I am delighted to introduce our first environmental, social and governance (ESG) report, which presents our ESG progress and performance.

Over the past few years, ESG has risen in the corporate agenda across different business communities. According to our KPMG 2020 CEO Outlook, CEOs believe their organisations have a larger role to play in society, with almost two-thirds (65 percent) saying that the public is looking to businesses to fill the void on societal challenges.

The Covid-19 pandemic has also redefined what good business leadership looks like, driving CEOs to focus more on their roles in society, as well as their organisations’ purpose and ESG issues. In addition, overwhelming research and market data suggest that a strong ESG proposition is linked to higher returns and lower financial risks, safeguarding a company’s long-term success. These findings send us a very clear message – businesses can no longer consider ESG a nice-to-have or compliance-driven topic; instead they should integrate ESG into their core business operations to stay competitive and resilient.

To achieve this goal, a new global platform, KPMG IMPACT, has been formed to bring together our colleagues’ expertise from across the globe, with a focus on impact linked to ESG and sustainability. In response to this global initiative, KPMG China has set up the ESG and IMPACT committee. The committee steers the direction and management approach of the firm’s ESG focus and service offerings to help our clients develop their business strategies and operations with ESG/sustainability in mind.

Our ESG outlook is also reflected in our five values – Integrity, Excellence, Courage, Together and For Better – which guide our behaviour, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders. These values also invigorate our drive to become more environmentally and socially responsible as a corporate citizen.

The Covid-19 pandemic has undoubtedly increased awareness regarding the importance of building a more sustainable and resilient future. From the start of the outbreak in 2020, our people have stood together to see how we can help. On the business front, we shared insights on business resilience, helping our clients weather the storm and maintain business continuity. We also demonstrated our ongoing commitment to our communities. In February 2020, the KPMG Foundation and our people took immediate action to raise more than RMB 4 million for various emergency relief initiatives such as purchasing vital medical supplies for hospitals in Hubei province, providing emergency funding for low-income families and more. I am extremely proud of our people’s swift action to support those in need.

During this turbulent time, we have continued to stand firmly with our people by putting their emotional and physical well-being and safety as our top priority. We implemented ‘agile working’ measures to reduce the risk of infection and promote the importance of mental health.

Globally, 2020 has been life-changing and has reminded us that building a sustainable and resilient world is more important than ever. In today’s rapidly evolving times, we will continue to live up to our KPMG values to empower and inspire our clients, our people and the communities around us, creating a better future for the next generation.

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Key highlights

Principles of governance:
- Set up the ESG and IMPACT committee to oversee the firm’s ESG development
- Identified 12 material topics through our materiality assessment, including ethics, integrity and independence, etc.

Prosperity:
- Employed 11,366 people across 26 offices, and opened offices in three cities in China – Ningbo, Suzhou and Jinan
- Invested over RMB 29.4 million in the community, including donating over RMB 4 million for Covid-19 emergency relief

Planet:
- Working towards setting 1.5°C science-based targets to tackle climate change, in line with KPMG’s global climate goals
- Reduced greenhouse gas emissions by 73% per full-time equivalent (FTE) in 2019 compared to a 2016 baseline
- Introduced green recommendations, such as the Green Events Guidelines
- Won the Gold Award in the Servicing & Trading category of the 2019 Hong Kong Awards for Environmental Excellence, as well as an Outstanding Green Achiever Award

People:
- Continued to transform our work/offices across China with the ‘Future of working’ concept, such as piloting the ‘Everyone agile’ initiative in our Hong Kong offices to enable flexible working arrangements
- Launched our inaugural inclusion and diversity report
- Supported women in leadership, with 39% of our partners and 30% of board members being female
Governance

Principles of governance

Embedding our purpose in our business and operations.

Our purpose, values and vision

Our purpose, values and vision represent what we stand for, where we are today and what we want to achieve in the future. These elements unite us, help us grow and realise our goals – individually, collectively in our China firm and together as a global organisation.

We strive to build and fortify an ethical workplace and ensure we continue to serve the public interest. We see the big picture and broader impact of our decisions, and aim to make a difference in big and meaningful ways to our people, our clients and the public. We acknowledge the important role we play in our society and communities, as well as our environmental and social responsibilities, making progress towards the UN Sustainable Development Goals (SDGs).

Our purpose: Inspire confidence and empower change

Integrity
We do what is right

Excellence
We never stop learning and improving

Courage
We think and act boldly

Together
We respect each other and draw strength from our differences

For Better
We do what matters
ESG and IMPACT committee

To drive sustainable change in the marketplace and within the firm, we set up the ESG and IMPACT committee (‘the Committee’) to oversee and steer the strategic development and operations of ESG in China and stay aligned with our global initiative, KPMG IMPACT.

The Committee includes our chairman, chief operating officer, four regional senior partners, and heads of Corporate Affairs, Markets, and People, Performance and Culture.

The Committee also aims to optimise our influence in driving ESG development in the marketplace through our services and interactions with different stakeholders.

Sustainability governance

ESG and IMPACT committee

To drive sustainable change in the marketplace and within the firm, we set up the ESG and IMPACT committee (‘the Committee’) to oversee and steer the strategic development and operations of ESG in China and stay aligned with our global initiative, KPMG IMPACT.

The Committee includes our chairman, chief operating officer, four regional senior partners, and heads of Corporate Affairs, Markets, and People, Performance and Culture.

The Committee also aims to optimise our influence in driving ESG development in the marketplace through our services and interactions with different stakeholders.

Sustainability principles and policies

KPMG China is committed to building a more sustainable and equitable society. We recognise that we have a moral obligation towards our people, clients and the broader community to ensure that we are actively reducing our environmental impact and improving the communities where we operate.

To achieve these commitments, we have a set of policies and guidelines in place to address different environmental and social issues, from climate change, business ethics, information protection and human resources, to health and safety, inclusion and diversity, and more.

Sustainable Development Goals

As a global professional services firm, KPMG China strives to play a pivotal role in driving and achieving the SDGs.

By identifying what is relevant to us and where we can make the greatest impact, we have recognised six global goals that represent what we aspire to achieve collectively. We have incorporated these six SDGs throughout the report.

Source: United Nations
Engaging our key stakeholders on an ongoing basis is important for our ESG governance and management as well as our reporting process. Not only does it help us understand and communicate the issues that are important to our stakeholders, but it also steers the way we manage our business. At KPMG China, the following stakeholder groups have been identified as key to our ESG reporting:

To gather views and communicate ESG issues within the firm, we conducted a mix of stakeholder engagement exercises comprising an online survey as well as several in-depth interviews with senior management during the reporting period. This helped us collect our people’s feedback on various environmental and social issues, ranging from climate change and waste management to inclusion and diversity. Supplemented by findings from the Global People Survey (GPS) – our annual survey to collect feedback about working at the firm – these insights help our management better develop our ESG strategies and initiatives.

Our ESG survey received over responses from staff

750
Governance

Focusing on the most important ESG issues can help us better utilise our resources to address these problems and reduce the associated risks.

Our material issues were identified and selected through a five-part materiality test, where we assessed five categories. This allows us to better understand how we are performing in different ESG aspects against our peers and international standards.

1. Identification and prioritisation

- Direct short-term ESG impacts: We studied the latest regulatory and compliance requirements for our business to assess the direct short-term impacts resulting from changes in the ESG landscape that could affect KPMG China.

- Policy-based performance: We reviewed our internal policies and procedures, which provide information on the ESG issues that KPMG China has already focused on.

- Peer-based norms: A comprehensive peer review was conducted to identify our peers’ and competitors’ material topics, as well as their ESG performance.

- Societal norms: As important societal issues are likely to be embedded in regulations, international standards and guidelines, our stakeholders expect us to manage these proactively.

- Stakeholder behaviour and concerns: We have therefore referenced the World Economic Forum’s International Business Council’s Stakeholder Capitalism Metrics, the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board’s (SASB) Materiality Map to identify topics that are material to our business and industry.

- An online survey was conducted, inviting our staff to select the ESG issues that are most important to them and to the firm’s business.

- Interviews with senior management were also conducted to provide qualitative input to facilitate prioritisation of ESG issues.

- We referenced the material topics identified by KPMG International, which used a third-party consultant to evaluate the consistency of our material topics. Our global materiality assessment was conducted in 2020, taking into account different sources of information such as our Global People Survey results, as well as research conducted by KPMG International. This research covered responses from over 700 C-Suite and over 3,500 informed public members in seven major countries (including China).

2. Selection and validation

- The following 12 material issues were selected with consideration to the following factors:
  - Results of the five-part materiality test
  - Alignment with the firm’s vision, purpose and values
  - Feedback and concerns from our key stakeholders
  - Impact of our business on clients, the marketplace and communities.

