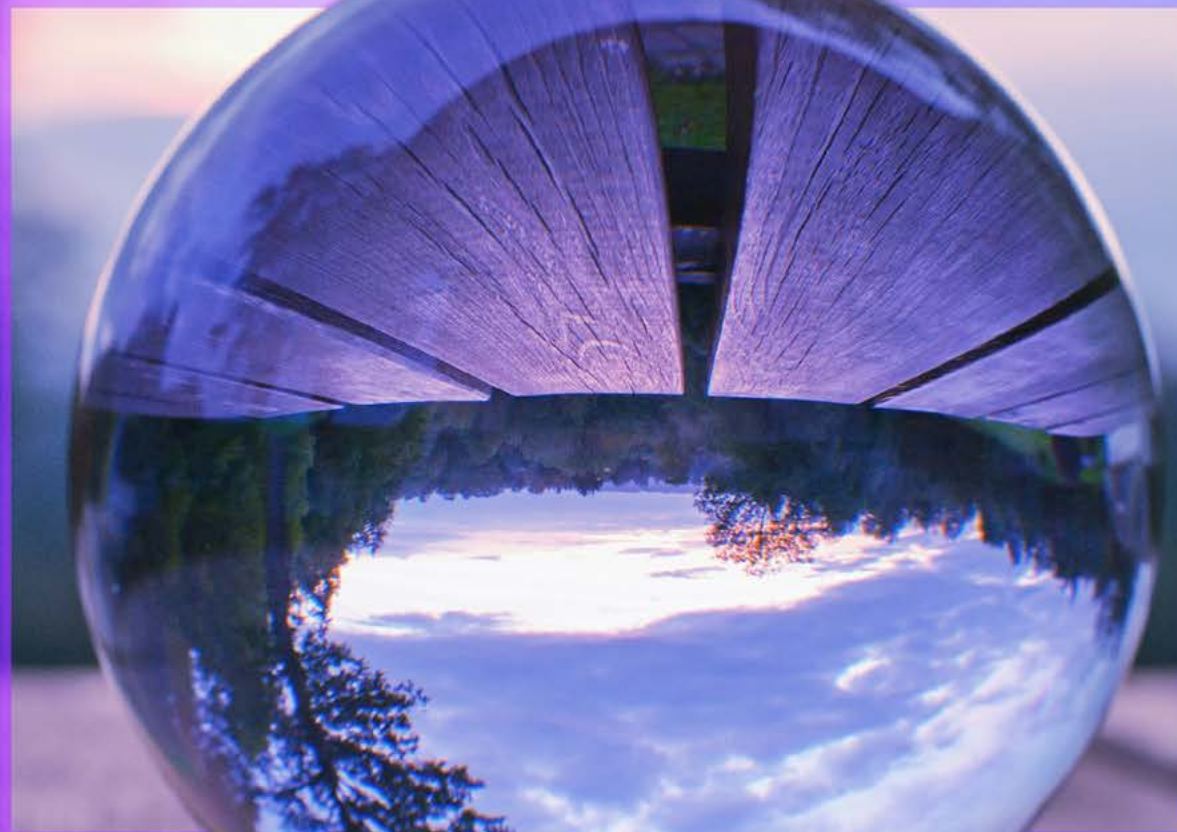




Our Impact Plan – Sustainability Report

Financial Year 2023



KPMG Hungary Ltd.

2024



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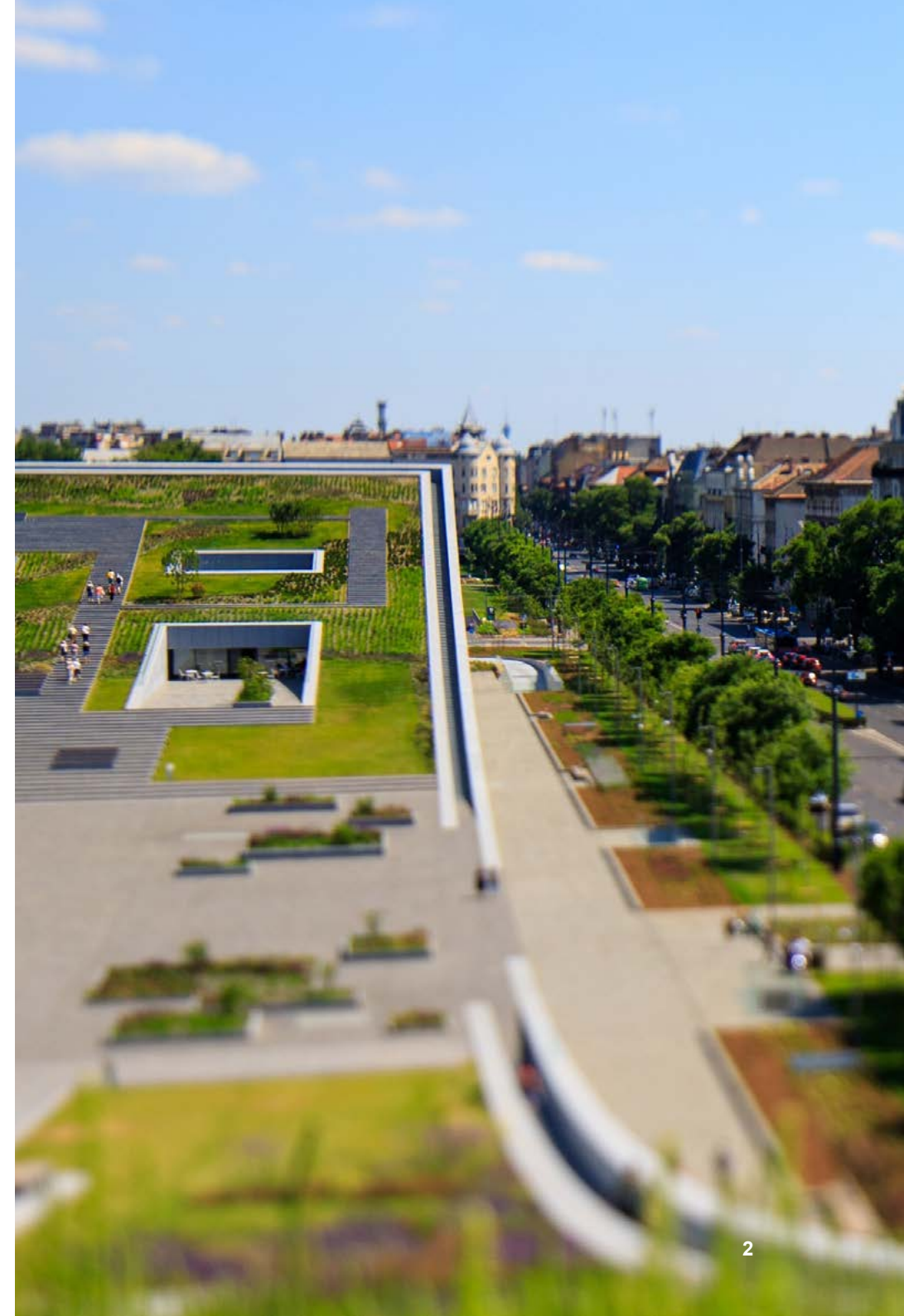
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Introductory Message

How we make the difference



Dear Reader,

You are reading of KPMG Hungary's first Sustainability Report for the financial year from 1 October 2022 to 30 September 2023.

In the 35 years that KPMG has been active in Hungary, we have always adhered to a strong set of values, and responsibility has been and remains a core element thereof. The ESG approach is naturally embedded into our own operations, not just in our business advisory or our audit work. For the first time now, we have compiled this in a dedicated document, our Sustainability Report; in line with market practice and the guidelines set out in KPMG's annual global [Our Impact Plan report](#).

ESG functions as a watermark through our internal operations, and we are committed in this regard to a KPMG that is constantly evolving. To this end, we conducted a double materiality assessment of the future and current environmental and social impacts of KPMG Hungary, as well as the risks and opportunities related to sustainability.

Our current strategic approach along the three ESG dimensions takes the following paths:

- We are committed to reducing global warming and its impacts.
- We strive to support and follow KPMG International's ambitious climate change mitigation

goals, which include achieving net zero carbon emissions by 2030.

- We continuously monitor the proper and efficient management of energy consumption and waste management.
- Our corporate culture is rooted in our values. Our principles of integrity and open communication build trust and cooperation, while flexibility and diversity create a culture where our employees are free to share their views and inspire each other. This is exemplified by KPMG Hungary's IDE (Inclusion, Diversity, Equity) Policy issued in 2023, which ensures that all employees feel safe at KPMG, eliminating any discrimination.
- We provide a range of opportunities for all our employees to find the best career development opportunities for them in their daily lives, on both their personal and professional development journeys. Operating ethically is of paramount importance to KPMG, since it is the only way to build the vital trust with our clients that is essential for us to work together.
- From a corporate governance perspective, we maintain strict rules at all times to ensure that our operations are transparent, reliable and ethical.

Our world is evolving rapidly. Companies are facing new situations as a result of the geopolitical and broader political uncertainty, the polycrisis state

that surrounds us at present, and the emergence of disruptive technologies, such as generative AI. These must be managed with a focus on quality and the highest standards to achieve business goals. Yet growth today is not what it used to be for decades. The transition from shareholder capitalism to stakeholder (or in other words, accountable) capitalism and the strategy of responsible growth is the path that leads to relevance and long-term success. The emergence and integration of ESG (Environmental, Social, and Governance) considerations into corporate governance is no longer an optional extra for business success, it has become a prerequisite for it.

