness and demands a global response.”

Timothy P. Flynn

Chairman, KPMG International

“These issues are becoming increasingly important for all organizations – and many business leaders acknowledge that climate will affect the way they do business in the future.”

Alan Buckle

Global Head of Advisory



Actions we are Taking

Advocacy

An important demonstration of our commitment to combating climate change was the recruitment of Yvo de Boer, one of the world's leading authorities on climate change and sustainability.

Mr. de Boer, former Executive Secretary of the United Nations Framework Convention on Climate Change ('UNFCCC') – who facilitated the recent climate summit in Copenhagen – will have a global role supporting KPMG member firms in advising business, governments and other organizations on sustainability issues. He will be our ambassador for climate change issues and will help develop sustainability frameworks for KPMG member firms.

Memberships and Associations

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 are particularly active in the cooperation with the WBCSD where we, amongst other projects, are involved with the development of the GHG Protocol Draft Product & Scope 3 Emission Standards.

Local Green Initiatives

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

Capacity Building

We intend to motivate partners and employees to take a lead in combating climate change themselves. We have created a set of tools and materials to help educate on their impact on climate change and the environment. These include a global citizenship intranet site, a quarterly newsletter called "The Global Green Update", a climate change training course, and a Building Efficiency Handbook to assist KPMG people. We've also encouraged our people to make a 'carbon pledge' and provided them with access to personal carbon calculators and films on environmental issues such as recycling and energy saving.

KPMG's Global Green Initiative

Our ambition is to reduce the member firms' combined carbon footprint by 25 percent by 2010 from a 2007 baseline

"Thanks to the commitment of the US firm, and the passionate support of our people, we are advancing steadily toward our goals and will continue to look at ways to reduce our impact on the environment"

Steve Clemente,
Principal in Charge, Operations, KPMG in the US

Environmentally Friendly Technologies

E-Audit

eAudit is KPMG's electronic audit management tool, providing auditors with the methodology, guidance and industry knowledge needed to perform efficient, highquality audits. Now being deployed to over 60,000 audit professionals by KPMG member firms around the world, eAudit's electronic audit process will help facilitate significant reductions in KPMG's use of paper, transport, physical storage and travel, which all benefit the environment. The 2010 global deployment of eAudit is part of a progression toward eAudit Online, a web-based version of eAudit that will allow KPMG engagement team members to collaborate electronically.

Sustainable IT: A Business Imperative

Sustainable, or green, IT has quickly emerged as a leading practice for organizations to increase energy efficiency, lower energy costs, and reduce greenhouse gas emissions. Several KPMG member firms have instituted a variety of Sustainable IT initiatives, including:

- **Energy Efficiency Standards:** establishing requirements for energy efficiency as part of the IT procurement process
- **Server Virtualization:** allowing one server to do the work of many
- **Power Management:** setting pc defaults to turn monitors off after a short period of inactivity
- **Data Centre Climate:** increasing the temperature in the data centre to lower cooling costs

Recent Thought Leadership on Climate Change Issues



The Copenhagen Accord: A view of a work in progress (2010)



Countdown to Copenhagen / in cooperation with The Economist (2009)



Climate Changes Your Business (2008)

Video Collaboration

To help support KPMG's global goal to reduce carbon emissions by decreasing the need for physical travel, the global information technology services group initiated a project to promote KPMG's network of member firms to invest in a video collaboration solution that creates a live, virtual meeting room. Participants see each other in lifesized images projected on highresolution displays and can communicate with no perceived delays, regardless of how far apart the teams may be. These studios allow KPMG people to meet with member firms' clients, colleagues and business partners in other cities and countries, reducing the environmental impact associated with physical travel. This investment helped KPMG in the U.S. earn recognition as a "Green IT Star" by InfoWorld Magazine. Individuals have also been able to reduce their travel; a KPMG in Australia partner reports that she decreased her need for physical travel by 34 percent. KPMG global leadership teams have also replaced some face to face meetings with video collaboration meetings. Considering many of these teams include people from various parts of the world, the reduction in physical travel for even one meeting can be significant.

Virtual Classroom

KPMG member firms provide a host of learning and development courses for its people. Today, KPMG leverages technology to offer a variety of e-learning courses that enable a broad educational offering. In addition, when compared to learning programs that require travel, the virtual classroom provides increased productivity, lower costs and reduced emissions.

