



次,向总书记去北戴河要借
地图和一些书籍,工作人员给北戴河
文化馆打电话,说明情况,接电话
的小黄说:“我们有规定,图书
不外借,要看自己的将来。”周恩来便
冒雨到图书馆借书,小黄一见是
总理,心里很懊悔,说:“对不起”
“没关系,无论谁都要借书。”

天道酬勤
静能生慧

1. 要有必要的清规戒律 — 毛泽东
 2. 在危险关头,要拯救大家的生命,所有的人
都遵守一个人的意志 — 恩格斯
 3. 靠人靠天,不如靠自己 — 爱自由来维护自由
 4. 自由是第一个条件 — 约翰·亚当斯
- 名言警句
——黑格尔
——斯宾诺莎

KPMG

cutting through complexity

**LEADING CHANGE
WITH IMPACT**

2013 KPMG China Corporate Social Responsibility Report

About the cover image

In 2012, I led 18 KPMG staff volunteers in a school mission to Gansu, China. We spent two days with the students at KPMG ZhangQi Hope Primary School. This photo was taken during a class which taught them how to design and add value to old clothing. The students wore their designed clothes and posed as models in front of the class. They really enjoyed this interactive activity as it was a unique opportunity for them to share their original ideas. Our volunteers taught them how to present their concepts confidently, while the students worked together as a team, bringing unity to the class.

It was very rewarding to see the children's gradual attitude change – they started out shy but became more confident as they started learning how to think from different perspectives.

We look forward to seeing them again.

Cover photograph by Eileen Chow
Corporate Social Responsibility
Hong Kong, KPMG

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Message from the Chairman of KPMG China

At KPMG, we believe that businesses have a role to play in making the world a better place. Our commitment to our communities is one of our core values, and we embrace our corporate citizenship through many activities that support the community.

We encourage our staff to work as a team, using their core competencies to lead and participate in different initiatives that address key social and environmental issues. We also mobilise our stakeholders in different sectors to work together to find solutions that can help create a bigger positive impact. Our CSR activities help our people realise their potential and expose them to different life skills and world views. The volunteering opportunities we offer help make us an Employer of Choice, and reinforce our pledge to satisfy our people's career aspirations by equipping them with the ability, strength and willingness to play a key role in the ever-changing and constantly evolving global challenges.

Apart from our volunteer opportunities, our commitment is also evident in our daily operations. In 2012, we moved part of our business to the first LEED Platinum-certified mixed-use office and vertical mall complex in Hong Kong and mainland China. Our new

five-level, 7,444 square metre office is the embodiment of environmental friendliness, and its energy conservation technologies allow us to implement our business sustainability strategy by further reducing our carbon emissions.

As a corporate citizen, we appreciate the symbiotic relationship we have with society and the environment, and the responsibility it involves. We look forward to the day when the whole business community fully recognises the importance of corporate citizenship and incorporates it into their operation. Through this publication, we hope to encourage, engage and inspire our people, clients, suppliers and the community at large to pool our efforts and develop a more sustainable world.

A handwritten signature in black ink, appearing to read 'Stephen Yiu', is positioned above the printed name and title.

Stephen Yiu
Chairman, KPMG China

Message from the Head of CSR & Diversity at KPMG China

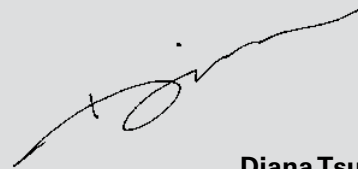
I am happy to see that over the years, our firm has truly embedded CSR across different business functions. We offer our professional skills to bring positive change at the social and environmental levels. We are not only fulfilling our corporate responsibility but also building a great corporate culture.

At KPMG, we believe that the business sector is the glue that binds public and private activities to strengthen the common good, and that we should engage our people to get involved at all levels and transfer our knowledge to help build the capacity of the civil society sector. With our aligned global corporate citizenship objectives, we have successfully developed needs-driven programmes in the areas of Education, Empowerment and Environment.

CSR also encourages more accountability and transparency in business practices. That is why the past decade has seen substantial growth in the issuing of corporate responsibility reports globally and in China. If we delve deeper, CSR actually encompasses the entire business organisation. Hence, instilling good business practices at all levels is critical to ensuring an organisation's success. A step further is to use key business competencies to help create social and economic value.

Organisations like KPMG are civil society enablers and should take the initiative to partner with different stakeholders to make changes in this increasingly challenging, hyper-connected global environment. We need to build new frameworks and collaborations that put businesses, governments and the civil society sector together to find solutions that address major global challenges at local levels.

In this report, you will find thought leadership pieces centred around some key social and environmental issues, our key CSR strategies in the global and China contexts, and examples of our aspirations and long-term commitments on the ground. At KPMG, we firmly believe that businesses must take more responsibility to foster change and create impact for a more sustainable world.



Diana Tsui
Head of Corporate Social Responsibility & Diversity,
KPMG China



Executive Summary

At KPMG China, we believe that thought leaders are those who prepare for the future with keen sensitivity to business needs and trends, while at the same time anticipating future environmental, social and corporate governance (ESG) issues.

The KPMG China CSR Report illustrates the interconnectedness of social and environmental issues and the business world, and explores how companies can lead change by integrating these issues into their strategies and operations.

Our world is evolving – and new challenges also present unique opportunities. In Chapter 1, we highlight some of the global challenges we are facing today, from trends in population movement to unprecedented environmental concerns. These challenges are related to businesses and their operations. As demand for corporate transparency and disclosure increases, companies around the world are becoming more active and engaged in corporate reporting.

Today's leaders have taken note of China's rapid restructuring and development, particularly regarding some vital issues which impact the business world. As China enters another stage of socio-economic evolution with new reforms that could change different facets of the country, it is time to broaden our horizons regarding the key challenges facing Chinese society and the economy, which are illustrated in Chapter 2.

KPMG works closely with its stakeholders to create sustainable business. In Chapters 3 and 4, we describe our key values and mission, and outline our partnership with businesses, NGOs, and governmental and public institutions to

foster and harness a civil society in which corporate citizens, including KPMG and its stakeholders, contribute and lead the way. In addition, we highlight the results of our carbon emission reduction efforts, focusing on the move of 40 percent of our Hong Kong office space to a LEED Platinum-certified building in 2012, which significantly strengthened our dedication to environmental protection.

Chapter 5 showcases some of our beneficiaries' inspiring stories, demonstrating the impact of our CSR strategies and involvement, and how we foster and catalyse change in the lives of many people and communities. We also see the reciprocal benefits of our community involvement when our staff volunteers explain what they have gained from these CSR programmes.

In Chapter 6, we anticipate what the future may hold for KPMG and the business world in this era of rapid evolution, where new working styles and ever-changing technology directly affect communication and business operations. The spotlight is also on potential business opportunities that could grow from environmental challenges and the restructuring of developing countries.

At KPMG, we believe that our expertise, skills, resources, and cooperation with our stakeholders and community can help us lead and foster change to go beyond corporate social responsibility and create a sustainable impact.

“
Change will not come if we wait for some other
person or if we wait for some other time.
We are the ones we've been waiting for.

We are the change
that we seek.”

- Barack Obama
President of the United States







Chapter 1

*Global Issues in
Relation to Business*

Evolving Global Landscape

“We are here to **MAKE A POSITIVE IMPACT**”

While the shift of economic power from the West to the East is no longer clear-cut, China continues to rise as the world's second largest economy. Although the important economies of Brazil, Russia, India and China (BRIC) have seen a period of slowdown, these emerging markets are still expected to grow faster than their developed counterparts. In addition, people and wealth are moving to urban areas, where the middle class is on the rise.

“The world has faced and resolved numerous challenges over the past centuries. Focusing only on the risks of sustainability does not address the key challenge of our time – providing decent lives for 9 billion people by 2050 within the carrying capacity of our planet. Businesses play a crucial role in the world by finding profitable solutions to challenges. It is therefore encouraging to see that big businesses are now seeing sustainability through a lens of opportunity as much as, or more than, through the lens of risk.”

- Yvo de Boer
Global Chairman
KPMG Climate Change and Sustainability Services

Geopolitical turbulence

The world's geopolitical environment has been turbulent, challenging business investment decisions and confidence. The Obama administration has continued to focus on issues in the Middle East and has also been playing a more pivotal role in the Asia Pacific regional economic integration. The US has, however, also faced internal challenges, with the US Federal Government shutdown in October 2013 affecting global investor sentiment.

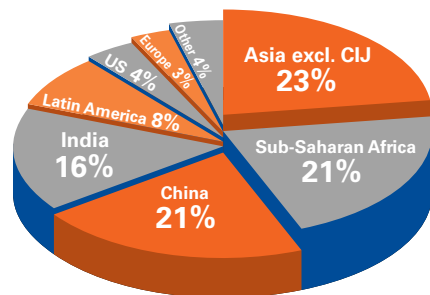
On the other hand, developing countries are increasingly significant to the global economy – they accounted for 49.9 percent of the global GDP in 2012 and the projected growth rate of economic output was 5.3 percent in 2013, faster than the rate of 1.2 percent in developed countries.¹ The world's eyes are on China's President Xi Jinping, who is working on changing the political leadership style and cleaning up corruption, which is a key factor affecting investment decisions in this growing economy.

The Middle East has seen much unrest, including presidents being unseated in Egypt. The situation has been exacerbated by the dire economic situation in these countries as numerous big businesses have shut down their operations because of the political instability. The Syrian crisis has forced numerous Syrian businessmen to flee the country to set up companies in other parts of the region. Also in 2013, North Korea's new leader Kim Jong-un shocked the world with his missile tests and public purges, through which he had his once powerful uncle executed.

Exploding population and urbanisation

In mid-2013, the global population stood at 7.2 billion, and is projected to increase by almost 1 billion people to 8.1 billion in 2025.² Migration to urban areas is fuelled by high population growth rates in rural areas. The urbanisation rate is therefore forecast to continue increasing during the first half of this century, driven by swift growth in the urban populations in Asia (particularly in China and India) and Sub-Saharan Africa. As a result, the global urban-rural ratio will rise to almost 3:2 by 2030 and to 2:1 by 2050, with Asia Pacific's middle class developing the fastest.³ By current projections, 70 percent of the world will live in cities by 2050.⁴

Growth of the urban population 2010-30



CIJ: China, India and Japan

Source: UN population and urbanisation data

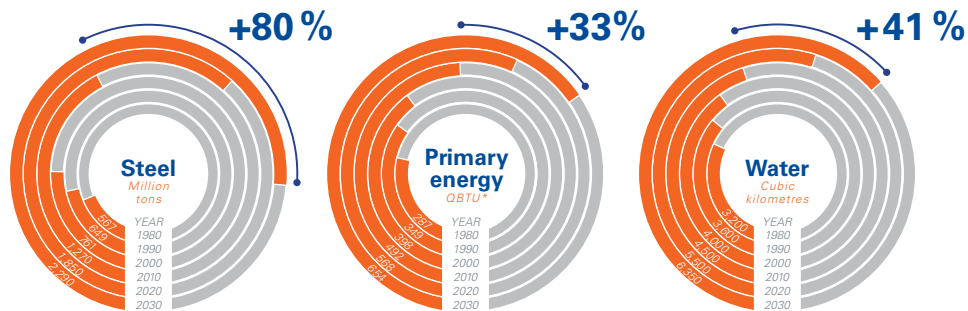


Threats of overconsumption

Population growth and urbanisation will lead to a growing demand for commodities. Rising prices, including for oil and energy, will trigger investments in new technologies in an attempt to increase supplies from alternative sources. The corporate social responsibility (CSR) sector should pay more attention to industries which could negatively impact labour forces and the environment, for example through exploitation and over-mining.

Growing demand for commodities

Percentage growth from 2010 to 2030



*QBTU: Quadrillion British Thermal Units

Source: Global Insight; International Energy Agency (IEA); UN Environment Programme; Food and Agriculture Organization of the UN; World Steel Association; McKinsey analysis, 2011





Global youth unemployment

Overpopulation can lead to deepening poverty when the demand for jobs is higher than the supply in the labour market, especially in developing economies where urbanisation is on the rise. In addition, economic and financial turbulence in both developed and developing countries in recent years has led to the phenomenon of global youth unemployment.

