

KPMG and the United Nations Global Compact

Communication on Progress for the period to June 2005

Statement of Continued Support

At KPMG we are proud to be signatories to the Global Compact and express here our continued support to the ten principles. We will continue to work in partnership with United Nations agencies, business and civil society both in respect of awareness and performance in relation to the protection of human rights, freedom of association in the workplace and environmental responsibility.

About KPMG International

KPMG International is the global network of professional advisory firms providing audit, tax and advisory services with industry focus. Its aim is to turn knowledge into value for the benefit of its clients, people and the capital markets. With nearly 94,000 people worldwide, KPMG member firms provide audit, tax and advisory services from 717 cities in 148 countries.

KPMG is committed to three key imperatives: quality, insight and integrity – which together support the ten principles of the Global Compact. We welcome the opportunity to do our part in restoring confidence in the capital markets. And we celebrate the dedication of our people, who are the driving force behind the quality of our services and integrity of our practices.

Description of Practical Actions taken to implement the principles

The beginning of this century has been more turbulent and challenging for KPMG, its member firms and the accounting profession than perhaps any other time. Resulting scrutiny from governments, regulators, business and the media has placed our organisation and our profession under the spotlight as never before. Moreover, the expectations of the capital markets, the demands from our member firm clients, the hopes of our people and the accountability to regulators have never been greater.

We at KPMG have always taken pride in the quality of our work, the experience and professionalism we bring, and the robustness of our values and behaviours. We believe in acting legally and ethically and encouraging this behaviour in the marketplace. One example of this has been our support for the Global Compact and encouraging others to likewise support the ten principles. We have to convince a sceptical audience however and we have a mission to lead and explain. A twenty-first century professional services organisation must ensure that how it does business is understood both within the organisation and externally. The keys to our success and the success of our profession are

transparency and openness. It is no coincidence that these values underpin all of the ten principles of the Global Compact.

Accordingly the Global Code of Conduct was launched in 2004 to define the values and standards by which KPMG does business. While the Global Code embraces all of the core values as defined by The KPMG Way (which is our definition of who we are, what we do and how we do it.), its specific principles are underpinned by the core value of *integrity* but all of the behavioural standards incorporate the principles of the Global Compact.

KPMG's Core Values

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. They too are completely aligned with the ten principles of the Global Compact.

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

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

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

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

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

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

In addition to these global actions we give below examples of some of the actions that have been implemented nationally or regionally that contribute to the implementation of the principles.

UK Environment Programme

Launched in October 2004, KPMG in the U.K.'s Responsible Consumption campaign has drawn together the firm's environmental activities to help 'Reduce, Reuse and Recycle' resources.

The effects are impressive:

- 100 percent of the electricity used in buildings is now from renewable sources.
- More than one million travel miles have been saved through car sharing.
- More than 40 percent of the paper bought is recycled.
- 74 percent increase in non-confidential paper recycling in the London offices.
- Six percent reduction in water consumption thanks to an Earthwatch scheme.
- 126 tonnes of glass waste avoided annually by reusing rather than recycling water bottles
- More than 100 items of old office equipment donated to schools and charities; any printers that could not be reused were recycled to avoid landfill issues.

A target of U.K. £700,000 in cost savings has been set for the U.K. As part of the incentive for people to use resources more efficiently, up to 50 percent of the savings—potentially up to U.K. £350,000 - will be donated to the staff's chosen charity, The Children's Trust. This programme is communicated throughout KPMG internally and by our community partner externally. In this way we extend this good practice to other enterprises and positively contribute to environmental conservation.

China - Operation Smile

KPMG in China's Shanghai office supports Operation Smile, which provides cleft lip and palette operations for children in China. In many circumstances the condition is life threatening.

Initially KPMG employees raised funds through initiatives such as fun runs, but it was soon clear that Operation Smile needed translators to help its international surgeons communicate with patients. KPMG has supported five missions in this way. As a result of the generosity of the attendees at the KPMG International Partners' Conference in Shanghai, in 2004, enough money was raised to pay for 125 operations.

US Volunteer Time Release Programme

KPMG US has introduced the Volunteer Time Release (VTR) programme, which enables eligible employees to volunteer at least one hour per month—up to a maximum of 12 hours per fiscal year — during KPMG's normal business hours. The VTR programme is in addition to and not in lieu of KPMG's other programs supporting community involvement and

volunteerism that are offered through national and local initiatives, some of which take place on the weekend or after business hours.

KPMG's VTR programme kicked-off a nationwide celebration honouring volunteers and their work in our communities, entitled National Volunteer Week and sponsored by the Points of Light Foundation, a national advocate of volunteer and community service.

From youth mentors and non-profit boards, to soup kitchens and walks or runs for a cause, employees, from all over the practice have participated in community activities. In 2004 more than 9,000 employees participated either by volunteering their time and talents or by fund raising for local community needs.

South Africa Black Empowerment Programme

KPMG in South Africa believes in and, together with all other South Africans, celebrates the community at large. However, KPMG also believe that they have a particular responsibility within the context of the Audit and Accounting profession and KPMG's own standing in the specific communities in which they serve. KPMG, together with other key stakeholders, is therefore passionate about changing the *status quo*. Addressing this issue to find positive, sustainable outcomes, started with looking at nurturing awareness of accounting as a profession for previously disadvantaged individuals and then ensuring that graduates to the profession are academically capable; given support through their university studies and professional examinations; mentored throughout the process; and given appropriate job exposure to build relevant experience, and progress swiftly and confidently through the ranks to their own self-actualisation within the profession.

.KPMG is also tackling the development of black chartered accountants at a grassroots level by embarking on educational projects that aim to improve the matric pass rate in previously disadvantaged schools and at a tertiary educational level through substantial investments, including for bursaries and academic support. KPMG also supports a number of academic intervention programmes at various universities throughout the country.