Material issues

- GOVERNANCE
  - Purpose, culture and values
  - Ethics, integrity and independence
  - Transparency and accountability
  - Information protection

- PROSPERITY
  - Financial and brand resilience
  - Relevant, quality services in the public interest
  - Technology and innovation
  - Impactful community initiatives

- PLANET
  - Climate action

- PEOPLE
  - Staff health and well-being
  - Talent attraction, development and retention
  - Inclusion and diversity

Source: KPMG China
Business ethics

The KPMG China Code of Conduct (“the Code”) lays out the expectation of ethical behaviour for all our people and is built on the foundation of the KPMG values. The Code does not simply set the standards for our professionals to meet regulatory obligations – it also sets a far higher benchmark to help ensure we meet our public interest responsibility. All KPMG China personnel are required to comply with the Code and confirm compliance with the Code annually. Declarations with non-conformity are followed up by our risk management team.

To understand and manage associated risks, our ethical code and professional standards require know your client (KYC) procedures to be undertaken as part of the evaluation of new and existing clients. All relevant KPMG China personnel have to complete mandatory training on anti-money laundering requirements and KYC procedures.

Independence

Auditor independence and strong ethical conduct are cornerstones of professional standards and regulatory requirements. Maintaining our independence is therefore vital to every service we offer. As a professional services firm, we recognise that we have a responsibility towards our stakeholders who need us, the capital markets we protect, and the general public we are entrusted to serve with integrity. Reliable financial information is essential to the smooth operation of the financial market. The assurance we provide plays a significant role in building trust for the public.

KPMG China has implemented detailed independence policies and procedures, derived from the requirements issued by our professional bodies, and those of other applicable regulatory bodies. These policies and processes, which are overseen by our Ethics & Independence Partner, cover areas such as firm independence, personal independence, post-employment relationships, partner rotation and approval of audit and non-audit services, as well as conflict of interest. All our professionals are expected to adhere to KPMG policies and procedures, and are provided with a range of tools and guidance to support them in meeting these expectations.

Anti-corruption

As specified in the Code, KPMG China does not tolerate behaviour that is illegal, unethical or breaches human rights, whether from clients, suppliers or public officials with whom we deal.

We do not accept or offer bribes (directly or indirectly), or participate in corrupt practices, and have zero tolerance for bribery and corruption in any form. Specifically, our policies set out clear requirements and procedures for KPMG employees relating to offering or accepting inducements (including gifts or entertainment), with the aim of preventing corruption and bribery.

The We Do What is Right: Integrity at KPMG training is an annual training course mandatory for all KPMG partners and staff. The course provides our partners and staff with our firm’s policies on anti-bribery and highlights the importance of compliance with applicable laws, regulations and professional standards.

At KPMG China, we have been working closely with different national and international regulatory organisations, standard setters and other professional bodies on the basis of open and transparent communication.

Clients

We value open, honest and transparent dialogue and working relationships with our clients. For example, our global smart audit platform, KPMG Clara, provides an online client collaboration portal which allows transparent, real-time access to information about the status of the audit as well as insights arising from the audit process.

People

Every year, our people across all functions are invited to participate in KPMG’s Global People Survey (GPS), which is a global independent survey with the aim of collecting our employees’ perceptions about their experience of working at KPMG.

The survey provides us with an overall measure of our people’s engagement, as well as insights into the areas in which we could drive further engagement. Our people’s feedback in the 2020 GPS is the key to our initiatives around our future workforce, workplace, agile approach and employee engagement.

Apart from the annual GPS, we communicate with our people through different internal communication channels, such as a weekly newsletter, announcement emails and intranet articles.

Regulators

Regulators play a critical role in the operation of capital markets. KPMG China strives to maintain professional and respectful relationships with regulators in mainland China, Hong Kong and Macau, including proactively engaging with them.

Speaking Up

To enable the confidential reporting of any actual or suspected misconduct concerning our firm, we have established multiple channels for reporting concerns and for our staff to seek help. Such reporting is the responsibility of all our staff and they can do so without being at risk of retaliation or retribution.

Both the KPMG China Ethics Hotline and KPMG International hotline – available to KPMG personnel, as well as clients and other third parties – facilitate confidential reporting of non-compliance matters related to KPMG China. In addition, we encourage our staff to approach their supervisor to resolve any matters promptly or escalate these to the next level of management. We are committed to ensuring that processes are in place such that investigation of the reports and follow-up actions are handled confidentially, properly and appropriately.

Transparency and accountability

Regulators

Regulators play a critical role in the operation of capital markets. KPMG China strives to maintain professional and respectful relationships with regulators in mainland China, Hong Kong and Macau, including proactively engaging with them.
Governance

KPMG China has an unwavering commitment to quality and service excellence. Striving to deliver the highest level of quality is at the heart of everything we do at KPMG. It is more than just a priority for us – it is a core part of the purpose that drives us. Consistently providing exceptional quality in every project we undertake across our firm is fundamental to our continued success.

Everyone at KPMG China has a part to play in delivering quality to our key stakeholders and appreciates their critical role and purpose in building trust with the public. In today’s rapidly changing business and regulatory environment, we aspire to make the firm the standard of trust in our profession through our system of quality control and other related initiatives, which guide all areas of our work.

Quality services

KPMG China is committed to providing exceptional service excellence. Our quality services program is designed to ensure that KPMG provides clients with consistent, high-quality, and responsive professional services. At its core, the program is focused on supporting client needs, delivering high-quality work, and communicating effectively with clients.

Risk management

It is every function and staff member’s responsibility to ensure quality, and identify as well as manage risks across the firm. KPMG China has a central team which oversees and helps ensure that a culture of quality and risk management is managed by the firm’s Risk Management partner, and its function includes the review and compliance of the policies and procedures relating to professional risk management. They specifically provide ongoing guidance to our people on contracting, ethics, independence and client acceptance; practice protection; quality monitoring/ compliance; regulatory inspection liaison; and general quality and risk management. They provide the tools and processes that enable our people to assess the risk level of a client or an engagement before accepting any business opportunities or engagements.

Data privacy and confidentiality

KPMG China is committed to protecting clients’ confidentiality and information privacy. We have adopted the KPMG Global Privacy Policy which assists us in establishing and maintaining an adequate level of protection when collecting, processing, disclosing and transferring personal data of past, present and prospective employees, clients, suppliers, contractors and business associates of the firm. All KPMG China employees are required to undertake mandatory training annually relating to information security, data privacy and confidentiality.

When providing services to our clients, the firm is fully committed to complying with the applicable data privacy laws, including Mainland China’s Cybersecurity Law, Hong Kong’s Personal Data (Privacy) Ordinance, Macau’s Personal Data Protection Act and the European Union’s General Data Protection Regulation.

Employees are also subject to compliance with the firm’s privacy policy, guidelines and instructions communicated through the firm’s various policies and the Code, as well as regular communications which are issued to our staff from time to time.

Intellectual property rights

The Code of Conduct specifies the principles of respecting intellectual property rights for KPMG, our clients and other third parties. Protection of the firm’s intellectual property, including copyright, is embodied in its constitutional documents, its training and the Code. The firm also has in place a policy which governs naming, sub-brands and acquisitions within the global KPMG network to avoid trademark conflicts. We undergo an internal risk compliance assessment annually to ensure that the firm’s Markets function complies with such policy.

Data security

KPMG China complies with ISO 27001:2013, a recognised international standard for information security management systems which manages the risks to the security of the information we hold. Our firm’s legal entity for our Audit function in mainland China was also granted a Multi-Level Protection Scheme (MLPS) 2.0 Level 3 accreditation in February 2021. This means that KPMG’s proprietary tools enable us to deliver our services and comply with our regulators’ data security requirements.

Every year, all staff are required to attend annual training on Information Protection Fundamentals and Cloud Confident to get informed of the latest data security requirements. We also launched firm-wide awareness campaigns to ensure our staff stay on top of the latest cybersecurity landscape and issues.

Our commitment to quality is undepinned by our values, which form the foundation of our culture and set the tone at the top. It is of utmost importance that our standards must be of the highest level in order to provide confidence to the investing public to make key decisions.

Andrew Weir
Senior Partner, Hong Kong
KPMG China
We believe that creating long-term value is vital for business performance, competitive advantage, risk mitigation and stakeholder relationships. Importantly, it also helps us demonstrate how we are contributing to society and the SDGs.

As a commercial organisation, our business aims to not only deliver value to our clients, but also foster economic development through job creation, knowledge exchange and skills empowerment.

As at 30 September 2020, KPMG China employed a total of 11,366 people in 26 offices across 24 cities in China. Despite the Covid-19 pandemic and macro-economic challenges, we have proceeded with our regional penetration plans to expand our footprint in mainland China. In these challenging times, our courage to expand comes from the clarity of our development strategies and our resilience at all levels of the firm.

