



KPMG

cutting through complexity

The gift of a sustainable future

2011 KPMG China Corporate Social Responsibility Report

kpmg.com/cn

About the cover image

In May 2011, I led a team of 11 volunteers to visit students at KPMG China's Fang Niu Chang Hope Primary School in Yunnan. Due to its remoteness, resources were rather limited. Through a series of fun activities and games, our volunteers taught the students about international trade, basic economic concepts and managing water pollution and waste — things they would otherwise not have had the chance to learn in their day-to-day classes.

In our world, everyone has a duty to fulfil basic social responsibilities — to take the extra step of giving back what they can to their community, whether by making a donation or giving time to help those that are less-privileged. We can get a lot of out of 'giving'!

Cover photograph by Jackie Lee, a KPMG China employee

CONTENTS

MESSAGE FROM THE CHAIRMAN
OF KPMG IN CHINA

MESSAGE FROM THE HEAD OF
CSR & DIVERSITY OF KPMG IN
CHINA

EXECUTIVE SUMMARY



CHAPTER 1: GLOBAL CSR ISSUES
IN RELATION TO BUSINESS



CHAPTER 4: CSR IN OUR
CORPORATE DNA



CHAPTER 2: CSR EVOLUTION IN
CHINA



CHAPTER 5: CREATING IMPACT



CHAPTER 3: CSR AT KPMG CHINA



GOING FORWARD

MESSAGE FROM THE CHAIRMAN OF KPMG IN CHINA



"People are at the heart of everything we do"

In an ever-changing world, we are lucky to be in a profession that offers so many opportunities. We have the opportunity to make a difference not just for clients but also for the communities in which we live and work.

At KPMG, we believe everyone has a role in making our world a better place. We take our engagement with our people and other stakeholders in the wider community very seriously.

People are at the heart of everything we do.

I am thrilled our people applaud and share the firm's commitment to the community, as they made clear in our recent KPMG People Survey. To meet their aspirations, we are dedicated to building on our strong Corporate Social Responsibility (CSR) platform and to reinforcing a thriving culture of giving. Equally importantly, we want to be part of the solution for a better and more sustainable world and to pave the way for our people to use their skills for the greater good.

Through KPMG China's Charitable Foundation, we have successfully developed cause-driven initiatives in education, empowerment and environment areas. New initiatives in China, like the Hope schools and the community centre, enable our people to volunteer and make a tangible difference to tens of thousands of lives.

In times of tragedy, from the earthquakes in Sichuan, Haiti and Japan to the recent famine in East Africa, our people's humanity and generosity have transcended all barriers. I have been deeply moved by their actions and I am very, very proud of them.

To demonstrate our global leadership in CSR and increase our influence among other business leaders, KPMG International accepted an invitation to join the Global Compact LEAD, a new platform for corporate sustainability leadership launched at the World Economic Forum in Davos in January 2011.

With this publication, we wish to share the journey we have embarked upon with all of our people, as well as set out how we plan to become the best organisation to work with by ensuring our people, our clients and our communities achieve their full potential.

Together we can make the world a much better and more sustainable place. Here at KPMG, we are committed to leaving a meaningful legacy for future generations. We hope we can count on your help and support!

Stephen Yiu
Chairman, KPMG China



MESSAGE FROM THE HEAD OF CSR & DIVERSITY OF KPMG IN CHINA



"we have empowered and transformed the lives of many young underprivileged people in China"

KPMG China has been through two very rewarding and challenging years since our first 'CSR Review' in 2009. By enabling our people to engage our numerous stakeholders, we have been able to make a tangible difference in society and the environment.

The needs of society are substantial and always growing. KPMG believes education is a powerful tool for lifting people out of poverty and, by focusing on this area; we have empowered and transformed the lives of many young underprivileged people in China.

Our strong CSR platform also helps our talented people build a more transparent and accountable civil society and empowers people and NGOs to help themselves.

Through reducing our own firm's carbon emissions, we are committed to paving the way for more businesses to combat climate change challenges. In 2010, we achieved a significant reduction of 19 percent of carbon

emissions per full time equivalent (FTE) in China against our 2007 baseline. Using 2010 as the new yardstick, KPMG China is working to meet KPMG's global goal of further reducing emissions by 15 percent per FTE by 2015.

Today, consumers, employees and a new generation of young people expect businesses to care for the communities in which they operate. When businesses genuinely integrate society's needs and challenges into their core competencies, they will be able to create economic value in a way that also creates value for society.

At the business level, CSR also represents our understanding of clients, productivity, markets, competition, business management and environmental challenges. At the social and environmental level, we aim to create a strong giving culture through CSR.

We want to leverage our large pool of talents to create a ripple effect by using their abilities and professional skills to change the world for the better. With this report, we hope to share with you KPMG China's efforts to create the gift of a sustainable future for this and future generations.

Diana Tsui

Head of Corporate Social Responsibility & Diversity,
KPMG China



EXECUTIVE SUMMARY

At KPMG, we believe it is a time of unprecedented opportunity for people and businesses to serve their communities. In this report, we illustrate some key social and environmental challenges, both locally and globally, and suggest the role businesses can play in helping address these challenges through embedding corporate social responsibility into their key strategies.

China is newly included in KPMG's 2011 International Survey of Corporate Responsibility Reporting, but has already demonstrated a rapid uptake, with 60 percent of the nation's largest companies reporting on Corporate Responsibility. Both our key global surveys (2011 KPMG International Corporate Sustainability report in conjunction with Economist Intelligence Unit being the other) offer details of how CSR is now viewed as a source of new growth, and highlights how KPMG China addresses the concerns of our stakeholders through our business practices, people's agenda, community initiatives and environmental policies.

In this publication, we describe the key aspects of our CSR strategy and outline our core values and best CSR practices, including examples of collaboration between the business sector, government agencies and civil society. In addition, we include the results of our carbon emission reduction effort and show how we have integrated a green strategy into our day to day business operations.

More importantly, you will also find many real stories from our people. Their accounts show how their lives have been touched through their involvement in our CSR programmes, and the testimonials from our beneficiaries and NGO partners vividly demonstrate the impact our people have had on the community and environment. At KPMG, we believe our people are our biggest asset and we are striving to build a strong CSR platform that allows them to contribute to the community and make a positive environmental impact both at the individual level and as a part of the Chinese firm.

In the final section of the report, we set out the key challenges KPMG China faces in a changing world. These include introducing new working styles in response to rapid advances in technology, and satisfying the expectations of a new generation of employees that demands a greater say in how the firm is run.

Going forward, we believe a lot more needs to be done in the CSR sphere to unlock the next wave of business innovation and growth, and to create shared economic, social and environmental values. In these pages, we hope to demonstrate the efforts we are making to build a legacy for future generations. Our goal is to sustain these efforts by engaging each and every one of our stakeholders.



CHAPTER

1

GLOBAL CSR ISSUES IN RELATION TO BUSINESS





21ST CENTURY TRANSITIONS

Today, economic power is shifting east, with China and India the fastest growing economies. Other growth areas include developing regions like Latin America and Africa. Investors are concerned about the heavy debts of wealthier countries and consider the economies of emerging markets as sturdier and more innovative.¹

China in particular has emerged as a pillar of world production in the last two decades. While the US is still the world's biggest economy, China is closing the gap. With Standard & Poor's downgrading of the US's AAA credit rating in August 2011, and the ongoing Eurozone debt crisis, a new reserve currency, possibly the RMB, may be needed.

As the world's top emitter of greenhouse gases, the manner in which China deals with important global issues like adopting international environmental policies may go a long way to showing the world it is in control of its expansion.²

India is the world's largest democracy, but most of its population have yet to achieve a basic standard of living.³ However, if it continues to grow at its current rate over the next two decades, it will have the fifth-largest consumer market by 2025, with income levels almost tripling. This will lift millions

out of poverty, increase the size of the middle class 10-fold, and ensure 23 million Indians are among the country's wealthiest.⁴ To reap such rewards, India has to generate more employment opportunities and improve housing and urban infrastructure.

In the developing world, Latin America is the most urbanised region, with 80 percent of its young living in cities. To catch up with other global urban economies, the area's traffic problems, housing shortages and other pressing issues will have to be resolved.⁵

Africa has immense potential, but investment there is still considered risky. Nonetheless, its huge coastline and proximity to Europe and North America may help it challenge Asia's dominance in labour-intensive manufacturing.⁶ If so, poverty can be drastically reduced.⁷

The time has come for an expanded view of CSR and value creation. Growing social awareness among employees and the public, an evolving and more interconnected world, and increased scarcity of natural resources will drive unprecedented opportunities.

Projections for the future

► By 2012, emerging economies could grow by around four percentage points more than mature economies, and may produce more than half of global output by 2013.⁸

► By 2050, the US, China, India, Japan, United Kingdom, France, Germany and South Korea will be the world's largest economies.⁹

► By 2025, 20 of the world's top 50 cities by GDP will be in Asia — up from eight in 2007. Bangkok, Delhi and Wuhan will replace cities such as Barcelona and Melbourne.¹⁰

► Second-tier cities of 150,000 to ten million people will grow faster than megacities of 10 million or more and will join the list of top 600 urban cities by GDP by 2025 — 100 will be from China. 13 are projected to become megacities, with seven from China.¹¹

► If emerging markets continue growing by above three percentage points a year more than the US, some analysts suggest they will be producing two-thirds of the world's output¹² by 2030. There is space for emerging players to catch up with incumbent economic leaders.

1 'A Game of Catch-up' by John O'Sullivan, The Economist, 24 September 2011

2 'China — the emerging Green Dragon?', Helen Luk, Hong Kong Society of Accountants, A Plus, HKICPA, April 2009

3 'India's urban awakening: Building inclusive cities, sustaining economic growth', McKinsey Consumer Demand and Demographics, April 2010

4 'The "Bird of Gold": The rise of India's consumer market, Executive Summary', McKinsey Consumer Demand and Demographics, May 2007

5 'Building globally competitive cities: The key to Latin American growth', McKinsey Consumer Demand and Demographics, August 2011

6 'The case for investing in Africa', Paul Collier, McKinsey Quarterly, June 2010

7 'Can Africa continue to grow?', McKinsey Quarterly, August 2010

8 'A Game of Catch-up' by John O'Sullivan, The Economist, 24 September 2011

SOME OF TODAY'S KEY CHALLENGES

Exploding populations

According to the UN, Asia will remain the most populous region in the world in the 21st century. Today, 60 percent of the world's 7 billion people live in Asia. Currently 4.2 billion, the continent's population is expected to peak at around 5.2 billion in 2052. By 2030, 5 billion people will live in urban areas, with the global population expected to be roughly 9.3 billion by mid-century. Globally, there are more young and old people than ever before.¹³

Environmental impacts

While fossil fuels have made the modern world possible, new solutions are required to enable world energy supplies to continue to grow as fossil fuels dwindle. Also, the biggest cost of burning fossil fuels has been the impact on the environment. Carbon emissions are transforming Earth's climate and causing our oceans to acidify.

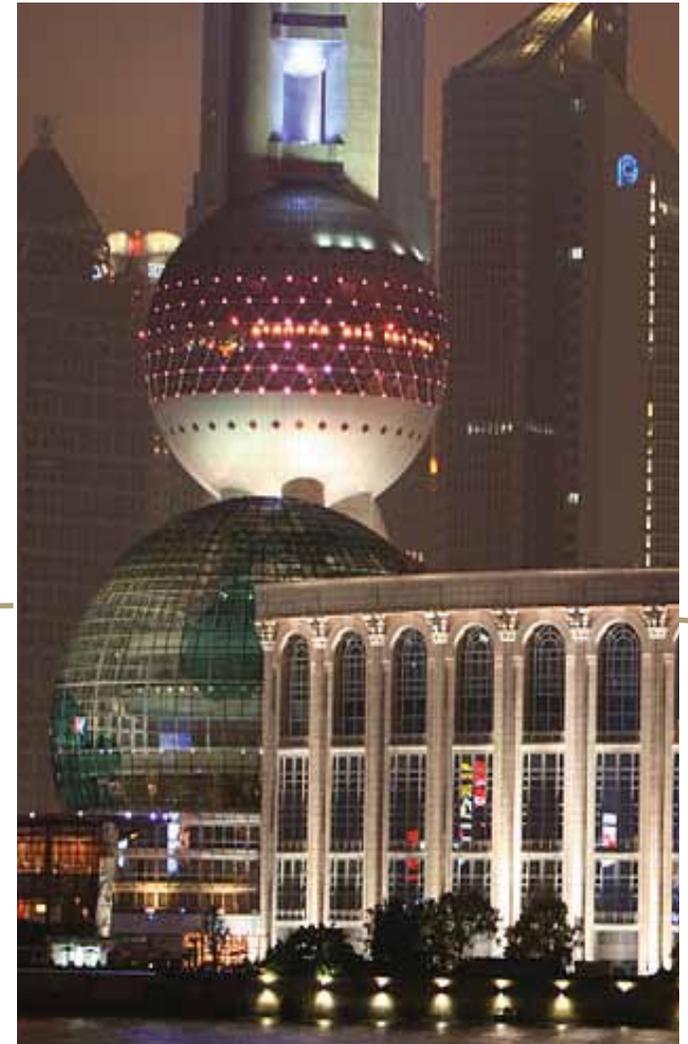
The likely consequences from rising temperatures may include rising seas, extreme weather events, falling agricultural output, collapsing oceanic food chains and starving people. We need to find new ways to provide for so many more people, with a strong emphasis on growing food without using fossil fuel inputs, eroding topsoil or drawing down increasingly scarce supplies of fresh water.^{14 15}

Educational/gender equality

According to UNESCO, more than 796 million of the world's adults, or one in five (two-thirds of whom are women), do not know how to read or write, while 67.4 million children are out of school. Another 67 million children of primary school age are not in school and 72 million adolescents of lower secondary school age run the risk of becoming a new generation of illiterates.