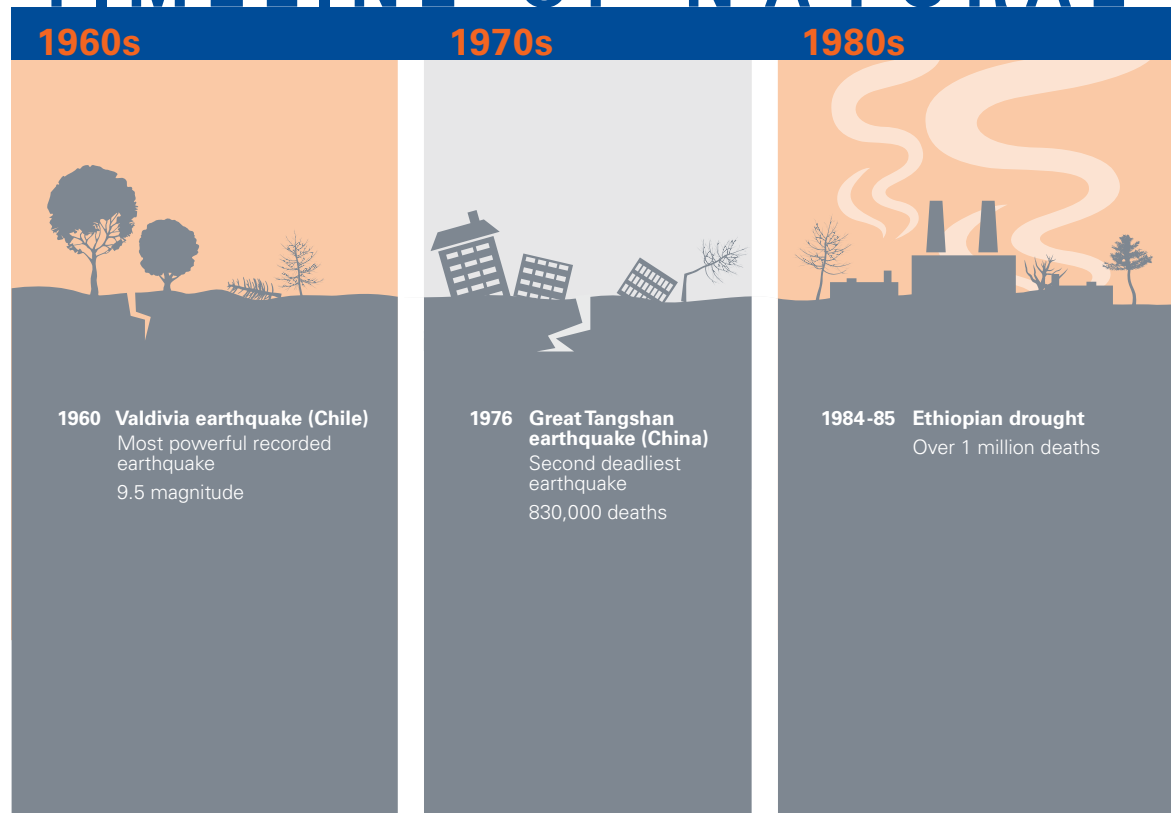
The world is facing the risk of a 'lost generation' – the number of unemployed youths between 15 and 24 was estimated to increase to 73 million globally in 2013, an increase of 3.5 million from 2007, and 0.8 million more than that in 2011.⁵ The youth unemployment rate reached a record high of 56.1 percent in Spain and 62.9 percent in Greece,⁶ and this social problem is also prevalent elsewhere in the European Union, the Middle East, North Africa, as well as China. Other issues include population ageing, which can limit growth opportunities for youths; higher education or over-education no longer guaranteeing decent employment for young people; and the increasing skills mismatch between job nature and knowledge which challenges the role of education for future generations.

Weathering the storm

Population growth, urbanisation and globalisation lead to an increase in material use, which in turn affects the climate. Currently, disruptions from climate change to daily business operations and agricultural production cost the world more than USD 1.2 trillion annually, accounting for 1.6 percent of the global GDP.⁷ By 2030, this is expected to double to about 3.2 percent globally and could cost China alone approximately USD 1.2 trillion.⁷

Extreme weather also causes the loss of lives. The World Health Organization (WHO) estimates that climate change may cause direct damage to health amounting to USD 2-4 billion annually by 2030, with developing countries and poor regions being hit the hardest due to their weak healthcare infrastructure.⁸ In China, 290 million people were affected by natural disasters in 2012.⁹ The rise in natural disasters increases the need for disaster risk reduction, which is part of sustainable development, as it reduces human and property exposure to hazards, and promotes environmental management.


TIMELINE OF NATURAL



Source: United States Geological Survey. (2012). Earthquakes with 1,000 or More Deaths Since 1900; Factbox: Famine in Africa. (2011, July 19). The Telegraph; World Bank. (2013). Shelter from Storms in Bangladesh.

DISASTERS SINCE 1960


1990s



1990 Western Iran earthquake
Deadliest earthquake in the 1990s

1991 Bangladesh cyclone
Over 140,000 deaths

2000s




2003 European heatwave
One of the deadliest heatwaves
Over 52,000 deaths

2004 Indian Ocean tsunami
9.0 magnitude
Over 228,000 people dead or missing

2005 Hurricane Katrina and subsequent floods (US)
Costliest US natural disaster – an estimated USD 81 billion in property damage
1,833 deaths

2008 Sichuan earthquake (China)
The country's deadliest earthquake in the 21st century
Over 69,195 deaths, 18,392 missing, 374,177 injured

2010s



2010 Haiti earthquake
316,000 deaths, 300,000 injured

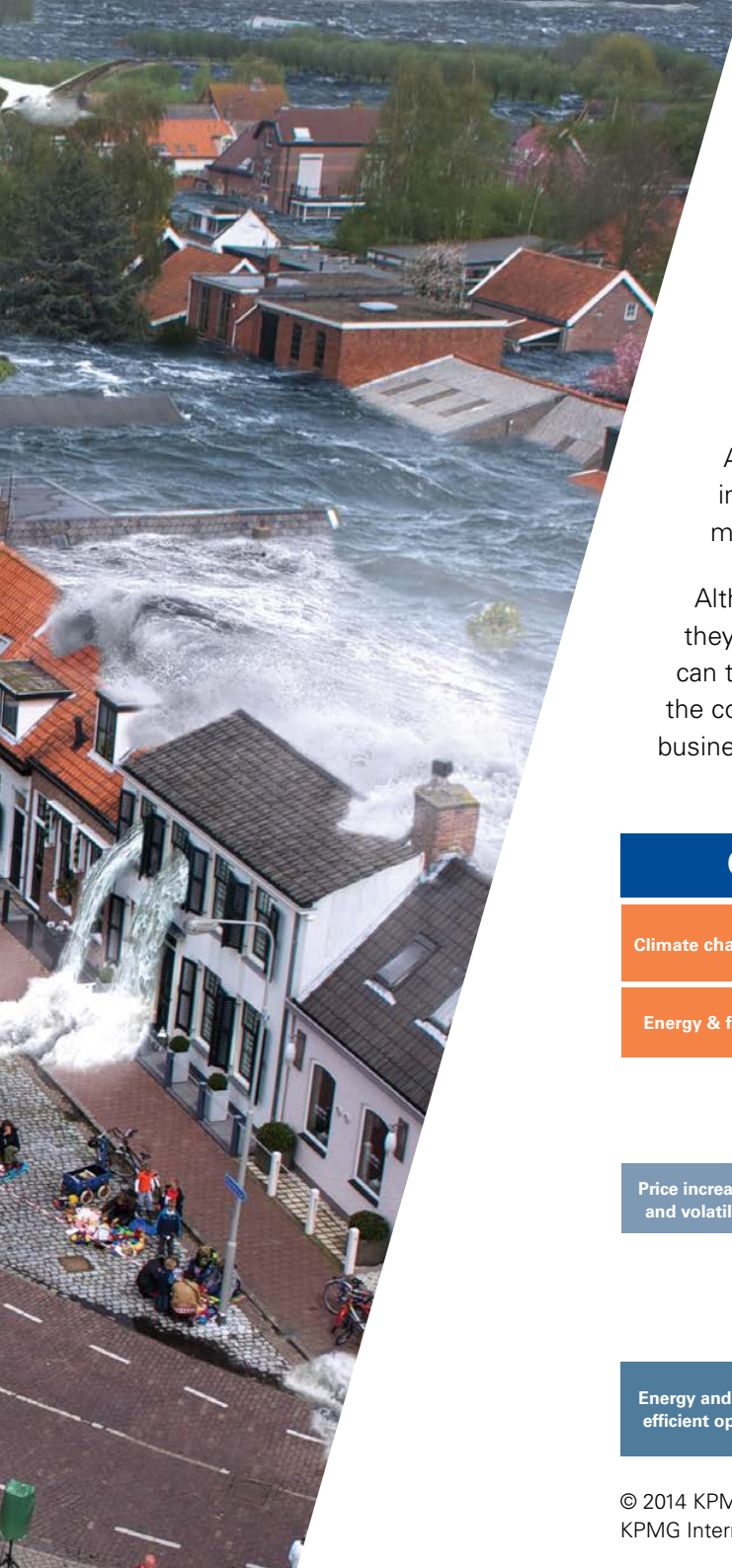
2011 Tohoku earthquake/tsunami (Japan)
Japan's worst crisis since World War II
15,883 deaths, 6,150 injured, 2,651 missing, 126,602 collapsed buildings
Radiation released

2011 East Africa drought (Horn of Africa)
13 million people affected

2012 US drought
Worst drought in the US in 50 years
Over 60 percent of continental US affected

2013 Typhoon Haiyan (Philippines)
The country's deadliest natural disaster
5,719 deaths, 26,233 injured, 1,779 missing, over 14.9 million affected

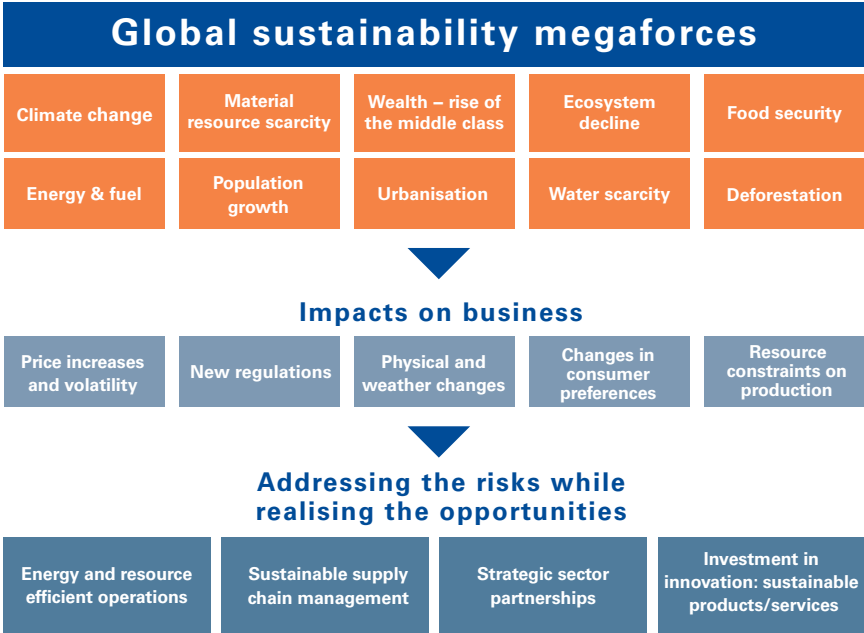
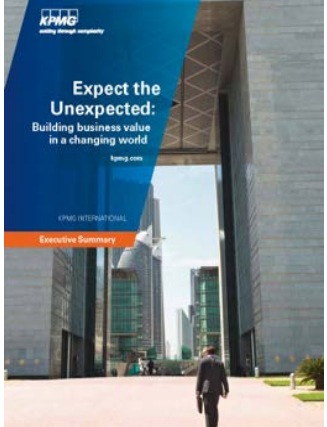




Expect the Unexpected: Building Business Value in a Changing World

After analysing dozens of forecasts in 'Expect the Unexpected: Building business value in a changing world', KPMG's network of firms has identified 10 global sustainability megaforges that we believe will likely impact businesses over the next two decades.

Although these phenomena clearly pose challenges to businesses and society at large, they also offer opportunities. It is imperative that we address these issues so that we can transition to a more sustainable economy. Without taking action and planning for the complex future, risks can multiply and opportunities will be lost. Now is the time for businesses to design effective and sustainable strategies to address these risks.



“ There will be two distinct mega-trends that will ultimately drive the global economy in 2030: the technology sector in the US, and urbanisation in China.”

- David O'Brien
Global Head
Cities Center of Excellence, KPMG International

Corporate Responsibility Reporting – Increasing Levels of Corporate Transparency and Disclosure

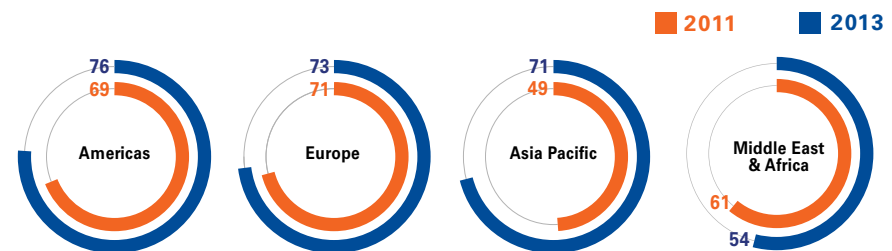
Investors' growing demand for accountability, transparency, trust and confidence has made corporate responsibility (CR) reporting virtually mandatory for multinational companies. Internationally, stock exchanges have set out CSR disclosure requirements for listed companies to report their performance on ESG activities. In 2010, the Hang Seng Index launched a Corporate Sustainability Benchmark Index, while in September 2012, the Hong Kong Stock Exchange announced that listed companies would be required to follow the new ESG guidelines by 2015.