We are publishing our Sustainability Report in Hungary for the first time, including our relevant performances, identified risks, opportunities and impacts for both society and the environment. Our goal is to inform our employees, clients and all stakeholders on where we stand and where we're heading on our sustainability journey.

Thank you for your trust, and we hope this is a read that will inspire you and help you understand KPMG's commitment to sustainability, our future-shaping approach and our objectives.

Rezső Rózsa
National Senior Partner



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1. About KPMG Hungary



1. About KPMG Hungary

KPMG is a global organisation of independent professional services providers delivering audit, tax, and advisory services. The member firms of KPMG International Limited ("KPMG International") operate under the KPMG brand and provide professional services.

More than 1,600 people work for the Hungarian KPMG member companies – KPMG Hungary Ltd. provides audit services, KPMG Consulting Ltd. provides consulting services, KPMG Legal Tóásó Law Office offers legal services to local and international

companies, government agencies, and foreign investors. Besides these KPMG Global Services Hungary Ltd. (KGSZ) provides tax return compliance services to other KPMG member firms worldwide and companies operating in multiple countries all around the world. Due to the different operational structure KGSZ is not in scope of this sustainability report.

Our goal is to support clients navigating an increasingly complex business and economic environment with solutions in areas such as accounting, financial management, business

efficiency improvement, digitalization, risk management, tax system optimisation, and M&A.

An essential element of our operation is a strategic-level ESG approach. We aim to provide our clients with high-quality, comprehensive information and services that reduce their sustainability risks while maximizing the economic, environmental, and social value they create.

Further information about our activities is available on our [website](#).



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2. General information about our sustainability report



2. General information about our sustainability report



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KPMG Hungary adheres to KPMG International reporting practices in sustainability reporting, which are based on the four pillars of Our Impact Plan (Principles of Governance, People, Planet, Prosperity). Additionally, we prioritise compliance with current reporting standards while preparing for our 2025 legal obligations for sustainability reporting as outlined in the Hungarian Accounting Act.

As a result, depending on the information and resources available to KPMG during the preparation of this report, we have started to apply as fully as possible the Corporate Sustainability Reporting Directive (CSRD) adopted by the European Union and the disclosure requirements included in the European Sustainability Reporting Standards (ESRS) and the data points associated therewith. A summary of the ESRS requirements is provided in the index table in Annex A1.

2.1 Background to the preparation of our report

KPMG Hungary prepares the consolidated sustainability report for the financial year 2023, covering the period between 1 October 2022 and 30 September 2023. The scope of this report differs from our consolidated financial statement. In addition to the companies included in the consolidated financial statements – KPMG Hungary Ltd. and KPMG Advisory Ltd. – this consolidated sustainability report also contains data and information regarding KPMG Legal Tóásó Law Office.

This broader inclusion aims to present a more comprehensive picture to our stakeholders of our companies active in the local Hungarian market. We will collectively refer to the three entities as KPMG Hungary in this report. Due to its different ownership and corporate governance structure, KGSH was not included in KPMG Hungary's consolidated sustainability report. KPMG identified and assessed its environmental and social impacts, risks, and opportunities related to its own activities through the CSRD Double Materiality Assessment.

A methodological approach for our broader upstream and downstream value chain will be developed in the coming years.

In this report, the data points incorporated by reference are indicated in the index table in Annex A1.

2.2 We strive for continuous improvement in corporate governance to manage and monitor sustainability issues

Our leadership is committed to building a culture based on integrity, quality, objectivity, independence and ethical practice. The partners of KPMG Hungary are responsible for management and oversight of activities of the National Senior Partner and the Management Board.

The National Senior Partner serves as the Chairman of the Management Board and ensures Board members receive accurate, timely, and clear information and facilitates effective communication



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and interaction among Board members. The National Senior Partner also appoints other Management Board members, each responsible for specific aspects of our business operations: Quality & Risk Management, Audit, Tax & Legal, and Advisory. The Board has the authority to formulate policies at the local company level. It reviews and approves essential company issues, including the appointment of new partners, strategy, operational and financial performance, long-term and annual business plans and budgets, reports from business leaders, new business activities, marketing, innovation, and technological development, staff recruitment and retention, and quality and risk assurance issues and policies.

The Management Board had the following members during the reporting period:



Rezső Rózsai
National Senior
Partner



Gábor Beer
Senior Partner



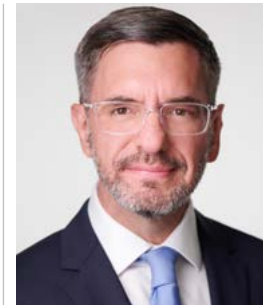
Gábor Zachár
Partner



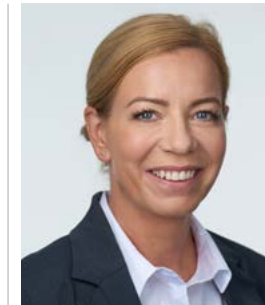
István Henye
Partner



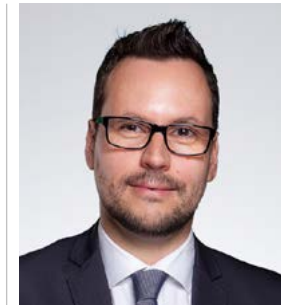
Tamás Kórász
Partner



Elek Votin
Partner



Ágnes Rakó
Partner



Dr. Bálint Tóásó
Partner



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Within the Management Board, Ágnes Rakó is the Partner responsible for the ESG and sustainability advisory services and corporate responsibility within KPMG Hungary. She is the main advocate for sustainability-related considerations, which are increasingly important in the decision-making process for the Management Board.

Detailed information on the data of those entrusted with governance at KPMG Hungary can be found in Annex 2 of the [KPMG Hungary Transparency Report 2023](#). Roles and responsibilities for quality and risk management (e.g. responsibilities of the National Senior Partner, Risk Management Partner, Ethics and Independence Partner) at KPMG Hungary are detailed in Chapter 5.

KPMG Hungary's management plays a key role in processing and implementing the results of the Double Materiality Assessment for the reporting period. We identified and assessed sustainability impacts, risks, and opportunities associated with the entities included in this sustainability report. In the following period, the results of the assessment will help strengthen and achieve sustainability goals. Details of this process are provided in Chapter 2.4.

KPMG Hungary has clear remuneration and promotion policies based on market data and linked to the performance appraisal process. The Remuneration Committee oversees and approves the annual quality and metrics for partner remuneration. Performance appraisal based on specific sustainability-related targets and impacts is currently not integrated into remuneration policies and incentive mechanisms. In accordance with evolving market trends and KPMG International guidelines, we plan to review this and reconsider its applicability in the long term.

The service sector in which KPMG Hungary operates is not classified as a high-risk sector for labour violations, however, we recognize our important role in addressing potential harm and human rights violations. Ethical conduct is highly important for all KPMG member firms, as reflected in [our Business and Human Rights Statement](#). Furthermore, [our Code of Conduct](#) expresses a zero-tolerance policy for all actions that are illegal, unethical, or violate human rights – both within our global organization and among our suppliers.

At KPMG, building trust with our employees, clients, and other stakeholder groups is a top priority. A crucial

first step is recognizing the importance of identifying and managing emerging risks. In line with KPMG International guidelines, all KPMG member firms shall identify and manage their risks through a formal risk assessment process.

Our global processes help us identify and assess potential risks, and ethical or regulatory issues before engaging with clients. This assessment considers various factors, including the risk profile of our clients or potential client independence and conflict of interest issues, the intended purpose and use of the assignment's outcome, public opinion, and whether the services are unethical or contrary to our values. When we identify a significant risk additional internal validations are required before we can continue with an engagement. For more information on KPMG's risk management, please refer to our [Transparency Report 2023](#) and Chapter 5.5 of our Sustainability Report.

Through conducting a Double Materiality Assessment, we identified the risks that have major effects on our operations in the social and corporate governance dimensions. The relevant actions to monitor and manage our material risks related to the identified sustainability matters are explained within each topical chapter.



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2.3 ESG as a watermark of our business

We are committed to incorporating ESG considerations as a watermark throughout our business. KPMG Hungary's approach ensures that we consistently provide relevant approaches and services to our clients. We continuously develop and train our employees, fostering teams with a high-level expertise to support our internal regulatory compliance and our ESG-focused services and solutions. This knowledge enables us to effectively support our clients in achieving their goals for a more sustainable future. This commitment is becoming increasingly urgent, as European Union legislation and its resulting obligations are coming into force as well as enactment of ESG law in Hungary. Under these regulations, large companies must conduct ESG (environmental, social governance) due diligence on their operations, encompassing both subsidiaries and suppliers.

Through our services, we support our clients in achieving sustainable transformation and long-term resilience. Our flagship ESG solutions include ESG due diligence assessments and AS-IS analysis, providing a broad picture of the company's current ESG activities while identifying existing gaps. Following this analysis, KPMG can develop a reliable sustainability strategy tailored to the company's

characteristics and aligned with its business objectives. Additionally, we support companies in preparing their sustainability reports, bringing them closer to meeting increasingly stringent market and regulatory requirements.