In 2020, we opened three new offices in Ningbo, Suzhou and Jinan. The expansion has demonstrated our efforts in promoting economic development in the Yangtze River Delta region, helping local businesses enhance their competitiveness by improving their internal management and realising strategic transformation. More importantly, it helps contribute to SDG 8 Decent Work and Economic Growth by advancing long-term economic productivity and growth in the region.

Over the past few years, we have steadfastly continued to implement the firm’s regional penetration strategy. These efforts have helped local governments, companies, markets and universities better understand KPMG China. Our efforts have also given us insight into the features, strategies and demands of different markets, which has allowed us to effectively serve local businesses.

William Gong
Senior Partner, Eastern and Western Region
KPMG China

* The Reporting Period of this Report covers FY2020 (from 1 October 2019 to 30 September 2020). As at 30 September 2020, KPMG China had 26 offices in 24 cities in China. A new office in Hefei was opened in October 2020 (FY2021), adding up to a total of 27 offices in China.
Innovation and technology

Technology is changing the way we work and how we live our lives. Organisations are looking to transform their business, leveraging technology as both a disrupter and enabler in the increasingly complex environment. As a professional services firm, KPMG China enables technology to improve client delivery and internal processes to accelerate growth.

Technology enablement

At KPMG China, we have invested significantly to transform the digital capability of our people, so we can better develop new digital solutions to support our clients’ business transformation.

We provide training programmes for our professional staff to equip them to become more tech-savvy. We share real case studies to help them understand how KPMG harnesses innovative digital solutions to deliver real results for our clients. Here are some of the key technology enablement initiatives:

**TECH Aware** is a series of two-minute videos to help our professional staff understand how we should use tech to assist clients in addressing their problems and digitising our work.

The **Technology Foundations** programme consists of six e-learning modules, where our professional staff can learn about technology’s impact on the business landscape, emerging technology, data & analytics, cybersecurity, as well as KPMG’s digital solutions, and collaboration and productivity tools.

The **Catalyst 10k Strong – Technology Programme** was launched for Tax professionals to help them explore different digital technologies and understand how the firm is supporting other companies through this change.

KPMG Digital Ignition Centre (KDi)

Opened in October 2017, the KPMG Digital Ignition Centre (KDi) in Nanjing has over 200 employees, including system architects and developers. At KDi, we have incorporated the firm’s best practices and delivered different client projects, helping our business functions foster innovation, and assisting our clients with their digital transformation and innovation. To further drive innovation in the marketplace, we plan to open our second KDi in Shenzhen in 2021.

In addition, we have built close relationships with our global counterparts by bringing global technology assets and solutions to China, as well as sharing technical innovations developed in China with other countries across the world.

**Lighthouse**

To help our clients make informed decisions and advance their business growth through data-driven technology, KPMG’s Lighthouse uses artificial intelligence (AI) and big data technology to revitalise our clients’ own data assets and formulate a series of effective digital solutions to enable efficient business transformation.

Lighthouse identifies our clients’ needs for digital transformation, and designs intelligent solutions for marketing, risk management, finance and operations through collaboration with our frontline colleagues in the Audit, Tax and Advisory functions. The solutions are ultimately developed with the help of KDi in Nanjing.

In the era of big data and AI, data is an extremely valuable asset for companies. Not only do we help organisations build data lakes and implement data applications, but we also help develop and deploy customised solutions addressing specific issues. Some examples include:

**Supply chain optimisation**

With a large amount of historical data, Lighthouse helps companies estimate their sales forecast so our clients can better manage their raw material procurement, warehousing, shipping and production scheduling.

**Process mining**

Our process mining tool can assist a company to identify potential compliance, efficiency and redundancy issues.

**Anti-fraud**

Lighthouse provides sophisticated anti-fraud solutions to help identify potential fraud during sales and procurement.

**At KPMG China, we have world-class technology, capabilities and digital assets to help our clients deal with business challenges. Encouraging our people to become digitally savvy, regardless of their knowledge or skills, will help our clients navigate this disruptive world and ultimately meet our collective ambition. We want our people to be able to keep learning, to help them innovate and deliver impact.**

Reynold Liu
Partner, Head of Technology and Innovation, Head of Management Consulting KPMG China
Prosperity

KPMG IMPACT

As the world faces the complex challenges of climate change and increasing human vulnerability, we are seeing a heightened awareness among clients and staff of the importance of building a more sustainable and resilient future. Today more than ever, we need the skills and acumen of the ESG space.

Five key focus areas:

ESG and sustainability

- Supporting clients to understand and adapt to new and emerging changes in the operating landscape by developing their strategy, business model, operations and investments

Economic and social development

- Supporting corporates, governments, multilateral institutions, foundations and developmental organisations to enable societies and economies to prosper

Sustainable finance

- Enabling integration of ESG in investment, financing, insurance, and corporate finance strategies and processes (the KPMG Global Sustainable Finance Working Group is co-headed by KPMG China)

Climate change and decarbonisation

- Driving business models, products and services that address climate change and help our clients reduce carbon emissions

Measurement, assurance and reporting

- Enabling clients to devise improved methods, tools and frameworks to better track and measure performance, and KPMG member firms to provide assurance on client performance and impact against the above priorities

Visit KPMG IMPACT for more details:


Impact of our services

In line with KPMG IMPACT’s focuses, these are some of the professional services we offer to support our clients to achieve their ESG/sustainability vision:

<table>
<thead>
<tr>
<th>KPMG IMPACT focus</th>
<th>What KPMG China offers</th>
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<tbody>
<tr>
<td>ESG strategic development and implementation</td>
<td>A sound sustainability strategy can unleash new revenue opportunities, while achieving operational efficiencies. It can also protect a company’s business from future risks and disruptions. KPMG China has helped companies develop strategies that focus on bringing ESG practices up to speed with industry peers to retain a competitive edge. We help them translate their sustainability ambitions into an actionable road map, develop ESG policies and governance structures, and design targets and key performance indicators (KPIs) to measure progress and more.</td>
</tr>
<tr>
<td>ESG and sustainability</td>
<td>Companies are expected to take a more proactive approach to managing ESG matters in response to increasing expectations from regulators and investors. ESG disclosures should be integrated and align with the risks reported in an organisation’s risk disclosure and business review sections of the Directors’ Report as part of their annual report. Given the importance of this issue, we help our clients apply the enterprise risk management (ERM) framework on ESG issues with reference to suggestions from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development (WBCSD).</td>
</tr>
<tr>
<td>Sustainable finance</td>
<td>Businesses are accountable for how their suppliers and supply chain operations affect communities and the environment. The range of issues this entails can seem daunting: from ensuring safe working conditions, paying fair wages, ending child labour and improving product traceability, to using water responsibly and discouraging corruption. We help our clients develop responsible sourcing strategies, identify supply chain risks, and gain transparency and traceability of their supply chains using data analytics and blockchain solutions.</td>
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</table>


Prosperity

KPMG IMPACT focus
What KPMG China offers

Sustainable finance
Sustainable finance is gathering momentum across the financial universe. Regulators and customers are now demanding greater ESG responsibility and impact from the financial sector. Global fund managers are adopting this and are leading the industry to behave more responsibly.

We support our clients to outline responsible investing ambitions and develop a responsible investment strategy. We help define their ESG ambitions and convert them into policies and business processes to guide responsible investing decisions. We also offer green and social bond assurance services to enhance credibility of the bonds.

Decarbonisation
Climate change is a complex global challenge with the potential to disrupt business operations across multiple entry points. To manage climate risks and opportunities, we help our clients develop a climate strategy and assess risks to business models in reference to the Task Force on Climate-related Financial Disclosures (TCFD) framework.

Measurement, assurance and reporting
Disclosure of sustainability performance is increasingly important to stakeholders. In 2020, the Hong Kong Stock Exchange (HKEX) released new and more stringent disclosure requirements. Soon after, the Hong Kong Monetary Authority issued a self-assessment to understand banks’ management approach to climate-related risks.¹

We have provided services to help our clients fulfill regulatory disclosure requirements, and report against indices and reporting standards such as the Global Reporting Initiative.

Awareness building and training
To drive the ESG agenda in the marketplace, we frequently communicate with different companies and our clients on ESG issues through workshops, training and events. We also leverage our social media platform to keep our clients abreast of the latest ESG regulatory and market developments, something we employed frequently during the Covid-19 outbreak.

Within the firm, we rolled out the ESG upscaling programme which aims to enhance our people’s understanding of ESG, as well as improve ESG knowledge for those interested in incorporating this topic in their client work.

We hope these initiatives can nurture an innovative and supportive culture from the inside out, where the importance of ESG is even more highly valued within the firm. We strive to lead by example to drive change among our clients and in the market, as well as empower our society to build a more sustainable and resilient future together.