Several KPMG member firms are recognizing the benefits of elearning courses and are instituting their own online courses. For example, KPMG in Brazil is exploring and expanding its virtual learning program to help reduce their internal travel requirements. The program began in 2009, but is expanding throughout 2010, with a goal of having 30 percent of all training conducted online.

Going beyond our Offices

Supplier Initiative

We cannot meet our environmental objectives alone. Therefore, as well as requiring suppliers to adhere to all applicable laws and regulations, several member firms have instituted Suppliers Codes of Conduct which also expects the suppliers to reduce their environmental impact by developing and using environmentally friendly technologies across their business.

Racing Green Endurance

KPMG International is proud to sponsor Racing Green Endurance, a project to build and race a SRZero electric sports car up the Pan-American Highway. The SRZero will become the first electric vehicle to make the entire journey, passing through 14 countries, from the far north in Alaska to the southern tip of South America in Ushuaia, Argentina. A team of 11 students and employees from the Energy Futures Lab at Imperial College London aims to engage the public and demonstrate the potential of alternative propulsion vehicles.

On the Ground: Case Studies from Member Firms

KPMG in Romania

KPMG in Romania launched its Green Policy in 2007. It is a firmwide commitment to environmental protection and after two years some of their achievements are:

- Electricity consumption was reduced by 117.000 kWh in 2009 compared to 2008 (a 10.8 percent reduction)
- 9.25 tons of paper and cardboard waste were collected and sent for recycling in 2009, which means a 42 percent increase against 2008, when 6.5 tons of paper waste were collected and sent for recycling
- In 2009 13.1 cubic meters of plastic waste were collected that was then sent for recycling – an increase compared to 7 cubic meters in 2008

Another recent achievement in this area is the ISO 14001, an environmental certification obtained in 2009, which successfully passed the surveillance audit (from the certification body) in March 2010.

In order to motivate its partners and employees, KPMG in Romania also produced a guide book on how to act more environmentally friendly.

KPMG in China

KPMG China fully supports the Global Green Initiative. So far, energy consumption has been reduced through environmental education, tips and fun competitions, replacing paper cups with ceramic mugs, installing double-sided printers and recycling bins, purchasing hybrid company cars and using LED lights and installing motion sensors in newly renovated areas. To reduce business travel, KPMG China has built video conferencing facilities in their Hong Kong, Beijing and Shanghai offices and installed personal video conferencing capacity on all partners and director computers. In Hong Kong, KPMG is one of the first business organizations to partner with the WWF on the Low-carbon Office Operation Programme (LOOP). KPMG China is producing a carbon emission reduction guideline for all China offices in order to assess and improve their offices' efficiency; at the same time, a carbon audit 2010 projection is being carried out, and recommendations will be made to the firm's senior management to further reduce the firm's carbon emission in the coming months.

Carbon Neutral Initiatives

In response to the growing concern of carbon emissions and their impact on global warming, KPMG in Ireland became the first professional services company in Ireland to go Carbon Neutral in 2007.

Over the last number of years KPMG member firms have been measuring their carbon footprint and selecting appropriate off-set projects. The process includes an analysis of all energy use, waste production and emissions related to business travel, leading to the production of an independent report of CO2 emissions levels.

KPMG in Ireland renewed its Carbon Neutral status for 2009.

KPMG in Australia, KPMG in the Netherlands, and KPMG in Spain are also currently using third-party verified carbon offsets to reduce their national emissions and will be carbon neutral in 2010.

Organization and Communication Examples

Appointing a Regional Sustainability Correspondent. KPMG in France

KPMG in France implemented a program to assign regional responsibility for implementing the firm's sustainability initiatives. The role of the regional sustainability correspondent is to implement plans and actions as outlined by the national committee with a goal of increasing lead partner buy-in and commitment to the program.

Internal Communications Plan. KPMG in Romania

To help drive partners and employees participation in the environmental initiatives of the firm, KPMG in Romania launched an intensive communications program. A monthly email informs all partners and employees of small actions that can be taken to reduce their emissions and waste. The email also provides specific information on recent or upcoming environmental world events, such as the COP15 summit, Earth Day, and Earth Hour.