As regulatory requirements continue to demand more reliable environmental, social, and governance disclosures, assurance is becoming increasingly more important. Through our audit and assurance services, we contribute to transparent disclosure in the public interest, thereby ensuring the long-term, reliable sustainable operation of companies. To this end, we use a consistent methodology, of which a key element is alignment with the international standard for assurance services.

Methodologies, guidance, and tools for audit and assurance services are continuously improved to maintain compliance with relevant standards and to address emerging key audit and assurance service areas and audit quality review outcomes (both internally and externally). For example, our current focus on ESG assurance services is encouraging updates to our methodologies, tools, and guidance on assurance services. You can read more about our ESG assurance quality – the international approach, methodology, workflow, and learning materials – in Chapter 3 of our [Transparency Report](#).





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You can also learn more about our ESG-focused services and related solutions, as well as our professional content, on our ESG-dedicated webpage.

An essential element of our strategy and business model is considering and incorporating the perspectives of our stakeholders. Our key stakeholders include our employees, clients, educational institutions, local communities, NGOs, competitors, regulators, and suppliers. Cooperation with stakeholders takes three main forms – considering our existing communication channels:

- Interviews and stakeholder forums (e.g., field statuses, client events, management interviews)
- Questionnaires (Double Materiality questionnaire, satisfaction surveys)
- Desktop research (competitor analyses, environmental and social studies)

In 2023, we have engaged our internal and external stakeholders based on stakeholder mapping to identify and assess our core sustainability issues to understand our most significant impacts from KPMG Hungary's business operations. More information on the involvement and results is provided in Chapter 2.4.

KPMG International also provides outstanding cooperation with international professional organisations (e.g., International Forum of Independent Audit Regulators (IFIAR), Committee of Audit Oversight Bodies (CEAOB)).

These essential relationships have been established to work with other companies and stakeholders to develop common frameworks, goals, and metrics, the results of

1. table: KPMG stakeholders and cooperation with them



| Stakeholder Group | Way of cooperation | Objective of cooperation | Frequency of cooperation | Topic covered |
|--|--|---|--------------------------|---------------|
| Employees | Forums, questionnaire surveys | HR strategy, impact measurement | Continuous | E, S, G |
| Our future employees | Professional forums and job fairs | HR strategy | Regular | S |
| Clients | Client assignments, professional forums and trainings, customer satisfaction and materiality surveys | Quality management, risk management, impact measurement | Continuous | E, S, G |
| University students and student organisations | Professional forums, questionnaire surveys | HR strategy | Occasional | E, S, |
| Local communities and NGOs | Pro bono collaborations, tenders, grants, and programs | CSR, CR, Program for a Responsible Society, impact measurement | Regular | E, S, |
| Regulators, supervisory and professional organisations | Professional forums and consultations, memberships in organisations | Legal compliance and professional cooperation | Occasional | E, S, G |
| Suppliers | Due diligence, questionnaire survey | Legal compliance, quality management, and risk management, impact measurement | Regular | E, S, G |



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which can be closely related and incorporated into our overall strategy and business model.

2.4 Our core sustainability topics play a key role in our future strategy and business operations

At KPMG we are committed to continuously grow and evolve. In this mission the identification of our material sustainability matters is an important initial step which was completed through the Double Materiality Assessment. Through the results of this assessment we can ensure to focus our resources on the relevant sustainability related matters.

In 2023, we conducted a Double Materiality Assessment for the first time, identifying and evaluating which sustainability topics are significant in terms of financial materiality and impact.

Our methodological approach was based on KPMG's Our Impact Plan, as well as the draft implementation guidelines published by EFRAG , ESRS 1 paragraph 3 and ESRS 1 AR 16 table. During the reporting period, we examined our core sustainability topics considering recent geopolitical events, adjustments of stakeholders and business priorities and relevant reporting standards. The assessment included:

- market benchmarking,
- employee satisfaction and materiality questionnaires,
- an analysis of the most significant business risks considering information collected from our internal risk analysis processes, as well as consideration of relevant topics identified by other KPMG member firms and recommendations published by other global professional organizations.

The identification of material sustainability topics provided KPMG Hungary with clarity in terms of the required actions for CSRD compliance for the 2025 financial year as mandated by the Hungarian Act CVIII of 2023 ("ESG Act"). Based on the results, we determined the data points and disclosure requirements of our sustainability report, as well as aspects to be improved and incorporated into our business model and strategy. Additionally, we have evaluated data gaps and the effectiveness of our current data collection and control processes, which we intend to enhance in the upcoming period.

Our Double Materiality Assessment followed the key steps below:

1. [EFRAG IG 1: Materiality assessment implementation guidance](#); [Download \(efrag.org\)](#)
2. ESRS 1 3. pont: Kettős lényegesség, mint a fenntarthatósági közzétételek alapja.
3. ESRS 1 AR 16. táblázat: A lényegességi vizsgálatba bevonandó fenntarthatósági kérdések
4. [ESG törvény – 2023. évi CVIII. törvény a fenntartható finanszírozás és az egységes vállalati felelős-séggvállalás ösztönzését szolgáló környezettudatos, társadalmi és szociális szempontokat is figyelembe vevő, vállalati társadalmi felelősségvállalás szabályairól és azzal összefüggő egyéb törvények módosításáról – Hatályos Jogszabályok Gyűjteménye \(jogtar.hu\)](#)



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Figure: The process of Double Materiality Assessment:



As the first step of the assessment, we defined the required scope and identified our external and internal stakeholders. The impacts, risks, and opportunities arising during the materiality assessment were assessed following the business activities of KPMG Hungary Ltd., KPMG Advisory Ltd., and KPMG Legal Tóásó Law Office.

We engaged our leaders in discussions through in-depth interviews, evaluation, and validation workshops, involving them at key milestones of the assessment. We conducted a materiality questionnaire to understand how both our internal and external stakeholders perceive our impact. Our extended group of stakeholders evaluated 21 sustainability topics relevant to KPMG Hungary's

impact on the environment and society. They used a scoring criteria system completed with open-ended questions. The results of the materiality questionnaires were incorporated into the final validation process.

As internal stakeholders, we involved the employees of KPMG Hungary Ltd., KPMG Advisory Ltd., KPMG Legal Tóásó Law Office, and KPMG Global Services Hungary Ltd (while KPMG Global Services Hungary Ltd.'s performance and data were not included in this sustainability report, the feedback received from their employees through the materiality questionnaire provide valuable information to have a more complete picture of the opinions of local KPMG employees along the relevant sustainability topics).

This questionnaire was used to validate and prioritize the previously identified relevant sustainability topics through the opinions of our employees. The questionnaire respondents were made up of 70% below manager level (junior and senior), and 30% by managers, senior manager level and above.

In terms of external stakeholders, our Double Materiality Assessment involved our office suppliers, bank and insurance companies, supplier partners, universities and student organizations, local communities, NGOs, professional and industrial organisation's and our clients in order to conduct the materiality questionnaire. When identifying stakeholders, we considered organisations and stakeholder groups through KPMG's value chain.

Using the list of relevant sustainability matters, we identified our sustainability-related negative and positive, current and potential impacts, and financial risks and opportunities (including downstream and upstream value chain) related to the business activities of KPMG Hungary's member companies. The time horizons for reporting and Double Materiality Assessment are determined based on the time horizons defined in the ESRS standard: the short term signifies the reporting period, the medium term represents a 5-year period, and the long term refers to a period of greater than 5 years.



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The assessment was conducted using objective scoring criteria similar to the questionnaires. This included evaluating the severity (scale, scope, irremediable character of negative impacts) in the case of impact assessment as well as the likelihood of potential impacts. The financial materiality of risks and opportunities was assessed based on a combination of the likelihood of occurrence and the potential magnitude of the financial effects. KPMG's management determined a threshold to identify material impacts, risks, and opportunities to cover in the sustainability report. Our threshold for critical, significant, and important sustainability matters was aligned with our overall strategy and business.

The identified material impacts, risks and opportunities are summarised in the table starting on page 16.

The assessment and evaluation of the sustainability matters were conducted by KPMG Hungary's ESG advisory team, working with internally responsible professionals in specific ESG areas. The defined methodology and results, and the final evaluation, were validated by the leaders of the responsible departments of KPMG and our National Senior Partner. During the assessment, the leaders of Office Services validated environmental topics, People,

Performance & Culture, and Corporate Responsibility departments validated social and employee-related topics, and Risk, Legal, and Finance departments validated the governance topics. After this approval process, our National Senior Partner validated the final results and list of material sustainability matters.

Through this Double Materiality Assessment, we identified and assessed risks and opportunities arising from our effects and dependencies. Our short-term goal is to establish a process that will enable us to identify, assess, and monitor sustainability-related risks and opportunities. This process will allow us to prioritise and integrate material sustainability matters into our existing risk management system – to monitor them actively along with our other types of risks.

In this sustainability report we disclose data and information on 19 material sustainability matters which were identified over our Double Materiality Assessment involving our stakeholders and organization along the three ESG dimensions – Environment, Society and Governance – in line with the four pillars highlighted in KPMG International's Our Impact Plan: Governance, People, Planet and Prosperity.