Mandatory sustainability reporting is a relatively new development in Asia, and it clearly improves sustainability performance. In addition, there is a worldwide trend of companies adopting further guidelines and practices. The Global Reporting Initiative (GRI) remains the most widely used voluntary reporting framework, with 78 percent of the top 250 companies listed in the 2012 Fortune 500 rankings referring to the GRI reporting guidelines in their CR reports.¹⁰ Other commonly used reporting guidelines and practices include ISO 26000, Global 100 (Corporate Knights), Dow Jones Sustainability Index (DJSI), FTSE4Good, and Integrated Reporting (IR).

CR reporting is now a mainstream global business practice – of the 4,100 companies surveyed in the KPMG Survey of Corporate Responsibility Reporting 2013, which included the 100 largest companies in 41 countries, 71 percent publish a CR report, compared with 64 percent in 2011. Asia Pacific saw the biggest overall increase from 49 percent in 2011 to 71 percent in 2013.

CR reporting by region

Percentage of companies with CR reports



Growth in reporting since 1993

Percentage of companies with CR reports



Source: KPMG International: The KPMG Survey of Corporate Responsibility Reporting 2013, December 2013

STOCK EXCHANGE

+3.01%

572,86
88,42
13,72
77,12
221,45
65,11
19,05
422,77
61,12
389,66
61,70
98,41
16,44
411,09
0,52

17,54
85,43
142,55
83,00
320,04
5,66
276,02
62,07
2,59
81,92
3,88
10,45
225,51
72,41
371,33

+34,12% ▲
+0,56% ▲
-2,59% ▼
+21,08% ▲
-21,13% ▼
6,95% ■
-11,06% ▼
+7,88% ▲
-0,56% ▼
+9,33% ▲
28,12% ■
+8,12% ▲
+0,67% ▲
+3.01% ▲
-0.23% ▼
+11.02% ▲

724
21.443
529
1852
45.188
6409
954
53.664
199
3771
25
7388
842
95
215





Chapter 2

The Road Ahead for China

The Future of Migrant Families



© Владимир Григорьев / 123rf.com

Since China's economic reforms in the late 1970s and early 1980s, the country has seen an influx of millions of rural migrant workers to the factories and construction sites of coastal boom towns, with numbers rising significantly to about 262 million in 2013.¹¹ This has caused tremendous social problems – in 2010, an estimated 61 million children (about 22 percent of children nationally) had been left behind in the countryside, an increase of about 3 million over the previous five years.¹¹

Migrant children are not guaranteed educational, social and medical welfare benefits because of the current restrictions of the *hukou* (household



registration) system. Education is not always affordable for children who move to the cities with their migrant worker parents, as they are low-income families living on the fringe of society. In addition, many schools charge migrant families additional fees and impose more complicated school application procedures. In 2012, the percentage of migrant children not attending school was much higher than the national average of 2 percent – in Beijing, it was estimated at 3.5 percent, 5.1 percent in Shanghai and 5.3 percent in Guangzhou.¹¹

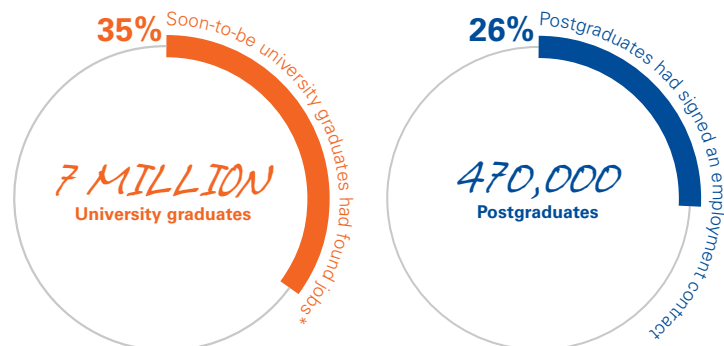
Higher Education no Longer Guarantees a Job

China's 30 year of economic progress has contributed to increased educational opportunities for the post-1990s generation:

	1980s	2012
Per capita GDP (RMB) ¹³	527 (in 1982)	38,000
No. of university graduates ¹⁴	450,000 (in 1982)	7 million
No. of Chinese students studying abroad ¹⁵	10,000 (from 1980-85)	340,000

New graduates are opting to pursue higher education at home or overseas, with recent reports suggesting that nearly 20 percent of graduates from Beijing universities would like to further their education with postgraduate degrees.¹⁴ However, the unemployment rate for university graduates aged 21 to 25 is 16.4 percent, four times higher than for those who leave school after elementary school.¹⁶

Employment rate for 2013 graduates in China



* End of April 2013

Source: MyCOS Research Institute (2013). Chinese College Graduates' Employment Annual Report 2008-13.



© Zhang Xiangyang / 123rf.com



Wealth Inequality

Despite China's remarkably rapid economic growth and growing middle class, it is facing a tremendous wealth gap. Its Gini coefficient was 0.61 in 2010,¹⁷ though a reading above 0.40 is already considered to be a warning sign of inequality. The country has the second largest concentration of billionaires in the world – 122 in 2013¹⁸ – and only 1 percent of the population holds more than two-thirds of the country's wealth.¹⁹

China's income inequality takes three main forms: among households, across regions, and between rural and urban areas. As an example, the top 5 percent of household income in China in 2012 were 234 times higher than those of the lowest 5 percent, which had an annual per capita income of about RMB 1,000.²⁰ The average annual household income in Shanghai was 23 percent higher than the national average of RMB 13,000, while that in Gansu province was 12.3 percent below average.²¹ The per capita disposable income of urban households was RMB 24,565, triple the per capita net income of rural households which stood at RMB 7,917.²²

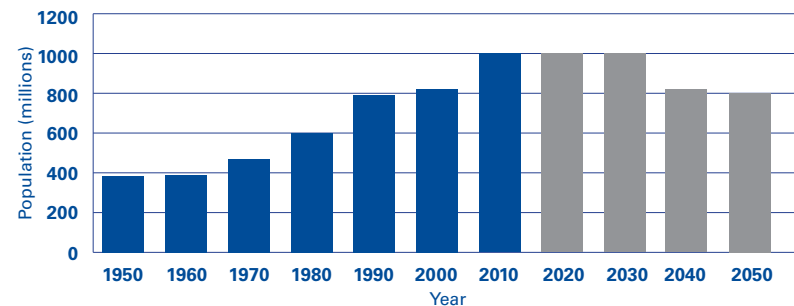
However, China has gradually shifted from a centrally planned economy to a market-based economy since its market reforms in 1978. Its rapid economic and social development has resulted in its GDP growth averaging about 10 percent a year, which has lifted more than 500 million people out of poverty.²³ In addition, China has achieved the greatest progress in the 2015 Millennium Development Goal (MDG) target of 'Eradicating extreme poverty and hunger'.²⁴

End of Cheap Labour

In 2013, the International Monetary Fund (IMF) forecasted that the prevalence of cheap labour in China would decrease, mainly because of the growth in wages, the reduced working age population (15-64), labour activism and the expected labour supply shrinkage in 2020.²⁵

The labour supply in China reached its peak in 2010. As the diagram shows, a sharp decline of approximately 200 million people, or roughly 20 percent, is predicted from 2020 to 2050. This labour shortage is expected to signal the end of cheap labour and the possibility that more manufacturers will be willing to offer better packages to attract and retain workers.

China's working age population and forecast, 1950-2050



Source: UN Statistics Division; KPMG analysis

品，现有厂房3500平方米，因业务拓展需要，诚聘以下人员：

乳化工：	2名	2000-3500元
网店客服：	3名	1500-2000元
图片美工：	2名	2000-3000元
网店推广：	2名	2000-3000元
直通车运营：	1名	2000-3000元
跟单员：	2名	1500-2000元
总账会计：	1名	2000-3000元
技术员：	1名	3000-5000元
质检员：	2名	1500-2500元



Government Measures against Pollution

The air pollutant emissions in China have received worldwide attention. Seven of the world's 10 most polluted cities are located in China, and among 500 Chinese cities, less than 1 percent reach the air quality standards set by the WHO.²⁶ While PM2.5 (polluting particles) concentration levels of 25 are considered safe by the WHO, Beijing has reached record-breaking levels of over 700.²⁷

In response, the Chinese Government issued new emission targets in its 12th Five-Year Plan in December 2012 including adjusting industrial structures, shutting down high-polluting corporations, promoting sustainable energy, expanding coal-free zones, and upgrading vehicle emission and fuel standards. In 2013, the government implemented pilot carbon trading exchanges in seven cities which would cap CO2 emissions from 242 companies and organise carbon auctions.²⁸ At the start of the annual meeting of the National People's Congress and Chinese People's Political Consultative Conference in Beijing in March 2014, Premier Li Keqiang has proven the country's determination to tackle pollution. Li described smog as nature's warning against 'inefficient and blind development', and said the government would focus on reducing PM2.5 and PM10 and hit pollution at the source by targeting energy producers and industrial factories.²⁹

“ If you really think the environment is less important than the economy, try holding your breath while you count your money. ”

- Dr Guy McPherson
Professor Emeritus of Natural Resources and Ecology & Evolutionary Biology



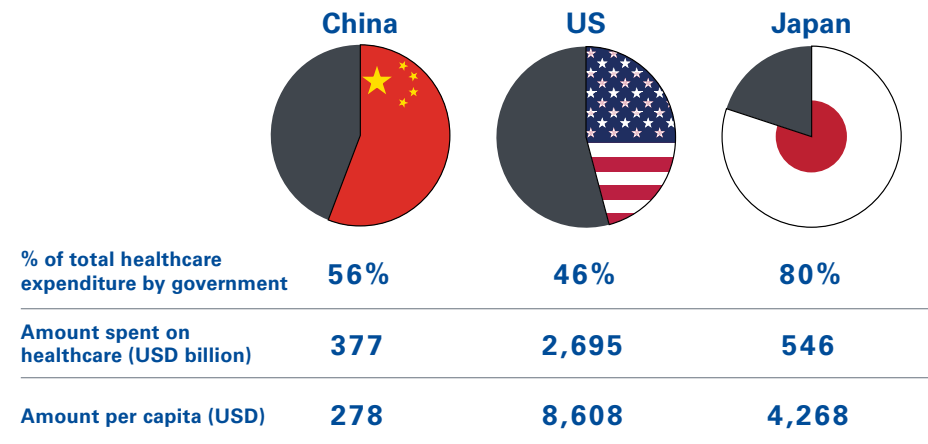
Healthcare Issues – Access, Quality and Cost

In addition to negatively impacting the environment, China's escalating air pollution problems have also led to increasing healthcare issues. For instance, in early 2013, Beijing Shijitan Hospital's Respiratory Health department received 20 percent more patients than usual.²⁷ In spite of these problems, China is improving its medical care system, and in 2012 it unveiled its 'Health China 2020'



strategy in a bid to provide medical treatment and access to the whole of China in 2020. However, there are still several healthcare issues including a lack of doctors and equipment, and the temptation for doctors to prescribe and dispense drugs to get kickbacks and bribes.

Health expenditure by country in 2011³⁰



Towards a Cleaner System

In 2011, China officially overtook Japan as the world's second largest economy. To create and maintain a clean economic system, China's President Xi Jinping stated that sustainable economic growth remained the top priority, and vowed to crack down on corruption. From January 2008 to August 2013, the government investigated 151,350 bribery cases, while the Supreme People's Court convicted 148,931 people of bribery and corruption.³¹ The government also established a telephone and online reporting platform to encourage the public to report suspected bribery and unfair practices.

From March 2013, the criminal justice system was further strengthened by centralising the management of cases, and by introducing synchronised audio and video recording for the interrogation of corruption and bribery suspects. In addition, the president has taken further steps to promote moderation by banning expensive flower arrangements and elaborate red-carpet ceremonies for officials. Although there is likely a long way to go, these recent anti-corruption efforts create hope for a more transparent and cleaner system.







Chapter 3

CSR at KPMG

Vision and Mission

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG member firms have 155,000 outstanding professionals working together to deliver value in 155 countries worldwide.



Through the network of member firms, KPMG has a clear vision of committing to and giving back to our communities and the world we live in, with effective and relevant use of our core competencies, capabilities and capacities. As we face local and global issues in our fast-changing world, KPMG is dedicated to identifying sustainable solutions to the deteriorating environmental circumstances and a multitude of social issues, ranging from climate change to urban and rural poverty.

In addition, with the vision of creating an impact on the various environmental and social concerns, we are devoted to supporting local community initiatives and projects. By the same token, we extend our impact to the global level through our KPMG firms' international presence and network to support the UN MDGs, as well as by working strategically with governments, NGOs and the private sector.



The Business: Quality, Integrity and Insight

Code of Conduct

KPMG people are required to complete ethical training covering the code.

Global Behavioural Capabilities

- Seize business opportunities
- Demonstrate curiosity & innovation
- Drive collaboration & inclusion
- Strive for continual improvement
- Deliver quality
- Exercise professional judgement
- Make an impact



The People

Our stakeholders

Stakeholder mapping and engagement play a critical role at KPMG. It helps us drive our business, evolve our strategy and risk management, focus on our CSR initiatives and develop our people.



