



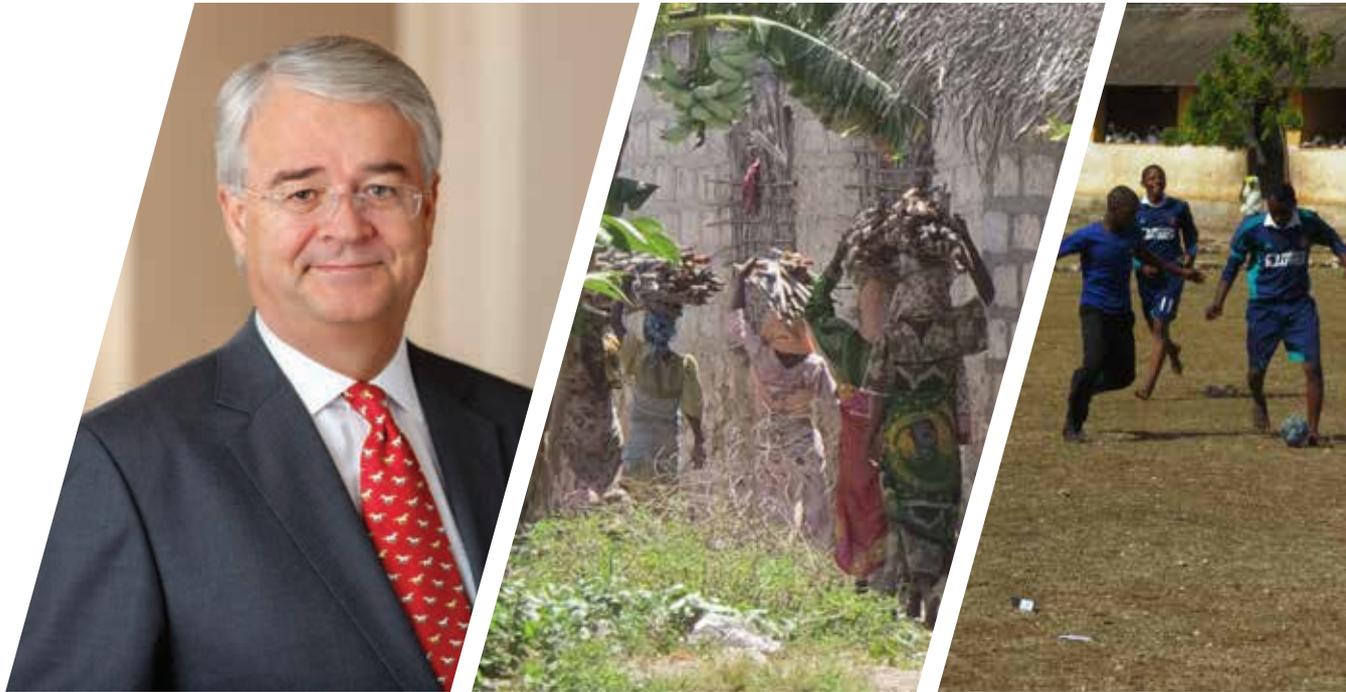
cutting through complexity

UN Global Compact

2013 Communication on Progress

kpmg.com





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Letter from the Chairman, KPMG International

Meeting with hundreds of business leaders over the past 12 months, it has been encouraging to see an increasing, if cautious, confidence in the state of the global economy. Along with this gradually returning optimism, there has been an increased recognition of the need to restore trust in markets and institutions and for business to meet the challenge of a higher standard of social responsibility.

One of the biggest losses from the global financial crisis was the loss of trust, with questions being raised about the fundamental integrity of business acting in the public good. The leaders I speak with in business, as well as government, not only recognize this, most are intent on doing something about it, standing up with a common commitment to values, integrity and taking on social, community and environmental challenges.

The UN Global Compact (UNGC) serves an important purpose in providing consistent guiding principles for businesses to follow, which is demonstrated by the number of companies signing on to the Global Compact, especially from developing economies. I am proud that KPMG International has been a signatory of the UNGC since 2002.

In many ways our commitment to the Ten Principles of the UN Global Compact (UNGC) pre-dates the initiative. The ethos of the principles is embodied in the ethical practices and good corporate citizenship which are at the foundation of our business.

Advancing responsible business practices in emerging markets

This is especially evidenced in emerging, high-growth markets where KPMG has expanded investment and capabilities. In these markets in particular, we serve an important role in helping to build confidence and trust in business and the public sector, contributing to the development of high standards of corporate governance and training future business leaders.

In the past year, KPMG International played a significant role in the work of the B20-G20 Transparency and Anti-corruption Task Force, which has made recommendations to improve transparency and corporate governance in emerging markets.