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Environmental information – Planet



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Energy use – Responsible department: Office Services

Negative impact

The use of energy from non-renewable sources has a negative impact on the environment.

ESRS E1-5

Financial opportunity

Optimising energy use results in lower energy costs.

ESRS E1-5

Financial risk

Inefficient energy use leads to higher operating costs.

ESRS E1-5

Our strategic approach

Our global goal is for KPMG's entire operation is to transition to 100% renewable energy use by 2030. KPMG is also a founding member of the **Just Energy Transformation** initiative and launched the Global **Net Zero Urban Program** within the framework of UN cooperation. KPMG Hungary has an energy policy covering its legal entities, and has an ISO 50001 certification with a goal to optimise the energy consumption of its office building.

ESRS E1-5



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Environmental information – Planet



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

GHG Emission – Responsible department: Office Services

Negative impact

Carbon dioxide emissions contribute to global warming.

ESRS E1-6

Financial opportunity

Efficiency achieved by fleet renewal can reduce costs and reduce travel-related carbon emissions.

ESRS E1-6

Financial risk

Dependency on fossil fuels and unpredictable energy prices can lead to higher costs.

ESRS E1-6

Our strategic approach

KPMG’s global net zero target for 2030 is in line with the 1.5°C targets of the Paris Agreement. Our short-term global SBTi objective is to reduce the output of our business operations by 50% by 2030 compared to the fiscal base year of 2019. KPMG Hungary strives to identify, monitor and publish the results of both direct and indirect greenhouse gas emissions in line with legislative requirements and KPMG International’s guidelines, as we also play an important role in achieving global emission reduction goals.

ESRS E1-6



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Environmental information – Planet



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Waste management – Responsible department: Office Services

Positive impact

By sorting, recycling and properly processing waste, a positive environmental impact can be achieved.

Entity-specific

Financial risk

The emergence of further legal requirements related to waste recycling may require the development of new processes, thus entailing additional costs.

Entity-specific

Our strategic approach

KPMG International has developed a circular strategy for our operations in financial year 2022. This comprehensive approach focuses on circular procurement, avoiding waste, optimising material use, and improving end-of-life treatment. In our V31 office KPMG Hungary place great emphasis on environmentally conscious waste management and recycling, therefore we provide a system for separate collection of waste on each floor which is used by our colleagues.

Entity-specific



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Social information – People



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Gender equality and equal pay for work of equal value – Responsible department: People, Performance & Culture

Negative impact

Gender inequality negatively affects employee's satisfaction and behaviour.

ESRS S1-1

Financial opportunity

Gender equality increases employee satisfaction and well-being which contributes to the attraction and retention of employees.

ESRS S1-1

Financial risk

Inadequate management and communication of gender equality topics can negatively affect a company's reputation, which could lead to an increase in recruitment costs and revenue decrease.

ESRS S1-1

Our strategic approach

KPMG stands for fair benefits, equal opportunities for all genders and equal pay for work of equal value. As equal treatment is a key issue in many respects, KPMG sees it as a strategic issue. This is exemplified by KPMG Hungary's Inclusion, Diversity and Equity Policy (IDE), released in 2023, which seeks to ensure that all employees feel safe at KPMG and eliminate any discrimination.

ESRS S1-1



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Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Training and skills development – Responsible department: People, Performance & Culture

Positive impact

By creating an environment that promotes continuous learning and development, we empower our employees and help them succeed and thrive.

ESRS S1-13

Financial opportunity

Increased employee satisfaction can lead to lower recruitment cost due to lower turnover rate, while better work quality can generate revenue increase.

ESRS S1-13

Financial risk

Training is an additional cost for the company, and a lack of qualified employees can reduce the number of client engagements, which can lead to a loss of revenue.

ESRS S1-13

Our strategic approach

As a member of a knowledge-intensive industry, KPMG needs to have skilled, qualified employees. To ensure this, it places special emphasis on employee training and skills development, as well as on supporting lifelong learning.

ESRS S1-13



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Social information – People



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Diversity – Responsible department: People, Performance & Culture

Positive impact

Employee diversity can contribute to a more positive working environment and improve communication and collaboration within a company.

ESRS S1-9

Financial opportunity

A positive working environment, effective communication and cooperation also affect the quality of the work done

ESRS S1-9

Our strategic approach

KPMG's IDE policy, published in 2023, underpins our values and is essential to achieving our goals.

ESRS S1-9

Adequate wages – Responsible department: People, Performance & Culture

Positive impact

Ensuring adequate wages increases employee satisfaction and well-being.

ESRS S1-10

Financial opportunity

Increasing wages leads to higher expenditure, but inadequate wages create a competitive disadvantage in attracting new employees.

ESRS S1-10

Our strategic approach

It is a competitive advantage for us to have the best possible employees and to acknowledge their value with adequate wages is strategically important. In order to determine the appropriate wage level, we participate in an annual salary survey of the industry. We determine our wages based on benchmark data and the specifications of each position.

ESRS S1-10



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Social information – People



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Health and safety – Responsible department: People, Performance & Culture

Positive impact

Healthy and productive employees form the basis of KPMG's operations.

ESRS S1-14

Financial risk

Ignoring health, and continuous illnesses can negatively affect employee performance, which can mean potential financial losses.

ESRS S1-14

Our strategic approach

We are dedicated to safeguarding the well-being of our employees, empowering them to work efficiently and effectively as a team. We believe that when we feel our best our performance is affected, therefore we provide several opportunities to support everyone in achieving physical and mental wellness according to their own needs.

ESRS S1-14



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Social information – People



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Material impact, risk or opportunity



Related ESRS Standard

Work-life balance – Responsible department: People, Performance & Culture

Negative impact

Burnout is particularly common in the private sector, therefore it's important to dedicate enough attention to maintain a work-life balance.

ESRS S1-15

Positive impact

Our employees can perform at their best when they have the right work-life balance.

ESRS S1-15

Financial opportunity

Employee wellbeing and a strong work-life balance enable employees to be more productive, prepare and complete tasks more efficiently and with better quality.

ESRS S1-15

Financial risk

Ignoring work-life balance can lead to employee burnout, resulting in reduced productivity, loss of quality, and higher turnover rate which all could have financial effects.

ESRS S1-15

Our strategic approach

We provide our employees with a wide variety of initiatives to help them achieve a work-life balance. This includes the monitoring of overtime and workload over the engagement assessment with the means at our disposal, and community experiences, team-building events, organising several all-staff events each year, and opportunities for employees to participate in corporate responsibility, awareness-raising, and educational programs. Additionally, we have a Working Parents program that provides support for parents, flexible working hours on weekdays and an option to work from home.

ESRS S1-15



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Related ESRS Standard

Corporate culture – Responsible department: People, Performance & Culture, Management Consulting

Positive impact

KPMG fosters an inclusive corporate culture by reinforcing employees' trust in their work while motivating and encouraging employees to do their best.

ESRS G1-1

Financial opportunity

Positive and supporting corporate culture can improve employee morale, innovative mindset, and customer relationships contributing to financial success.

ESRS G1-1

Financial risk

An unstable corporate culture could contribute to various direct and indirect financial risks, therefore, organizations must manage this actively.

ESRS G1-1

Our strategic approach

At KPMG, we don't just care about what we do, we also pay attention to how we do it. Our values express our core beliefs and guide and standardize our actions and behaviours. Across all our employees and in every country, jurisdiction and territory in which we operate, our values form the basis of our unified culture.

ESRS G1-1



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Related ESRS Standard

Quality of Services – Responsible department: Business area and service line leaders

Positive impact

We pay special attention to meet the current and emerging needs of the market with our services responding dynamically to changing circumstances and generating a positive impact on the prosperity of the community and society.

Entity-specific

Financial opportunity

Our high-quality and relevant services can provide a competitive advantage and financial opportunity in the market and generate additional revenue.

Entity-specific

Financial risk

Non-compliance with customer expectations can be costly, leading to customer dissatisfaction, revenue losses, and financial risks.

Entity-specific

Our strategic approach

Today, businesses are integrating technology into their operations at a speed and in ways once unimaginable. Shifting geopolitical winds and economic uncertainty have displaced decades-old business practices and norms, and businesses increasingly need to mobilise action against societal threats like the climate crisis. The pace and scale of dramatic change happening around us only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future.

Entity-specific



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Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Ethics, Integrity and Independence – Responsible department: Risk

Positive impact

KPMG's ethics and integrity can have a positive impact on society by building trust, promoting responsible practices, addressing social and environmental challenges, and contributing to economic growth and development.

ESRS G1-1

Financial opportunity

Ethical operations increase the trust of customers and employees, which provides business opportunities for the company.

ESRS G1-1

Financial risk

Violations of ethics, integrity and independence can increase financial risks, legal challenges and the likelihood of damage to relationships with stakeholders resulting from misconduct.

ESRS G1-1

Our strategic approach

Act with integrity and live our Values. Maintain an objective, independent and ethical mindset, in line with our code of conduct and policies. Have zero tolerance of bribery and corruption. We know that trust is earned by doing the right thing. We are committed to the highest standards of personal and professional behavior throughout our firm in everything we do. Ethics and integrity are core to who we are. Within our Global Code of Conduct, we outline the responsibilities KPMG people have to each other, our clients and the public. It shows how our Values inspire our greatest aspirations and guide all of our behaviors and actions.