A Cross-Functional Approach: Building the "Green Team" and "Green Ambassadors". KPMG in Singapore

In order to drive innovation and gain support from partners and employees, KPMG in Singapore implemented a cross functional 'Green Team'. Seven staff members across Audit, Tax, Advisory and Infrastructure meet quarterly to discuss the environmental initiatives of the firm and review the environmental performance figures. Furthermore, in October 2009, KPMG in Singapore implemented the Green Ambassador program. Ambassadors are empowered to make simple changes in their office space without a change in firm policy and to engage partners and employees in the environmental programs of the firm. To assist them in this task, they are also given a checklist for individual and department actions, such as turning off the lights at lunch and printing on both sides of the paper.

KPMG Participates in Earth Hour

On 27 March 2010, at 8:30 pm, individuals and businesses around the world shut off their lights in support of Earth Hour, a global movement to raise awareness about climate change. More than 20 KPMG member firms participated, making a statement about our commitment to the environment and community.



Efficient office buildings: UK

KPMG in the UK's new office in Canary Wharf, London, will have ambitious sustainability targets, including a 50 percent CO₂ cut against 2006 Building Regulations, by investing in:

A tri-generation boiler that generates electricity and recycles the resultant heat to warm the building

Energy-efficient chilled beams for air cooling

Grey water recycling, reducing mains water usage by more than 35 percent

Environmentally Responsible Initiatives

Taking Green Home: A Valuable Employee Benefit Program. KPMG in Canada

As part of KPMG in Canada's commitment to supporting environmental improvement among its people and communities, the firm developed programs to help partners and employees improve energy efficiency at home. The Natural Resources Canada Assessment Program helps homeowners make retrofit choices that improve energy efficiency. The firm covers 50 percent of the initial assessment cost, up to Can\$150. However, for individuals who are renting or are not yet ready to retrofit their home, the Go Green Energy-Efficiency Program provides an alternative means of making improvements. The program involves the completion of a 'Go Green Checklist' by a trained third party, which will result in a tailored list of recommendations for improving the energy efficiency of a home.

After Hours Electricity Conservation. KPMG in Taiwan

When partners and employees need to work after 9:00 PM at KPMG in Taiwan, they are now required to work in a designated after hours office location. This program reduces electricity consumption by reducing the numbers of lights that are used. Keeping employees clustered in a single area reduces the need for lighting throughout the office, reducing costs from electricity as well as emissions.

An Innovative Incentive Program to Promote Employee Car Sharing. KPMG in United Kingdom

Through the implementation of a car share incentive, KPMG in the UK avoided approximately 2.6 million miles of car travel and saved approximately £750,000 in fiscal year 2009. The car share incentive pays the driver an extra 5p per mile for each additional KPMG employee riding in the car.

Since the normal reimbursement is 40p per mile, this provides a significant savings for the UK firm and the client when employees carpool to client engagements. In addition, the program falls in line with the UK scheme for passenger payments, so employees are not taxed on the additional reimbursement. The car-share incentive expense runs through the standard billing process, making it easy for employees to receive reimbursement. While this program is voluntary for the passengers, who do not receive an incentive for carpooling, there has been positive feedback.



Sustainable IT- the case for strategic leadership



Green IT and the bottom line

Environmentally Friendly Energy Initiatives

Water Metering. KPMG in South Africa

To improve their understanding of their water consumption, KPMG in South Africa has installed water meter technology in the high use areas of its main buildings. For example, the firm is monitoring the water usage in the car wash area of its main building. As a result of this analysis, the firm is investigating whether it would be feasible to use grey water in its car wash and irrigation systems.

Sensors Save Energy. KPMG in India

KPMG in India has installed sensors to improve the regulation of lighting, heating and cooling. Occupancy sensors are capable of identifying when a particular space within a building is occupied and are then able to adjust the lighting, temperature and other appliances accordingly. In addition, the Indian firm uses a product to regulate the voltage flow to all lighting devices. These sensors control power consumption without reducing luminosity, saving energy without affecting partners and employees. The sensors can save from 5-25 percent of the normal energy used by the lighting fixtures.

Stakeholder Consultation. KPMG in South Africa

KPMG in South Africa hosted several stakeholder workshops in 2009 to gain buy-in for their environmental programs. In particular, internal and external key stakeholders, such as information technology services, IT Advisory, and facilities contractors, were brought to the table to explain the Global Green Initiative and work towards reduction strategies. As a result of these workshops, internal IT now holds regular Green IT meetings to explore technology alternatives and strategies.