We also worked with the UNGC and the UN Principles for Responsible Investment to help support and align responsible business practices for investment in developing and challenged economies by producing a guide for businesses working in high-risk and conflict affected areas. Entitled *Responsible Business Advancing Peace*, the guide has shown to be a valuable resource for many companies.

Support for human rights

KPMG takes pride in our support for the UN's Guiding Principles on Business and Human Rights. Last year KPMG International issued a statement that set forth our approach to human rights, and this past year we have implemented policies and procedures to support this statement, incorporating human rights elements into our relevant due diligence processes for our People & Culture and Quality & Risk Management functions.



We have continued to contribute to the UN's Human Rights and Labor working group and this year endorsed the Women's Empowerment Principles, a set of Principles for business offering guidance on how to empower women in the workplace, marketplace and community.

Applying the skills of KPMG people

One of the hallmarks of our approach to citizenship is the value of putting our knowledge and skills to work to address issues of public trust and social responsibility.

Advancing business reporting to bring more value to stakeholders is at the heart of our business and citizenship agenda. KPMG participates on the International Integrated Reporting Council (IIRC), as well as the World Business Council for Sustainability Development (WBCSD), and we are helping the UNGC develop its reporting requirements through promoting integrity and quality in non-financial reporting.

KPMG people continue to apply their skills in furtherance of the Millennium Development Goals, helping to build sustainable communities in Africa through the Millennium Villages project. With the Goals set to expire in 2015, KPMG professionals are now bringing knowledge and skills to the Post 2015 Development Agenda consultations, a process that will help define the future development agenda.

Youth unemployment has become a critical issue in the developed and developing world, and this year KPMG International has also expanded work with Enactus and One Young World, programs dedicated to empowering a new generation of business leaders.

Furthering the global citizenship agenda

This year we also welcomed work with the World Economic Forum on the Future Role of Civil Society. A report that was the outcome of an eight-month project, it highlighted the main global trends impacting the relationships between sectors, the value civil society can provide as well as exploring how the role of civil society might change over the coming two decades.

We recognize having inspired and confident leaders working in partnership with agencies like the UNGC as central to our efforts. Looking ahead, we will explore new opportunities to develop programs and partnerships that support the UN's missions and objectives. Moreover, we will continue to further the goals of the Global Compact through KPMG firms' vision, strategy and wider citizenship programs.

We believe that our success depends on fulfilling a larger sense of purpose, and we are committed to empower change through participating in achieving solutions to pressing issues facing the world. The returning optimism in the global economy sets a foundation for encouraging and joining with other businesses – clients, suppliers and business partners – to take a stand in responding to the world's challenges.



Michael Andrew
Chairman,
KPMG International



About this report

KPMG International has been a signatory of the UNGC since 2002. The Compact is a voluntary framework for businesses committed to aligning their operations and strategies with Ten Principles covering human rights, labor, the environment and anti-corruption. As a signatory, we are committed to submitting a Communication on Progress (COP) to the UNGC on an annual basis.

The reporting period for this COP is from 1 October 2012 to 30 September 2013 and the report highlights select activities of KPMG International in relation to the Ten Principles. This COP report is not a comprehensive disclosure of our activities in relation to the UNGC. It is designed to provide an overview of how we implement the Ten Principles, outline our compliance and direct the reader to our website for additional information. KPMG International also reports on our wider sustainability and citizenship activities and how our businesses operate to enhance our commitment to our communities.

All photographs included were captured at the following KPMG Citizenship projects:

- KPMG supported Millennium Village Project in Kiuyu Mbuyuni, Pemba Island Tanzania
- Enactus, a KPMG sponsored program mobilizing university students to make a difference in their communities while developing business skills
- KPMG in Mexico's partnership with World Vision working with coffee producers in Mexico to achieve organic certification, treble production and double the price per kilogram.

“ This report is designed to provide an overview of how we implement the Ten Principles, outline our compliance and direct the reader to our website for additional information. ”

**Throughout this document, “KPMG” [“we,” “our,” and “us”] refers to KPMG International Cooperative (“KPMG International”), a Swiss entity, and/or to any one or more of the member firms of the KPMG network of independent firms affiliated with KPMG International. KPMG International provides no client services.*



About KPMG

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 155 countries and have 155,000 people working in member firms around the world. Firms work closely with clients, helping them to mitigate risks and grasp opportunities. Moreover, KPMG member firms provide a variety of services to clients that also directly relate to the UN Global Compact Ten Principles, from anti-corruption to international development, to climate change and sustainability.

This structure is designed to support consistency of service and a high level of ethical conduct from all KPMG people around the world. Our Global Code of Conduct and our Values reinforce our commitment to the UNGC and the importance of our communities.

In the last fiscal year (to 30 September 2013), the combined revenues of KPMG member firms was US\$23.42 billion.

KPMG International provides no client services.