ESRS G1-1



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Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Transparency and accountability – Responsible department: Leadership, Risk

Positive impact

Our clear governance and practice policies help ensure consistency and accountability across our global organization, which helps us maintain trust in the services we provide to our clients.

ESRS G1-1

Financial opportunity

For KPMG transparency and accountability help ensure that accurate and reliable financial information is available to stakeholders, foster trust in financial markets and reduce the likelihood of financial abuse, all of which contribute to financial stability and risk reduction.

ESRS G1-1

Financial risk

Bias in these areas can result in high financial risks, including loss of revenue, legal and regulatory consequences, reputational damage and operational inefficiencies.

ESRS G1-1

Our strategic approach

KPMG Hungary is committed to fairness, quality, objectivity, independence and ethics and communicates its quality orientation to customers, stakeholders and society. Our leadership plays a critical role in setting the right approach and providing exemplary leadership – by demonstrating a firm commitment to the highest standards of professional excellence, advocating and supporting major initiatives.

ESRS G1-1



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Material impact, risk or opportunity



Related ESRS Standard

Risk Management – Responsible department: Risk

Positive impact

KPMG's processes and requirements for managing risks with proper attention have a positive impact on society and contributes to stronger sustainability and responsible practices, sustainability innovation, community engagement and transparency.

ESRS 2, ESRS G1

Negative impact

Environmental and social risks may occur from inadequate management of risks, resource depletion, or financial instability due to failure to identify and manage financial risks.

ESRS 2, ESRS G1

Financial opportunity

Risk oversight is an important part of the Management Body's responsibilities ensuring that we continuously improve our risk management methods and services.

ESRS 2, ESRS G1

Financial risk

Managing our risks and maintaining KPMG's reputation for independence is critical to our continued success and is the professional and personal responsibility of each KPMG employee.

ESRS 2, ESRS G1

Our strategic approach

At KPMG, we recognize how important it is to identify, manage and plan for risks. Every KPMG firm is required to identify and manage its risks through a formal Enterprise Risk Management (ERM) process for which the firm's leadership is responsible. KPMG firms report the results of their ERM processes annually to KPMG International's ERM team, which aggregates and analyzes the information and shares insights and risk exposures across the KPMG global organization.

ESRS 2, ESRS G1



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Governance Information – Pillars of Governance



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Data security and privacy – Responsible department: Risk, Legal, IT

Positive impact

Our customers and stakeholders trust us with sensitive information, and we are committed to complying with relevant regulations and investing in leading data protection systems to help protect and secure them.

Entity-specific

Financial opportunity

Due to proper data security and data protection processes, we can maintain our current business relationships and establish new ones.

Entity-specific

Financial risk

Non-compliance with applicable regulations or disregard for privacy can lead to a variety of risks in business and financial consequences, including compliance and legal risks, security risks, and reputational risks.

Entity-specific

Our strategic approach

Member firms have agreed with KPMG International to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm infrastructure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools. We emphasize the importance of confidentiality of client information through a number of mechanisms following KPMG's Global Code of Conduct. We have policies on IT security, handling confidential information, personal data, and data protection.

Entity-specific



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Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Financial, operational and brand resilience – Responsible department: Leadership and Risk

Positive impact

Financial, operational and brand resilience can contribute to positive environmental and social outcomes, such as supporting environmental initiatives, economic stability in the community, business continuity of essential services, positive brand image or support for social causes.

Entity-specific

Financial opportunity

Incorporating sustainability, responsible practices and resilience into our business strategy can lead to cost savings, increased revenue generation and improved competitiveness.

Entity-specific

Our strategic approach

The strength of our brand and reputation is crucial, as it enables us to achieve success and development in many areas – and this is guided by a strategic growth approach, built on a trustworthy mindset, which will provide the foundation for sustainable development.

Through the continuous improvement of efficiency and consistency, and our commitment for constant and timely completion of quality and risk management expectations, we always ensure the highest quality for our clients. This allows us to maintain the long-term value of our brand, which has become a trademark of quality and reliable work.

Entity-specific



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Economic information – Prosperity



Material sustainability matters



Material impact, risk or opportunity



Related ESRS Standard

Economic Performance – Responsible department: Finance

Positive impact

Our economic performance is harmonized with responsible and sustainable practices that can have a positive impact on society and the environment. Providing consultancy for our clients on ethical, environmentally friendly, and socially responsible strategies, we can play a role in promoting sustainability with a contribution to the improvement of the well-being of communities and the planet.

Entity-specific

Financial opportunity

Economic success can mean a wide range of financial opportunities for KPMG, such as increased revenue and profitability, diversification of services, market expansion, technology investments or attracting and retaining talent.

Entity-specific

Our strategic approach

Profitability is also key to achieving sustainability goals and promoting social welfare, guaranteeing employee's well-being and financing the fight against climate change.

Entity-specific



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Economic information – Prosperity



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Material impact, risk or opportunity



Related ESRS Standard

Technology and Innovation – Responsible department: General business

Positive impact

KPMG's technology and innovation initiatives are aligned with sustainability, social responsibility and ethical considerations, thus having a profound and positive impact on the environment and society.

Entity-specific

Financial opportunity

Through our continuous investments in technology and innovation, we ensure that we keep pace with the accelerated pace of technological change and thus prepare for future challenges to meet our customers' expectations and growth goals.

Entity-specific

Financial risk

We need to take into account some factors and carefully manage our investments in technology and innovation projects in terms of returns, which may result from market uncertainty, implementation challenges, regulatory and compliance risks, or cybersecurity threats.

Entity-specific

Our strategic approach

At KPMG, we are focused on the technologies that will shape our near future and have an ambitious innovation agenda. We have improved the audit experience for our professional employees and clients. The alliances and leading technologies used throughout KPMG's global organization enhance audit quality by enabling us to focus on the issues that matter.

Entity-specific



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Economic information – Prosperity



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Material impact, risk or opportunity



Related ESRS Standard

Corporate Responsibility – Responsible department: Corporate Responsibility

Positive impact

KPMG prides itself on supporting professional groups, organizations and worthy causes that are important to our employees and clients, in line with KPMG's values.

Entity-specific

Financial opportunity

Our commitment to helping local communities is at the heart of our daily lives and what we work for. Working with them can also provide us with a business opportunity.

Entity-specific

Our strategic approach

KPMG Hungary proudly support good causes, non-profit organizations and initiatives that have a positive impact on our society and environment. KPMG has established partnerships with various organizations that promote quality education, health and well-being, diversity, environmental sustainability, and cultural literacy.

Entity-specific



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In preparation for mandatory sustainability reporting in 2025 under the Corporate Sustainability Reporting Directive (CSRD) implemented in the Hungarian Accounting Law KPMG Hungary is disclosing its sustainability performance based on the best available data and information. The baseline for the data points is the sustainability requirements of the (CSRD) adopted by the European Sustainability Reporting Standards (ESRS) and associated data points, qualitative and quantitative metrics and narrative information used by KPMG International and other KPMG member firms in Our Impact Plan.

The effect of material impacts, risks and opportunities on our business model, value chain, strategy and decision-making, as well as what measures we have implemented or plan to develop in response to these factors, are further explored in the subtopics of each main chapter.





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3. Environmental information



3. Environmental information

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At KPMG Hungary, we believe that today's investments in sustainability are crucial for our future success. We consider it important to apply this approach not only in our business operations, but also in reducing our environmental footprint and protecting our resources. Towards achieving this, we are constantly seeking new opportunities to improve our energy efficiency, waste segregation and recycling in our offices. Additionally, we prioritize training our colleagues and raising awareness about conscious consumption and responsibility.”

Krisztina Nagy

CFO/COO

To tackle global warming and ensure a fair and just transition, organizations and governments will need to expand their investments in low- and zero-carbon. It is also crucial to shift away from short-term thinking and develop more durable business models and climate strategies that can withstand external shocks. This also means balancing short-term needs with the long-term transition, while taking into account major geopolitical and economic events.

As a KPMG member company, we are dedicated to reducing global warming and its effects. We are

committed to supporting KPMG International's ambitious climate change mitigation goals, including achieving net-zero carbon emissions by 2030. In addition, we continuously monitor the proper and efficient management of energy consumption and waste.

We have implemented numerous sustainable practices across our global operations and regularly assess our supply chain to leave a more habitable planet for future generations. Our internal efforts are also reflected in the services we provide to our clients, such as ESG and

sustainability services, as well as in our professional partnerships. Our commitments are derived from COP meetings, the UN Sustainable Development Goals, and other international community initiatives.

Due to its operational activities being largely service orientated, KPMG Hungary does not have a significant environmental footprint in terms of the domestic market. During the Double Materiality Assessment, we identified energy use, related greenhouse gas ("GHG") emissions, and waste generated during our operations as our most material environmental topics.