Influencing and driving the marketplace
KPMG China has actively engaged in different roles in public bodies and advisory boards to help drive the development of sustainable finance and other ESG aspects in the marketplace in China. Here are some of our activities:

- We published Integrating ESG into your business² in partnership with CLP Holdings Limited and The Hong Kong Institute of Chartered Secretaries, providing step-by-step guidance for Hong Kong-listed companies to integrate ESG into their business.
- We shared the latest updates on consultation conclusions on HKEX’s proposed changes to its ESG Guide,³ helping our clients better prepare for the tightened reporting requirements.
- KPMG China and the Hong Kong Investment Funds Association (HKIFIA) jointly published a report, Vision 2025: The future of Hong Kong’s fund management industry,⁴ highlighting the advances in technology-enabled client experiences and ESG investing.
- We helped develop the Hong Kong Institute of Certified Public Accountants (HKICPA) guidance for performing ESG report assurance, as a member of the ESG Reporting Assurance Working Group.

For details, read our publication, The sustainability imperative⁵

Raymond Ng
Partner, Head of Market Development
KPMG China

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Read our publication, Integrating ESG into your business
Prosperity

As a supporter of the SDGs, we take our responsibility towards the community seriously. Over the years, we have refined our CSR strategies and focuses to better support our local communities and contribute to the global goals.

Aligned with our core values ‘For Better’ and ‘Together’, our CSR focuses cover four key pillars – Advancing Sustainability, Lifelong Learning, Promoting Inclusive Development, and Inclusion and Diversity (I&D). These provide us with a clear direction on how we strive to build a better future for our next generations together.

KPMG Foundation

The KPMG Foundation, officially chartered as a charitable entity in 2008, manages the strategic allocation of funds to complement our firm’s CSR goals and focuses through structured and organised giving. The foundation’s goal is to engage our employees, alumni and stakeholders in the community to bring about systematic change that addresses environmental and social issues.

The foundation is governed by a board, which meets regularly to review grant proposals, select grantees and manage donations to strategically allocate funds in line with the firm’s four CSR pillars. This structured giving platform helps ensure that all our programmes are needs-driven, scalable and sustainable in the long term.

Since its establishment, the KPMG Foundation has donated approximately RMB 73 million – of which RMB 14 million was contributed by firm employees – to support key international and local charities and communities.

To support SDG target 17.16 we strive to enhance our partnership for sustainable development by collaborating with different NGOs to share knowledge and expertise to support the achievement of the SDGs in China.

Jacky Zou
Senior Partner, KPMG Huazhen LLP
Senior Partner, Northern Region, KPMG China
Chairman, KPMG Foundation

To be a socially responsible firm is part of our core values. I believe that through our specialised skill sets, resources and professional knowledge, KPMG China can bring positive changes to our colleagues, clients and the wider community by providing sustainable solutions for our clients and improving our workplace and our lives in general.

Jacky Zou
Senior Partner, KPMG Huazhen LLP
Senior Partner, Northern Region, KPMG China
Chairman, KPMG Foundation

Communities

Corporate social responsibility

As a supporter of the SDGs, we take our responsibility towards the community seriously. Over the years, we have refined our CSR strategies and focuses to better support our local communities and contribute to the global goals.

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KPMG Foundation

The KPMG Foundation, officially chartered as a charitable entity in 2008, manages the strategic allocation of funds to complement our firm’s CSR goals and focuses through structured and organised giving. The foundation’s goal is to engage our employees, alumni and stakeholders in the community to bring about systematic change that addresses environmental and social issues.

The foundation is governed by a board, which meets regularly to review grant proposals, select grantees and manage donations to strategically allocate funds in line with the firm’s four CSR pillars. This structured giving platform helps ensure that all our programmes are needs-driven, scalable and sustainable in the long term.

Since its establishment, the KPMG Foundation has donated approximately RMB 73 million – of which RMB 14 million was contributed by firm employees – to support key international and local charities and communities.

To support SDG target 17.16 we strive to enhance our partnership for sustainable development by collaborating with different NGOs to share knowledge and expertise to support the achievement of the SDGs in China.

Jacky Zou
Senior Partner, KPMG Huazhen LLP
Senior Partner, Northern Region, KPMG China
Chairman, KPMG Foundation

To be a socially responsible firm is part of our core values. I believe that through our specialised skill sets, resources and professional knowledge, KPMG China can bring positive changes to our colleagues, clients and the wider community by providing sustainable solutions for our clients and improving our workplace and our lives in general.

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Senior Partner, Northern Region, KPMG China
Chairman, KPMG Foundation
Helping our communities during the Covid-19 outbreak

Donated over RMB 4 million to fund coronavirus relief initiatives in China

The Covid-19 outbreak has brought unprecedented challenges and caused serious disruptions to the world and local communities.

In the face of this outbreak, our firm responded quickly to support local needs. Starting from February 2020, we partnered with our well-established network of NGO partners who worked tirelessly in the field to provide much-needed relief to underprivileged groups.

a. Provided medical supplies to hospitals and other underprivileged groups

We assisted the following NGOs by donating:

• Over RMB 3 million to Future Smile Charitable Foundation to fund emergency relief efforts, mainly for the provision of medical supplies and equipment
• Ten non-invasive ventilators to Leishenshan Hospital in Wuhan in early February through the Beijing United Foundation for China’s Health in mainland China
• 90,000 surgical face masks to Henan Children’s Hope Foundation, which operates homes for underprivileged children undergoing medical treatment
• Hygiene kits to St. James’ Settlement to assist 1,500 people with mental health problems or intellectual disabilities
• Hygiene kits through Plan International Hong Kong to 884 low-income families in Hong Kong
• 250,000 masks through the United Front Work Department of the CPC Central Committee for beneficiaries in Hong Kong.

b. Provided emergency funding

• Provided emergency funding for low-income families in Hong Kong through the Society for Community Organization (SoCO)
• Supported the Standard Chartered HKCSS subdivided unit subsidy programme, helping address some of the immediate financial needs of low-income families.

c. Supported post-Covid-19 mental health recovery programme:

• Donated about RMB 200,000 to Shanghai United Foundation, which assisted elderly and disadvantaged families in Wuhan to relieve both physical and psychological stress, improve their ability to cope during the public crisis, and help them get back to a normal life.

“We appreciate the donation from KPMG, our long-term partner over the past 10 years. With the support of caring and socially responsible enterprises like KPMG, we have full confidence, capacity and determination to defeat the pandemic.”

Michael Wu
Founder and Chairman
Future Smile Charitable Foundation
Every year, volunteers from KPMG participate in mission trips to provide voluntary teaching, ranging from reading classes to art workshops and sports activities. The KPMG Foundation also continues to look for ways to enhance facilities at these schools. Since 2010, over 840 colleagues have joined our school missions, and every year we support over 900 students in rural China.

We are committed to helping address the challenges of climate change in terms of our own operations and working with our clients to improve environmental sustainability. Please see the ‘Planet’ chapter.

KPMG Hope Schools and school missions

In support of SDG 4 Quality Education, promoting lifelong learning and equal learning opportunities is an important CSR goal. Since 2010, we have established four Hope Schools in Yunnan and Gansu provinces, and are currently rebuilding another school in Jiangxi province. Our goal is to improve the teaching conditions at these schools and ensure local students can study in a decent learning environment and realise their full potential.

Our Hope School programme contributes to SDG target 4.1 and target 4.a by providing free, equitable and quality primary education leading to relevant and effective learning outcomes, as well as building and upgrading education facilities and providing safe and effective learning environments for the children.

900+ students supported in our hope schools every year

840+ volunteers have joined our school missions since 2010
Prosperity

KPMG’s Family for Literacy

KPMG’s Family for Literacy (KFFL) is KPMG’s global flagship citizenship programme with a mission to eradicate childhood illiteracy by putting new books into the hands of children.

To contribute to SDG target 4.6, which aims to achieve literacy and numeracy for youth, this programme engages our partners, employees and family members through book donations, reading sessions for children, and by handing out new books to children across China.

KPMG China has also set up new libraries filled with books in our four Hope Schools, as well as the libraries of two migrant schools in Beijing and Xiamen.

Enactus China

Enactus is dedicated to developing the next generation of entrepreneurial leaders and social innovators through experiential learning and ultimately creating a better world.

The organisation mobilises university students to create community development projects that put people’s own ingenuity and talents at the centre of improving their livelihoods. Every year since 2004, our staff volunteers have served as business advisors, judges and career mentors in various student projects and competitions. This programme aligns with SDG target 4.4, which aims to increase the number of youth who have relevant skills for employment and entrepreneurship.