In the Asia-Pacific region, the majority of adult illiterates are concentrated in countries with large populations. Between 2005 and 2009, there were five countries with more than 10 million adult illiterates: India (283 million), China (65 million), Pakistan (50 million), Bangladesh (49 million) and Indonesia (13 million). Over the last two decades, China has reduced the number of illiterate adults by 114 million. Literacy is key to lifting people out of poverty.¹⁶

CSR represents the next stage in our understanding of consumers, productivity, markets, competition and business management. Perhaps most importantly, embedding CSR into core strategies, operations and communications will become paramount in managing risks, ensuring survival and achieving business success as the world adjusts to 21st century realities.



9 'Strategic Management: Competitiveness and globalization', by Michael A. Hitt, R. Duane Ireland, Robert E. Hoskisson, South-Western College Publishing, 2008

10 'Urban economic clout moves east', by Richard Dobbs, Jaana Remes, and Sven Smit, McKinsey Global Institute, March 2011

11 'Urban world: Mapping the economic power of cities', McKinsey Consumer Demand and Demographics, March 2011

12 'A Game of Catch-up' by John O'Sullivan, The Economist, 24 September 2011

13 United Nations, UNFPA State of World Population 2011

14 Richard Heinber: Vision: Building a World That Can Run Without Fossil Fuels Will Be the Challenge of Our Lifetimes

15 Julian Hunt and Yuguo Li: Growing pains of megacities, Straits Times, October 29, 2011

16 United Nations Education, Scientific and Cultural Organization: <http://www.unesco.org/new/en/education/themes/education-building-blocks/literacy/>

TWO KEY GLOBAL SURVEY FINDINGS: CSR AS SOURCE OF NEW GROWTH

Definition of sustainable development

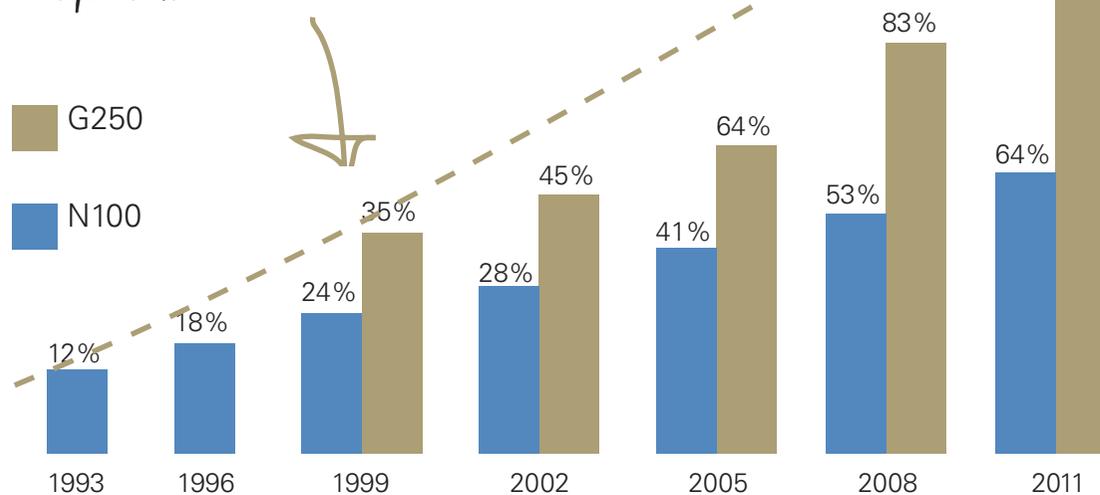
"Adopting business strategies that meet the needs of the enterprise and its stakeholders today while sustaining the human and natural resources that will be needed tomorrow." – 2011 KPMG International Corporate Sustainability report in conjunction with Economist Intelligence Unit

According to two key KPMG global surveys, the main drivers of CSR are changing. In today's business environment, CSR is viewed as a source of innovation and new growth and has become the strategic lens through which communities view socially responsible businesses.

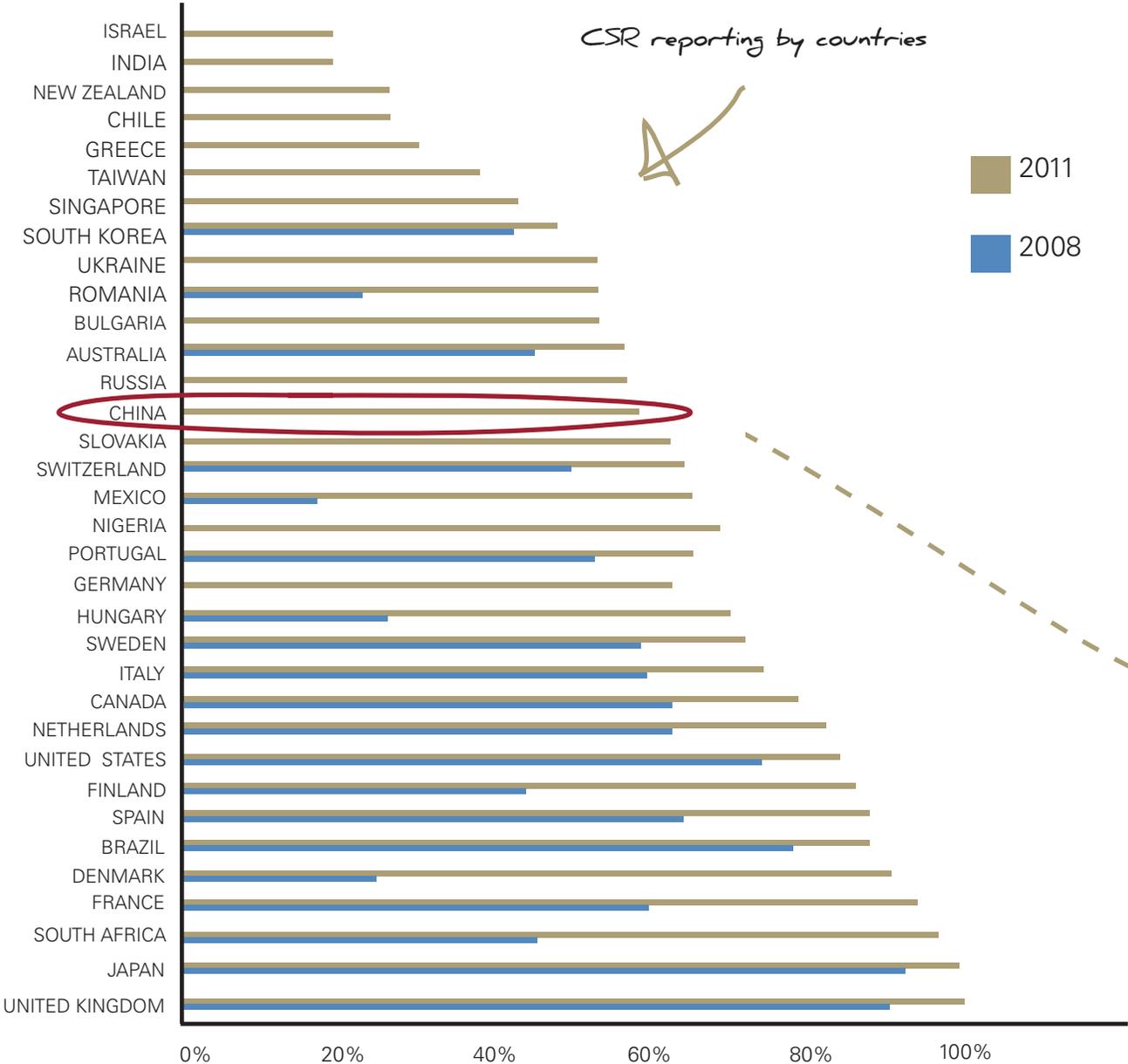
KPMG's 2011 International Survey of Corporate Responsibility Reporting

This KPMG survey is one of the largest and most comprehensive surveys of CR reporting trends ever published, covering 34 countries and 15 industrial sectors. Encompassing 95 percent of the G250 (the largest 250 global companies based on the Fortune Global 500 ranking) and 64 percent of the largest 100 companies (the N100), it shows an increase of 14 and 11 percent, respectively, since the last survey in 2008. It is also the only CR survey to include China.

CSR reporting becomes a de facto requirement



CSR reporting by countries

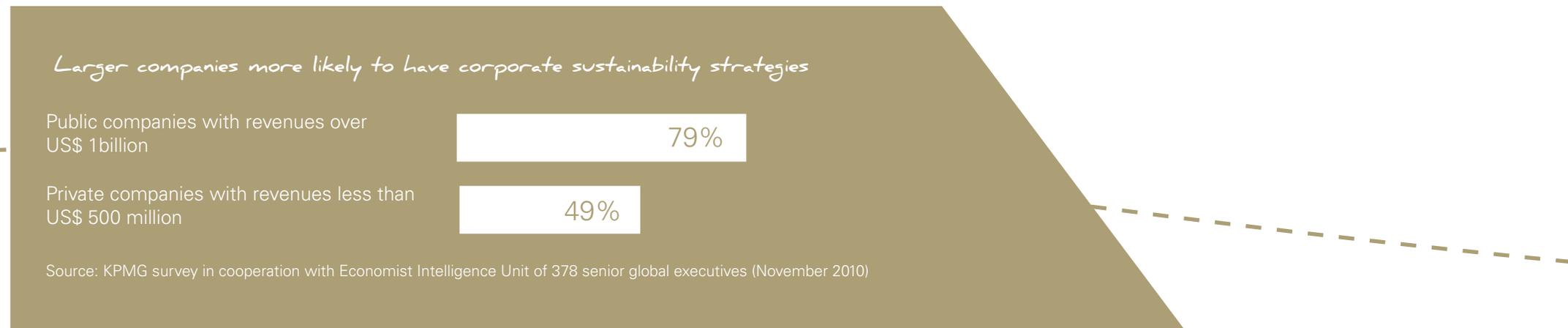


Source: KPMG 2011 International Survey of Corporate Responsibility Reporting

KPMG insights

- ▶ As it will soon be the norm for all products to be environmentally friendly and socially responsible, we believe a product’s sustainability benefit will strongly differentiate a brand (akin to price, quality and effectiveness).
- ▶ Companies using only one channel of communication (e.g. their annual report) for their CR reporting will find they are losing ground to competitors who offer their data through a variety of media. We recognise the design of specific systems and processes to facilitate this level of communication may prove complex for many organisations.
- ▶ While Global Reporting Initiative Guidelines will continue to be the de facto standard, we believe global CR reporting will benefit from standards that benchmark the quality of information and quantify performance in CSR activities.
- ▶ KPMG International supports the development of integrated reporting as the next step in improving the value of corporate reporting. As companies strive to enhance their business reporting, we anticipate a significant rise in all forms of integrated reporting over the coming years.

2011 KPMG International Corporate Sustainability report in conjunction with Economist Intelligence Unit



Key findings

- ▶ Despite strong sustainability performance, nearly every CSR initiative is viewed as merely corporate PR by survey respondents.
- ▶ The economic environment is the biggest barrier to adopting sustainable practices.
- ▶ Environmental concerns top the sustainability agenda and will continue to do so for years to come.
- ▶ While cost reduction may be important, regulatory requirements, brand enhancement and risk management are among the key drivers for undertaking sustainable practices.
- ▶ Major challenges companies encounter in reporting are finding good data and relevant benchmarks.
- ▶ For some, the supply chain is a blind spot.