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Table 2: Energy consumption of KPMG Hungary



| | 2022 | 2023 | Change |
|--|-----------------|-----------------|----------------|
| Purchased non-renewable electricity (MWh) | 659.76 | 644.66 | -15.10 |
| Purchased heating (other than electricity) (MWh) | 905.08 | 712.95 | -192.13 |
| Total purchased energy (MWh) | 1,564.84 | 1,357.61 | -207.23 |

3.1 Our energy use

Our energy policy covers the legal entities of KPMG Hungary. The top management determines the long-term energy policy of the organization and ensures its implementation. KPMG is committed to ensure that all its employees or contractors are fully aware of the energy policy and understand their individual roles in implementing EnIR (Energy Information Management System). We believe it is important for everyone to understand the long- and short-term benefits that can come from improving our energy performance and to recognize the impact of their activities on our energy goals. To achieve this, we provide energy efficiency awareness raising information for our employees

and encourage our suppliers and service providers to operate their companies in an environmentally-friendly way which provides sustainable solutions, for example, in procurement and proposals of our services.

To improve our own energy efficiency, we have gradually switched to LED lighting technology in our V31 office building, in which the business operations discussed in this report operate. We have also installed remotely controlled thermometers on each level to improve the accuracy of measuring our energy use and to optimally distribute temperature.

KPMG Hungary has ISO 50001 certification to optimize the energy consumption of our office building.

To comply with ISO 50001 standard, KPMG Hungary must conduct internal audits at scheduled intervals, which include examining objectives, guidelines, implementing activities, achieving objectives, and verifying compliance with the energy management system. The results of these audits must be made available to senior management. This was successfully done during the reporting period.

The energy consumption of KPMG Hungary cannot be clearly divided into the different energy sources based on the information provided by the service provider and is therefore presented as a total figure. This will be broken down in more detail as information becomes available in the future.



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3.2 Our carbon footprint

KPMG Hungary is committed to identifying, monitoring, and reporting both its direct and indirect greenhouse gas emissions in compliance with regulations and KPMG International guidelines. Understanding our carbon footprint and its primary emission sources is crucial for KPMG Hungary to effectively manage its environmental impacts. By reducing our emissions, we contribute to meeting the global reduction goals outlined in KPMG's Our Impact Plan and also we help combat climate change.

Our carbon footprint consists of direct emissions from our own operations (Scope 1), indirect emissions related to the energy we purchase and use in our V31 office building (Scope 2), and other indirect emissions occurring in our supply chain (Scope 3).

We have identified that Scope 3 emissions are the greatest. The total of other indirect emissions (Scope 3) only includes the emissions from purchased goods and services from 2023 onwards. As a result, there is a significant percentage change in comparison to the emissions of previous years.

We aim to reduce our indirect emissions by gradually replacing our leased vehicle fleet with more efficient hybrid and electric vehicles.

KPMG's greenhouse gas (GHG) emissions are calculated globally based on local data using a cloud-based carbon calculation tool. This solution utilises internationally accepted conversion factors, such as DEFRA, to calculate Scope 1 emissions and local conversion factors to calculate Scope 2 emissions. During the calculation process, they ensure the data is complete, compare it with previous years, and conduct benchmark and trend analyses against other member companies.

Table 3: KPMG Hungary's GHG emissions

|  | 2022 | 2023 | Change |
|---|-----------------|-----------------|-----------------|
| Gross Scope 1 GHG emissions (tCO2eq) | 310.99 | 266.22 | -14.39% |
| Gross Scope 2 GHG emissions (tCO2eq) | 300.33 | 250.06 | -16.74% |
| Gross Scope 3 GHG emissions (tCO2eq) | N/A | 7,227.95 | - |
| Purchased goods and services (tCO2eq) | N/A | 6579.72 | - |
| Fuel and energy consumption (tCO2eq) | 173.47 | 150.11 | -13.47% |
| Waste generated during operation (tCO2eq) | 0.18 | 0.25 | +43.61% |
| Business travel (tCO2eq) | 179.51 | 388.80 | +116.58% |
| Upstream leased assets (tCO2eq) | 153.95 | 109.07 | -29.15% |
| Total GHG emissions (tCO2eq) | 1,118.44 | 7,744.24 | +592.42% |





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3.3 Waste management

KPMG Hungary does not generate significant waste through its business activities. However, waste management has been identified as an important sustainability topic following our Double Materiality Assessment, which included feedback from external and internal stakeholders. As a result, we are committed to sharing available data and related information on waste as an entity-specific aspect of our operations.

In our V31 office, we prioritize environmentally conscious waste management. Each floor is equipped with a system for separate waste collection, enabling our employees to segregate different types of waste such as general, paper, and PET waste. Furthermore, we place a special emphasis on the proper treatment and recycling of IT waste stored in the building, including servers, batteries, tokens, and CDs, as hazardous waste wherever possible.

Moreover, our colleagues engage social responsibility initiatives such as garbage collection, tree planting, and habitat maintenance initiatives to protect the environment. We offer our employees the chance to participate in various volunteer programmes aimed at preserving nature. In 2023, employees also had the opportunity to sign up for our autumn garbage collection campaigns, and several employees dedicated their team building efforts to working in

Table 4: KPMG Hungary’s waste management data

|  | 2022 | 2023 | Change (2023/2022) |
|---|--------------|--------------|--------------------|
| Waste recycled (kg) | 2,271.02 | 2,848.33 | +25.42% |
| Total waste (kg) | 19,693.35 | 28,282.38 | +43.61% |
| Water used (L) | 2,582,192.40 | 3,094,052.75 | +19.82% |

national parks and botanical gardens. The increase in the volume of waste between the year of 2022 and 2023 is caused by the return of our employees to the office.

For the third year in a row, KPMG supported the Start Up Plastic Surgery programme, advising startup ideas on rethinking plastic as a raw material.

Additionally, we encourage our colleagues to participate in green programmes individually, in groups, or with their families. We shared our Earth Day programme guide for spring 2023 with our workforce, which included programmes organized by NGOs and municipalities across the country, such as Earth Week Live 2023, Earth Day at the Pál

Valley quarry, Responsible Gastrohero in the Liget, Nature with a Thousand Faces, Let's Clean Up Nature Together national tour, and the You Pick! movement. The aim of these programmes is to raise awareness and encourage action on climate change, circular economy, waste recycling, and other related issues.

In the coming year, we plan to expand our green awareness programmes so that our employees can access more information about climate change and participate in additional volunteer programmes.



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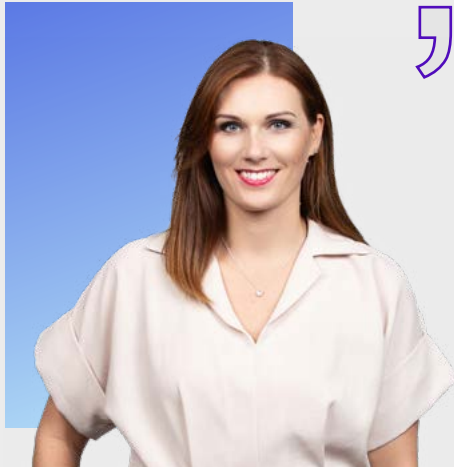
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As a leader, I believe that effective teamwork is essential for success, and that collaboration can really flourish in a well-functioning, values-based company culture. One of KPMG's greatest strengths lies in the diversity, skills, and commitment of its people. When I joined KPMG, it was clear to me that our corporate values provide a stable framework for the organization to be resilient to challenges and to develop in a forward-looking way in all areas. The social pillar is not negligible when it comes to sustainability issues, and we are committed to continuously evolve and lead by example in the business communities."

Zita Erős

HR Director

4.1 Our employee value proposition

At KPMG, we believe that the diversity and knowledge of our employees are crucial to our success. In our fast-paced world, we must continuously develop to adapt to changes in the economic, social, and environmental dimensions. These processes require even greater attention, which is reflected in our employee value proposition. Our values guide our day-to-day operations, shaping how we respond, make decisions, and collaborate with our colleagues, clients, and the companies we audit and provide expert services to. Our corporate culture is deeply rooted in our values. Our commitment to fairness and open communication fosters trust and collaboration, and our flexibility and diversity creates an environment where employees are

KPMG Values



Integrity

We do what is right.

Excellence

We never stop learning and improving.

Courage

We think and act boldly.

Together

We respect each other and draw strength from our differences.

For Better

We do what matters.



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Magyarország
bemutatása

Fenntarthatósági
jelentésünkre
vonatkozó általános
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Környezeti
információk

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free to share opinions and inspire each other. Our People, Performance & Culture (PPC) department is constantly evolving to adapt to changes and stays abreast of digitalization trends and encourages the integration of ESG considerations into our operations. For new colleagues joining us, we offer numerous opportunities for personal and professional development. We adhere to KPMG International's guidelines while also taking into account domestic characteristics which ensure stable operation.

4.1.1 Employee related policies

Transparency and predictability are crucial when it comes to policies and their communication that affect our employees. To ensure this, KPMG Hungary has a Staff Handbook that is regularly reviewed and updated, which ensure that our policies meet the expectations and needs of our employees. It includes initiatives such as maternity or paternity leave, as well as the integration of staff suggestions into our operations.