Junior Achievement

Financial literacy is a fundamental skill that is essential to young people. Since 2019, the KPMG Foundation has sponsored a personal finance programme organised by Junior Achievement (JA) in Hong Kong and mainland China, with the aim of improving the financial capability of secondary students. Students attend training related to financial planning, investments, savings and more. To date, over 1,000 students have benefited from our programme which started in the 2019/20 academic year.


This year I turned 18 and can enjoy all aspects of personal economic freedom. Financial management is very important to our future, and we should pay attention to it. I learned a lot from the JA Personal Finance programme. Thanks to the volunteers for sharing very practical examples to help us better understand financial literacy.

Financial Literacy in the Classroom

“Thank you very much for your hard work and effort on behalf of the company. I feel very glad I was able to give them guidance and some inspiration. I feel that I was able to provide valuable input on project objectives, opportunities for improvement and resource integration between corporates and communities. During our discussions, I felt the students’ enthusiasm and dedication to improving society. I am very glad I was able to give them guidance and some inspiration.”

Frank Wu
Associate Director, Management Consulting
KPMG China

17,000+ books donated since inception, including
5,210 books donated in FY2020

China Foundation for Poverty Alleviation

Since 2005, KPMG China has been supporting the New Great Wall programme administered by the China Foundation for Poverty Alleviation (CFPA), with the aim of helping disadvantaged students start and continue their university education.

In addition to financial support, we provide guidance and mentorship to the students to help them build confidence and develop communication skills. Since 2005, 990 students have received financial support from KPMG China.

Society for Community Organization (SoCO)

Since 2003, we have partnered with SoCO to sponsor and assist underprivileged children and youths in Hong Kong through different activities – from large-scale English learning programmes and student internships, to other activities such as Christmas parties and elderly home visits. We provide financial support as well as volunteers to manage the activities.

In 2017, the KPMG Foundation launched the We Will Fly II programme in partnership with SoCO, the ABC Education Foundation and the ABC Pathways School. While contributing to SDG target 4.2, which aims to ensure girls and boys have access to quality early childhood development and pre-primary education, this programme aims to strengthen the English foundation of students from low-income families in Hong Kong at an early age. It also offers a series of parenting skills workshops to better equip the parents.

“Since We Will Fly II launched in 2017:

64 students participated
863 lessons conducted”
Promoting Inclusive Development

Pro bono services
To contribute to our communities, we strive to use our professional knowledge and skills to help civil society enhance its accountability, credibility and performance in terms of accounting and other financial aspects.

Over the years, we have provided pro bono audit and advisory services to charities and NGOs of all sizes, supporting their efforts to address environmental and social issues. This helps provide assurance to both donors and the public that donations to these organisations are well spent.

Prosperity

Building capability for NGOs and social enterprises

- **CD Finance microfinance programme**
  To support poverty alleviation in China, we have supported CD Finance (formerly CFPA Microfinance), which is one of China’s leading social enterprises committed to offering microfinance services to rural communities in China.
  Since 2016, our people have conducted capacity building workshops to enhance the efficiency of staff from CD Finance in handling microfinance cases. We also completed two sets of research on corporate finance and digital finance, and helped the organisation launch a case study publication on rural finance development in China.

- **Social Enterprise Business Centre and Social Angel hotline**
  Since 2008, we have partnered with the Social Enterprise Business Centre (SEBC) to advance social entrepreneurship and mobilise social innovation in Hong Kong. Our staff from different functions formed a team to join the organisation’s Social Angel programme by answering the questions posted by social enterprises. We also provide annual training workshops that equip social enterprises with the skills they need to address potential accounting and financial problems.

Fostering inclusion and diversity in the community

In support of SDG 10 Reduced Inequalities, particularly SDG target 10.2, we strive to empower and promote the social and economic inclusion of people in our communities, irrespective of age, gender, disability, race, ethnicity and other differences.

Beam International Foundation
Beam International Foundation (BEAM) is a medical charity that provides free surgeries to underprivileged children with cleft lips and/or palates in rural China.
Every year, the KPMG Foundation sponsors 50 free surgeries and mobilises our people to work alongside the medical team to provide support services such as translation, management of medical records, and communication between patients and medical staff. Since 2004, over 290 volunteers have participated in the medical missions, and more than 6,900 patients have been treated on those missions.

Migrant youth

- **Photo Voice**
  Migrant youths from rural China face a variety of challenges when they move to urban areas with their families, who are in search of better work opportunities.

  In partnership with the Center of Youth Talent Enlightened (Diggers), we launched the Photo Voice programme, which aims to boost the independence of migrant youths and help them integrate into society by giving them more opportunities to receive extracurricular education and social interaction. The programme also makes use of photography to help the students express their thoughts and have their voices heard by more people, while helping them better integrate into their communities.

  Since 2017, 163 KPMG volunteers have helped launch a series of wide-ranging activities and soft skills training camps for migrant youths from Yunnan, Hunan, Zhejiang and Anhui. To date, 389 migrant youths have participated.

- **Qi Chuang growth workshop**
  Since 2012, we have partnered with Qi Chuang Social Work Service Center in Guangzhou on a series of growth workshops for over 2,000 migrant youths in their junior secondary grades. These workshops focus on experiential learning, helping them better understand life planning and personal growth. They also equip the students with problem-solving skills and encourage them to work as a team, ultimately helping them better integrate into their communities.

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Ethnic minorities

- **Enrich financial literacy programme**
  Since 2018, we have organised financial literacy workshops for Hong Kong’s migrant domestic helpers in partnership with Enrich, a charity which promotes the economic empowerment of migrant domestic workers. Through these workshops, participants learn financial planning skills to help them avoid becoming a target of financial scams and negligence. By utilising the expertise of our colleagues in areas such as bonds, funds and insurance, we have held 48 sessions in English and Bahasa with nearly 700 participants since inception.

- **Project WeCan**
  The KPMG Foundation has been one of the corporate partners for Project WeCan – a “business-in-community” initiative that provides students who are disadvantaged in learning with various learning opportunities.

  We have been supporting Caritas Tuen Mun Marden Foundation Secondary School, where 80 percent of students come from over 18 countries and are non-Chinese speakers. We have held activities such as mentorship programmes, company visits and job tasting programmes, enabling students to adopt positive attitudes towards their career.
To support KPMG’s global climate goals as well as SDG 13 Climate Action, KPMG China has been integrating climate change measures into our strategies and planning. We are working towards our science-based targets (SBTs) as we hope to accelerate the transition to a low-carbon economy and tackle climate change in line with climate science.

In FY2020, we reviewed our emission sources and investigated ways to reduce our emissions by engaging with different internal departments and contractors. We have leveraged the carbon forecasting model developed by KPMG International that enables bottom-up target setting, with the goal of achieving our long-term SBTs for our Scope 1 to 3 emissions by 2030.

Our climate actions

Global climate goals
To accelerate our ambitions to create a more sustainable future, inspire confidence among our teams and stakeholders, and empower them to change how we shape our future, KPMG announced its intention to become a net-zero carbon organisation by 2030. This announcement in November 2020 is part of KPMG’s continued focus on delivering growth in a sustainable way and providing climate solutions for member firms, clients and society.

To underpin this goal, KPMG has signed up to a series of new climate actions, including:

- A 1.5°C science-based target (SBT) which will focus on achieving a 50 percent reduction of KPMG’s direct and indirect greenhouse gas (GHG) emissions by 2030
- 100 percent renewable electricity by 2022 in board member countries, and by 2030 for the wider network
- Offsetting any remaining GHG emissions through externally accredited voluntary carbon offsets to mitigate the remainder that cannot be removed from our operations and supply chain.

Global Climate Response
Launched in 2008, KPMG’s Global Climate Response (GCR) aims to significantly reduce our carbon footprint and mitigate our environmental impact across all member firms globally. KPMG China has been very responsive in meeting the global target of further reducing net greenhouse gas (GHG) emissions by 10 percent per full-time equivalent (FTE) and increasing the amount of purchased electricity from renewable sources to 60 percent by 2020 against a 2016 baseline.

Every year, we conduct a carbon audit to measure GHG emissions and assess our environmental impact. In alignment with KPMG’s global reporting period for carbon disclosure, our emission figures as well as other environmental KPIs disclosed in this report cover the 2019 calendar year (i.e. from January to December).

In CY2019:
- Net GHG emissions*: 26,768 tonnes CO₂e
- Net GHG emissions per FTE: 2.16 tonnes CO₂e
- (-7.3% compared to 2016 baseline)

* Remark: Net GHG emissions refers to the gross emissions from Scope 1 to 3, minus the RECs offsets.
Greenhouse gas emissions

In 2019, our net emissions amounted to 26,768 tonnes CO₂e or 2.16 tonnes CO₂e per FTE, down by 7.3 percent compared to the 2016 baseline.