IT Procurement. KPMG in the United States

KPMG in the United States Sustainable Procurement Policy requires that new purchases of laptops, desktops, and monitors meet the current Gold and Energy Star criteria. Enterprise Servers, printers, copiers and fax machines must meet Energy Star criteria. All products must be listed in the corresponding Energy Star product list (www.energystar.gov) and EPEAT registry (www.epeat.net), which will be used for validation purposes.

Reduce, Re-use and Recycle Initiatives for KPMG partners and employees.

Environmentally friendly things we encourage our people to do at the office

Add to emails: "Please consider the environment before printing this email"

Print only when necessary

Use recycled or sustainably sourced paper

Use draft setting for printing as much as possible

Use public transport or video conferencing

Partner with a local environmental project

Use office blinds to help keep cool on sunny days

Switch lights and IT equipment off overnight

Consider running or cycling to work

Install a water filter instead of using plastic bottles

Introduce an environmental management system and act on it

Minimize waste generation and institute recycling programs

Key Performance Indicators (KPIs)

We have made significant progress in our overall environmental performance since launching our global program in 2008. Globally, member firms' gross emissions have decreased 9.5 percent from 2007 to 2009. When we deduct our renewable energy and third-party verified high quality carbon offsets, our net emissions have dropped from 3.5 metric tonnes to 2.5 metric tonnes CO₂e per full-time equivalent – a 29 percent decrease.

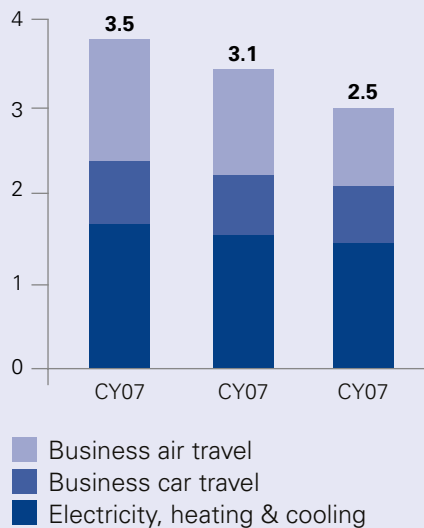
Although we recognize that the reductions achieved to date may be attributed to a variety of factors, not least the economic downturn, we also recognize that our global focus on reducing our environmental impacts has enabled member firms to re-think practices, redesign processes and institute systematic changes that have contributed to this goal. For example, air travel emissions shows our largest decrease in 2009. A number of actions

were taken which have contributed to the change, including: cost saving initiatives; instituting e-learning and more localized training programs; mandating rail travel for certain short-haul travel; and significantly increasing the use of video collaboration with the implementation of specialist video

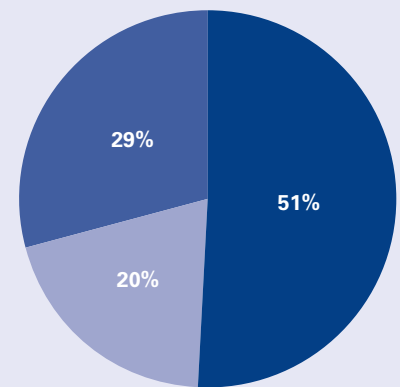
conferencing in KPMG offices around the world.

While we are proud of our accomplishments to date, we recognize the continuing challenges of maintaining momentum and achieving our global ambition of a 25 percent reduction by the end of 2010.

**KPMG Global
Net Emissions per FTE**



2009 Emissions By Type



Total Emissions by Source (tonnes CO₂e)

	2007	2008	2009	CHANGE '07 to '09
GROSS EMISSIONS	461,735	465,356	418,030	-9.5%
Less: Renewable Energy	(21,393)	(24,230)	(31,633)	-
Less: Voluntary Offsets	(4,874)	(18,192)	(39,798)	-
NET EMISSIONS	435,467	422,935	346,599	-20%
Avg. Full-Time Equivalents	123,322	136,069	139,571	+13%
EMISSIONS PER FTE	3.5	3.1	2.5	-29%

A truly global initiative

Forty-one member firms, representing 83 per cent of KPMG people globally, participated in the Global Green Initiative in 2009. We have continued to increase participation each year among KPMG member firms around the world and look forward to more member firms joining in the coming years.