KPMG Hungary complies with KPMG International guidelines, including the UN Guiding Principles on Business and Human Rights and the Global Code of Conduct, which apply to all member firms. These guidelines support the protection of human rights, ensuring there is no involvement in human rights violations, such as those related to business relations, and contributing to the elimination of forced labour,

compulsory labour, and child labour. Additionally, we take several measures to ensure that employees' interests and rights are integrated into the company's strategy and business model. One such measure is the KPMG Whistleblowing Hotline, which is available internationally and locally to all employees. This programme enables the anonymous reporting of human rights violations, misconduct, or risk management issues, which are then analyzed and addressed with stakeholders by an independent organization called Clearview. Additional information about the operation of the Whistleblowing Hotline can be found here: [Whistle-blowing hotline – KPMG Hungary](#)

4.1.2 Communication with employees

KPMG prioritizes maintaining continuous and effective cooperation with its workforce. Each year, the company conducts the Global People Survey (GPS) to gather employee opinions on various topics such as communication quality, transparency, engagement, work-life balance and compensation. The responses are then analysed at both company and business levels to set strategic steps based on the proposed ideas. Our company has a strong focus on feedback culture, and we provide training to our colleagues on how to give and receive feedback on performance evaluations. In addition to this, we also provide feedback on our events and programmes, as feedback

allows us to actively develop our organisation, confirming positive practices while remedying negative ones. Internal communication within the company is facilitated through the intranet, where employees can access important information and internal applications. Furthermore, communication regarding company changes, management messages, news, programmes, and trainings is conveyed via emails. Quarterly executive 'All Staff forums', 'Meet my Team' events, webinar programs, department newsletters, and various events such as the Year-end party and awards ceremony, Impact Plan/IDE events, and inspirational discussions serve as important channels of internal communication. Other channels including Teams groups and digital screens placed at different meeting points within the building are also used to support internal communication.



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4.1.3 Characteristics of employees

KPMG Hungary has two types of employees, permanent employees and temporary employees. Temporary employees include staff contracted for fixed hours, such as trainees, subcontractors and fixed-term contracts. Data about our employees is shown in the table below:

Table 5: Characteristics of KPMG Hungary's employees⁵

|  | 2022 | 2023 |
|--|------------|------------|
| Permanent employees (headcount) | | |
|  Female | 475 | 479 |
|  Male | 360 | 388 |
| Temporary employee (headcount) | | |
|  Female | 31 | 36 |
|  Male | 46 | 53 |
| Total | | |
|  Female | 506 | 515 |
|  Male | 406 | 441 |
| Total | 912 | 956 |

5. The information provided shows employee data as of 30 September 2023.

4.2 Equal opportunities

KPMG stands for fair benefits, equal pay for work, and equal opportunities for all genders. This approach aims to increase employee satisfaction, improve company efficiency, and create more value for employees, the community, and the economy. Treating everyone equally is a strategic priority for KPMG. For instance, KPMG Hungary implemented its Inclusion, Diversity and Equal (IDE) policy in 2023 to ensure a safe and discrimination-free environment for all employees. KPMG Hungary's member firms are deeply committed to promoting opportunities. Our IDE policy outlines our past actions, future commitments, and aspirations to foster a more inclusive work environment and contribute to a decent society. We are dedicated to consistently monitoring and improving our initiatives in these areas over the long term. Through various programs, events, and communication, we encourage our employees to be their authentic selves in the workplace.

4.3 Training and skills development

To ensure KPMG's continued success in a rapidly evolving knowledge-intensive industry, it is crucial to attract and retain the highest quality employees. KPMG Hungary achieves this by prioritizing employee training and skills development. Investing in employee development not only benefits the company by adding more value, but also helps employees reach their own professional goals. Training contributes to higher employee satisfaction and improves the company's reputation, leading to reduced turnover and lower recruitment costs.

Our regular performance appraisal and career development programme covers full-time and active KPMG employees, who set targets at the beginning of the year and then monitor their achievement on an ongoing basis with their Performance Manager. At mid-year and year-end, there is a prominent appraisal process during which feedback is provided to employees alongside their self-assessment.



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Table 6: KPMG Hungary’s training and skills development indicators⁶

| | | 2023 | |
|--|-------------------|---|---------------------------|
| Number of employees participating in regular performance appraisal and career development (person) | | | |
|  | Female | 456 | 89% |
|  | Male | 388 | 88% |
| Average number of training hours per person by gender (hours) | | | |
| | | Total number of training hours per year | Training hours per capita |
|  | Female | 41,331 | 80.25 |
|  | Male | 37,893 | 85.93 |
| Average training hours per person per employee category (hours) | | | |
| | | Total number of training hours per year | Training hours per capita |
| | Senior management | 3,918 | 52.24 |
| | Middle management | 13,152 | 85.40 |
| | Other workers | 62,175 | 97.45 |

6. Based on the number of employees participating in Year-end Review.





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KPMG supported me in participating in BCSDH's Future Leaders Programme. The training days gave me valuable insights into sustainability, strategic planning, building partnerships, and critical thinking. We had the opportunity to try out techniques through situational exercises, case studies, and project work, and to ask questions of outstanding senior managers. I believe it's a great opportunity for employees that the company participates in training programs like this."

András Varga

Manager • Advisory/Real Estate



In 2023, I had the opportunity to participate in the HBLF's X Mentor program, where I met with my mentor on a monthly basis for a year. It was a great opportunity to discuss the issues I was facing with someone who had a wealth of experience. I gained motivation, inspiration and insight. The fact that my mentor came from a completely different industry and business area contributed a lot to broadening my perspective. Furthermore, as part of the program, I was invited to various events organized by HBLF. In addition to discussing interesting topics, networking was also very important. It was inspiring and motivating for me to meet so many senior managers, especially women. Thanks to the program, I was also able to participate in the Mentoring Bootcamp event organized by OD Partner, where I was able to share my experiences in a round table discussion."

Rita Mentler-Csongrádi

Senior Manager • Audit



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4.4 Adequate wages

Competitive salary packages are a priority in order to attract the best employees in KPMG Hungary. To determine remuneration levels, we participate in an annual salary survey and consider benchmark data and job specifications. We also review our employee incentive benefits package annually to align with market practices.

4.5 Diversity and inclusion

KPMG's IDE policy underpins our values and is vital to achieving our goals. We strive to do what's right, which means providing all our employees with an environment that helps them to be their best version of themselves – their true selves. What makes us different makes us stronger.

Table 7: Summary of KPMG Hungary's positions

| Level | Audit | Tax | Advisory | Central Services |
|-------|-----------------------------|-----------------------------|--|-----------------------------|
| 7 | Partner | Partner | Partner | Partner |
| 6 | Senior Manager/ Director | Senior Manager/ Director | Senior Manager/ Principal Consultant/ Director/ Associate Partner | Senior Manager/ Director |
| 5 | Manager | Manager | Manager/ Lead Consultant | Manager |
| 4 | Junior Manager | Assistant Manager | Senior Consultant 2, Senior Consultant 3 | Titles vary by job |
| 3 | Senior | Senior | Consultant 3, Senior Consultant 1 | |
| 2 | Junior | Senior Assistant | Consultant 2, Consultant 3 | |
| 1 | Junior | Assistant/ Analyst | Analyst | |



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How we define inclusion, diversity and equity at KPMG:

Inclusion is about belonging: We commit to creating a safe environment built on trust; where we can bring our true authentic selves to work and feel valued for our unique contributions and perspectives.






Diversity is about difference: We commit to embracing and respecting the variety of unique experiences, cultures, identities and perspectives we collectively bring to KPMG.

Equity is about access to opportunity: We commit to standing against systemic barriers and biases. We help level the playing field and ensure everyone can succeed and thrive at KPMG.

We included Senior Partner, Partner and Director level employees in the scope of the diversity of our senior management.



Table 8: KPMG Hungary's diversity indicators

| | 2022 | | 2023 | |
|--|------|-----|------|-----|
|  | | | | |
| Gender distribution of senior management (headcount) | | | | |
|  Female | 25 | 34% | 24 | 32% |
|  Male | 48 | 66% | 51 | 68% |
| Gender distribution of employees with disabilities | | | | |
|  Female | 0 | | 2 | |
|  Male | 3 | | 2 | |





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4.6 Well-being and employee safety

Employee well-being is a top priority for our firm. We believe that maintaining physical and mental health is crucial and should be achieved in a personalized manner. Our firm complies with all legal requirements, including the Labour Safety Act as per Act XCIII of 1993 and has implemented a General Occupational Safety Policy aligned with its amendments and implementation regulations. Our General Occupational Safety Policy provides detailed guidelines pertaining to the rules of procedure for occupational health and safety at work, conditions of employment, occupational safety training, use of personal protective equipment and clothing, occupational safety procedures, and the reporting, registration, and investigation of work-related accidents and occupational diseases.

Employees are introduced to our General Occupational Safety Policy and Fire Safety Policy on their first day of work. Our company's health and safety protection system covers 100% of our employees and is subject to both external and internal audit processes.

Additionally, we prioritize providing financial support to our employees in case of illness, injury, disability, parental leave, or retirement. We also offer flexible working hours and support working from home.

Health insurance is included in KPMG Hungary's employee benefits package. In support of a healthy lifestyle, we provide our colleagues with free

health screening services for 3 days in the spring. The screenings included tests for pulmonology, ophthalmology, cardiology, body analysis, as well as hair and scalp examination, among others.

We believe that we can only perform our best when we are at our best, so we create opportunities to help each of us achieve physical and mental well-being in our own way. Work-life balance is an especially important focus area for us. Our Conscious Well-being Programme, which is in operation in 2023, provides our employees with a variety of workplace wellness education and training. We have made these trainings available on our intranet as well. Our colleagues can choose from a wide range of sport opportunities — corporate team sports are held weekly, and they can also apply for an All You Can Move card. We regularly participate in major running competitions (Vivicitta, Wizzair, Ultra Balaton) and we also support the participation of our colleagues in the annual Lake Balaton cross-swimming.