“ This structure is designed to support consistency of service and a high level of ethical conduct from all KPMG people around the world. ”

**The financial information set forth represents combined information of the separate KPMG member firms that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.*





Implementing the Ten Global Compact Principles

KPMG's culture and values are aligned with the UNGC Ten Principles and are at the heart of how we conduct business. We have integrated these Ten Principles into existing policies, such as People & Culture and Diversity and through our Ethics & Independence and Quality & Risk Management compliance programs.

To help ensure that we meet our commitments to the environment, we established the Global Green Initiative. This program helps KPMG member firms invest in responsible energy use, educate and support people in making sustainable decisions, work on environmental protection projects and join forces with leadership groups and other businesses to address impacts.

The following table provides an overview of how the Ten Principles have been implemented across business and service lines. More information is available on kpmg.com.

How KPMG implements the Ten Global Compact Principles

	PRINCIPLE	COMMITMENT
Human Rights	<ol style="list-style-type: none"> 1. Businesses should support and respect the protection of internationally proclaimed human rights; 2. and make sure that they are not complicit in human rights abuses. 	<p>KPMG International and KPMG member firms recognize that human rights are an integral part of corporate citizenship and we respect and support the Universal Declaration of Human Rights and the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy Framework'.</p> <p>KPMG International has a Human Rights Statement, in line with international best practice.</p>
Labor Standards	<ol style="list-style-type: none"> 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labor; 5. the effective abolition of child labor; 6. and the elimination of discrimination in respect of employment and occupation. 	<p>KPMG International and KPMG member firms do not use forced, compulsory or child labor.</p> <p>KPMG International and KPMG member firms support freedom of association and, where applicable, recognize the right to collective bargaining.</p> <p>Our people want to work for an organization that encourages and respects individuals, and this is one of our Core Values across the KPMG network. Our drive to create a global culture of diversity and inclusion is fundamental to who we are, and critical to retaining the best people.</p> <p>KPMG International is a signatory of the UN's Women's Empowerment Principles.</p>
Environment	<ol style="list-style-type: none"> 7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; 9. and encourage the development and diffusion of environmentally friendly technologies. 	<p>KPMG International and KPMG member firms are dedicated to managing our environmental impacts proactively and we are committed to working together across borders to make an even bigger difference.</p> <p>KPMG has a global ambition to reduce net greenhouse gas emissions by 15 percent per full-time equivalent by 2015 in relation to a 2010 baseline.</p> <p>KPMG International is an active and engaged member of the World Business Council for Sustainable Development on climate change issues.</p>
Anti-corruption	<ol style="list-style-type: none"> 10. Businesses should work against corruption in all its forms, including extortion and bribery. 	<p>KPMG International and KPMG member firms are committed to achieving a high standard of ethical behavior in everything that we do.</p> <p>'We act with integrity' is one of our Core Values and is reflected in the Global Code of Conduct.</p>

SYSTEMS, PROCEDURES AND VALUES	PROFESSIONAL SERVICES	HIGHLIGHTS	THOUGHT LEADERSHIP
<ul style="list-style-type: none"> Global Human Rights Statement KPMG Values Global Code of Conduct Certain member firms' Supplier Codes of Conduct Global Quality & Risk Management manual People, Performance and Culture manual 	<ul style="list-style-type: none"> International Development Assistance Services Climate Change and Sustainability Risk Consulting Conflict Minerals 	<ul style="list-style-type: none"> Following the issuance of a Human Rights Statement in 2012, KPMG has worked towards implementing the statement in the current reporting period. KPMG has continued its work with the UN Human Rights and Labor Working Group. 	<ul style="list-style-type: none"> 2013 Change Readiness Index Conflict Minerals and Beyond white paper series
<ul style="list-style-type: none"> Global Code of Conduct Global People, Performance and Culture Global Diversity & Inclusion Supplier Codes of Conduct (select KPMG member firms) 	<ul style="list-style-type: none"> Climate Change and Sustainability Risk Consulting People and Change Management Consultancy 	<ul style="list-style-type: none"> KPMG International become a signatory of the Women's Empowerment Principles. KPMG served as the primary sponsor of the global kickoff event for the inaugural UN Day of the Girl. KPMG opened an International Development Assistance Services Center of Excellence in Washington DC. KPMG became a global partner for Women Corporate Directors. For the ninth year in a row, KPMG in the US received 100% in the Human Rights Campaign's Corporate Equality Index and Best Places to Work Survey. 	<ul style="list-style-type: none"> Issues Monitor: Bridging the Gender Gap – Tackling Women's Inequality A Roadmap to Responsible Soy KPMG Commissioned Research on Living Wage
<ul style="list-style-type: none"> Global Green Initiative Selected member firms have Environmental Management Systems certified to ISO 14001 Sustainable Procurement Programs and Supplier Codes of Conduct (select KPMG member firms) 	<ul style="list-style-type: none"> Climate Change and Sustainability Energy & Natural Resources Energy and Sustainability Tax Services 	<ul style="list-style-type: none"> KPMG was awarded, for the second year in a row, the 2013 Sustainable Firm of the Year by the International Accounting Bulletin. KPMG achieved an 8% reduction in net greenhouse gas emissions since 2010. KPMG in the UK was appointed by UN Environment Program to conduct a key study on the development of the Green Climate Fund. KPMG was recognized by the Carbon Disclosure Project for receiving the highest supply chain disclosure score among Swiss-based respondents. 	<ul style="list-style-type: none"> KPMG Green Tax Index A Greener Agenda for International Development Carrots and Sticks: Sustainability reporting policies worldwide-today's best practice, tomorrow's trends Carbon Footprint Stomps on Firm Value Taxes and Incentives for Renewable Energy 2013 Is Natural Capital a Material Issue?
<ul style="list-style-type: none"> Global Code of Conduct KPMG International Hotline Global Quality & Risk Management <ul style="list-style-type: none"> - Ethics and Independence policies and procedures - Acceptance and Continuance of Clients and Engagements - Anti-bribery policy - Evaluation of sub-contractors and suppliers 	<ul style="list-style-type: none"> Financial and other audit and assurance Forensic: Third party risk management Risk Consulting 	<ul style="list-style-type: none"> Updated Bribery and Anti-Corruption website KPMG was the lead sponsor of the Third Forum on Anti-Corruption in Southern Africa: Minimizing Bribery Risks and Exposure to Complex and Costly Global Government Investigations. 	<ul style="list-style-type: none"> Conflict Minerals Series Responsible Business Advancing Peace Tax Morality and Tax Transparency Astrus Insights: KPMG's Analysis of Third-Party Integrity Risks