Photography by Sisay Zerihun, Médecins Sans Frontières

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OUR KPMG CORE VALUES

People are central to everything we do. We will build and sustain our reputation as the best organisation to work with by ensuring that our people, our clients and our communities achieve their full potential and demonstrate leadership in today's changing environment.



We are open
and honest in
our
communication

Above all,
we act with
integrity

We are
committed to
our
communities



CHAPTER

2

CSR EVOLUTION IN CHINA





"China is increasingly the focus of global attention and its progress on poverty reduction is a remarkable achievement. But real pressures remain in such a complex society. Our task at KPMG is to engage with our critical strengths, partly through cash support but mainly through applying our skills to build the capacity of those who daily meet the needs of vulnerable people. From success comes responsibility and joy in helping to lead change."

Michael Hastings

Lord Hastings of Scarisbrick CBE
Global Head of Citizenship and Diversity
KPMG International



CHINA'S RESPONSE TO CLIMATE CHANGE AND PUSH TOWARDS SUSTAINABLE DEVELOPMENT

In its 12th Five-year Plan (FYP), the Chinese government announced targets to reduce greenhouse gas (GHG) emissions per unit of GDP by 40–45 percent (from a 2005 benchmark) by 2020.

Significant resources have been put in place for educating people about the targets and to monitor progress. Designation of low carbon pilot provinces and cities and fiscal measures to incentivise energy efficiency efforts have created multiple opportunities in city planning, Clean Development Mechanism (CDM) project portfolios and technological innovation. Energy efficiency, new energy and clean energy cars are three investment areas (out of seven special sectors) that have been identified, and CSR is increasingly seen as essential for creating company value that meets both internal and external stakeholder demands.

Opportunities and challenges

► By 2015, China aims to cut the energy and carbon dioxide emissions produced for every unit of economic

output by 16 percent and 17 percent, respectively. Relative to 2005 levels, this is consistent with China's long term plan to cut carbon intensity by 40 to 45 percent by 2020.

- Most industry leaders already have or are developing CSR strategies in line with their overall business strategy.
- Strategic implementation of energy efficiency and/or clean energy measures offers companies a competitive edge.
- Although sustainability and climate change have gained a place on board agendas, most companies typically focus on technology and equipment upgrades to reduce energy consumption and carbon emissions and lack a more holistic approach.



ENSURING THE WELL - BEING OF CITIZENS

Faced with mounting environmental problems and growing economic disparity, China's government is encouraging sustainable business practices. While concerns about safety issues and environmental degradation (and its impact on health) are rising, there is still a gap between policy and practice. Extensive labour and environmental laws and regulations are in place, product safety regulations are being updated, and incentives for greener business practices are planned. However, with complex and competing priorities at the local level, implementation is an ongoing challenge.¹⁷

One of the most urgent issues is providing education for the children of migrant workers. There is no clear regulation at the governmental level to resolve this issue. With no hukou (a resident permit given by the Government of China), migrant children cannot enrol in public schools. Also, most migrant schools do not have

sufficient funding to sustain themselves and close down very quickly.

New media (especially social media) is playing an increasingly important role in giving a voice to the general public. From a community of 340 million internet users engaged in online discussion about contemporary issues in China, 81 million are bloggers. Research by PR company Edelman also shows that the annual growth of internet users in China is around 40 percent.¹⁸ The internet is enabling the public to act as a watchdog, helping to ensure companies are more socially responsible.

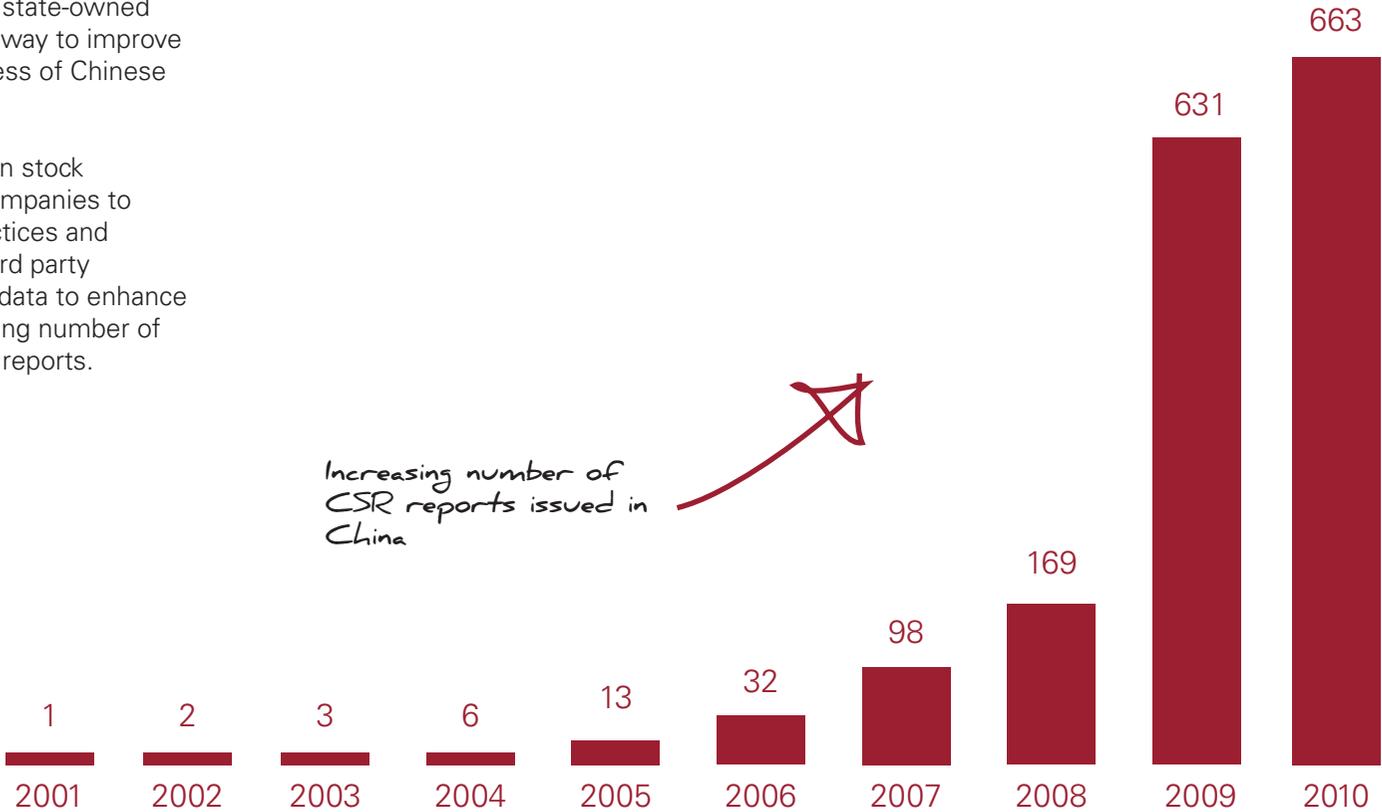
¹⁷ LRQA and CSR Asia: CSR IN ASIATHE REAL PICTURE
¹⁸ LRQA and CSR Asia: CSR IN ASIATHE REAL PICTURE

CSR REPORTING TRENDS

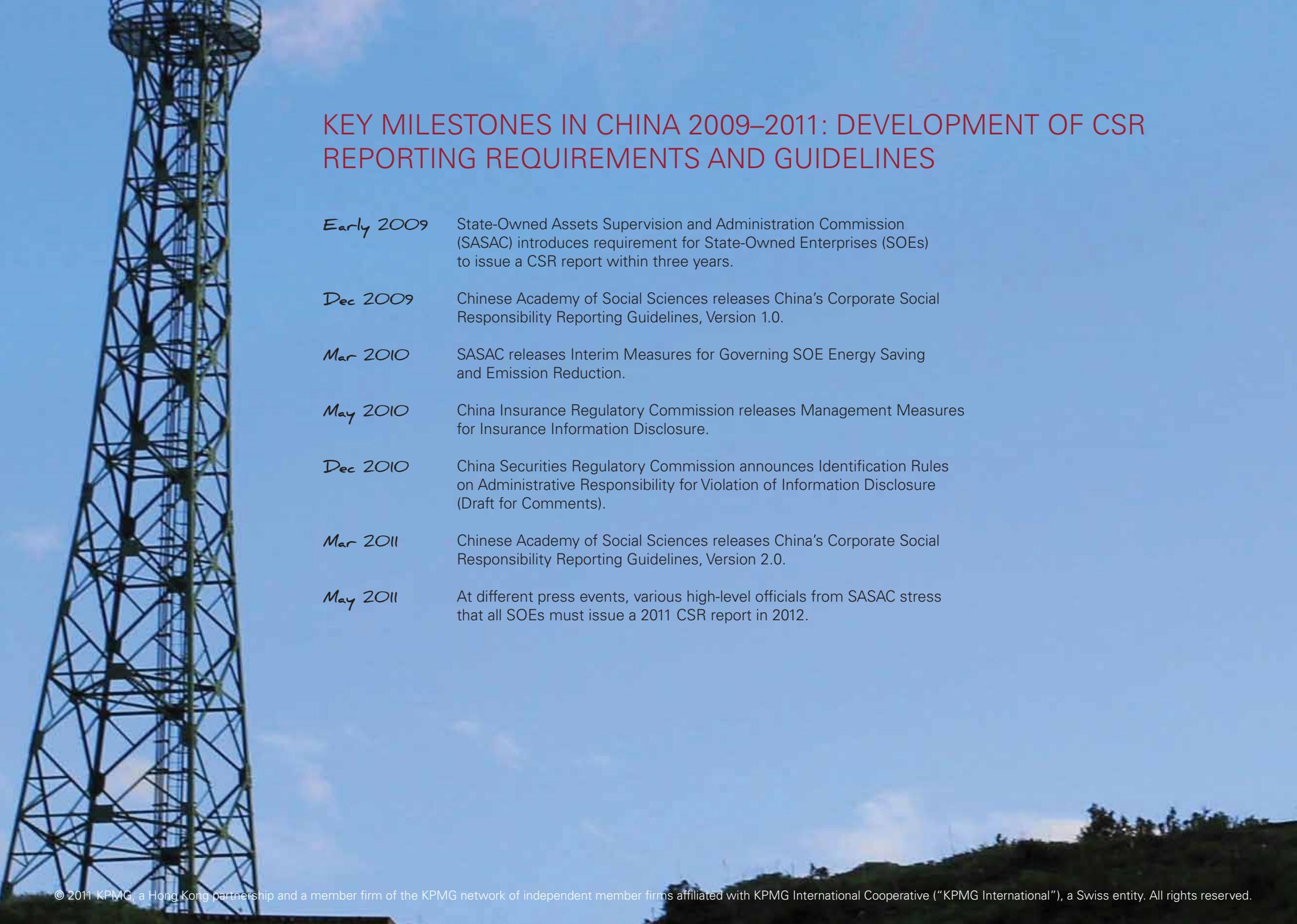
As in other countries, CSR in China is driven by leadership and innovation. Stakeholders expect higher quality and more reliable reports. Leading companies are also distinguishing themselves by including third party opinions in their reporting processes.

The central government is also pushing state-owned enterprises to publish CSR reports as a way to improve the brand, reputation and competitiveness of Chinese companies.

In response, the Shanghai and Shenzhen stock exchanges increasingly require listed companies to disclose their more significant CSR practices and impacts and encourage independent third party assurance on the reported content and data to enhance reporting quality. As a result, an increasing number of Chinese companies are publishing CSR reports.



Sources: CSR report research 2010 by China WTO Tribune



KEY MILESTONES IN CHINA 2009–2011: DEVELOPMENT OF CSR REPORTING REQUIREMENTS AND GUIDELINES

- Early 2009* State-Owned Assets Supervision and Administration Commission (SASAC) introduces requirement for State-Owned Enterprises (SOEs) to issue a CSR report within three years.
- Dec 2009* Chinese Academy of Social Sciences releases China's Corporate Social Responsibility Reporting Guidelines, Version 1.0.
- Mar 2010* SASAC releases Interim Measures for Governing SOE Energy Saving and Emission Reduction.
- May 2010* China Insurance Regulatory Commission releases Management Measures for Insurance Information Disclosure.
- Dec 2010* China Securities Regulatory Commission announces Identification Rules on Administrative Responsibility for Violation of Information Disclosure (Draft for Comments).
- Mar 2011* Chinese Academy of Social Sciences releases China's Corporate Social Responsibility Reporting Guidelines, Version 2.0.
- May 2011* At different press events, various high-level officials from SASAC stress that all SOEs must issue a 2011 CSR report in 2012.



CHAPTER

3

CSR AT KPMG CHINA





OUR MISSION AND VISION

At KPMG China, we will build and sustain our reputation as the best firm to work with by ensuring that our people, our clients and our communities achieve their full potential.