KPMG Member Firms' Services

Environmental Management

We assist organizations to understand their environmental risks and opportunities and advise on the proactive steps necessary to manage these risks and maximize opportunities.

Climate Change Mitigation & Adaptation

Clients are aware that the effects of climate change are or may have significant implications on their activities and that most have a role to play in climate change mitigation. Our member firms' climate change services assist clients with a greater understanding of short, medium and the long-term impacts of climate change enabling them to develop strategic approaches on how to best prepare for both predicted and unexpected events.



Environmental Advisory

We assist clients to better understand their environmental impacts and their role in driving forward the CSR agenda. Our member firms' professionals provide environmental insights that enable clients to establish their positions relative to their peers and set out options on how to improve their overall environmental performance.

Carbon Advisory Group (CAG)

Through the operation of the CAG we draw upon our wide ranging skills base to assist our member firms' clients in the identification of new technologies, financing mechanisms etc., aimed at assisting the client with low carbon business opportunities.

Anti-Corruption

KPMG International and KPMG member firms take their commitments to anti-bribery, anti-corruption and ethical business very seriously. KPMG member firms are committed to achieving a high standard of ethical behavior in everything that they do. Our overarching value is that 'above all, we act with Integrity'. Our Values are communicated to all of our people through the member firms and also embedded into performance appraisal processes. Member firms maintain compliance with legal, ethical, and professional requirements through a number of mechanisms, including adopting clear policies and procedures and promulgating a Code of Conduct.

UN Global Compact Principles

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

For KPMG member firms this means always acting with integrity.

Our Policies and Systems

KPMG International's and KPMG member firms' commitment to working against corruption is embedded in KPMG's values, policies and training.

Policies for the Organization and Workforce

Code of Conduct

The Global Code of Conduct includes statements in regard to acting ethically and lawfully:

"We are committed to acting lawfully and ethically, and encouraging this behavior in the marketplace."

"Maintaining independence and objectivity, and avoiding conflicts of interest or undue influence."

The Code of Conduct also includes an ethics checklist for assisting partners and employees when making a decision or following a directive.

What you will find in this section

Anti-Corruption

UNGC Principle 10 Our Policies and Systems

Code of Conduct

Anti-bribery Policy

Monitoring

Ethics and Compliance

Acceptance and Continuance of Clients and Engagements

Actions we are Taking

On-boarding

Training

KPMG International Transparency Report 2009

Principles for Countering Bribery

Thought Leadership

KPMG Services

On the Ground Case Studies from Member Firms:

Initiatives in KPMG Belgium

Anti-bribery Policy

The anti-bribery policy includes 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 and a prohibition against making facilitation payments on behalf of a client or third party under any circumstances. These prohibitions extend to both public and private sectors.

Monitoring

KPMG International has an integrated monitoring program that covers member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures, including those regarding the policy areas set out above. This monitoring addresses both engagement delivery and certain KPMG International policies and procedures.

Ethics and Compliance

Member firms' Codes of Conduct articulate expectations of partner and employee responsibilities to act with integrity and adhere to the KPMG Way. Additionally, partners and employees receive training and communication upon joining the firm and throughout their careers on many aspects of compliance, ethics, including independence and anti-bribery.

Policies for Clients

Acceptance and Continuance of Clients and Engagements

KPMG International has established policies and procedures to support member firms in deciding whether to accept or continue a client relationship and whether to perform specific services for a particular client. There is a specific focus on client integrity within these processes.

Prior to accepting a client, a member firm performs an evaluation of the prospective client. This involves an assessment of its background, including its management and ownership, its business, and other matters, as appropriate, to identify risks and determine whether or not to accept the client.

Actions we are Taking

Workplace Initiatives

On-boarding

Upon joining a member firm, partners and employees are required to participate in a comprehensive on-boarding program which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual can commence as a partner or employee with a member firm.

Training

Training covering compliance with laws, regulations and professional standards, as well as the antibribery policy, 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. Broadly, the training covers: obligations to report suspected non-compliance with laws, regulations,

professional standards, or KPMG policy; 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.