In light of the Covid-19 pandemic, the GHG emissions for 2020 are expected to be lower than 2019 due to the reduced air travel and business activities. Even if 2020 had been business-as-usual, we are confident that we would have met our emission reduction target of 10 percent due to the increased purchase of renewable energy certificates (RECs) and revisions to our Procurement Policy.

Air travel

Air travel comprises the largest proportion of our GHG emissions. Our recent ESG survey showed that 68 percent of staff respondents think reducing air travel and making use of virtual meetings are the most effective ways to reduce GHG emissions.

In FY2020, we incorporated key sustainability elements in the Travel Policy. However, in order to further meet our new climate goals and SBTs, we will fully review our Travel Policy and practices to further achieve the necessary emission reductions by 2020. In 2021, in-depth discussions with key internal stakeholders will be carried out on how these targets can be achieved in different ways, such as limiting air travel for non-essential internal business trips, encouraging more use of virtual meetings and replacing certain domestic air travel with rail travel.

To set our SBTs, we are also establishing our baseline of GHG emissions in 2021, using 2019 as the baseline year. As the SBT criteria require that we add additional categories, this will lead to an increase in sources of emissions, particularly in Scope 3.

Energy management

Renewable energy

To increase the use of renewable energy, we purchased RECs to support wind energy projects in China, accounting for 72.5% of total Scope 2 emissions for CY2019. We aim to achieve 100% renewable energy purchased via RECs in 2021 to show our commitment to tackling climate change.

At KPMG China, various energy-saving measures are in place in different offices:

- Replaced fluorescent tubes and floodlights with LED lights
- Common area electricity (Scope 3)
- Purchased electricity (including RECS offsets) (Scope 2)
- Refrigerants (Scope 3)
- Car travel (Scope 1 and 3)
- Turn off lights when the rooms are not in use or during lunch hours in most offices
- Promote environmental messages regularly through internal and external channels.

We are proud to have launched our new global climate targets. In addition to implementing high-level changes, we will continue to ensure that our people play an important role. By empowering them with workspaces that promote sustainable living, continuing to communicate impactful messages and partnering with inspiring stakeholders, we hope they will be engaged and active participants in this exciting – and important – sustainability journey.
Waste management

Recycling
We strive to reduce and recycle the waste generated in our offices. Although we promote reduction as the best option, recycling bins are available in main offices, and we encourage our colleagues to recycle their waste.

In Hong Kong, we have various recycling bins to collect waste including plastic, metal, glass and paper, as well as drink cartons, polyfoam, e-waste and food waste. We also organize regular donation drives and collections, such as for clothing, books, mooncake boxes and toys.

In 2020, KPMG was a sponsor for Hong Kong environmental NGO Redress’s Get Redressed Month. This was the second year running that we signed up as a sponsor.

We have also removed all plastic bottles in our vending machines in the Hong Kong and Shenzhen offices.

Office relocation in Hong Kong
In late 2019, two of our Hong Kong offices relocated. The move generated a large quantity of items such as furniture and stationery, which was no longer needed for the new location.

To make good use of these items, we set up ‘sharing tables’ in our offices to encourage a circular economy, where colleagues could take items that they needed.

We also donated various items to over 16 charities as well as to many schools, extending their usable life and avoiding items going to the landfill.

Tetra Pak carton recycling
Since March 2020, we have supported the beverage carton recycling initiative run by Vitasoy and SSID/MilMill in Hong Kong. We currently save an average of 21.5kg of beverage cartons from the landfill per month – the majority saved by our office administration staff, who meticulously cut and wash each milk carton used for our coffee machines. We have also had strong engagement from our staff.

Laptop donation
Almost all staff members are provided with a laptop for their work, and it is inevitable that old laptops need to be retired after a certain number of years. However, where possible, we strive to find a second home for these retired laptops through our network of NGOs and schools.

Green event management

Green Events Guidelines
On Earth Day 2020, we launched the Green Events Guidelines, which aim to reduce the impact of our events by removing single-use plastic, reducing food waste, increasing plant-based options and providing sustainable souvenirs, among others. Events allow us to set ourselves apart as a responsible corporate and demonstrate our value, ‘For better’.

Seven online sessions of training were conducted during FY2020, to support SDG target 13.3 which aims to raise awareness and educate our people on climate change mitigation and sustainable living.
Biodiversity and conservation

WWF
Since 2014, KPMG China has been a Silver Corporate Member of WWF-Hong Kong. WWF’s mission is to build a future in which humans live in harmony with nature. Each year, we host around five activities with WWF to engage our colleagues and get them up close with nature.

Conservation International
We have partnered with Conservation International for an initiative to help safeguard the Dongjiang Basin in Guangdong Province, which provides fresh water to the region as well as to Hong Kong.

The initiative is being implemented in a village in rural Heyuan, where Conservation International is helping construct a small-scale wetland to treat domestic sewage. In addition, the local community is being taught about water conservation through educational and training programmes, with certain villagers learning to build and manage wetlands to help ensure long-term maintenance and pass on experience to neighbouring villages.

Shenzhen Mangrove Wetland Conservation Foundation
In July 2020, we kicked off a two-year initiative with Shenzhen Mangrove Wetland Conservation Foundation (MCF) to monitor and manage mangroves and bird habitats in Shenzhen Bay, while enhancing awareness.

This initiative aims to create approximately 7,000m² of habitat for migratory birds, jointly publish one report per year on ecological succession, remove harmful invasive plants, and more.

On 12 September 2020, we participated in the opening ceremony of ‘Plan 2121’ – a century-long experiment to record ecology – in which MCF aims to transform the 19th International Botanical Congress Memorial Garden into an open, long-term scientific platform on biodiversity to enlighten and engage our future generations. This initiative echoes our hope for fostering long-term sustainability for the planet.

Green Warriors interest group
Led by our staff, the Green Warriors myLife interest group promotes environmental awareness and advocates for a greener workplace. With over 350 members in China, the group organises talks, movie screenings, outings and more. Members are also encouraged to share ideas and drive change as Green Champions.

Supply chain management
To manage our supply chain and procurement practices more systematically, we revised our Procurement Policy in FY2020, with the aim of increasing transparency, operational efficiency and synergy across KPMG China to help ensure purchases are more sustainable and ethical.

We are committed to including environmental and social factors in the supplier selection process. To meet our upcoming GHG emission targets, particularly for Scope 3 supply chain-related emissions (e.g. purchased goods and services), we have been actively reviewing our policies and processes to better incorporate the principles of responsible procurement.

“The world is facing a sustainability crisis. If we don’t change, we don’t have a future. But if we do change, we have infinite futures.”

Ricky Wong
Senior Partner, Southern Region
KPMG China
Creating a healthy, inclusive and diverse workplace where our people can realise their full potential

As a professional services firm, our people are our greatest asset and integral to our success. Providing a workplace where they feel respected and supported, and where equal opportunities are provided regardless of individual differences, is more important than ever.

### Total workforce by gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>7,406</td>
</tr>
<tr>
<td>Male</td>
<td>3,960</td>
</tr>
</tbody>
</table>

### Women in leadership

- 30% of the firm's board is female
- 39% of our partners are female

### Total workforce by gender by level

<table>
<thead>
<tr>
<th>Level</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
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<td>59%</td>
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<tr>
<td>Management</td>
<td></td>
<td>42%</td>
</tr>
<tr>
<td>Team members</td>
<td></td>
<td>31%</td>
</tr>
</tbody>
</table>

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Talent attraction and retention

Employment and labour conditions

In line with the KPMG Values, our Staff Handbook highlights our principle of employing a diverse workforce – which is entirely based on the person’s ability, performance, occupational requirements and business needs. We do not take into account differences in gender, marital status, religion, race, nationality, disability, family status, sexual orientation or others in our recruitment and employment decisions. This aligns with SDG target 8.5 which aims to achieve full and productive employment and decent work for all women and men.

We ensure there is no child labour in our workforce by conducting reference checks and requiring candidates to provide valid identity documents during our recruitment process.

Attracting talent

Every year, a series of career events, such as recruitment talks, firm visits and career fairs, are held in our offices and at universities to attract high-potential and diverse talent. In FY2020, we also leveraged online platforms to conduct our career talks and promote our internship programmes.

Elite programme

To attract high-calibre young talents to join our workforce, our Elite Programme provides university students with a two-year internship, during which participants are able to improve themselves through comprehensive and professional skills training.

Upon successful completion of the programme, students with outstanding performance during the required internship period may have the opportunity to get a full-time job offer before graduation.

Business case competitions

To empower students and nurture our future leaders, KPMG China has supported many business case competitions in different cities across China and the world by providing sponsorship, advice and/or internship opportunities.