We will also harness our resources and skills to provide sustainable solutions for global problems, especially in the education, empowerment and environment areas. We support local community initiatives and make global contributions to help fulfil the Millennium Development Goals.

Based on the idea of 'leading change in society', our approach is embedded in the belief that we have a pivotal role to play in helping to solve some of the world's most complex problems. We believe we can bring about positive transformations in organisations while driving change in the wider community.

While responsible business practices are a vital part of corporate citizenship and building sustainable markets, we recognise the need to do more than simply react to today's challenges. We endeavour to be a catalyst for change and to proactively work with our stakeholders to tackle the biggest social, economic and environmental issues.



THE KPMG CHINA FOUNDATION

Officially chartered as a charitable entity in February 2008, the KPMG China Foundation manages the partnership's contributions and strategic allocation of funds. This complements our firm's CSR goals through structured and organised giving.

It engages our people, stakeholders and brand to create a 'multiplier' effect through the matching of grants and partnerships. These are reviewed and finalised at our biannual board meetings.

Through projects focusing on the '3Es' – education, empowerment and the environment - we support underprivileged and disadvantaged youths in China. We also collaborate with our stakeholders and the Social and Environmental Action Teams (SEATs) in all thirteen offices to identify opportunities and deliver cohesive, sustainable approaches.

The Foundation prefers to support projects aligned with one of the 3Es in which KPMG staff can get involved and use their expertise. We choose to support NGOs/charities providing services in Hong Kong or the mainland whose projects have measurable results, are specific, innovative, community orientated and have the potential to become sustainable.

Since its inception, the Foundation has donated a total of more than HKD15 million to the local community. In addition, our people have also contributed a total amount of more than RMB 4 million through the Chinese firm's CSR platform to support key international and local CSR initiatives, including disaster relief efforts.

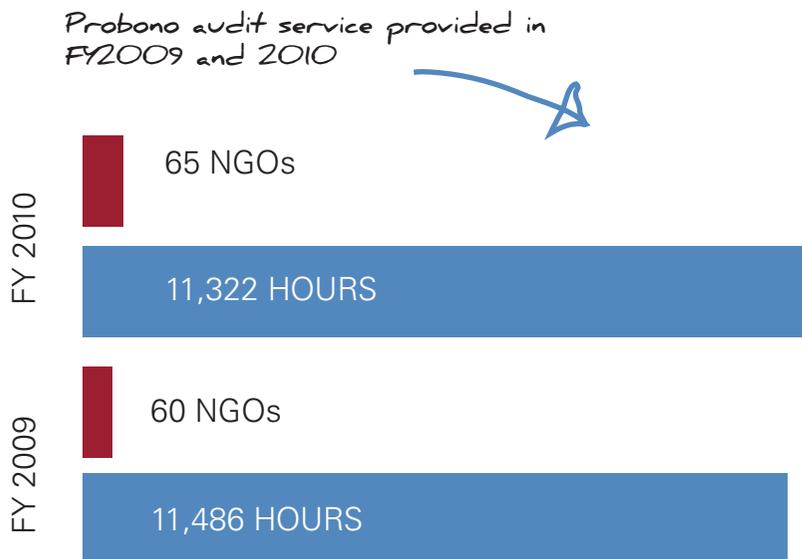


Building blocks demonstrate Cifeng county students' perspective of a city

PRO BONO AUDIT SERVICES

One of our fundamental commitments at KPMG is to use our professional specialist knowledge and skills to help civil society organisations enhance their accountability.

During the fiscal year 2009-2010, KPMG China provided over 11,000 hours of pro bono audit services to both large and small non-profit and non-governmental organisations in China and Hong Kong. The chart below details these services:



Source: KPMG China Honorary Work Summary for Fiscal Year 2009 and 2010



OUR 3ES APPROACH



Education: The gift of knowledge

By supporting education for underprivileged youths, we believe we are equipping them with lifelong tools. Besides driving fundraising for tertiary education, our volunteers mentor with a variety of NGOs. We also strive to unleash untapped potential by offering high school students a taste of the corporate world, helping migrant children understand basic business theories and assisting undergraduates with their career goals.

Case study

We believe education is the most powerful tool for lifting people out of poverty. To date, more than 540 students have realised their dream of completing university thanks to our support for the New Great Wall programme. In the last two years, 120 New Great Wall students have graduated.

Since opening two schools in Gansu and one in

Yunnan in 2010, we have sent teams of volunteers to visit students and to teach them about international trade, environmental protection and social values. This is knowledge they would not have learnt from their regular classes. Every year, from May to June and from September to October, we visit these schools.

Each year, KPMG China sends volunteers on four annual missions, and offers colleagues five to seven days off a year (all expenses paid) to participate. Since October 2010, over 70 KPMG volunteers have participated in a total of five school missions. Recently, we also extended our support to underprivileged secondary school students through the China Care Fund.

Empowerment: The gift of self reliance

As KPMG has an abundance of talented staff with a huge variety of skills, we support initiatives where our people can be directly involved. We work with NGOs to help fund numerous community outreach programmes, student businesses and even medical missions. By harnessing our people's unique talents to empower others, we are able to transform the lives of our beneficiaries and to help them help themselves.

Case study

As of May 2008, there were 284 social enterprise projects in Hong Kong. These businesses ranged from a bakery providing employment to people unable to hear and speak to a service offering mentors for first-

time mothers. However, a common challenge for most of them was a lack of basic business expertise.

Our CSR team rallied our people to design and deliver training to equip them with the KPMG Difference - basic best-practice financial and management accounting principles. So far, we have offered complimentary training sessions to almost 300 participants from more than 50 NGOs and social enterprises.

Some have even committed themselves to working as 'social angels', mentoring Hong Kong's civil society on a one-on-one basis and finding it to be a most enriching experience.

"The training provided an invaluable opportunity to learn some basic but essential accounting concepts. It has helped me better understand our business performance."

Florence Chan

In-charge person, iBakery, Tung Wah Group of Hospitals



Environment: The gift of sustainability

In April 2008, KPMG International made a commitment to reduce all member firms' combined carbon emissions. The scheme was a great success, with KPMG China achieving a reduction of 19 percent per full-time equivalent (FTE) in 2010 compared to our 2007 baseline. Based on the 2010 baseline, we are working to meet KPMG's global goal of further reducing emissions by a 15 percent by 2015. We have launched the 'Living Green' campaign, with improved green policies for travel, sustainable IT and green offices, and continue to generate awareness among stakeholders and engage them through eco-friendly tips and seminars. Our funding decisions also include environmental best practices and we encourage our partners to adopt the most environmentally friendly courses of action.

Case study

There was a great need to rebuild both structures and lives after the Sichuan earthquake. On 28 November 2008, KPMG China agreed to work with the China Children and Teenagers' Fund (CCTF) to build a community centre in Cifeng township, located in Pengzhou city, Sichuan province.

Opened on 17 May 2010, the centre is the world's first long-span public building developed with locally sourced and environmentally friendly materials. The state-of-the-art, quake-resistant centre also features solar light tubes, LED lamps and double-glazed windows. It was awarded the '2009 National Human

Settlement Best Practice Gold Medal' and showcased as an example of best practice for sustainable living and environmental protection at the Shanghai World Expo.

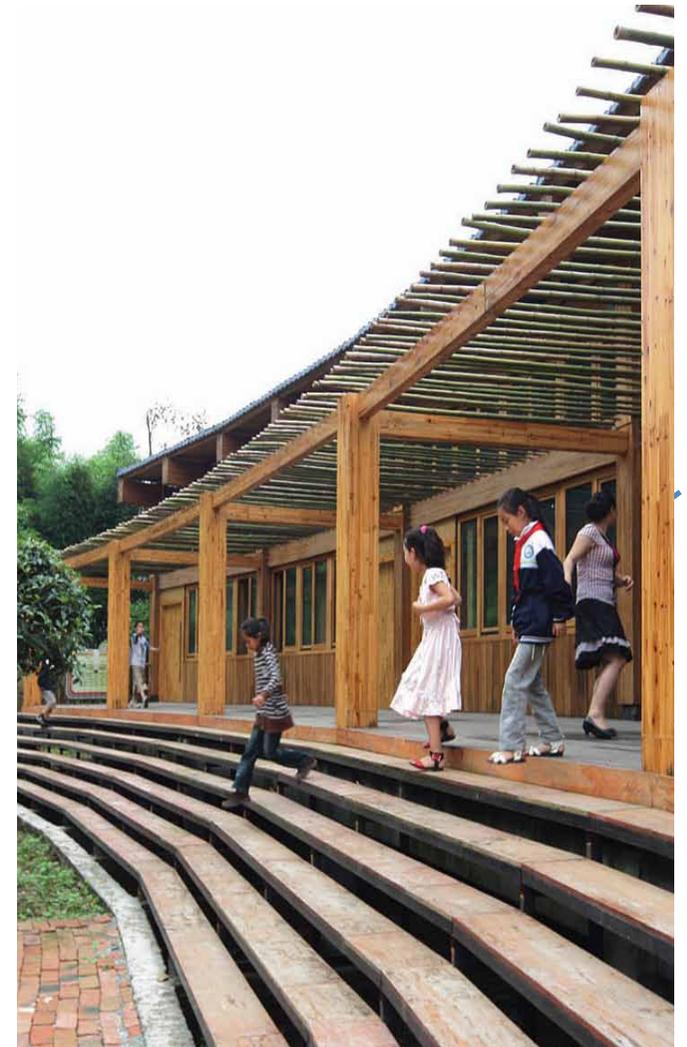
The building was made possible by corporate sponsorship, public participation and public-private partnerships and will serve as a benchmark for improving other educational, cultural and recreational facilities in rural communities.

Nearly 30 partners, including businesses, NGOs and government agencies, support the project and KPMG staff will continue to volunteer at the centre and build on their strong bond with the community.

"In such projects, I think there are two challenges. The first is to transform people's thinking — from building a standard building to one that is sustainable, intelligent and green. The second is the practical challenge of completing the projects to specification, within budget and on time. And I'm proud to say that we were able to succeed in both."

Ben Papé

Advisory Councillor, CCTF UK



A PLATFORM TO ENGAGE OUR PEOPLE - SEAT

Spearheaded by a partner in charge, each of our thirteen offices now has a Social and Environmental Action Team (SEAT) of ardent volunteers. Our CSR team works with SEATs to gather ideas and to identify and implement local community programmes. SEATs are also encouraged to identify funding opportunities and potential community partners and to submit proposals for the KPMG Foundation board to consider.

With SEATs serving as an internal springboard, we have been able to engage our people more effectively and harness their skills on projects for the greater good in areas such as IT, audit, advisory, office administration and many others.

This structure empowers our people to take ownership of KPMG China's commitment to CSR and provides a platform to interact with colleagues from different functions and levels as well as with external stakeholders.





"We view all our SEAT members as warriors for change"





CHAPTER

4

CSR IN OUR CORPORATE DNA



OUR STAKEHOLDER ENGAGEMENT

In 2010, KPMG International carried out a stakeholder engagement exercise to lay the foundations for the future of responsible business practices within KPMG member firms.

At KPMG China, we actively engage our stakeholders. In doing so, we have identified and prioritised the issues they are most interested in and are working proactively to address them.

Internal stakeholders

We communicate our CSR strategy and practice to partners and employees through channels such as the annual Partners' Conference, KPMG China Foundation board meetings, People Management Leader initiatives, company announcements, new joiner orientation programmes, business awareness sessions, volunteer events, people surveys, the company intranet and our corporate website.

External stakeholders

We actively include our clients, NGOs and the media in the CSR dialogue, primarily through business advice, conferences, meetings, interviews and community programmes.

At KPMG, we believe involving stakeholders in CSR issues they care about is a good way to build rapport with the community and to shape business directions and offerings.



Stakeholders' concerns in China

Source: KPMG China Stakeholder Research Report 2010



OUR BUSINESS

As a more complex and interdependent global economy places increasing focus on our role and value, we believe we should clearly demonstrate the steps we take to maintain the quality of our services and to protect our integrity, ethics, independence and objectivity. This also dovetails with the concerns of our stakeholders.

Global audit quality framework

At KPMG, we have developed and rolled out a global audit quality framework to ensure every partner and employee concentrates on the skills and behaviours needed to deliver an appropriate, robust and independent opinion.

KPMG China maintains a system of quality control for our Audit practice that ensures we deliver independent, unbiased advice and opinions that meet the requirements of the legal and professional standards set by local regulators and accounting bodies.