KPMG Business School

We invest in our people as they are the driving force for delivering value to all our stakeholders. Our Business School delivers learning and development initiatives across KPMG member firms through an integrated Global Learning and Development framework. Aligned with three curriculum areas – Business, Technical and Leadership – we offer a mix of delivery formats such as in-class training, virtual classrooms, self-paced e-learning and web-based self-study materials. We have also increased the use of online learning to support the growing mobility of our people.



Global Key Initiatives

Leading the change

Is a proud signatory to the *United Nations Global Compact (UNGC)*

Is an *Organisational Stakeholder of the Global Reporting Initiative*

Was selected to participate in *UNGC LEAD in 2011*, a platform for corporate sustainability leadership

Signed the *Women's Empowerment Principles (WEP)* in 2013

Is a Strategic Partner of the *World Economic Forum (WEF)*

Actively participates in the *World Business Council for Sustainable Development*

KPMG
International



Global Green Initiatives

In 2008, KPMG International launched Global Green Initiatives, a long-term approach that tackles the climate change challenge by:



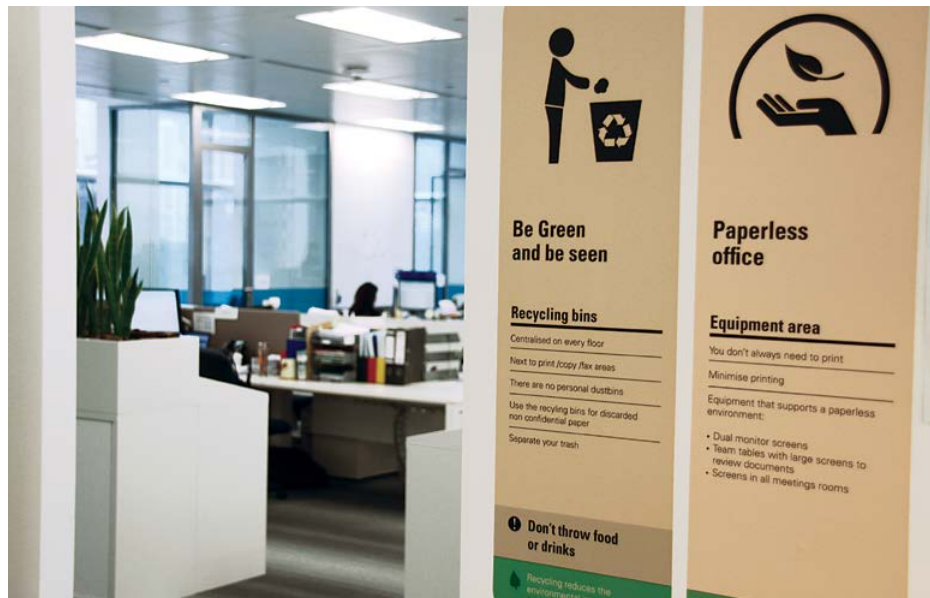
Aiming for a 15 percent reduction in net carbon emissions per full-time equivalent (FTE) by 2015, from a 2010 baseline



Supporting environmental projects within our wider commitment to our communities



Working with employees, suppliers and member firms' clients to help improve their climate change impacts



Putting our skills to work in pursuit of the Global Development Initiatives

Our commitment to the MDGs was first endorsed by KPMG International's Global Board in 2007. In 2011, the Global Board committed to "Enrich the GDI as a global employee engagement programme that underpins and embeds the KPMG brand attributes".

KPMG's Global Development Initiative (GDI) focuses on the first three UN MDGs:



KPMG member firms participate in the GDI in the following ways:

- Provide sponsorship, mentoring and training at different levels of education
- Contribute our skills and resources to initiatives that inspire and equip students to contribute to their communities and care for the environment
- Train and mentor small business owners and smallholder producers
- Undertake pro bono assignments for social enterprises and NGOs
- Produce thought leadership publications to raise the awareness, commitment and good practice of others to contribute to the MDGs

Investing in our communities (number of volunteer hours)



Source: Reported by KPMG member firms for their financial year ending 2012 or 2013

16 KPMG member firms providing USD 1.6 million of funding and pro bono resources to transform the lives of 10,000 people in a Tanzanian 'Millennium Village'

17 KPMG member firms providing USD 5 million of pro bono time to support 500,000 fairtrade farmers to improve their livelihoods and to equip 20,000 young people with enterprise and employability skills

More than 20 thought leadership publications produced on MDG issues

Hundreds of KPMG people volunteering as trustees and treasurers of NGOs

1,440 students from disadvantaged backgrounds in India and China sponsored to go to university

1,720 children in Brazil and India provided with supplementary nutrition and education

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.

Maximising our Professional Core Competencies

Disaster risk reduction & relief

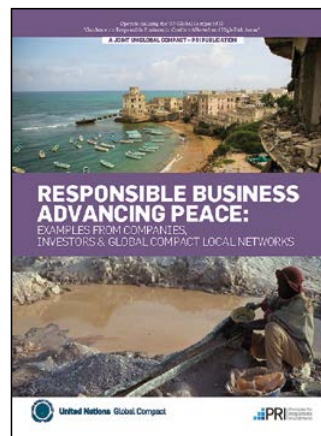
Through a partnership with Oxfam, our member firms in India, China, Australia, the US and Mexico have committed over 1,000 pro bono hours to work together to enhance the resilience of disaster-prone communities. KPMG International is evaluating the effectiveness of the Humanitarian Response Consortium operating in the Philippines, which has been supported by Oxfam. The evaluation

will support thought leadership for international dissemination, ensuring good practices and lessons from the consortium's experiences are carefully analysed and shared widely to guide similar activities in other countries. We also strive to deliver collaborative immediate and long-term support to communities in the wake of unprecedented natural disasters through funding, resources and skills.



Responsible Business Advancing Peace

KPMG, in partnership with the UNGC and the UN-supported Principles for Responsible Investment Initiative, wrote a guide for businesses working in high-risk and conflict-affected areas, 'Responsible Business Advancing Peace', which was published in 2013. This builds on the 2010 report, 'Guidance on Responsible Business in Conflict-affected and High-risk Areas: A Resource for Companies and Investors' by providing practical examples and information on how companies can align policies and advance the implementation of responsible business practices in difficult operating environments around the world.



Post-2015 development project



The UN MDGs have led to unprecedented advances in poverty, education and health, and have helped businesses focus their contributions on sustainable development.

我们支持
联合国全球契约

As governments and the UN look towards the 2015 deadline of the MDGs, the UNGC is bringing businesses and investors together to contribute to the post-2015 global development agenda. Along with other leading companies, KPMG has worked with the UNGC in submitting a report to the UN Secretary General aligning business and sustainable development post-2015.

Women's Empowerment Principles

KPMG is a recent signatory of the WEP, and has been recognised for its work with Women's World Banking and VisionFund. Over 40 female microfinance leaders across the world have been trained and mentored by KPMG senior women. With the help of these mentors and with ongoing remote support, participants develop a vision for their leadership and create an action plan to achieve this vision.

“ We harness our resources and skills to provide **SUSTAINABLE SOLUTIONS FOR GLOBAL PROBLEMS** ”

The Future Role of Civil Society

Civil society helps connect public and private activities to strengthen the common good. The power and influence of civil society is growing and should be harnessed to create trust and encourage action across sectors, businesses, NGOs, as well as governmental and public institutions.

KPMG takes the opportunity to partner with different stakeholders to make changes in this increasingly challenging, and technologically hyper-connected global environment. We engage our people in different sectors to develop cross-sectoral platforms so that we can transfer knowledge and build hybrid business models to help create a resilient society.

To further this goal, KPMG International has partnered with the WEF on a seminal project, 'The Future Role of Civil Society', launching a milestone report



at the WEF 2013 Annual Meeting in Davos. The report posits what the world will look like in 2030 as a result of new frameworks and collaboration among businesses, governments and traditional NGOs to find solutions to big societal challenges. It synthesises more than 200 major pieces of academic research, insights from 80 leading international experts, as well as information from a series of strategic workshops. This project is an important demonstration of the new way of thinking in terms of collaboration, partnership and finding solutions.

“ **The public are speaking out, asking for justice and demanding fair, open societies. Civil society, business, government and international organisations all need to focus on outcomes and work together for the collective good.** ”

- **Michael Hastings**
Lord Hastings of Scarsbrick CBE
Global Head of Citizenship, KPMG International



Chapter 4

*Embedding CSR in
our China Business*





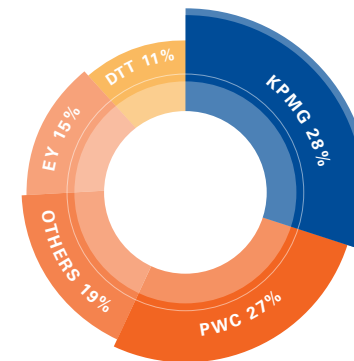
“We are here to
MAKE A DIFFERENCE”

KPMG China

KPMG China has offices in 16 cities, with around 9,000 professionals.

We are committed to using our skills to build trust in the marketplace. With the range of international crises that have emerged, the role that responsible audit, tax and advisory services can play in creating a more transparent and accountable business environment is more important than ever. Our leadership in CSR is embodied in our ethical practices and good corporate citizenship, which are the foundation of our business.

Top 100 A-shares by market capitalisation



Source: Wind; HK equities include primary listing and secondary listing (as at 13 January 2014)



Corporate Social Responsibility

At KPMG China, CSR is integrated into our business and people. We strive to make the most of the diverse range of resources and skills at our firm so that we can make meaningful contributions to the community and environment.

KPMG China believes in...



KPMG Foundation

The KPMG Foundation was established in February 2008 with the objective of engaging our own people, alumni and other stakeholders in the community to deliver sustainable solutions to social and environmental issues in China and Hong Kong.

The foundation funds programmes in line with the 3Es – Education, Empowerment and Environment. The board meets twice a year to review grant proposals, select grantees and manage the partnership's contributions to strategically allocate funds. The foundation also works with KPMG China's 13 Social and Environmental Action Teams (SEATs) to identify CSR opportunities and potential community partners. This structured and organised giving platform complements our firm's CSR goals and ensures all our programmes are needs-driven, scalable and sustainable in the long run.

“**Though our efforts might seem tiny as a seed, this seed is rooted in the hearts of every beneficiary student and child, as well as thousands of KPMG people. Who says that a seed will not grow into a sky-high tree? As the Chinese proverb goes, ‘No effort is wasted – the result will be visible at some point in the future.’**”

- Jacy Li

*Member of the KPMG Foundation
Audit Partner, Shanghai, KPMG*

Since its establishment, the KPMG Foundation has donated more than **RMB 22.4 million (±USD 3.7 million)** to the local community. In addition, our people have contributed more than **RMB 6.0 million (±USD 1.0 million)** through our CSR platform to support key international and local CSR initiatives.

Pro Bono Audit Services

We are committed to using our professional knowledge and skills to empower the capabilities of civil society organisations. Our people provide pro bono audit services to both large and small non-profit and non-governmental organisations in China and Hong Kong.



“ At KPMG China, we have a long history of giving back to our communities through philanthropy, volunteerism, pro bono professional services and community involvement. I believe that giving back to the community helps us develop a sense of ‘corporate empathy’ and allows us to see the world through the community’s perspective. We can then better understand how our business fits in and how we can play a role in strengthening our community. ”

- Irene Chu
Audit Partner
Hong Kong, KPMG

Pro bono audit services provided since FY 2011

	FY 2011	FY 2012	FY 2013
Number of charitable organisations*	62	59	67
Total number of pro bono hours	12,861	11,065	11,976

* Charitable entities that have IRO Section 88 status in Hong Kong or have legitimate charitable status in the PRC

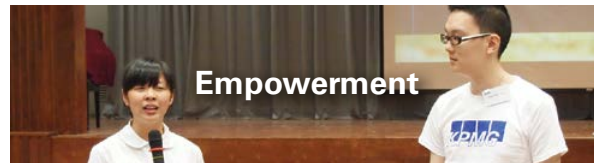
“ Help comes in different sizes and forms. When all permanent Hong Kong residents benefited from ‘Scheme \$6,000’ in 2011, KPMG initiated a programme encouraging its people to spend the HKD 6,000 in a meaningful way by helping us tackle the food insecurity issue in Hong Kong. A total of HKD 1.6 million was raised from KPMG’s people and the KPMG Foundation, which provided nutritious food packs for 6,000 underprivileged kids – right in time for Christmas. ”

- Josephine Lee Yuk-chi
Deputy Chief Executive Officer
St. James’ Settlement

3Es Approach



Education



Empowerment



Environment

Missions

Develop potential and create well-rounded educational opportunities for underprivileged primary- to tertiary-level children and youths

Put our people's skills to work to empower others by enhancing the capabilities of NGOs and social enterprises, facilitating dialogues among youths, and providing a life-changing transformation

Be a driving force in promoting environmental responsibility, raising awareness and contributing to global stewardship