For instance, the KPMG International Case Competition (KICC) has been held for 16 years and targets students from top universities around the world. The KPMG Ideation Challenge aims to develop future science, technology, engineering and maths talent.

KPMG Master of Accounting Data Analytics programme and scholarship

Today, data and analytics (D&A) is changing the way we as an accounting firm provide our services. Beyond having solid knowledge of accounting, accounting professionals need to acquire D&A skills, which have become essential in this data-centric era.

To develop the accountants of the future, KPMG China has collaborated with the University of Hong Kong and the Hong Kong University of Science and Technology in Hong Kong, and Nankai University in mainland China, to develop a unique Master of Accounting with Data & Analytics Programme.

The programme offers a rigorous curriculum that goes beyond traditional accounting to include D&A technologies, methodologies and real business problems. Students are also granted internship opportunities at KPMG China, and participate in a D&A competition to solve real-life business problems. Scholarships are also offered by the KPMG Foundation to those achieving outstanding results who need financial support.
**People**

### Future of working

Covid-19 has accelerated the need for us to consider what we need to do to become more mobile, agile and fit for the new normal. We have been taking steps to transform some of our offices and ways of working to promote well-being, foster collaboration, and empower our people to adapt to change.

In August 2020, we conducted an internal survey on the “Future of Working” to understand what our people think about their preferred workplace and ways of working. This also provides insights into how the firm should implement this initiative. We strive to ensure that the future of working is really fit for purpose by focusing on outcomes instead of relying on the usual way of doing things.

In addition, our people have been utilising mobility in many ways over the past years. We provide different mobility programmes for our people to work in other KPMG member firms or relocate within KPMG China for training or business engagements. Having the right people in the right place helps ensure we can mobilise our resources to meet complex challenges for our clients. It also supports our people’s desire for continuous learning and development.

**Everyone Agile!**

Led by the ‘Everyone a Leader’ mindset, ‘Everyone Agile’ is a pilot programme launched in Hong Kong towards the end of 2019, which enables flexible working arrangements.

Diversifying the available working arrangement options, such as giving people the flexibility to choose their work location and dress code according to the activities planned for the day, shapes a more inclusive environment for everyone. It also helps colleagues balance their various career and personal commitments, while fostering mutual trust and effective communication.

**The new reality, impacted by Covid-19 in particular, has been reshaping our future of work. Building trust is more important than ever to create a workplace that empowers our people to be future-fit and reinvent relationships in this virtual world. Moreover, being flexible and agile to respond to our people’s needs and leading by example are essential for creating a workplace that supports teamwork, collaboration and socialisation. This is about all of us truly living and breathing our values, and being purpose-led in everything we do.**

*Linda Lin*
Partner, Head of People, Performance and Culture
KPMG China

### Total Rewards package

Our people’s wellness is a priority to the firm. We understand life is not just about work, and to recognise our people’s hard work and contributions, we offer a comprehensive Total Rewards package that helps them grow personally and professionally, and be rewarded for the results they deliver. This package includes the following:

#### Compensation and rewards

At KPMG China, our compensation and rewards system is aligned with our strategic business direction and the marketplace. While pay is linked to business and individual performance, the firm recognises and rewards high performers for results and behaviours that drive business performance.

#### Health benefits

The firm offers competitive health benefits including medical insurance, life insurance, personal accident insurance and business travel insurance.

Our Employee Assistance Programme offers 24-hour toll-free support hotlines through which our people can seek professional personal counselling and consultation services with strict confidentiality.

#### Leave options

Our staff are entitled to various leave options. They may also apply for flexi-leave under the terms and conditions of the Flexible Work Arrangements (FWA) Scheme. In addition, a career break arrangement is available for our staff, with prior approval from relevant personnel.

#### Staff wellness programme

myLife is an employee engagement and wellness programme which focuses on three key themes – mind, body and social. It supports our people to stay healthy and work in an agile way, while promoting social cohesion within the firm. Wellness-related activities are organised regularly to engage our people as well as their family members. Furthermore, the firm provides funding to support the running of over 50 staff-led interest groups, which bring together colleagues with the same interests or hobbies.

#### Recognition programme

enCORE is our firm’s reward and recognition programme where our colleagues can nominate a colleague for a Bravo or Standing Ovation award for their contribution.

The Values Recognition Wall is another easy-to-use platform for our colleagues to more widely recognise the positive influence of those who demonstrate our KPMG Values.
### Learning and development

KPMG China is fully committed to developing a continuous lifelong learning culture – one where every experience adds to our people’s professional confidence and builds their individual career capital. To foster our people’s commitment to lifelong learning, the firm has policies in place on continuing professional development.

#### Agile learning

To strengthen our people’s ability to learn in an agile way, our training is offered in varying formats, including personalised learning paths with access to internal and external webinars, bite-sized interactive virtual learning, informal social learning platforms and business simulations, in addition to classroom training.

Our accredited virtual facilitators are equipped with the skills to facilitate discussions amongst our people on virtual learning platforms. The new way of learning has become easier and more effective. The firm also creates opportunities for our people to learn new knowledge and skills through engaging in quality conversations, experience sharing and acquiring on-the-job and other critical experience. Learning and improving is an intrinsic part of our people’s daily work.

#### Bringing out the extraordinary in our people

KPMG China is committed to bringing out the extraordinary in our people. We have the ‘Everyone a Leader’ leadership framework where the firm empowers everyone to take personal ownership and lead no matter what role they are in. Our leadership development journey supports our people from the moment they join the firm to taking up new roles throughout their career at KPMG China.

For example, our Graduate Academy is dedicated to giving graduate joiners the best possible start to their careers. We also support our people to obtain relevant qualifications. Our Milestone programmes are designed to support an effective transition into a new role and enable our people to better understand expectations, develop new skills and encourage collaboration through discussion and experiencing common challenges encountered in the new role.

#### Enabling our people to be fit for the future

KPMG China has been investing in the upskilling of our people to ensure they remain agile and can adapt to future technological advances. Our Digital Now programme helps our staff build digital awareness, understanding and capabilities to understand advanced and ever-changing technologies.

To prepare our people for the digital age, and to be a market leader in the understanding and potential application of robotics and AI, we place more emphasis on human-centric skills, such as design thinking and empathetic communication skills. The upskilling experience involves learning how to think, act and thrive together in a digital world to support clients and communities.

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**Covid-19 safety measures**

In line with SDG target 8.8, KPMG China spared no effort in maintaining its people’s health and safety by implementing timely prevention measures in different regions. Since February 2020, we have established clear guidelines and quarantine requirements for our people, emphasising the importance of good hygiene and social distancing. Our people were also required to adopt hybrid work or work-from-home arrangements to avoid unnecessary social contact. To better communicate the firm’s latest measures, the information has consistently been updated via emails or the new Coronavirus Portal on the intranet, which provides travel guidelines, quarantine advice and work arrangements.
Inclusion and Diversity (I&D) is a fundamental part of our culture and core values. KPMG China is committed to creating an inclusive and diverse work environment, where all staff members feel valued and respected for who they are and for the work they do.

National and Regional I&D Councils

To ensure that I&D-related strategy and policies are in place, we have established the National I&D Council, together with the four Regional I&D Councils throughout KPMG China. The National I&D Council, led by our Head of People, Performance and Culture, steers the overall strategic direction for I&D, as well as oversees firm-wide I&D-related policies. Under the leadership of the National I&D Council, the four Regional I&D councils identify the focus and issues in each region, and implement various initiatives.

I&D focuses and initiatives

<table>
<thead>
<tr>
<th>I&amp;D focuses</th>
<th>Purpose</th>
<th>Key initiatives in FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Elevate and empower everyone by actively listening to their career concerns and needs, and facilitate the development of an inclusive policy and culture that supports all employees</td>
<td>• Mentorship programmes for female colleagues • Gender equality network • Celebration of International Women’s Day • SHE Inspiring Talk Series • Male Allies</td>
</tr>
<tr>
<td>Generations</td>
<td>Bridge generation gaps by understanding the perspectives of all age groups and providing varied communication platforms</td>
<td>• Leadership camp • Chit Chat Lunch Series • ‘tune-in’ sessions • Next Generation Council</td>
</tr>
<tr>
<td>Skills</td>
<td>Attract diverse talent, value and appreciate people’s abilities, and optimise these within the firm</td>
<td>• Unconscious bias training • Design thinking workshop • Thinking diversity workshop</td>
</tr>
<tr>
<td>Embracing Differences</td>
<td>Promote inclusiveness and understanding of groups with different backgrounds and perspectives (e.g. ethnicity, LGBT+, disability)</td>
<td>• I&amp;D Awareness Week • Agile working arrangement in Hong Kong • Pride@KPMG • Mental health and wellness programmes • Awareness building activities on International Day of Persons with Disabilities</td>
</tr>
</tbody>
</table>
Key initiatives:

**International Women’s Day**

Gender equality is one of KPMG China’s key areas of focus for inclusion and diversity. Every year on 8 March, KPMG member firms around the world take part in the International Women’s Day celebrations. A series of nationwide activities are arranged to celebrate women’s uniqueness and their contributions.