Our ethics

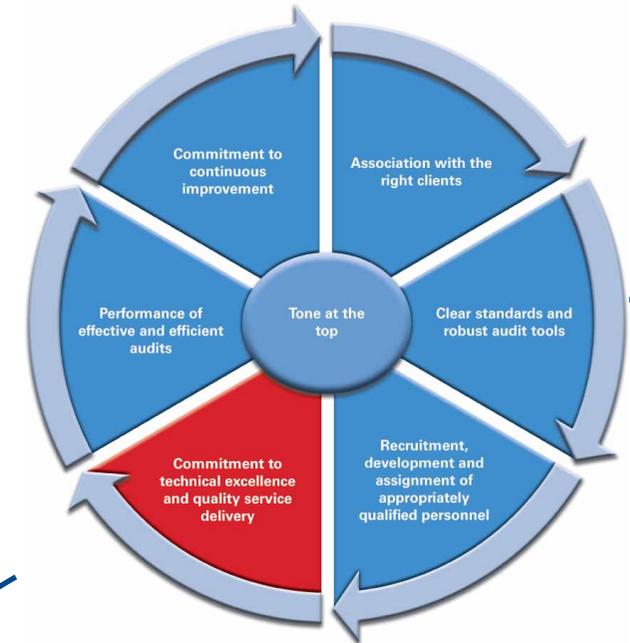
Our training, processes, systems and controls are all geared towards delivering objective, independent advice and opinions that our clients can rely on. All firm-wide policies and procedures also comply with

professional standards and rules and regulations where relevant.

We have policies and procedures for accepting or continuing a client relationship and also for deciding whether to perform a specific engagement for a particular client.

At all times, all KPMG partners and employees are required to act with integrity and objectivity and to comply with applicable laws, regulations and professional standards. While we continue to support the concept of a multidisciplinary firm offering audit clients non-audit services, we do not offer non-audit services that could compromise our independence, either in fact or in appearance, including services that may be construed as acting in a management capacity or acting as an advocate for the company being audited.

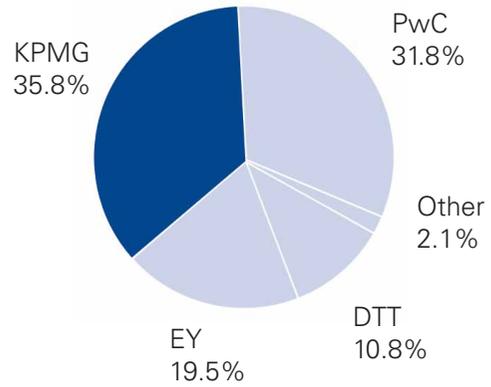
KPMG China's audits and procedures are also reviewed by independent accounting regulators and professional bodies, including but not limited to the Chinese Institute of Certified Public Accountants, the Hong Kong Institute of Certified Public Accountants, the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission.



Source: KPMG China internal publication, "Increase your AQ: Introducing the New Audit Quality Framework"

Our track record

KPMG China continues to win important new assignments by building close and ongoing relationships and offering quality professional services.



Top 100 HK listed companies market share by market capitalisation



Source: HKEx&Bloomberg, as at 31 March 2011



OUR PEOPLE

We continue to seek new ways to gain a competitive advantage, maximise our people's strengths, build employee engagement, increase productivity and help our people to grow within the Chinese firm.

Recruitment and retention

As of November 2011, KPMG employs nearly 9,000 professionals across China. As attracting and retaining talent remains a challenge for everyone in the professional services industry, we tackle this by:

Total number of professionals: 9,000



- ▶ Engaging university graduates through internships, campus talks, volunteering opportunities and social media, as well as by positioning ourselves as an Employer of Choice that provides competitive remuneration, benefits and excellent career opportunities.

- ▶ Offering attentive onboarding support and a comprehensive induction training programme specifically to help new graduates and experienced joiners to quickly adjust to working life in KPMG.

- ▶ Providing a clear career path for our people to advance professionally through KPMG Business School,

the Global and National Mobility Programmes, career rotation, the Emerging Leaders Programme and the senior manager/leadership development centre.

- ▶ Supporting a healthy work-life balance and well-being through the *myLife* programme, the People Management Leaders programme and a flexible working arrangements policy.

In 2010/2011:

- ▶ Around 70 KPMG China professionals took part in the National Mobility programme.

- ▶ Over 150 outbound/inbound secondees came from and to KPMG China.

- ▶ About 400 professionals took part in the Career Rotation programme within KPMG China.

Diversity

Whether it is the business, our people, clients, or other stakeholders, we believe that everyone benefits from diversity. It is about appreciating the unique qualities of every individual.

To lead change and to assist with international efforts, KPMG has created the Global Diversity team. Its primary goal is to drive change within KPMG. Globally, our initial focus will be to create a supportive working environment for women (especially working mothers)

and to focus on the inclusion of people with disabilities. As Employers of Choice, we embrace differences in the workplace, including those related to culture, skills, background and experience.

As of November 2011, female employees account for 61 percent and males for approximately 39 percent of the workforce at KPMG China. In terms of our partners, our male to female ratio is 66 to 34.

Our partners male to female ratio is 66 to 34

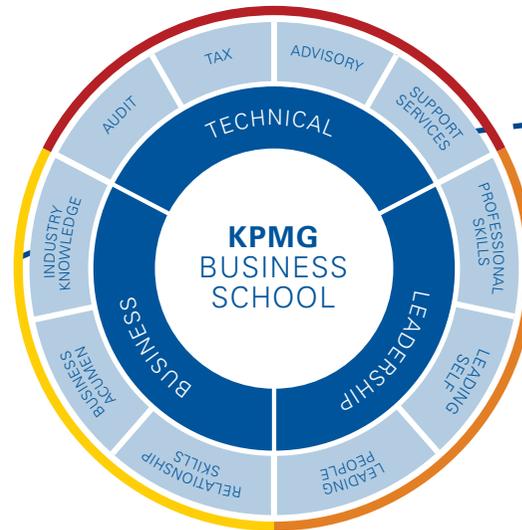


Since we view cultural competency as a business necessity, our people are expected to adopt a global mindset while respecting the uniqueness of regional, national and local cultures.

With this in mind, we have purchased the global rights to GlobeSmart, a web based tool to help equip our people with the knowledge and skills set required to enable them to work more effectively and efficiently. GlobeSmart maps differences between cultural behaviours in a business context. Among its many applications, it can be used for preparing proposals and pitches aimed at a cross-cultural audience, setting up cross-border engagement teams, or to assist in building successful cross-cultural client relationships.

KPMG Business School

Created and adopted by our member firms, the KPMG Business School offers an integrated curriculum built around our people, culture and standards. Aligned under three faculties – Business, Technical and Leadership, KPMG China’s Business School offers a mix of delivery formats such as in-class training, virtual classrooms, self-paced e-learning and web-based self-study materials. Our programme offering is based on the needs of our people and our business, developed and delivered by our dedicated team of Learning & Development professionals across China. We constantly strive to improve the breadth and quality of learning experience for our people – enhancing or refining the curriculum, leveraging subject matter experts and identifying new development opportunities.



Facts & figures

The KPMG Business School in China provides:

- ▶ 138,000 training days a year (FY2010–2011)



- ▶ Examination training for approximately 3,500 employees a year, resulting in above average pass rates in HKICPA, CICPA and CTA professional qualifications

- ▶ Learning curriculum for all levels of experience — from new joiner inductions to leadership programmes for partners



OUR CARBON FOOTPRINT

At KPMG, we are dedicated to managing our environmental impact and to working across borders to make an even bigger difference. As one of the first 'Big Four' organisation to announce a global strategy to address climate change and other environment challenges in 2008, we continue to empower our people to play a direct role in making a difference.

As part of our ambitious environmental 'Living Green' programme, various areas of KPMG's operations, IT infrastructure and building management are being closely studied for ways to reduce paper consumption, cut down on business travel, save energy and make our offices more environmentally friendly. KPMG China has developed a Green portal to build firm-wide awareness, and on alternative Mondays, we provide green tips to our employees. Brown bag lunches are also organised to increase our people's environmental understanding, and we regularly invite environmental experts to share their knowledge.

Employees and partners are also encouraged to extend the Living Green vision beyond the office, and work with clients and suppliers to mitigate the damaging effects of climate change.

In 2010, total carbon emissions throughout our thirteen offices in China, covering sixteen office buildings, totalled 15,295 metric tonnes of CO₂-equivalent, while emissions per full-time employee (FTE) totalled 1.92 metric tonnes of CO₂-equivalent. Compared to our 2007 baseline, this represents a significant reduction of 19 percent per full-time equivalent (FTE).

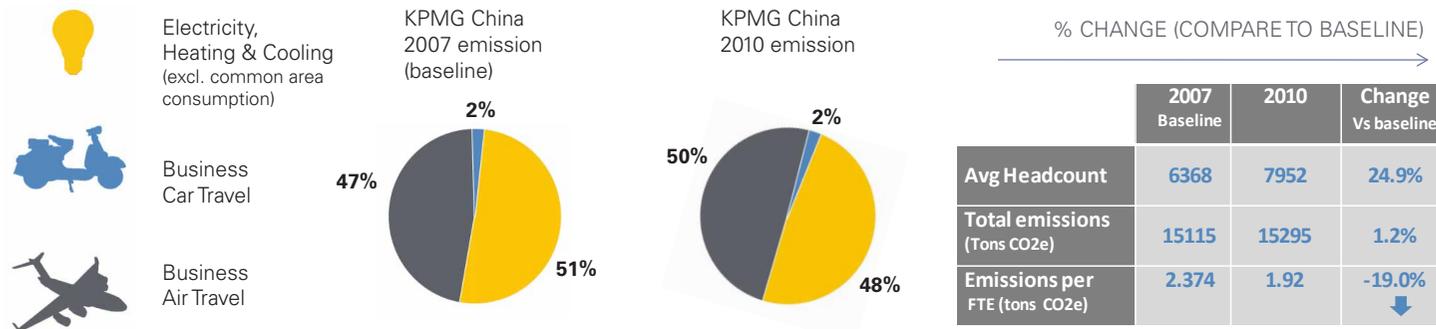
Using 2010 as the new baseline, our five-year ambition is to reduce our emissions by a further 15 percent in support of the new KPMG global target. Besides encouraging the use of the Halo conferencing system and reminding staff to switch off lights and computers at the end of the day, the China firm will continue to enhance staff environmental awareness, improve office efficiency, adopt sustainable IT and promote responsible travel to achieve its goals.

In Hong Kong, an exciting development is our new office at Hysan Place, the first in the city to have a LEED platinum building accreditation. The building's all-round efficiency is bound to make our colleagues around the world go 'green' with envy.

KPMG China also supported WWF's Earth Hour since 2008 by switching off all non-essential lights across our thirteen offices. We also sponsored a special WWF report about climate change which includes case studies of Earth Hour in China.

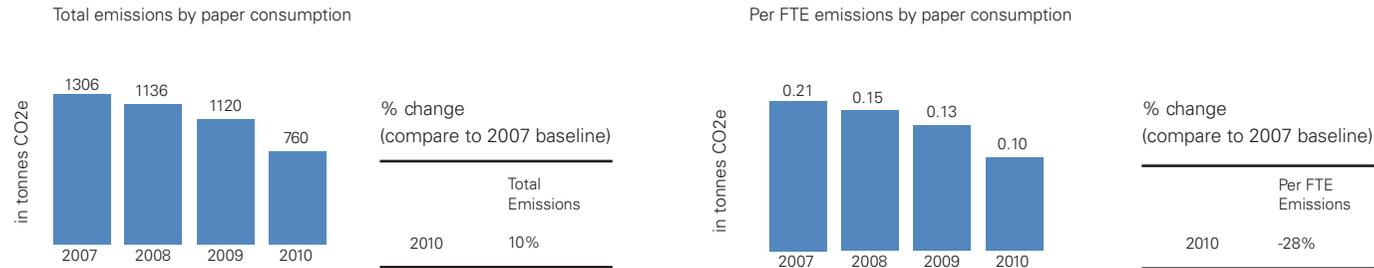
By working together, we believe we can create a healthier and cleaner environment for everyone.

2010 CARBON EMISSION RESULTS COMPARISON WITH 2007



Note: Emission from electricity consumption of building common area is an additional scope of measurement in 2010; emissions are excluded from the above graph for like-to-like comparison purpose. Also, air travel is calculated using the average method for 07-10

PAPER: 2007-2010 CARBON EMISSION RESULTS



Source: KPMG China Carbon Audit Summary 2007 – 2010

"While KPMG's core business is professional services and not environmental protection, it does business around the world and recognises that it cannot operate in a vacuum. To preserve a world conducive to its core business, KPMG understands it must 'green' itself and the world as much as possible. Accordingly, KPMG is on a path to achieving this goal, asking many of the right questions and doing the necessary experimenting. More companies need to follow KPMG's lead."