Key initiatives

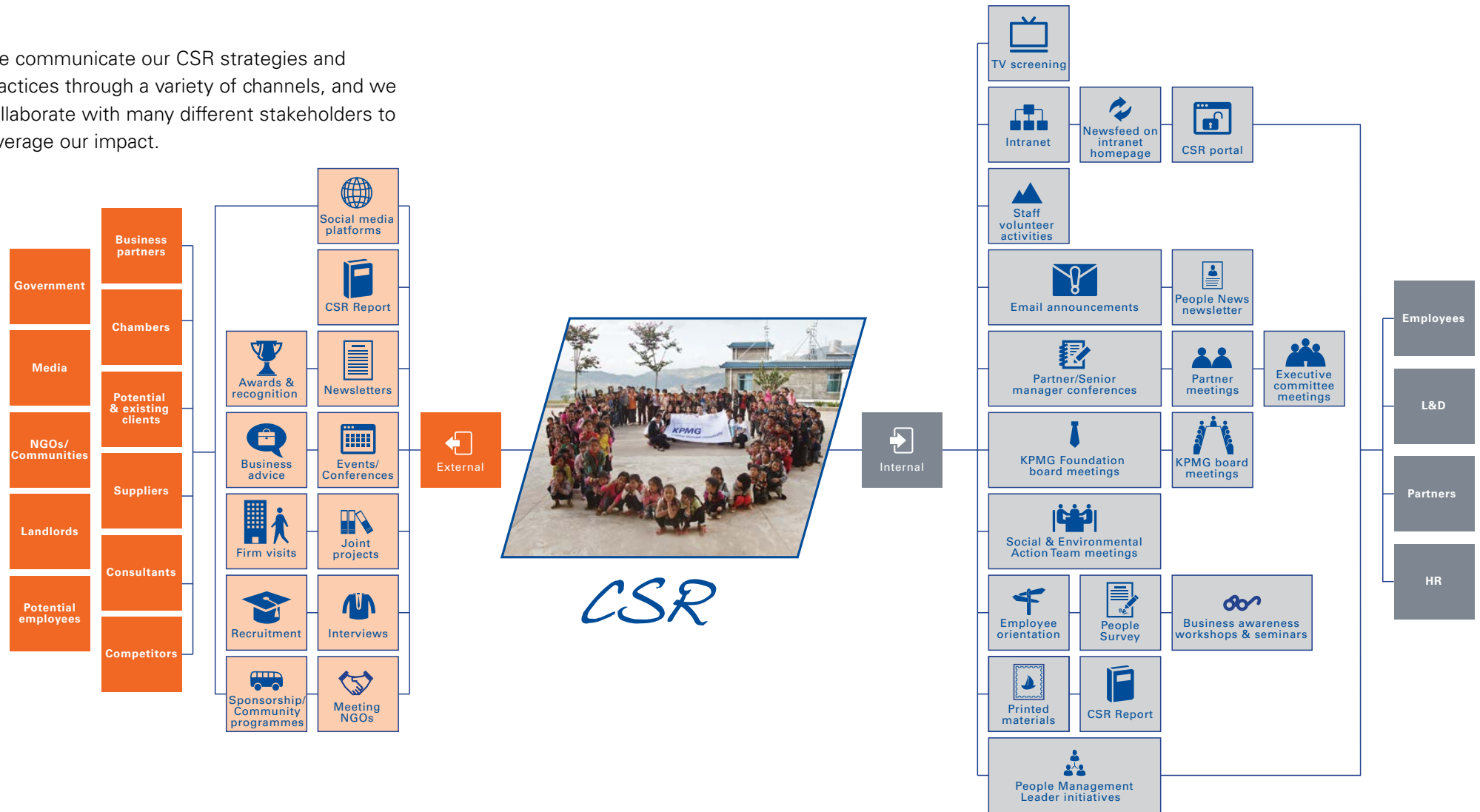
- [Rebuild three Hope Primary schools](#) in rural China, including in Gansu and Yunnan, and send volunteers to deliver classes twice a year
- [Offer financial aid](#) to 699 secondary schools and university students through the China Care Fund and New Great Wall sponsorship fund respectively
- [Provide mentorship programmes](#) for university students through the New Great Wall programme
- [Offer student experiential learning programmes and facility upgrades](#) to over 10 migrant schools through Shanghai Adream Charitable Foundation and Qi Chuang Social Work Service Center
- [Fund an extensive English learning programme](#) and empower the Society for Community Organization (SoCO) children to serve the community

- [Develop social entrepreneurship](#) among university students through the Enactus network
- [Build business expertise for local NGOs](#) and social enterprises through a series of training workshops and one-on-one mentoring
- [Explore a universal value, dignity](#), through the Global Dignity Day initiative
- [Sponsor and send volunteers](#) to support the Operation Smile medical treatment missions for people with cleft lips and/or palates

- [Take a leading role](#) in protecting our environment through sustainable business practices
- [Set goals to reduce our carbon footprint](#) and conduct an annual carbon audit
- [Organise living green and awareness programmes](#), including seminars featuring different green initiatives
- [Move parts of the operation](#) to a LEED-certified building in Hong Kong
- [Build the world's first long-span carbon neutral public building](#) in Sichuan, using locally sourced, environmentally friendly materials

Stakeholder Engagement

We communicate our CSR strategies and practices through a variety of channels, and we collaborate with many different stakeholders to leverage our impact.



Our People

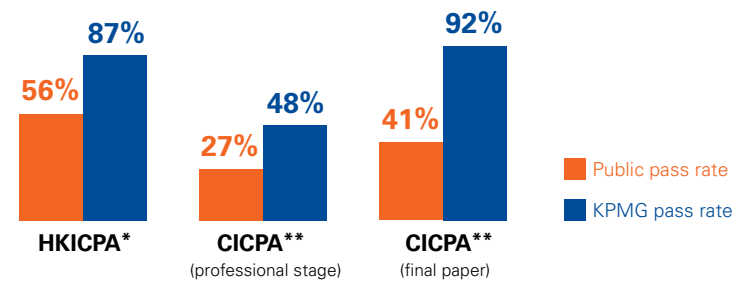
As at November 2013, KPMG employed around 9,000 professionals across China.

9,000
professionals

In FY 2012-13:

- 46 KPMG China professionals took part in the National Mobility Programme
- Around 240 long-term outbound/inbound secondees came from or to KPMG China
- About 50 professionals took part in short-term career rotation programmes within KPMG China
- The KPMG Business School in China provided:
 - 118 training hours or 14.75 days per employee
 - Online learning platforms for over 460 courses
 - Learning and development programmes for all levels of experience – from new joiner induction to leadership programmes for partners

KPMG staff's examination results (FY 2012-13)



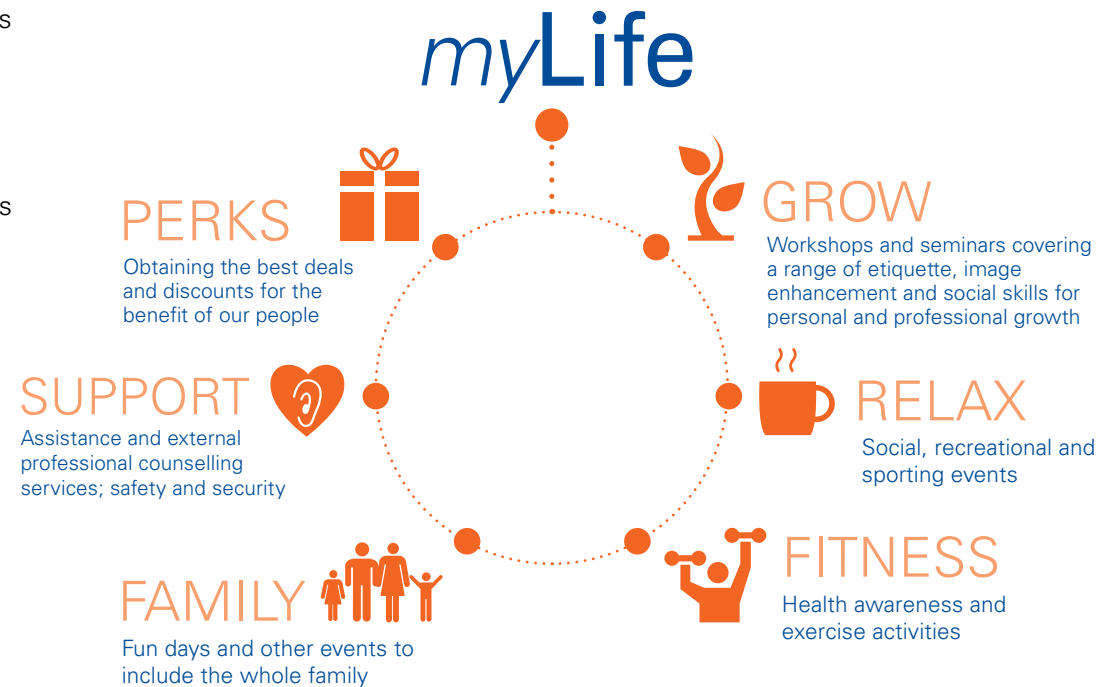
* Professional accounting exam in Hong Kong

** Professional accounting exam in China



As an Employer of Choice, KPMG China is committed to creating a corporate culture which recognises, values, attracts and retains top talented individuals from different backgrounds through a variety of initiatives:

- Internships, campus talks and student volunteering opportunities
- Online onboarding support and induction training programmes
- Talent development programmes, Senior Manager Development Centres and leadership development programmes
- Global and national mobility programmes and career rotations
- Work-life balance programmes:
 - People Management Leaders (PML) programme
 - Flexible Work Arrangements Scheme
 - *myLife* programme



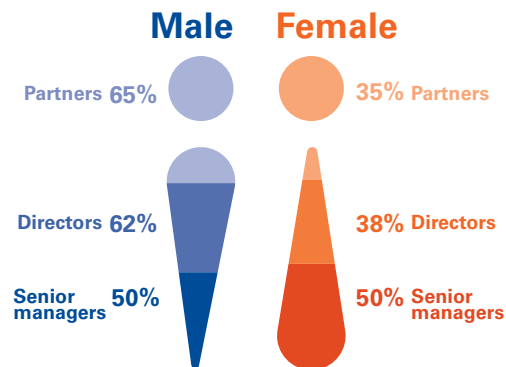
Diversity and Inclusion



Diversity is a key element of our success for our people, our clients and our communities. As an Employer of Choice, we strive to create an inclusive environment at KPMG China

where individual backgrounds, skills, experiences and characteristics are embraced. This helps us adapt and respond effectively to uncertainties and rapid changes so that we can be a sustainable leader in the market.

As at November 2013, female employees accounted for approximately 61 percent of the workforce at KPMG China.



Diversity practices & programmes

We encourage our people to make use of the benefits that diversity and inclusion bring to our business. We also sponsor and participate in research that aims to improve our understanding of diversity and inclusion in the workplace and marketplace.

KPMG China strives to provide an inclusive environment for our people by offering:

- Mothers' lactation rooms
- Cross-cultural awareness programmes
- Mentorship and buddy programmes
- Global onboarding and inter-office virtual classrooms
- Coaching and leadership training programmes
- Flexible Work Arrangements Scheme
- Diversity programmes:
 - Celebrating International Women's Day (8 March)
 - Organising gender equality awareness sessions
 - Organising kids' days to support working parents
 - Supporting Women on Boards initiatives in Hong Kong and China
 - Sponsoring women's leadership conferences and seminars

Support of Social Innovation

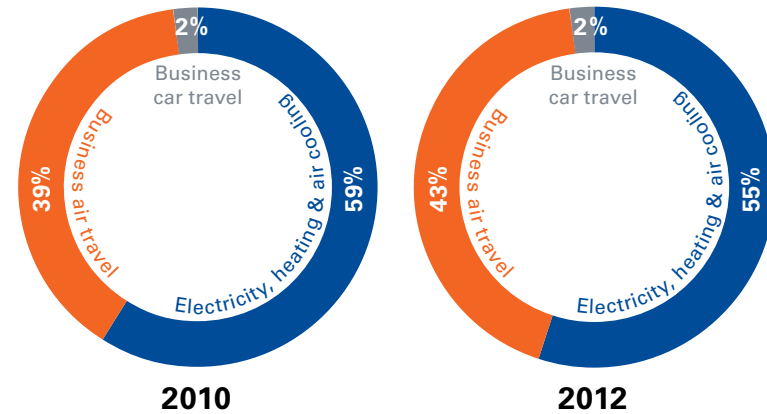
We support local social enterprises through workshops that empower them with financial and management training on best practice. In 2012 and 2013, we had 277 people from 169 NGOs attend our workshops. Our people trained staff from social enterprises on conducting market research, handling risk management and developing a sustainable competitive advantage for their businesses.



Green Initiatives

KPMG China expanded its offices in 2012. Even though the total floor area of our major offices in Hong Kong, Shanghai and Beijing increased by 2,697 square metres compared to 2010, emissions per FTE decreased by 0.37 percent during the same period.