Advancing broader UN goals and issues

By integrating citizenship into our vision and strategy, we demonstrate our larger sense of purpose and commitment to serving the public trust and helping to solve some of the world's toughest, most complex problems. KPMG people have shown their dedication to this cause, through their involvement in their communities and their strong endorsement of these activities in our Global People Survey.

Our citizenship and diversity websites provide more information on how we use our skills and resources to help find sustainable solutions to local and global issues such as climate change, food and water scarcity, poverty, development and economic growth. Our website also explains how, as an international network, we support the UN's Millennium Development Goals through our Global Development Initiative, working strategically with governments, non-government organizations and the private sector.

Many of our service lines also contribute to the UNGC and broader UN goals and issues, including Climate Change and Sustainability Services, International Development Assistance Services and Human and Social Services.

A dedicated United Nations Desk aims to develop a coherent and long-term working relationship with the United Nations. This specialized unit helps us to share the value and breadth of services KPMG firms can provide to meet the specific needs and culture of different United Nations entities, ranging from individual agencies, programs and funds to the UN Secretariat.





KPMG reporting: transparency and assurance

KPMG International currently produces the following reports, supplemented by communications on our global website.

- *Communication on Progress*: This summary statement provides a highlight of KPMG's advancement of the Ten Principles of the UN's Global Compact.
- *International Annual Review*: This report provides stakeholders and clients with an overview of KPMG's key priorities, business objectives, value propositions and financial results across all geographies.
- *Transparency Report*: This report reflects our unwavering commitment to audit quality and aligns to both our own Audit Quality Framework and the requirements of Article 40 of the EU Eighth Directive on Statutory Audits.

Our view on integrated reporting

Earlier this year, KPMG welcomed the release of the International Integrated Reporting Council (IIRC) Consultation Draft of the International Integrated Reporting Framework as an important step on the journey towards better business reporting that could ultimately address the gap between reporting content and business value.

Integrated reporting enables an organization to tell its value creation story by providing financial and non-financial information on its strategy, performance and governance in its business and social context, in a way that highlights the interdependencies of the information.



Integrated reporting is intended to reflect the broad and longer-term consequences of the decisions organizations make, based on a wide range of factors, to create and sustain value. It also enables an organization to communicate in a clear way how it is drawing on all the resources it utilizes to generate value in the short, medium and long-term, helping investors to manage risks and allocate resources most efficiently.

KPMG is an active participant within the IIRC, with official representation by KPMG International's Chairman, Michael Andrew, as well as involvement by KPMG partners and employees across the globe. Moreover, KPMG International is also participating in the pilot program of the IIRC, exploring opportunities to integrate our reporting, both internally and externally.

Contact us

Please visit kpmg.com and let us know what you think.

As a valued stakeholder and report reader, your thoughts and concerns are important to us. We are interested in knowing what you think about our Communication on Progress and performance overall as a responsible business.

If you would like to send us any feedback on these issues, please write to us at: citizenship@kpmg.com

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