Jim Gradoville
CEO, WWF China

OUR COMMUNITY

At KPMG China, we have an obligation to the community at large. By focusing on the 3Es – education, empowerment and the environment – our KPMG Foundation aims to help disadvantaged youth throughout China.

Our projects are specifically chosen to enable our staff to become involved. To date, more than 2,000 volunteers have participated in our China programmes, contributing approximately 12,000 hours of manpower. KPMG International's Code of Conduct defines standards of ethical conduct for our firms' employees and outlines our commitment to building stronger communities locally. We use it to build trust with our stakeholders and maintain confidence in our organisation. From teaching at one of our Hope schools or translating for families and doctors at an Operation Smile mission to reading to underprivileged SoCO kids or doing a pro bono audit for a charitable organisation, our people are adaptable and passionate about making a difference.

Our top beneficiaries are:

- China Children and Teenagers' Fund
- China Foundation for Poverty Alleviation
- Hong Kong Red Cross
- Junior Achievement
- Operation Smile
- SIFE
- SoCO
- Sowers Action
- WWF China.

AWARDS



KPMG ranked second in the Index of 'The World's Most Attractive Employers' in **Universum's IDEAL™ Employer Survey** 2010 and 2011, the highest position for a professional services firm.



KPMG Hong Kong ranked sixth in a list of Best Employers for Business Graduates in the **Universum's IDEAL™ Employer Survey** 2011, the highest position for a professional services firm.



KPMG China received The Best Employer for Graduates Award in 2010 and 2011 from influential student website www.yingjiesheng.com



Hong Kong was runner-up in a list of the Best Employers for Graduates in the GTI Media Survey 2010.



KPMG Hong Kong won the Caring Company 5 years+ award 2009/2010



KPMG Hong Kong received a Bronze Award in the 2009 Hong Kong Awards for Environmental Excellence Sectoral Awards – Financial, Insurance and Accounting Institutions



KPMG China was a finalist in the AmCham Shanghai Corporate Social Responsibility Award 2009



KPMG China received the China Outstanding Corporate Citizen Award 2009







CHAPTER

5

CREATING IMPACT



KPMG CHINA AND OUR 'GIVING FOOTPRINT'



China programmes

Beijing	Chengdu	Fuzhou	Gansu
Guangxi	Guangzhou	Hangzhou	Hong Kong
Macau	Nanjing	Qingdao	Qinghai
Shanghai	Shenyang	Shenzhen	Xiamen
Yunnan			

Countries we've supported

Australia	East Africa	Haiti	Indonesia
Italy	Japan	Myanmar	Pakistan
Philippines	Thailand		



THE GIFT OF EDUCATION: BREAKING DOWN THE WALLS TO OPPORTUNITY



I have been involved in the New Great Wall (NGW) programme for eight years. NGW supported me through university and after graduation I joined KPMG. Now I participate in NGW projects for the Chinese firm. I feel lucky to be able to represent the firm in its work with members of NGW.

A famous Chinese proverb says, 'Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.' The spirit of this proverb is embodied in the NGW activities. Despite the passing of time and my different roles, my heart remains grateful.

I believe NGW activities are not just limited to empowering others – the firm has clearly demonstrated that benevolence is transferrable too. I have no doubt new NGW recipients will learn to value the welfare of others, just as I have!

Christina Li
Assistant Manager, Audit

"KPMG and their people have supported the New Great Wall programme for many years now. Year on year, the amount of donations has increased and this provides a world of opportunities for underprivileged students. KPMG demonstrates their commitment to CSR by helping to nurture future leaders of our country."

Chen Hong Tao
Programme Director,
China Foundation for Poverty Alleviation

Since 2005

"I was able to concentrate on my studies because KPMG supported me financially. But more importantly, KPMG has helped me build my self-confidence so I can go out and help others."

Shi Mei
NGW beneficiary,
South China Normal University

THE GIFT OF CONFIDENCE: LEARNING TO LEAD – AND LOVING IT!

My original reason for joining Junior Achievement (JA) was to practise my presentation skills. But JA has provided me with a wonderful platform to communicate my experiences to university students. I find the five hours I devote to JA every week really meaningful. I continue to make friends with people who share my values and I'm able to use my experience to empower and inspire students. I build confidence every time I stand on a stage and more people have got involved after seeing what JA has done for me.

One off involvement in a CSR programme is easy and exciting but persisting with these projects brings a real sense of responsibility and fulfilment.

Candice Zhang

Assistant Manager, Business Development

"Last semester, I served as project manager for the 'Career Go Workshop' at the Shanghai Institute of Foreign Trade, where I was studying. Finance students dream of being employed by a Big Four accounting firm and the KPMG consultants' vibrant and interactive workshop gave me a taste of the corporate culture and values of KPMG. The workshop and mock interviews helped me figure out which career suited me best and reminded me to remain focused on looking for my dream job."

Li Chenhua

JA participant, Shanghai Institute of Foreign Trade

"JA China has a wide range of programme partnerships with KPMG, including missions to primary schools, a Job Shadow Day for high school students and Career Go workshops for university students. KPMG volunteers have always shown great passion and dedication. We are especially impressed by their remarkable efforts and innovation in addressing the students' needs."

Isa Luo

Vice President, Programme and Development, Junior Achievement China



THE GIFT OF POTENTIAL: HELPING KIDS BE KIDS



If I have to summarise this trip in one sentence, it would be: 'Doing great things with great people while having a lot of fun.' Our team wants to help kids realise their visions and really show that we care – not only with donations but also by actually being there for them.

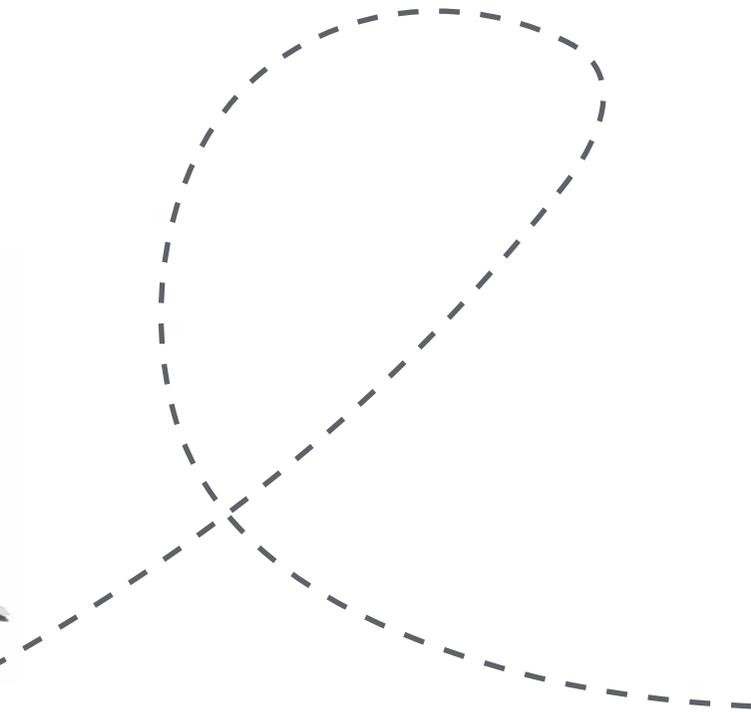
We want these children to be curious and loud, to explore their ideas. I hope they will develop their own views of the world and have their own dreams and that someday they will be equipped to realise their dreams.

My objective was to broaden their horizons, but it is mine that have been expanded instead. The children are curious, bright and full of energy and hope – just like other kids, except maybe even more so. I hope we can keep helping them unleash their vast potential.

Bill Tan
Tax Consultant, Tax

"Through this activity, I learnt about pollution and how to categorise and recycle different types of rubbish. I want to thank all volunteer teachers for visiting us. You brought us so much joy, excitement and knowledge!"

Liu Xing Xian
Grade 6 student, KPMG Fang Niu Chang Hope Primary



THE GIFT OF KNOWLEDGE: DREAMS DO COME TRUE

As a kid, I wanted to be a teacher. But when I grew up, I followed a different career path. This mission has let me fulfil my childhood dream. I taught my students Geography, History, Politics – and even some French! This made me very happy as I was able to share my knowledge and enthusiasm with them. I also learnt that very little money is needed to fund a Hope School rebuilding project, so making a life-changing impact is quite easy. I hope more people will contribute to help those in need, especially by volunteering, as this can make a lasting difference in many people's lives.

Sabrina Wang
Assistant Manager, Audit

"Our school building collapsed in the 5/12 Sichuan earthquake. KPMG donated money to rebuild it and the new teaching facilities and bathrooms have helped us so much. On behalf of the students, I would like to express my gratitude towards KPMG for providing us with such a wonderful learning environment. Every visit from KPMG staff is extremely important. They have enhanced the management and facilities of our school. More importantly, they bring new teaching ideas and interactive activities into the classrooms. Now there are bright smiles on our students' faces that were never there before!"

Yao Bin
Principal, KPMG ZhangQi Hope Primary School

"KPMG has consistently shown care and commitment to children in impoverished regions. Apart from donating money through us to help with rebuilding, they also make regular visits to schools and deliver extra-curricular activities that broaden the students' horizons. Through touching the lives of these children, KPMG volunteers show them a better world is not just a dream."

Louie Lui
Vice Chairman, Sowers Action



THE GIFT OF LIFE LESSONS: THE ACCIDENTAL BIG BROTHER



As with anything in life, working with kids follows a simple set of rules – be patient, persevere and repeat yourself – again and again and again. And make a good first impression – kids know immediately if you’re a pushover!

I’ve been a Society for Community Organization (SoCO) volunteer since I started working at KPMG in 2005. There are a number of regular volunteers and we keep each other motivated. Somehow, I ended up taking on the role of disciplinarian. Although playing the bad cop can be tough, many of these kids are young immigrants and I try to teach them survival tools to help them integrate. Their parents are often stressed and preoccupied so I guess I play the role of their surrogate ‘big brother’. One proud memory I have is helping a little girl with a difficult home situation. She didn’t trust people but she learnt to trust me.

The first bunch of kids I worked with will be going to university soon – it’s amazing to think I first met them when they were 10! We keep in touch with a few and I regale them with tales of my work and travels.

My goal in the beginning was not necessarily to be a role model. I just tried to be there for the kids and I hope I’ve given them life lessons they can live by.

Ivan Hui
Manager, Advisory, Transactions & Restructuring

“SoCO really appreciates KPMG’s continuous efforts over the last eight years to provide underprivileged children with valuable learning opportunities. The children have benefitted in so many ways and the KPMG staff are wonderful role models. Their enthusiasm and willingness have made the children very happy.”

Ho Hei Wah, BBS
Director, SoCO

Since 2003

“KPMG is so great! They organise a lot of new and exciting activities that we really enjoy, like going to Ocean Park and playing ball games. KPMG volunteers help and care about us and show a lot of love. We love you soooooo much back!”

Kiki Kwok
Form 2 Student, SoCO
beneficiary

THE GIFT OF SKILLS: TEACHING AND LEARNING FROM SIFE STUDENTS

Volunteering brings a deep sense of satisfaction, so I am extremely happy KPMG is so committed to CSR work. In 2009, I became project leader of the CSR SEAT (Social and Environmental Action Team) and helped organise projects, including SIFE events. As a business advisor (BA) that year, I decided to help the team from the University of Tianjin prepare for the SIFE China National Competition. I gave them advice and set up mock interviews with experienced colleagues to better equip them. The results were very positive.

Being a SIFE BA is inspiring and you learn so much from the university students. Their vitality, brilliant foreign language skills and contribution to society in the SIFE competition encouraged me to better equip myself for the future.

Participating in organised events has enriched my life outside of work and I have also been able to meet colleagues with a similar vision. I really appreciate these opportunities and I hope more people will experience the joys of being a volunteer.

Melinda Gao

Assistant Manager, Professional Development

"In many countries around the world, KPMG and SIFE have enjoyed a long and mutually beneficial relationship. Whether as team mentors, trainers or competition judges, KPMG employees have enthusiastically supported SIFE in many ways. There is no doubt SIFE could have spread its programme to 160 universities in China without the support of KPMG volunteers. We also greatly appreciate the fact that KPMG has offered employment to many SIFE students over the years."

J. Norwell Coquillard

Chairman & President, SIFE China

"The KPMG BAs for SIFE at Tianjin University impressed us with their professional knowledge, hospitality and willingness to participate in non-profit activities. With their help at the SIFE national competition, our team came in second out of over 100 SIFE teams!"

Shi Nai Yuan

4th Year Student, Tianjin University



THE GIFT OF COMPASSION: PUTTING A SMILE ON CHILDREN'S FACES



I will never forget the 13 year-old girl I met at the Operation Smile mission in Zhengzhou. Her mother had abandoned her because of her serious heart problem and cleft palate.