To support the 2020 theme #EachforEqual, different offices across China hosted our flagship programme, SHE Inspiring Talk Series. Leaders from different industries were invited to share their personal and career stories with our colleagues, alumni and clients.

**Inclusion and Diversity Awareness Week**

The annual Inclusion and Diversity Awareness Week is a landmark event across KPMG China. Our colleagues are encouraged to take part in a week-long series of events promoting the four pillars of I&D – Gender, Generations, Skills and Embracing Differences. Some of the key activities include the following events, which aim to promote awareness of I&D in the firm and our communities:

- **SHE Inspiring Talk Series**: Business leaders are invited to share their experiences and discuss topics relating to gender equality.
- **Chit-chat Lunch Series**: People from different generations have open and engaging talks about various topics.
- **Photo Voice programme for migrant youths**: Migrant youths strengthen their sense of belonging in their new city life through photography.

**Mentorship programmes for female colleagues**

To support our female colleagues’ personal and professional development, mentorship programmes have been introduced for employees in different lines of service. With strong support from senior management, mentees are able to learn from experienced partners and leaders to build confidence and leadership skills as they grow and pursue their career ambitions.

**Courageous Conversations**

Courageous Conversations was our firm-wide listening and collaboration session, which was ignited by the global Black Lives Matter movement. Spanning 72 hours in July 2020, this online session was designed so that all employees had a chance to voice their feelings and share their stories, listen and learn from each other, as well as build actionable solutions together.

Globally, over 17,000 colleagues took part in this conversation, invested over 11,000 hours and generated 19,500 posts to share their lived experience, thoughts and ideas as well as insights and actions.

**Inclusion and diversity report**

In September 2020, we released our inaugural report on inclusion and diversity, the 2020 KPMG China inclusion & diversity report. The report provides an overview of our firm’s key I&D strategies, areas of focus and initiatives, as well as workforce diversity data.

For more details about our I&D initiatives, please refer to our latest I&D report.

**tune-in sessions**

This initiative creates a platform for senior management and employees from different generations and departments to have lively discussions. Colleagues are encouraged to ask senior management questions on various topics in this open and informal format.

**Read our publication, 2020 KPMG China inclusion and diversity report**

Awards and recognition

2019 Hong Kong Awards for Environmental Excellence (HKAEE) – Gold Award

KPMG China received the Gold Award in the ‘Servicing & Trading’ category of the 2019 Hong Kong Awards for Environmental Excellence (HKAEE), a highly recognised environmental award in Hong Kong. This award was presented based on several factors including improving our sustainability at events, enhancing staff awareness, our collaboration with other corporates, and our sponsorship of environmental initiatives, among others. In addition, our Sustainability Manager, Stacey Wolpert, received an individual award for the Outstanding Green Achiever Commendation Scheme to recognise her efforts driving various green initiatives.

Top Employers China certification 2020

KPMG China was named a ‘Top Employer’ by Top Employers Institute in 2019 and 2020. We were awarded this renowned recognition by participating in a rigorous certification process which includes in-depth and independent research across 10 different topics, covering inclusion and diversity, talent strategy, overall culture, and more.

Best HR Awards 2019 – Platinum Award in Best in Diversity & Inclusion

We received the Platinum Award for ‘Best in Diversity & Inclusion’ from CTgoodjobs in 2019 in recognition of our commitment to engaging people from different generations, cultures and backgrounds, as well as running various I&D initiatives to promote the importance of I&D in the workplace.
About this report

This is KPMG China’s first ESG report (“the Report”). It highlights how our ESG governance structure, strategies, initiatives and performance are aligned with our values and commitments to create a more sustainable and inclusive future for our key stakeholders.

Reporting period

The Report provides updates on KPMG China’s ESG directions, strategies, measures and initiatives implemented during the financial year 2020 (from 1 October 2019 to 30 September 2020), abbreviated as ‘FY2020’ or the ‘Reporting Period’, except for the environmental data.

To align with the timeframe of our global carbon audit, all environmental data stated in the Report covers the calendar year 2019, abbreviated as ‘CY2019’, whereas the social and governance data covers FY2020.

Reporting boundary

The scope of the Report includes our ESG performance and data related to our 26 offices12 in China as at 30 September 2020, except for the environmental data (including GHG emissions). The environmental data includes 23 offices and covers CY2019, which aligns with the timeframe of our global carbon audit. As the three remaining offices in Ningbo, Suzhou and Jinan were only opened in 2020, they have been excluded from the environmental data.

Reporting reference

The Report has been prepared using the core set of Stakeholder Capitalism Metrics to report against our most material topics. The Stakeholder Capitalism Metrics are recommended in the white paper titled Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation issued by the World Economic Forum’s International Business Council,13 which KPMG had a key role in shaping.

Your feedback

The Report is available on our corporate website at https://home.kpmg/cn/en/home.html. We welcome any suggestions, comments and questions about our Report and ESG performance. To get in touch with us, please contact csr.getinvolved.cn@kpmg.com.

Other awards

- Best Companies to Work For in Asia 2020 Award (Hong Kong edition)
  - HR Asia
- Best HR Awards 2019 — Best Graduate Recruitment and Management Trainee Programme Award
  - CTgoodjobs
- CSR China TOP 100 Award
  - CSR China Education Award Committee
- Health Guardian Award
  - CSR China Education Award Committee
- iCorp 2-STAR Award
  - Dialogue Experience
- 2019 Outstanding Corporate Blood Donor Award
  - Jing’An Blood Donation Centre

12 26 offices in 24 cities, namely Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi’an, Zhengzhou, Hong Kong SAR and Macau SAR

### Environmental data (CY2019)

#### Greenhouse gas emissions

<table>
<thead>
<tr>
<th>Type</th>
<th>Unit</th>
<th>CY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct GHG emissions (Scope 1)</td>
<td>tonne CO₂e</td>
<td>185</td>
</tr>
<tr>
<td>Indirect GHG emissions (Scope 2) (including RECs offsets)</td>
<td>tonne CO₂e</td>
<td>2,544</td>
</tr>
<tr>
<td>Other indirect emissions (Scope 3)</td>
<td>tonne CO₂e</td>
<td>24,039</td>
</tr>
<tr>
<td>Total net GHG emissions</td>
<td>tonne CO₂e</td>
<td>26,768</td>
</tr>
<tr>
<td>Net GHG emission intensity</td>
<td>tonne CO₂e/FTE</td>
<td>2.16</td>
</tr>
</tbody>
</table>

Note: Scope 1 emissions include car travel from our owned and leased vehicles. Scope 2 emissions include purchased electricity. Scope 3 emissions include refrigerants, air travel, business travel by passenger car and electricity in common areas.

### Social data (FY2020)

#### Community investment

<table>
<thead>
<tr>
<th>FY2020</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of volunteer hours (including non-working days)</td>
<td>7,939</td>
</tr>
<tr>
<td>No. of volunteer hours (excluding non-working days)</td>
<td>6,013</td>
</tr>
<tr>
<td>No. of volunteers participated (including non-working days)</td>
<td>866</td>
</tr>
<tr>
<td>No. of volunteers participated (excluding non-working days)</td>
<td>659</td>
</tr>
</tbody>
</table>

### Employment

| Total workforce | 11,366 |
| By gender       |       |
| Female          | 7,406 (65%) |
| Male            | 3,960 (35%) |
| By level        |       |
| Leadership      | 751    |
| Management      | 2,098  |
| Team members    | 8,517  |

<table>
<thead>
<tr>
<th>Total workforce by gender by level</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Management</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Team members</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>Total partners and staff</td>
<td>65%</td>
<td>35%</td>
</tr>
</tbody>
</table>

#### Women in leadership

| Female partners in the firm | 39% |
| Female partners on the board | 30% |

#### New hires

| Total new hires | 2,438 |
| Total new hire rate | 21% |

#### Training

| Average training hours per FTE | 75 hours |
About KPMG China

KPMG China is based in 27 offices across 25 cities* with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Hefei, Jinan, Nanjing, Ningbo, Qingdao, Shanghai, Shenyang, Shenzhen, Suzhou, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global organisation of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG Firm is a legally distinct and separate entity and describes itself as such. KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients.

* Remark: The Reporting Period of this Report covers FY2020 (from 1 October 2019 to 30 September 2020). As at 30 September 2020, KPMG China had 26 offices in 24 cities in China. Please read p. 57 for details about our reporting boundary.
For a list of KPMG China offices, please scan the QR code or visit our website:

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