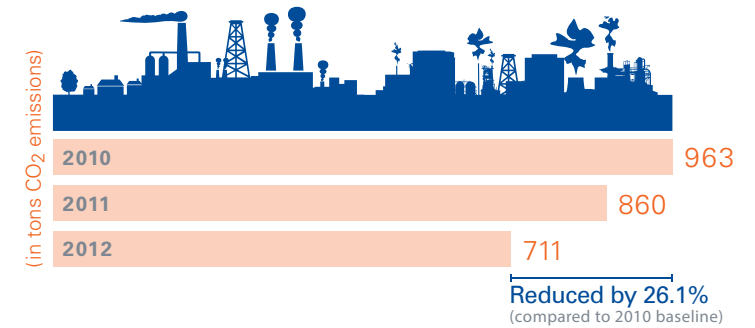
KPMG China carbon emissions



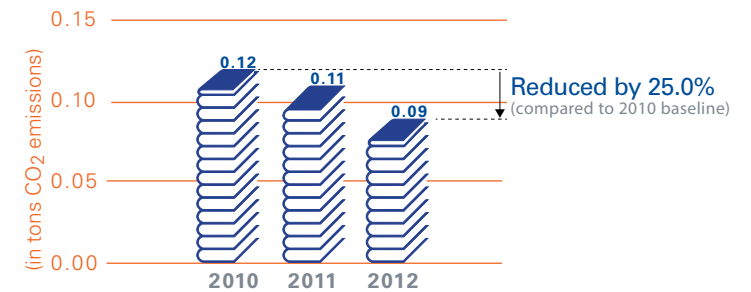


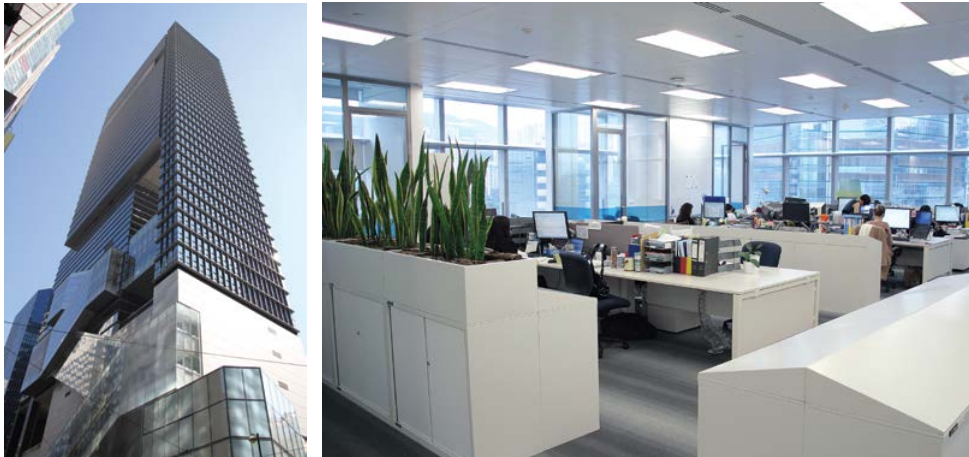
KPMG China's carbon emissions from paper consumption 2010-12

Total emissions from paper consumption



Emissions from paper consumption per FTE





Green innovations

By 2015, KPMG China aims to further reduce carbon emissions per FTE by 15 percent from a 2010 baseline.

In June 2012, we moved 40 percent of our Hong Kong office space to Hysan Place, the first LEED Platinum-certified mixed-use office and vertical mall complex in Hong Kong and mainland China. Our vision is to use this office as a standard for all our future offices. The building's key green features, including the use of recycled, regional and renewable material, have allowed us to further our commitment to environmental protection.

Our Hysan Place office has helped us achieve the following:

- Save more than 20 percent of energy compared with the ASHRAE standard and LEED baseline, partly through the use of energy-efficient equipment
- Reduce water consumption by nearly 40 percent by using a seawater flushing system, water-saving devices and a rainwater harvesting system
- Reduce lighting power by more than 40 percent by using LED bulbs and T5 lamps, and by maximising the use of natural light using glazed partitions

KPMG's Achievements since 2011

KPMG International

Sustainable Firm of the Year for two consecutive years



Second in the World's Most Attractive Employers for three years in a row



Big Tick Award for Excellence for five consecutive years for our Global Development Initiative



Best Supplier Switzerland CDP (response) 2013 for our efforts in tackling climate change



KPMG China

No. 1 Ideal Employer in 2012 Professional Services Firm category



Top 10 Campus Employers with the Best Reputation



CSR Leadership Award & Honourable Mention for the CSR Partnership Award 2013

Corporate Community Involvement Award 2012



10 Consecutive Years Caring Company Award (2002-12)



LEED Platinum Award Commercial Interiors 2013



Hong Kong Awards for Environmental Excellence



Best Employer for Graduates Award Best Recruitment Team in China Award 2011-13



Ranked third for Advisory Services in the 11th ChinaHR Best Employers of China



Top 100 Projects Shanghai Youth Community Service Awards



Chapter 5

Our Impact on Society

师 中



老师:

你和我们相处了两天,但是,对于我们来说就像两年一样漫长。你们教会了我们各种各样的做人的道理与丰富的知识。嘿,今天你们却要离开了,我们真的很舍不得。祝你一路顺风。

第四组

烈火

致敬





The people in our Hong Kong and China firm work hard to make a sustainable and valuable difference in the world around us.

KPMG China has worked alongside various charitable organisations, dedicating both time and resources in a bid to make the world a better place.

More than **3,600 staff volunteers** have participated in our Hong Kong and China programmes, contributing approximately **30,000 hours**.

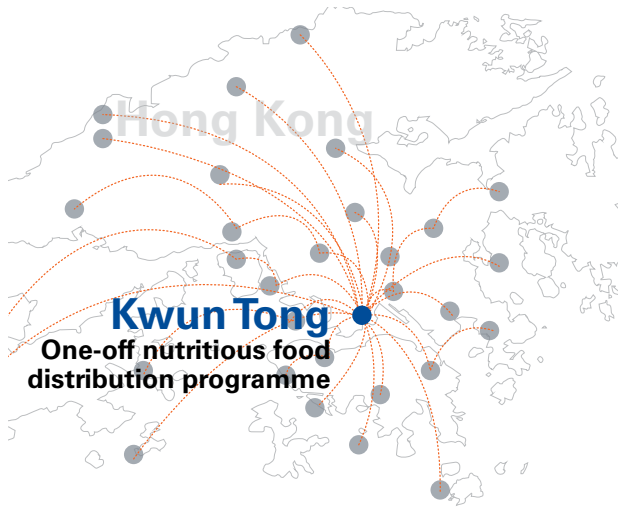
Our key partners

- Bo Charity Foundation
- China Children and Teenagers' Fund (CCTF)
- China Foundation for Poverty Alleviation (CFPA)
- Enactus
- Global Dignity
- Hong Kong Council of Social Service (HKCSS)
- Médecins Sans Frontières (MSF)
- Mother's Choice
- Operation Smile
- Qi Chuang Social Work Service Center
- Shanghai Adream Charitable Foundation
- Society for Community Organization (SoCO)
- Sowers Action
- St. James' Settlement
- The Community Chest of Hong Kong
- The Lighthouse Club Hong Kong
- World Wide Fund (WWF)
- Yunnan and Gansu Hope Schools



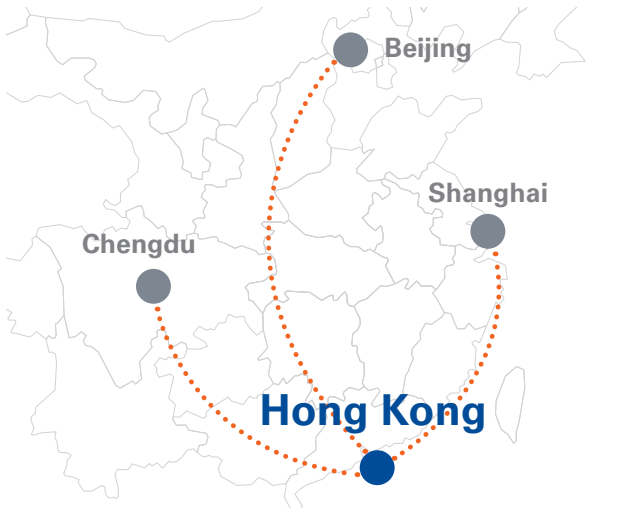
Scaling up the Impact

Food assistance programme



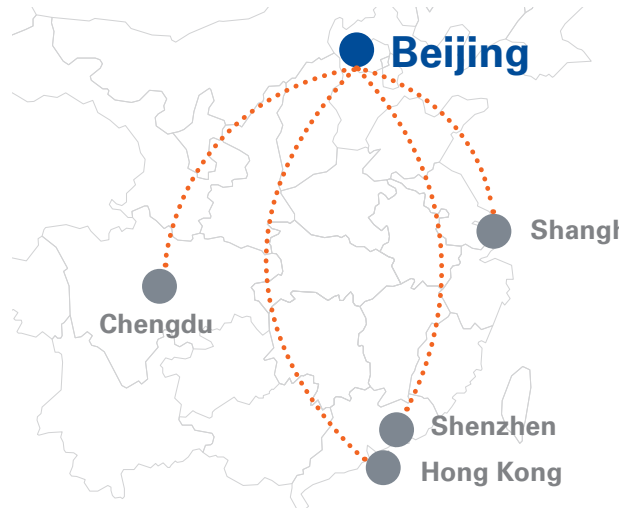
Long-term Bread Angel Programme
7,000 Hong Kong people benefited

Global Dignity



Over 2,060 students reached

Migrant youth programmes



4,000 students supported

I am proud to be a mentor in this programme – it is more than just a financial aid. The students truly treasure the opportunity to have a university education as they are all determined to change their destinies. I am glad we can help them achieve their dreams by guiding them and helping them build their self-confidence. Their perseverance also motivates me to be a better person.

Grace Gong

Manager
Transaction Services
Beijing, KPMG



A little help goes a long way

I was born in an ordinary family in rural China. Although my parents are not well-educated, they have always emphasised the importance of education to lift the family out of poverty. They encouraged me to take my studies seriously, and they devoted themselves to supporting me financially.

My hard work at high school was rewarded when I was accepted to my favourite university, the Guangdong University of Foreign Studies. However, my family did not have much money and I was worried that I would not be able to finish my university education or that I would have to work during my studies to ease my parents' burden, which might have affected my academic performance. My worries were alleviated when I was selected by the KPMG-sponsored New Great Wall programme that subsidised my living expenses in the city. Above all, I was moved by the fact that people actually care about me and my future. This has motivated me to study even harder and strive to do something for society.

Life can be difficult as we cannot choose our background – but as long as we do not give up our dreams and we work hard, we can change our future.

Danni Huang

Student
Guangdong University of Foreign Studies

Precious moments with our big brothers and sisters

I first met the KPMG volunteers – our ‘big brothers and sisters’ from all over China – in 2010. My classmates and I were so excited, as we rarely meet people from faraway places. They organised a week-long ‘school camp’ for us, where they covered many different topics including the environment, music, poems, kung fu, drawing and dancing. We could also choose from a variety of extracurricular activities. Although I chose origami, I was not that good at arts and crafts and found it difficult to create my own designs. Despite my clumsiness, my big sister, Mango, was very patient and I was extremely touched by her warm-heartedness. I will never forget these precious moments.

On the last day, we organised a big carnival where we proudly displayed our new knowledge for our parents, teachers and principal. The preparations took three days! My team decorated the whole school with our origami creations. This experience has broadened our horizons, increased our confidence, and developed a kind of ‘class spirit’ which is still very much alive today. We are grateful for the changes our big brothers and sisters brought.

I miss Mango a lot and really look forward to seeing her and the others again.

He Ting Ting

Grade 5 Student

KPMG Gao Qiao Hope Primary School



Despite the students' disadvantaged backgrounds and limited resources, they always had smiles on their faces. They were keen to learn, embraced us as new friends and shared with us. This encouraged me to appreciate everything that I have and showed me how easy it is to make people happy.

Eva Chow

Manager

Tax

Hong Kong, KPMG

Many parents in our county have left home to work in big cities, leaving the children to be raised by their grandparents. The impressive green centre not only provides a base for the children's after-school activities, but also a place to dream. Moreover, it gives adults the opportunity to gain skills and offers the community a space to come together. As the centre manager, I have witnessed first-hand what a positive change the centre has brought to this small town, and I'm on a mission to help transform more lives in this community.

Niu Na

Social Worker
KPMG-CCTF
Community Centre



Transforming a community

My county was seriously damaged by the massive Sichuan earthquake in 2008; buildings were broken into pieces and we thought there was no hope for us. But we began to see the light when we realised there were many people who cared about us. In 2009, KPMG, INTEGER China and CCTF worked together to build the KPMG-CCTF Community Centre in our Cifeng community. I never could have imagined that a state-of-the-art, long-span bamboo carbon-neutral centre would be built out of such devastation.

The beautiful centre has greatly benefited over 500 children and 200 families in our town over the past three years. Many migrant children from rural areas visit the centre to receive regular support from the social workers and KPMG volunteers, as well as the care and love they crave. Today, the centre serves as a new hub, providing all kinds of vocational training to the residents in the neighbourhood. It has become a platform for people to bond and has helped build a united town with a great spirit.

I believe that if we all give a little bit of love, just as KPMG does, our society will be so much better.