Her dedicated elderly grandparents were only able to borrow enough money for her heart operation.

As her cleft palate affected her speech, her schooling was delayed. She couldn't run and play with the other kids, and was constantly teased.

Luckily, her grandparents heard about Operation Smile and brought her to us. However, she still refused to talk even after a successful operation. So when she agreed to communicate with me in writing, I felt like I had hit the jackpot!

She wrote that she wasn't in pain, but was upset because she wanted to read a certain comic book. I agreed to get it for her if she promised to stay strong. She wrote in English, "YES" and I was thrilled.

I sent her a letter and some stationery when she got

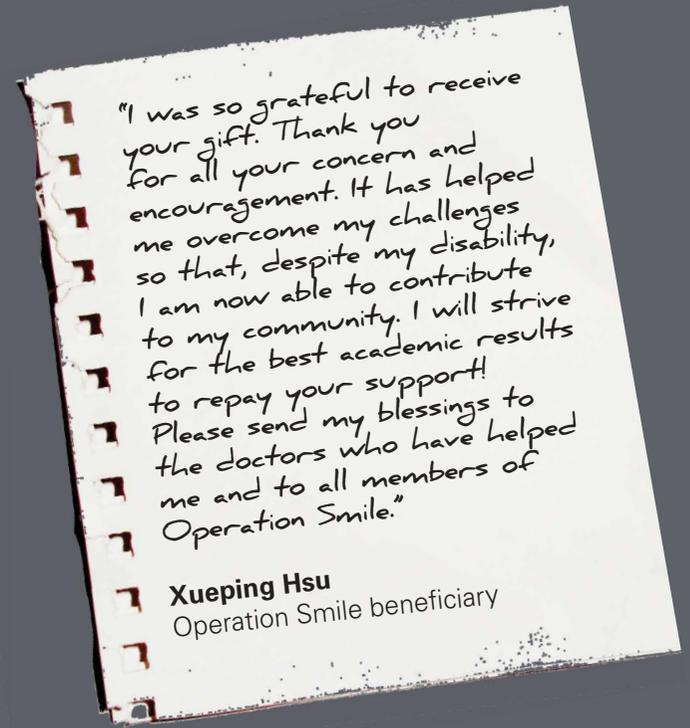
home. She was excited to receive it and wrote a long letter back. She wrote that, even though she was not good at expressing herself, she was very grateful for the operation and felt inspired to be confident and strong.

Her resilient spirit really touched me.

Jessica Shu
Assistant Manager, Audit

"KPMG's volunteers have been exceptional in bridging not only the language barrier, but also the cultural gap that sometimes exists, leading to more successful missions and safer operations for courageous children and their families. KPMG also sponsors annual surgeries and for many years, has been a true partner in bringing smiles to the many beautiful faces of those we have helped."

David Wong
General Manager, Operation Smile Hong Kong



Since 2004

THE GIFT OF RELIABILITY: HONORARY AUDITS

Working on honorary audits reminds me of the joy of volunteering. During my youth, I was an avid volunteer, so I cherish the opportunity to do my part. I even look forward to reading the charities' monthly meeting minutes!

My biggest honorary audit is for The Community Chest of Hong Kong, one of the largest non-profit organisations in Hong Kong – and one I greatly admire. Our good relationship is built on mutual respect: over the years, I've watched them distribute funds to many social welfare agencies and help the elderly, children and others in need; they are grateful when we meet their deadlines during our peak season. I'm delighted that we contribute to Community Chest and that we received their Outstanding Service Award again.

Our people are also eager to work on these audits because they allow them to see the whole picture — from fundraising to distribution. Apart from that, our colleagues also participate in the Chest's annual 'Community for the Chest' TV charity show and other fundraising events. After gaining experience as volunteers, our people are often inspired to volunteer for other projects!

Jack Ng
Partner, Audit

"The Community Chest of Hong Kong really appreciates that in addition to participating in our many fundraising events, KPMG has also offered us pro bono professional accounting consultancy and audit support since our inception. Their support has enabled us to effectively communicate our work, achievements and challenges to the public and helped position us as one of Hong Kong's top charities. The Chest looks forward to further collaboration with KPMG and to making an enduring impact for the 2.1 million needy people we support in Hong Kong."

Margaret Leung
Executive Committee Chairman, The Community Chest of Hong Kong



THE GIFT OF COLLABORATION: GREENBUSTERS TO THE RESCUE!

In all thirteen offices across China, 'our green teams' are empowered to drive green initiatives and conduct carbon audits. To gather data for the audit, we meet with building management officers, scrutinise electricity and paper usage and check air travel mileage. The 2010 carbon audit results showed promising reductions in individuals' carbon emissions. To meet our 2015 target, we're striving to reduce them even more.

Increased awareness and double-sided printing have led to less paper usage. With the introduction of eAudit in 2011, we can achieve even more dramatic reductions. We now recycle aluminium cans in all offices and always choose the most efficient office products for a greener working environment.

We are also experimenting with new ideas like installing motion sensors for lights, fitting LED light bulbs and new panel lights that use fewer fluorescent tubes, and putting in double-glazed windows for better insulation.

We want everyone to get involved, so the firm and our staff will benefit. It's really fantastic to see the KPMG environment getting progressively greener.

Ernest Lo
Manager, Office Administration

THE GIFT OF NEW TECHNOLOGY: SAVING THE WORLD ONE CLICK AT A TIME

Since my days as a commercial pilot, I believe I've come a long way in decreasing my carbon footprint! Now that I'm a proud member of KPMG's IT department, I try my best to make the firm as environmentally friendly as possible.

Today, there is plenty of hardware that complies with international environmental standards and makes our job of sourcing greener products easier. Our new laptops and smaller servers save power and use fewer harmful materials. Throw in screensavers and a sleep mode for computers and all of us can do a little something to help save the world!

We have also significantly reduced our paper usage by installing double-sided printers. Our new, energy

efficient printers track paper usage more effectively and also contribute to our reductions.

With HALO video conferencing studios in Hong Kong, Beijing and Shanghai, face-to-face conversations from afar have become a reality. Skype is also available to our people, so we continue to successfully reduce the need to travel.

We will continue to keep an eye out for the greenest products and set up new policies for our users. IT can certainly do a lot to go green!

Cliff Ho

IT Helpdesk Manager, IT Services



THE GIFT OF A NEW START: OUR PEOPLE'S ROLE IN DISASTER RELIEF

The Sichuan earthquake happened on a seemingly normal Monday in May 2008. I was at my desk when the building started to rock. Everyone rushed downstairs and I felt immense relief when I saw light at the bottom of the stairway.

A KPMG volunteer team was quickly despatched to the quake-stricken area to work with an NGO. Our China firm wide appeal raised a staggering RMB 7.2 million and the KPMG China Foundation matched all donations dollar-for-dollar. The money helped provide much needed food, water, medicine, clothing, tents and transitional housing.

The firm also helped rebuild two schools in Gansu and build a community centre in Cifeng, Sichuan. Although I was involved with the centre's development, I was speechless at its opening in May 2010. Demonstrating the spirit of collaboration of well over 30 stakeholders, it now enables local people to enrich their lives and rebuild their confidence.

The centre recently started a Junior Achievement

programme to provide classes on environmental protection and economics. It really is a great way for our people to use their skills to help those who really need them.

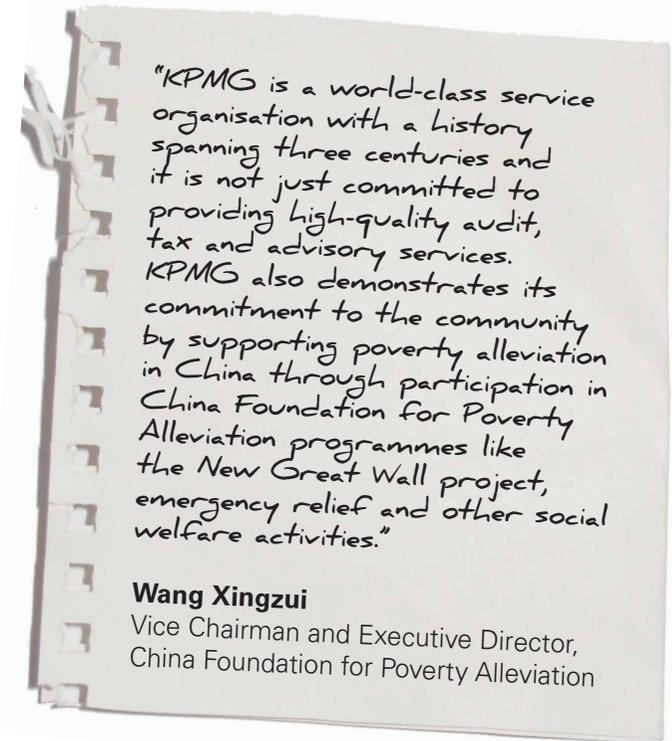
Yvette Yan

Assistant Manager, Human Resources

"I really enjoy classes by KPMG volunteers. They encourage us and also share their experience so we can realise our dreams. After school, we like to spend time at the community centre to play table tennis, dance, read and surf the internet. I joined the summer camp organised by the centre too. I like it here very much!"

Luo Wen

Form 2 Student, Cifeng COSCO Secondary School



THE GIFT OF COMPETENCY: USING EXPERTISE TO MAKE A DIFFERENCE IN THE COMMUNITY

Hong Kong is home to hundreds of small to medium - sized social enterprises — private companies or NGOs with philanthropic goals.

After meeting numerous social entrepreneurs, I realised they were plagued by similar problems caused by a lack of basic business expertise, particularly financial management and accounting knowledge.

So, working with the firm's CSR team and more than 20 KPMG China volunteers across all levels and departments, we designed and delivered training that equipped many social entrepreneurs with basic best-practice financial and management accounting principles. So far, we have offered complimentary training sessions to almost 300 participants from more than 50 NGOs and social enterprises.

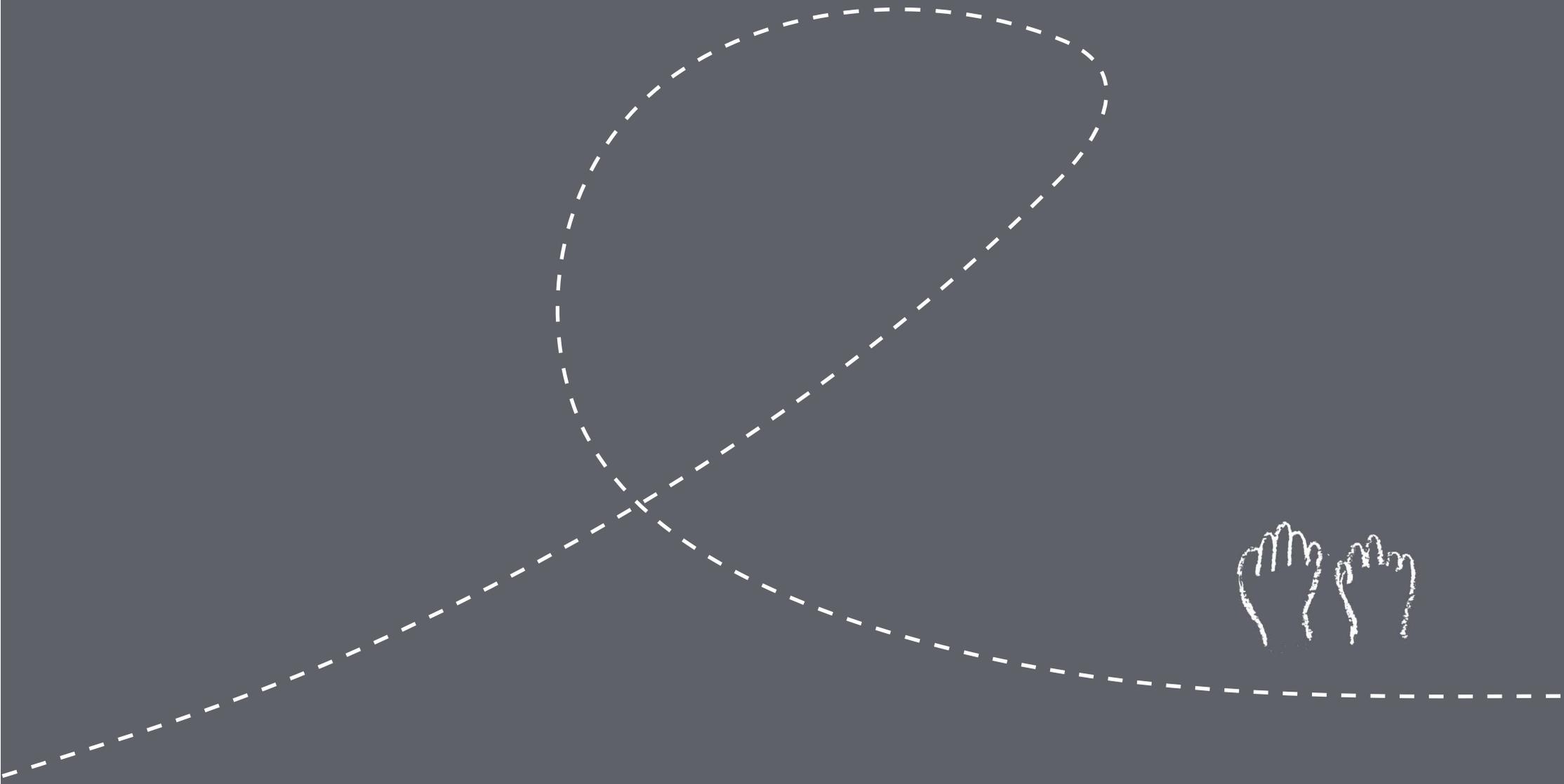
In addition to helping social enterprises brush up on their accounting and financial skills, we have also had the chance to sharpen our public speaking skills. Some volunteers have even committed to working as 'social angels', mentoring Hong Kong's social entrepreneurs on a one-on-one basis. All in all, it has been a very rewarding experience.