Thought Leadership



Overseas Bribery and Corruption Survey 2009



2008 Anti-Bribery and Anti-Corruption survey



Understanding Business Ethics



Integrity Survey 2008-2009

Ethics and Compliance Hotline

A KPMG International hotline is available for KPMG member firm partners, employees, clients, and other parties to confidentially or anonymously 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, Auditing, Banking Crime, Financial Crime and antibribery. Reports to the hotline are reviewed by KPMG International personnel 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 a member firm) then the investigation will be conducted under the auspices of KPMG International.

Additionally, member firms may operate hotlines in their own jurisdictions to encourage confidential and anonymous reporting of concerns.

Evaluation, Compensation and Promotion

Each professional is evaluated on his or her attainment of agreed-upon goals, demonstration of the KPMG skills and behaviors for their level, and adherence to the KPMG values. All member firms are encouraged to have compensation policies that are clear, simple, and linked to the performance evaluation process so that partners and employees know what is expected of them and what they can expect to receive in return. The result of their annual performance evaluation directly impacts their compensation, promotion, and in some cases their continued association with KPMG.

Integrity in KPMG Europe LLP's Supplier Code of Conduct

Integrity is vital for a sustainable and fruitful relationship with all our stakeholders. We expect our member firms' suppliers to:

Act with integrity, constantly striving to uphold the highest standards of ethical practice.

Adhere to all applicable laws and regulations.

Avoid any conflicts of interest and never participate in improper practices such as bribery.

Initiatives for Stakeholders

KPMG International Transparency Report 2009

KPMG International publishes a Transparency Report for key stakeholders in which the steps that KPMG member firms take to uphold our professional obligations and responsibilities are clearly articulated. It specifically discusses the KPMG network, governance, structure, approach to quality control and culture of integrity.

Principles for Countering Bribery

KPMG International has signed up to the World Economics 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.



KPMG Firms Services

Implementing Ethics Program

Whereas many organizations have defined their codes and principles, only a few companies have truly succeeded in effectively implementing them in daily business. KPMG member firms have developed a dilemma game (Cards on the Table), which has shown itself to be very successful in translating abstract ethical rules into concrete situations. The game sensitizes partners and employees to ethical issues arising at their workplace, triggers discussions on alternate courses of action, and prompts them to recognize and reflect on different ways of reacting.

Ethics and Com Hotline pliance

KPMG member firms' support many businesses in their efforts to set up an ethics and compliance hotline. This enables employees to report anonymously and discreetly any suspicious behavior without fear of retaliation. We operate ethics and compliance hotlines on behalf of several multinationals (outsourcing) and follow up with special investigations when needed.



On the Ground: Case Studies from Member Firms

Fraud Risk & Integrity Management Team. KPMG in Belgium

KPMG's Fraud Risk & Integrity Management team consists of specialists (managers, accountants, auditors, behaviorists and ethics experts), who have extensive experience and knowhow in specific sectors as well as in the relevant areas of regulations and legislation. The team can support the client by:

- Helping develop and implement behavioral codes
- Evaluating existing behavioral codes
- Helping set up safety net structures
- Acting as an external reporting center
- Organizing training courses on integrity (including dilemma training and executive coaching)
- Helping develop tools for creating and maintaining the right corporate culture
- Identifying the integrity climate (via the Integrity Thermometer, among other means)

The Integrity Thermometer. KPMG in Belgium

KPMG in Belgium developed the Integrity Thermometer, a succinct and established questionnaire, in hardcopy or digital form, which measures the extent to which undesirable behavior occurs, how partners and employees react to such behavior and how the organization leads them into desirable behavior. The Integrity Thermometer is based on a model related to the causes of unethical behavior and is derived from an analysis of a large number of practical situations. The Integrity Thermometer provides insight on eight organizational qualities (see figure below). The Integrity Thermometer consists of a set of standardized questions which have been scientifically tested for their comprehensibility, clarity, distinctive character and validity.

Find out more about KPMG's policies and procedures to ensure compliance to ethical standards



International Transparency Report, 2009



Ethics and Compliance Report KPMG in the United States

"The quality and integrity of our people and our work is paramount to everything we do at KPMG. Audit committees, management, regulators, governments, clients, and investors deserve a clear articulation of the steps that KPMG member firms take to uphold our professional obligations and responsibilities"

Timothy P. Flynn
Chairman, KPMG International

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