Liu Min

Cifeng Communist Party Committee Member &
Deputy Township Head
Pengzhou, Sichuan province

Sedan Chair Race



SCB Marathon



Tutorial classes



Visits to the elderly with the SoCO Kids



CENTRAL Rat Race



HONG KONG

The students told us how proud they were to go to our school because it is one of the best in the region. These kids were happy and appreciative of the few resources they had. They reminded us of our childhood dreams, gave us a chance to give back and made us feel truly humble. I would like to thank them for their inspiration!

Henry Wang

Assistant Manager
Audit
Qingdao, KPMG



A life-changing impact

I have been working with KPMG since the reconstruction of our school in Yunnan province in 2009. Since then, KPMG has donated RMB 760,000, which leveraged the funding from the local government and helped us rebuild the academic and dormitory buildings, as well as add other new facilities.

Our school has become a landmark in the region, and our previously rough, cramped conditions have also greatly improved. Everyone has praised the new learning environment because it has helped the students and teachers focus, enjoy school life and perform better. What touches me most, however, is the commitment shown by the KPMG volunteers. Our school is located in a very remote mountainous area, so the volunteers have to take long flights, endure bumpy car rides and walk a long way to get to our school to deliver creative classes for our students.

During the mission in late 2013, we celebrated the Chinese Mid-Autumn Festival together. The volunteers organised our first Mid-Autumn carnival with fun games and delicious festive food, and stayed in the dormitories with our students.

As the principal, I will work even harder to bring quality education to our students and build a solid foundation so that they can thrive.

Lu Hua

Principal
KPMG Fang Niu Chang Hope Primary School

When NGOs and the commercial world unite

When I first arrived in Hong Kong as a new immigrant from mainland China in 1981, I experienced many difficulties. This inspired me to dedicate my life to serving children from China as well as the underprivileged. In 1995, I became SoCO's community organiser to pursue my passion.

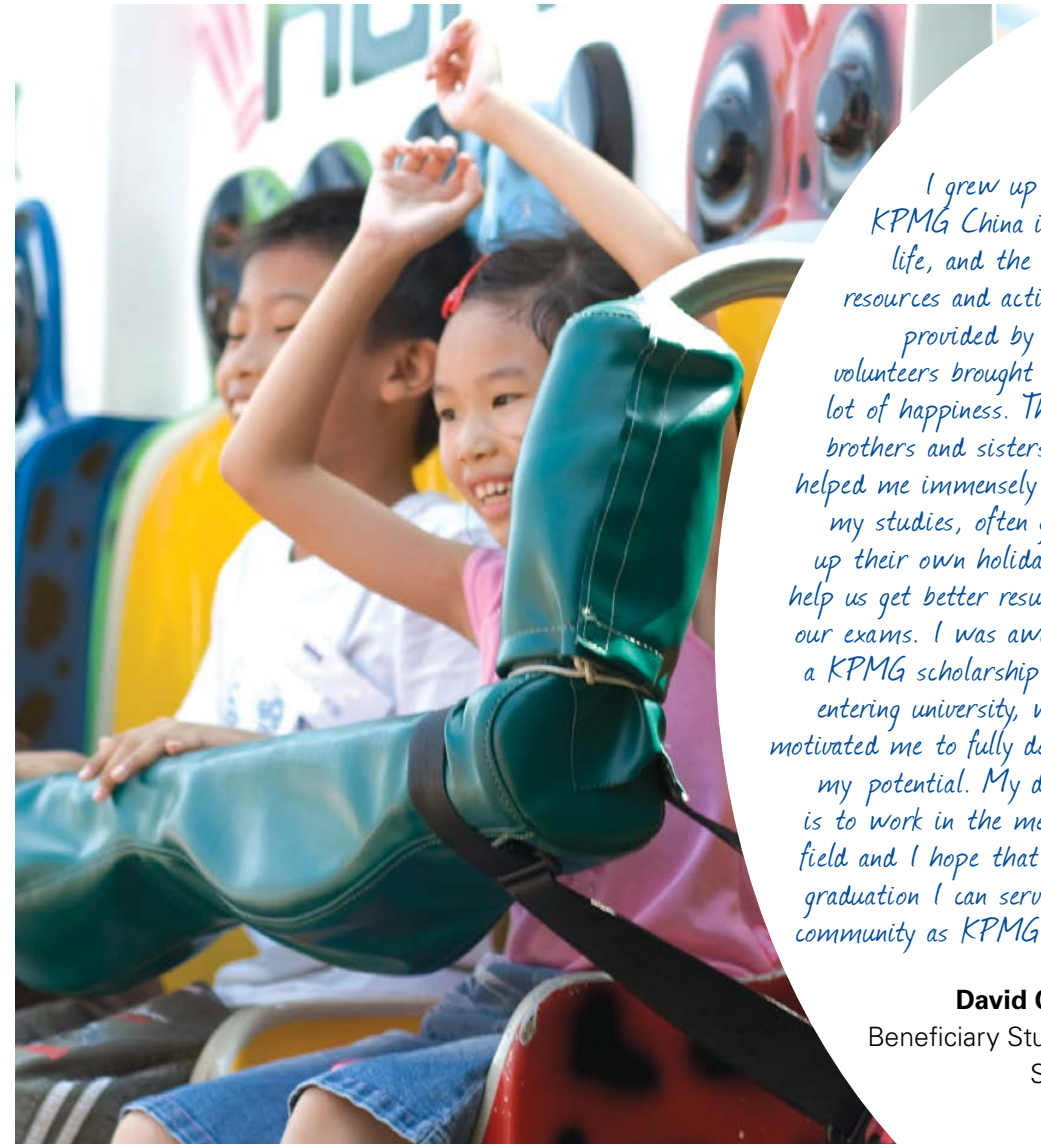
Since 2003, KPMG China has provided SoCO with sustainable support in different ways. SoCO proactively searches for financial resources, so we were delighted to have KPMG China support us through the government matching initiative, 'Partnership Fund for the Disadvantaged'. They also generously help us identify and secure additional resources and involve us in other charitable events.

The company's consistent support and the extra time the volunteers spend with the kids help our children grow with KPMG. They value KPMG China's monthly community activities, as they learn new knowledge and are exposed to different games and sports they would otherwise not experience. In addition, each year KPMG China provides scholarships to some of the teens to further their university education.

We have developed a long-standing relationship with KPMG China over the past 11 years, which has ultimately boosted our reputation. The company genuinely cares about our work and the upliftment of the underprivileged, and its people are very passionate about helping our kids grow.

Sze Lai Shan

Community Organiser
SoCO



I grew up with KPMG China in my life, and the many resources and activities provided by their volunteers brought me a lot of happiness. The big brothers and sisters also helped me immensely with my studies, often giving up their own holidays to help us get better results in our exams. I was awarded a KPMG scholarship after entering university, which motivated me to fully develop my potential. My dream is to work in the medical field and I hope that after graduation I can serve the community as KPMG does.

David Chan

Beneficiary Student
SoCO

During one Dream Course, I was engaged in a group discussion on the pros and cons of using plastic bags. This kind of teaching method not only inspires children to think creatively and divergently, but also cultivates their reasoning abilities, teamwork and language skills, providing a well-rounded education. I was very lucky to have participated in this activity, as it also triggered a new way of thinking for me as an adult.

Liya Zhang
Assistant Manager
Audit
Beijing, KPMG



Giving migrant children a quality education

Everyone should be entitled to a quality education and I aim to try and make this a reality by enhancing the education system through my work at Adream. By collaborating with different educational institutions, Adream has developed a series of special curricula – or ‘Dream Courses’ – to supplement the traditional educational model, with topics ranging from drama, finance and entrepreneurship to emotional intelligence. This holistic model helps migrant children learn more effectively and grow with confidence.

According to the present educational system in China, once migrant children leave their hometowns, they often have to give up some of their social benefits such as their right to attend public schools, which results in them attending more under-resourced schools. Our mission is to give these children access to quality education by setting up Dream Centres and delivering Dream Courses.

With KPMG’s support, three centres were established in Shanghai, Chengdu and Beijing in 2013, benefiting 4,000 students and 300 teachers. KPMG volunteers also offer their time to teach the Dream Courses. We have been very impressed with KPMG’s commitment and its people’s enthusiasm. With the continuous support of the business sector, I am sure that we can help migrant children learn and grow in an inspired and dignified way.

Pan Jiangxue
Chairman
Shanghai Adream Charitable Foundation

Nanjing -
Flea market



Shanghai -
Jinqiao charity race



Hangzhou -
Goods donation



Shanghai -
Blood donation



Chengdu -
Teaching at
Adream Centre



Eastern China

"It is more blessed to give than to receive."

I feel very fortunate that my firm has given me the opportunity to make a difference in our community by sharing my knowledge and experience.

Ivy Chiu

Manager
Learning & Development
Hong Kong, KPMG



Enhancing social innovation through capacity building

Social innovation can be the solution to many of the problems facing our community today. Business sector support is crucial to building sustainable social enterprises.

Since 2010, KPMG has been helping the HKCSS-HSBC Social Enterprise Business Centre run a series of professional business training workshops, such as financial accounting, project management, tax, market research and risk management. These workshops not only boost the capacity of social enterprises, but also foster solid friendships between KPMG volunteers and social entrepreneurs. Although the workshops are usually only half-day or full-day courses, the KPMG volunteers often meet with social enterprise managers and frontline staff many times to tailor the workshops to their business needs. Our participants always tell us how patient and caring KPMG volunteers are, and that they appreciate the case studies explaining business theories and in-depth concepts. This personal and professional touch explains why KPMG's social enterprise business workshops always attract a full house of about 100 people.

The participants can apply what they have learnt in the workplace, and all this newly gained knowledge is put into practice to build a more sustainable business model. We are looking forward to expanding our cooperation with KPMG's volunteers to help identify solutions to some of the challenges our social enterprise partners encounter.

Howard Ling

Senior Manager
HKCSS-HSBC Social Enterprise Business Centre

Bring a smile, mend a heart

More than 10 years ago, I was still a volunteer at Operation Smile China. An eight-year-old boy who had received reconstructive surgery for his cleft lip told me that he was worried that his parents would eventually leave him or even poison him because of his deformity. His secret had a huge impact on me, and from that day on, I have been determined to dedicate myself to this life-changing mission. This is not just about transforming the patients' facial deformities, but about healing broken hearts.

KPMG has been working alongside me from the start, providing annual financial support to bring back more smiles to the patients and their families. The firm also encourages its staff to participate as non-medical volunteers. Over 170 KPMG volunteers have joined our missions over the past 10 years, playing crucial roles in translating, managing medical records, communicating with parents and managing logistics. Their work has bridged the language gap between the patients and the medical staff, and smoothed the whole operating process. With their assistance, we are able to complete many operations in just a few days, undeniably benefiting everyone involved.

We hope we can work with more partners like KPMG to bring back more smiles and mend more hearts.

Dr Wang Xiao Wei

Vice President, Medical Affairs
Operation Smile China Medical Mission



In less than six days, we witnessed the ingenuity and commitment of our medical team, the vigour and spirit of our non-medical participants, and the kindness and generosity of all the volunteers. As diverse as our roles were, we shared the same goal – to give 200 percent to put a smile on everyone's face. The mission is over, but the hope and excitement still linger – and they are there to stay forever.

Jade Yu

Assistant Manager
Translation Services
Hong Kong, KPMG

Being a business advisor is a meaningful and highly rewarding experience. Providing practical business skills to some of the most brilliant university students undoubtedly utilises our core competencies. I encourage my KPMG colleagues to join the programme and challenge themselves. Communicating with the students and generating new ideas is an equally enriching experience for the volunteers.

Jennifer Ni

Senior Manager
Audit
Shanghai, KPMG



Unleashing the potential of the next generation

Enactus is a global non-profit organisation formed by students, academics and business leaders, and is committed to using the power of entrepreneurial action to transform lives.

I am a third-year university student and wanted to gain more practical business exposure, so I joined the 2013 Enactus programme. Our group developed an idea for a social enterprise, which we presented to a panel of judges. Starting a social enterprise is no easy task – it requires a thorough understanding of community issues and business processes, in-depth financial management and risk assessment knowledge, as well as the ability to tackle operational and procedural issues. Although we were under a lot of pressure to deliver an innovative, sustainable idea, it was a very rewarding experience.

KPMG provided coaching and support throughout the programme. They invited experienced senior staff to act as judges, trained us on financial tools and business models, and helped us manage complex business ideas. Their guidance gave us the confidence to write a solid business proposal and prepared us for the final presentation.

In addition to the programme enriching my view on the business world, I was inspired by the passion and commitment of my KPMG coaches. I now appreciate the ‘bigger purpose’ of companies.

Sidney Li

Team Leader
Enactus Shanghai



Shenzhen -
Dream Centre library for
migrant children



Macau -
Nature walk with
Fu Hong Society



Guangzhou -
Visiting orphans



Guangzhou -
Tree planting

Southern China

Everyone deserves a dignified life and to be respected. I was very touched by the sharing in my group because it is not easy to talk openly and candidly about one's challenges in life and at school. Dignity Day provides a platform for youths to discuss these issues in a positive manner and to form a support group among themselves. Although I was their facilitator, their stories about dignity inspired me a lot, allowing me to develop a more positive attitude towards life and work.

Elaine Wu

Assistant Manager
Audit
Shanghai, KPMG



Dignity: A universal value

Global Dignity Hong Kong's (GDHK) mission is to "help youths and adults to become their best self and help others to achieve the same" through a dignity course.