Karen Ko
Manager, Advisory

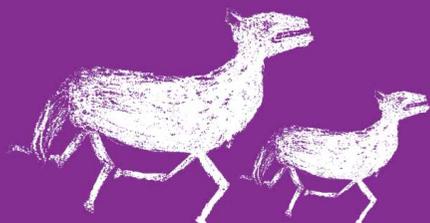
"We would like to thank KPMG's 'social angels' who have dedicated time and professional knowledge to help many NGOs and social enterprises be more accountable and serve the community better. Teaching people how to fish is indeed more important than feeding them fish. The Hong Kong Council of Social Service is grateful to have KPMG as a strategic partner in building a more efficient and effective social sector."

Christine Fang
Chief Executive, Hong Kong Council of Social Service





GOING FORWARD





CREATING SHARED VALUE TO UNLOCK THE NEXT WAVE OF BUSINESS INNOVATION AND GROWTH¹⁹

"It is physically impossible for the Chinese economy to continue growing by eight or nine percent a year with the current energy and industrial model. For the sake of the entire world, growth must be sustained while respecting the carrying capacity of our planet."

Yvo de Boer

Special Global Advisor, Climate Change and Sustainability
KPMG International

According to Professor Michael E. Porter and Mark R. Kramer, co-founders of FSG, a global social impact consulting firm, while businesses can be the most powerful force for addressing today's pressing issues, most are trapped in an outdated approach to value creation. In recent years, companies have been widely perceived as prospering at the expense of the broader community.

Shared value heralds a deeper understanding of productivity. As businesses place creating value for the greater good at the core of their operations, it will define a whole new set of best practices. Correspondingly, CSR will open up many innovative ways to serve new needs, to configure the value chain, gain efficiency, create differentiation and expand markets.

For most companies, a starting point will be to identify all social needs - benefits and challenges that can be embodied in their products and services. They need to identify gaps and deficiencies in areas such as logistics, supply and distribution channels, training, market organisation, and education. The task is to identify weaknesses that present the greatest constraints to the company's own productivity and growth and distinguish areas where they are best equipped to have a direct influence. This is where shared value/CSR opportunities will be the greatest.

By treating CSR as a productivity driver, rather than a feel-good response to external pressure, companies will be able to make real strides in solving social challenges. Nonetheless, critical mass recognition of the transformative power of CSR is in its infancy, as we still lack an overall and transparent framework for guiding these efforts.

Actualising shared value will require leaders and managers to develop new skills and knowledge — for instance, a far deeper appreciation of social needs and a greater understanding of the true bases of company productivity such as its resources, its core competencies and its ability to collaborate across profit/non profit boundaries. Governments must also learn to regulate in ways that enable shared value.

In the 21st century economy, as companies leverage

their CSR platform to collaborate with stakeholders to create shared value for more people, it will drive the next wave of innovation and productivity growth globally.

¹⁹ Porter, M.E. & Kramer, M.R., Creating Shared Value, The Harvard Business Review, January–February 2011



A CHANGING WORKPLACE

Globalisation and advanced technology

The IT revolution has spearheaded the new era of globalisation with inexpensive, rapid communications and transmission of information.

This transformation will change the organisation of business and the nature of employment, and pave the way for a highly skilled workforce to support higher productivity. Increasingly, the skills and preparedness of the workforce, particularly the ability to adapt to changing technologies and shifting product demand, will become more sought after. The growing importance of knowledge-based work also favours strong cognitive skills such as abstract reasoning, problem-solving, communication and collaboration.

With technology, we can generally expect a shift towards less permanent, even non-standard employment relationships (e.g. self-employment) and working arrangements (e.g. telecommuting) for certain industries. These arrangements may appeal to future workers who seek to balance work and family obligations or workers who will benefit from alternative arrangements, such as disabled or older people.

A new kind of employee

Generation Y (the Millennium/Entitlement Generation) have brought new ideas, fresh priorities and a unique work ethic to the workplace. They are ambitious and self-confident, highly motivated by a challenge, and are not afraid to raise questions if something is unclear.

In contrast with previous generations, Generation Ys work to live, so they want to spend more time with their family and friends. They are also more technologically savvy, using smart phones and online platforms to express their opinions on anything and everything.

Crucially, Generation Ys are also more interested in CSR work. They choose employers based on the CSR options companies offer, as they consider it vital to make a contribution to society. Generation Ys want to feel empowered and are more willing to contribute to causes beyond their own community, identifying themselves as global citizens.

KPMG is giving full play to the energy and keen sense of responsibility of this generation.

Work life balance

Achieving a good work-life balance is becoming increasingly difficult.

According to the 2010 Hong Kong State of Work-Life Balance survey, almost four out of 10 participants will leave their job in pursuit of a better work-life balance. A healthy work-life balance will create more content workers and drastically reduce the stress that can lead to dangerous habits.

More than half the survey respondents (57.3 percent) see flexible working arrangements as an important factor for joining or staying with an organisation. The most popular flexible working arrangements include flexible working time (27.3 percent) followed by career breaks, unpaid/part-paid personal leave or sabbaticals (19.4 percent), and the option to sometimes work from home or remotely (14.3 percent). A compressed working week is also highlighted by employees born after 1980 as one of the most desired flexible working arrangements.²⁰

²⁰ Winnie Ng, The State of Work-life Balance in Hong Kong Survey 2010, Community Business, October 2010
²¹ Hong Kong Business: Women are taking over Asia

Female empowerment

One of the most remarkable revolutions of the past 50 years has been the economic empowerment of women. Millions of women, who were once dependent, have gradually taken control of their own economic fates. In some firms, women now make up the majority of the workforce.

Of the top 500 billionaires in the world, fourteen are women, of which half are from Hong Kong/China, with Wu Yajun, owner of Hong Kong listed real estate developer Longfor, topping the list.²¹

According to TNS's latest Affluent study, females in Hong Kong and China also make up almost half of all affluent decision makers.



KPMG IS LEADING THE WAY AS A RESPONSIBLE BUSINESS

At KPMG, we divide sustainability challenges into two bottom lines – today's and tomorrow's. The former enables businesses to save energy and to contribute to solving pressing social challenges by leveraging their resources and expertise. For tomorrow's bottom line, businesses need to learn to navigate uncertainty, innovate, adapt to changing realities, monitor and respond to new market opportunities from emerging economies, and restructure their product and service offerings accordingly.

The 21st century heralds an increasingly interconnected world transformed by globalisation, mass migration and the incredible proliferation of technology. KPMG firms can help companies understand how the changing environment impacts their business as well as identify the opportunities they can find in tackling poverty, climate change, pollution and other pressing global challenges. Ideally poised to help achieve the Millennium Development Goals, we also try and involve our people to help improve

the lives of those in our communities and beyond, wherever possible.

Nonetheless, building the new 21st century economy will take time and require new leadership, new ideas, greater transparency, closer collaborations and long term investments. It's up to us to use our imagination and together create a better world for more. As we embark on the challenge and opportunity of our lifetime, we hope you will join us.

Tomorrow matters.



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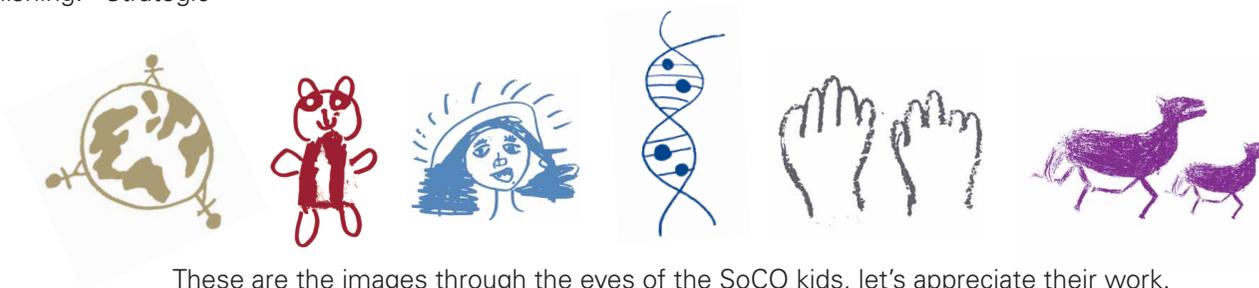
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These are the images through the eyes of the SoCO kids, let's appreciate their work.

ABBREVIATIONS

CDM	Clean Development Mechanism
CCTF	China Children and Teenagers' Fund
CR	Corporate Reporting
CSR	Corporate Social Responsibility
FTE	Full Time Equivalent
G250	Largest 250 global companies (based on the Fortune Global 500 ranking)
GDI	Global Development Initiative
Gen Ys	Millennium/Entitlement Generation
GRI	Global Reporting Initiative
JA	Junior Achievement
MDGs	Millennium Development Goals
NGO	Nongovernmental organisations
NGW	New Great Wall
N100	Largest 100 companies
SASAC	State-owned Assets Supervision and Administration Commission
SEAT	Social and Environmental Action Teams
SoCO	Society of Community Organization
SOEs	State-Owned Enterprises
UNESCO	United Nations Educational, Scientific and Cultural Organization
UN	United Nations



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Beijing

8th Floor, Tower E2, Oriental Plaza
1 East Chang An Avenue
Beijing 100738, China
Tel : +86 (10) 8508 5000
Fax : +86 (10) 8518 5111

Shanghai

50th Floor, Plaza 66
1266 Nanjing West Road
Shanghai 200040, China
Tel : +86 (21) 2212 2888
Fax : +86 (21) 6288 1889

Shenyang

27th Floor, Tower E, Fortune Plaza
59 Beizhan Road
Shenyang 110013, China
Tel : +86 (24) 3128 3888
Fax : +86 (24) 3128 3899

Nanjing

46th Floor, Zhujiang No.1 Plaza
1 Zhujiang Road
Nanjing 210008, China
Tel : +86 (25) 8691 2888
Fax : +86 (25) 8691 2828

Hangzhou

8th Floor, West Tower, Julong Building
9 Hangda Road
Hangzhou 310007, China
Tel : +86 (571) 2803 8000
Fax : +86 (571) 2803 8111

Fuzhou

25th Floor, Fujian BOC Building
136 Wu Si Road
Fuzhou 350003, China
Tel : +86 (591) 8833 1000
Fax : +86 (591) 8833 1188

Xiamen

12th Floor, International Plaza
8 Lujiang Road
Xiamen 361001, China
Tel : +86 (592) 2150 888
Fax : +86 (592) 2150 999

Qingdao

4th Floor, Inter Royal Building
15 Donghai West Road
Qingdao 266071, China
Tel : +86 (532) 8907 1688
Fax : +86 (532) 8907 1689

Guangzhou

38th Floor, Teem Tower
208 Tianhe Road
Guangzhou 510620, China
Tel : +86 (20) 3813 8000
Fax : +86 (20) 3813 7000

Shenzhen

9th Floor, China Resources Building
5001 Shennan East Road
Shenzhen 518001, China
Tel : +86 (755) 2547 1000
Fax : +86 (755) 8266 8930

Chengdu

18th Floor, Tower 1, Plaza Central
8 Shuncheng Avenue
Chengdu 610016, China
Tel : +86 (28) 8673 3888
Fax : +86 (28) 8673 3838

Hong Kong

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
Tel : +852 2522 6022
Fax : +852 2845 2588

Macau

24th Floor, B&C, Bank of China Building
Avenida Doutor Mario Soares
Macau
Tel : +853 2878 1092
Fax : +853 2878 1096

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