When I started elementary school overseas as a new immigrant, I was bullied by my classmates. A recent story of a middle school student committing suicide because of bullying brought back my own memories. My initial thought was: "The bullies need to be punished!" But perhaps it would be better if we showed the bullies the effects of their behaviour and helped them become better people?

In 2013, KPMG became our lead partner, providing financial support and mobilising over 200 staff members from Hong Kong, Shanghai, Chengdu and Beijing as volunteer facilitators at our Dignity Day events. KPMG helped us reach over 2,000 students in 18 middle schools across China. KPMG people's willingness to share their own life stories impressed me a lot, and has encouraged the students to explore the true meaning of 'a dignified life', including how to be confident, courageous and respectful.

KPMG connects GDHK with local schools and universities, and introduces us to NGOs to create synergistic opportunities. Their sponsorship has also helped create a great volunteer platform to engage other business sectors.

Kent Lau

Programme Manager
Global Dignity Hong Kong

When hunger meets food waste

Bo Charity Foundation was established in 2009 to improve environmental conservation and to care for Hong Kong's underprivileged people by addressing food waste issues through the Food Angel programme.

KPMG was one of the few large corporations which took an interest in our charity when it was first being established, and has helped us grow throughout the years. They also provided the seed money to expand another key initiative, the Bread Angel programme, where volunteers collect unsold products from bakeries at closing time every evening and deliver them directly to underprivileged beneficiaries to enjoy the following day.

Since the launch of the Bread Angel initiative in 2013, KPMG has recruited about 100 staff volunteers, and the programme has now grown to over 1,000 volunteers in total, including participants from other companies.

We are extremely grateful for KPMG's support which has helped solve multiple social and environmental problems. We hope that together we can expand our Bread Angel programme and our environmental conservation education programme for kids, as well as continue to reduce hunger and help address Hong Kong's poverty and food waste issues.

Gigi Tung

Founder
Bo Charity Foundation



The Bread Angels come out at night, delivering leftover bread to elderly homes and rescuing a tremendous amount of food from going to waste. The initiative also provides volunteers with a simple but direct way to help people in need. I am proud to have joined—the 'overtime' is well worth it!

Albert Chai

Assistant Manager
Audit
Hong Kong, KPMG

I have made it my mission to help the firm mitigate its effects on climate change by cutting down our carbon emissions. While planning our firm's expansion and renovation, I studied a lot about green technologies and the best practices available, and I challenged our designers and contractors to think 'greener'. As a large organisation, we need to catalyse change and lead by example.

Bon So

Director
Finance and
Administration
Hong Kong, KPMG

A ripple effect for a better environment

Traditionally, the relationship between a landlord and its tenants is quite simple. However, KPMG's role as our tenant at Teem Tower has been quite remarkable.

KPMG invited my team to take part in its annual carbon audit, which was a unique experience for us – only a handful of our tenants conduct carbon audits, and they do not usually engage us in the process. This exercise helped my team better understand how to carry out a carbon audit in accordance with international standards, making it an extremely valuable learning experience. It has also motivated us to enhance our environmental awareness and find more advanced and feasible energy-saving technologies to serve our tenants.

In future, we will take additional measures to reduce our own carbon emissions by saving electricity and using renewable energy. I have come to understand that in addition to generating higher profits, we can also contribute to environmental protection.

We really appreciate the role that KPMG has played in the development of Teem Tower's sustainable strategy and its encouragement to make it a greener building. I hope that together with KPMG, we can make the building even more modern and energy efficient so that we can offer our tenants first-class facilities and services.

Simon He

System Engineer, Engineering Department
Guangdong Teemall Property Management Limited

*Dingdao -
Visiting the elderly and
donating goods*



*Beijing -
Kids' day*



*Beijing -
English teaching
for migrant children*

*Shenyang -
Tree planting*



*Shenyang -
Visiting children with
cerebral palsy*

Northern China

Chapter 6

The Challenges Ahead





The Next Generation

Young employees these days are choosing companies that value human capital. Sustainable development, a fair and transparent management culture and the cultivation of a balanced work-life environment can therefore help companies retain their valued talents.

Technology facilitates sharing and communication without borders and is a vital platform for business development and business innovation. Many companies are taking advantage of social media to connect with their key stakeholders, increase their visibility and enhance their profitability. In addition to being some of the most prevalent users of these technological platforms, the younger generation is often the creative talent behind new technological developments and applications. They have unique views about society and the world, and tend to be more involved in social and humanitarian issues.

To fully embrace this younger generation in the workforce, companies should listen to their ideas and engage them in innovation, sustainable development and CSR.

“The future starts today, not tomorrow.”

- Pope John Paul II

“The youth is the hope of our future.”

- José Rizal

Filipino national hero, novelist and poet



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The Senior Market

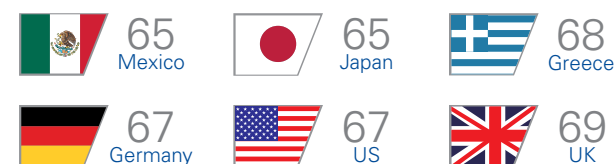
Increasing life expectancy and the declining birth rate lead to an ageing population. This global phenomenon can affect social policies; for example, the UK has decided to raise the state's pension age, allowing the government to save roughly USD 820 billion over 50 years.³² In Hong Kong and Singapore, about 40 percent of the population will be 65 or over in 2050.³³ Financing for post-retirement living is considered important to help relieve part of the government's burden for elderly welfare.

The growth of the ageing population can also lead to new business opportunities in many industries, such as the banking sector. Long-term Care Insurance (LTCI) is another option that might one day be introduced in China and which will likely become more important as the ageing population trend continues. It can benefit the elderly who are not sick but who are unable to perform their basic daily activities.

Retirement is seen as a loss of corporate knowledge capital, as experienced workers leave with their years of valuable experience. Companies should be aware of the need for skills transfer and look at the possibility of retaining elderly talents in mutually rewarding ways. Business owners can also tap into this large senior talent pool and use their skills to help compensate for the low fertility rate and resulting reduced workforce.

Growth of the ageing population (those aged 65 or above)					
	Hong Kong ³⁴	China ³⁵	South Korea ³⁶	US ³⁷	Japan ³⁸
2010	13.0%	8.2%	11.0%	12.9%	23.0%
2015	16.0%	9.5%	13.1%	14.3%	26.7%
2020	19.0%	11.4%	15.7%	16.1%	28.9%
2025	23.0%	13.3%	19.9%	17.5%	29.8%
2030	26.0%	15.3%	24.3%	19.3%	30.9%

Retirement age by 2050



Source: UK Government; OECD forecasts



Energy-Water-Food: In Search of Resilience

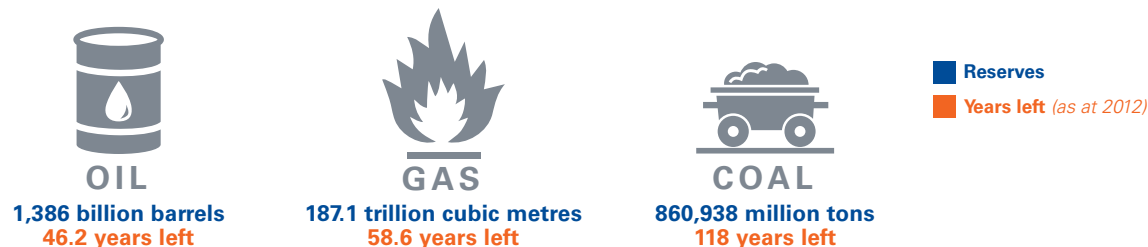
As the population continues to grow, the world is facing a shortage of natural resources. There are already roughly 700 million people in 43 countries living in water-scarce conditions.³⁹ By 2025, water use for energy creation will likely double and two-thirds of the world's population will probably be living under water-stressed conditions, while 1.8 billion people will face absolute water scarcity.⁴⁰

People, food, water and energy are interconnected. One-third of the world's energy is currently spent on food production. We are entering an era of chronic food scarcity, leading to rising food prices and an escalating hunger crisis in the underdeveloped world. Growing water shortages, acute soil erosion and extreme weather are making it more difficult to expand food production. If the existing population growth and consumption trends continue, mankind will need the equivalent of two earths to meet the demand by the 2030s.⁴¹

Resource depletion in numbers⁴²

- In 2013, production of grain dropped to its lowest level since the 1970s.
- In 1780, after about 130,000 years, we reached a population of 800 million; we now add almost 800 million people every 10 years.
- About 200 years ago, every person had about 24 football fields worth of land and freshwater resources. We now have only three fields each, which will drop to fewer than two in 40 years.
- To feed the hugely expanding population, we will need to increase food production by 70 percent by 2050.

Fossil fuel reserves



Source: BP – Reserves calculated at the price on 11 June 2012 using current technologies



“ Water is priced and used not as a scarce environmental resource, but as an infinitely available commodity. ”

- Kevin Watkins

Former director of the UN Human Development Report Office

Signs of Hope: Innovative Solutions

It is time to change the way we think and to adapt to new environmental challenges. Communities, businesses and individuals are making changes:



Drip irrigation to increase yield

- To replace fossil fuels, Kristianstad in Sweden uses biogas produced from pork offal and household food scraps, extracting methane to generate fuel, heat and electricity.
- In North Sulawesi, Indonesia, a social cooperative model is used to transform sap from sugar palm trees into ethanol, which can replace gasoline. This innovation protects the tropical rainforests and provides job opportunities for villagers.
- China and Israel use the drip irrigation method to save water and increase crop yields. For instance, PepsiCo has introduced dripping and sprinkling irrigation technologies to its potato farms in China, reducing water consumption by up to 50% compared with the traditional model of flood irrigation.
- Food and beverage companies make use of membrane bioreactors and reverse osmosis technology to recycle and filter water to meet safe drinking standards.

“The value of an idea lies in the using of it.”

- Thomas Edison
Inventor and businessman

The concept of a circular economy has also caught the attention of the business world, as it extends the usability and lifespan of products. A circular economy integrates the three phases of recycling, reusing and repairing products in their ‘cradle to grave’ process. Many consumer product components still function when they are discarded, so more designers are trying to implement design standardisations to create products with recycled parts. The end of a product’s life cycle can actually be an opportunity for a new business that achieves industrial sustainability.

Sustainable Responsible Investment

Sustainable responsible investment (SRI) is steadily gaining momentum with investors, who are showing a growing interest in investment strategies that integrate ESG criteria into the investment process. SRI criteria include the impacts of corporate activities on the environment such as climate change, water scarcity, waste generation, resource depletion, supply chain management, community investment, and social issues such as human rights policies.

KPMG is leading a number of international initiatives on responsible finance. We have professionals who can support investors and service providers in defining what 'responsible investment' means for their business and translate this vision into practical investment management tools.



Social Finance

Social finance is defined as ‘the application of tools, instruments and strategies where capital deliberately and intentionally seeks a blended value (economic, social and/or environmental) return’.⁴³



Microfinance

Microfinance is an innovative and practical financial service which fights poverty, and is particularly prevalent in developing countries. It involves providing small amounts of capital to low-income or no-income borrowers, and can serve as a practical solution to alleviate global poverty and promote equal job opportunities, especially for marginalised women.

However, despite the growing microfinance institutions set up in Asia, South America and Africa, less than 10 percent of people in most Sub-Saharan African countries have a bank account. With a mass population still being ignored, there is room to further develop microfinance, manage its risks and increase its penetration in the developing world.⁴⁴ Some top microfinance institutions include Bandhan in India, Banco do Nordeste in Brazil and Amhara Credit and Saving Institution in Africa.⁴⁵

Impact investing

Impact investing is an emerging financial strategy where investments are made that have a social or environmental impact, while also generating economic returns for investors. This has shown that the conventional dichotomy between making profits and meeting social needs is no longer the only option. Indicators such as Social Return on Investment (SROI) and Impact Reporting and Investment Standards (IRIS) have been used to evaluate the social performance of investments.

Along with the measurable efficacy of the investment, more investment banks and financial institutions in the US, Europe and Asia Pacific are gradually flocking to this niche market to develop private equity and investment portfolios and reap the opportunities.



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KPMG – Leading the Change to Build a Better World for All

Some of today's biggest challenges are global and require leaders who can inspire the confidence needed to drive sustainable and insightful change. We believe that as part of an organisation of 155,000 people, we have the necessary expertise, skills and resources to help lead the change. We work together to find potential solutions to the complex and interweaving web of societal and global issues. Through our long-standing and deep commitment to corporate citizenship and our ongoing efforts, we can help enhance the capability of governments, aid agencies and civil society.

Our strategy is centred on our vision of **Changing for the Best** to support our **High Performance Culture**. This not only helps ensure high-quality, efficient service for our clients, but also allows us to train, mentor and motivate the next generation of employees to continue moving the business forward using the KPMG values.

We reward people who possess the skills, values, passion and determination to go above and beyond for our clients every day, and who add real value to their business and society as a whole. At KPMG, we encourage our people to make a sustainable difference for all our stakeholders and the community at large.





KPMG

Making a difference

KPMG

Making a difference

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