We believe that part being part of a community is key to maintaining well-being. Therefore, we host team-building programmes, awareness-raising events, and community-building activities for our employees every year. Our Christmas party is a highlight of the year, where we celebrate our collective achievements. Apart from the Christmas party, we also organize other corporate events and programs to promote corporate well-being. Additionally, our company has an active volunteer community, and employees can participate in various corporate responsibility activities.





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4.7 Corporate responsibility

Corporate Responsibility (CR) is a crucial component of our ESG efforts that shape our corporate culture. Our aim is to integrate CR into all aspects of our business, services, and internal operations to maximize our company's positive impact on society and the environment. Our local CR activities are focused on creating a positive impact on the environment and society.

We align our initiatives with the goals of the global Our Impact Plan, which has four main pillars: Governance, People, Planet, and Prosperity. Throughout our operations, we participate in volunteer programmes and various events, prioritise raising awareness, encourage other businesses to do the same, and consistently engage in pro bono consulting and auditing work.

Table 9: Number of employees taking parental leave



2022

2023

| Number of employees parental family leave (headcount) | | | | |
|---|-----|-----|-----|-----|
| Female | 239 | 50% | 316 | 66% |
| Male | 140 | 39% | 185 | 48% |





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Responsible corporate governance is a vital part of our operations, aligning with KPMG's values. We are committed to legal, ethical, and public interest conduct in our business operations, as well as demonstrating exemplary ethical behaviour. This pillar illustrates how ESG principles permeate our operations at all levels. In our day-to-day operations and business decisions, we actively incorporate ESG aspects, including environmental, social, and economic dimensions, as responsible business actors.

Planet

We are committed to minimizing our environmental impact and working towards a sustainable and resilient future. We use our expertise to support the development of innovative solutions for climate change. Over the years, our colleagues have been involved in start-up programmes focused on sustainable development as mentor or jury. Our green corporate responsibility programs include encouraging employees to learn about ESG topics, participating in the 'ESG Working Group', expanding ESG knowledge, and offering colleagues the opportunity to join the BCSDH's 'Future Leaders' Talent Programme, which provides education on corporate sustainability. We also encourage our employees to participate in volunteer programmes that aim to protect the environment.

Additionally, we recognize and support our colleagues' personal involvement, and on Earth Day, we provide special communications to raise awareness. We participated in the Highlights of Hungary initiative, where in 2023 we recognized organizations that contribute outstanding performance to sustainability efforts with an ESG Special Award.

People

We are committed to upholding the values of Inclusion, Diversity, and Equity (IDE). As part of this commitment, we are signatories [to the HBLF Diversity Charter](#) and have included these principles in our IDE Policy. Our dedication to IDE is evidenced by the enthusiastic work of the Diversity Working Group, which has been successfully operating for many years and continues to grow. Our company is dedicated to promoting gender equality and actively participates in programs supporting women's careers and talent management processes. We prioritize increasing the representation of women in decision-making roles at a domestic level. Consequently, we have joined initiatives such as [HBLF Women on Board "CEOs for balance" programme](#), and are members of the Equaliser Foundation. Additionally, we are proud partners of the [Equaliser Foundation's Women's Day conference](#), which is why we delegate female colleagues [to the HBLF X mentoring program](#) and the Equaliser mentoring program. Furthermore, we consistently participate in KPMG's [Global Female Leaders Outlook](#) survey to provide women leaders with a global platform for opinion-sharing. We believe that women's representation is essential in technology and innovation, which is why we have been joining the [Girls' Day initiative for many years](#). In 2019, we established the Working Parents programme to address the needs of our working parents. Since then, the program has continued to evolve and introduce new elements. Annually, we host a thematic children's day event where the children of our colleagues can engage in dedicated activities at our office building.

At KPMG, we value an inclusive culture built on trust. We view diversity as a strength and are committed to raising awareness and advocating for LGBTQ+ rights. We actively participate in Pride events and in 2023, organised the contemporary exhibition "Come as you are" in our office building for the second time in collaboration with cultural organizations. Recognizing and embracing the cultural diversity of our colleagues is an integral part of our corporate responsibility. Through the 'MultiCulti@KPMG' programme, our international colleagues share quiz questions and insights about their home countries, enriching our knowledge with the 'Digital Map' database.



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Prosperity

As a mission-driven company, it is important that we support communities and bring our expertise to support quality education. When it comes to supporting communities and those in need, we always take into account current challenges and world events.

In our CR activities we focus on the education of the younger generation. We professionally support and cooperate with various educational organizations and programs. We have been partners of the HBLF [Romaster scholarship program for years](#), which aims to provide more and more Roma with higher education qualifications with the long-term help of corporate mentors. We consider it important to help young people's financial awareness with our expertise, which is why we announced the opportunity of Pénz7 volunteering among our colleagues. We talked about KPMG's diverse career opportunities in various career guidance programs, such as the Engame Academy students or AIESEC Alumni Meeting.

In 2023, KPMG announced its 15th Responsible Society Programme application, which aims to support the sustainable and transparent operation of public benefit organizations operating in the fields of health, education, diversity, or environmental sustainability. Non-profit organizations face continuous adaptation and development challenges on a daily basis. In alignment with the objectives of KPMG's Our Impact Plan, the Responsible Society Programme offers professional assistance and financial donations to public benefit organizations to support their value-creating activities and ensure their stable, long-term operation.

Our corporate responsibility places great emphasis on supporting knowledge-based professional volunteer work. It is a special pleasure for us that our colleagues have provided pro bono professional support to several organizations. KPMG employees can spend three days a year volunteering during working hours. This opportunity can be used either individually or as a team-building activity. Through the 'Matching Fund' programme, colleagues can determine which organizations KPMG should support with their own donation.

As a responsible company, we provide support to those in difficult situations when they need it most. In addition to fundraising, we offer opportunities for colleagues to participate in charitable programmes. Our support includes traditional activities like volunteering at the Christmas Santa Claus Factory and participating in charity running races. Through the Partner's Donation program, KPMG's partner colleagues make individual financial contributions to good causes every year. An example of personal commitment is the positions held by many of our leaders in various organizations (Joint Venture Association (JVSZ), MVUK – Business Community of Hungarian Executives, Equaliser Foundation, AmCham, etc.).

In 2023, we presented the KPMG Fair Play Award for the third time. As part of our collaboration with the Hungarian Sailing Federation, we established the KPMG Blue Ribbon Fairplay Award in 2021. This award is given to the team and crew who provide assistance to each other during races and demonstrate that competitors can rely on one another even in challenging situations. Through this award, we emphasize KPMG's commitment to values such as integrity and fair competition.

 **+1,000** hours spent volunteering.

 **+1,500** hours spent on pro bono projects.



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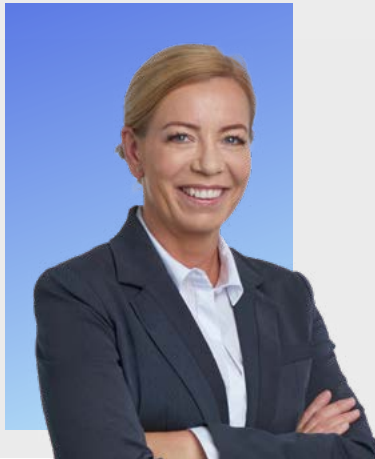
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The decisions we make based on environmental, social and governance (ESG) considerations are becoming ever more important in our lives. Companies are increasingly putting efforts into becoming attractive places to work and retaining their talented employees. Creating a supportive environment requires shared values, collaborative thinking, ideas and an atmosphere conducive to improvement and a culture of recognition. As our world becomes progressively complex and vulnerable in many areas, we will continue to leverage our knowledge to work with our clients, NGOs, and partners in driving innovation and transformation towards a better future.”

Ágnes Rakó

Partner

5.1 Transparency and accountability

KPMG Hungary is dedicated to integrity, quality, objectivity, independence, and ethics. We emphasize our focus on quality to clients, stakeholders, and society. Leadership at KPMG Hungary plays a crucial role in establishing the right tone and providing exemplary leadership by firmly committing to the highest standards of professional excellence and advocating and supporting major initiatives.

KPMG Hungary has agreed to seek opinions from the Chair of the relevant Global Steering Group or its delegate on the performance of the firm's leadership whose responsibilities are similar to those of the Global

Steering Group. This request for opinions is part of the annual performance assessment process on matters of public interest, audit quality, and risk management activities.

5.1.1 Management responsibility

At KPMG Hungary, the following individuals have managerial responsibilities in the field of quality and risk management:

National Senior Partner: Overall responsibility for the day-to-day management of KPMG in Hungary including the oversight of our system of quality control and must, together with the Leadership Team, follow

all relevant and lawful guidelines and instructions set by the Management Board. The current National Senior Partner, Rezső Rózsa was appointed on 1 October 2019 for an initial 4-year term with a possibility to extend for 3+3 years (altogether 10 years as a maximum).

Risk Management Partner: KPMG Hungary's Risk Management Partner (RMP) is responsible for the firm's direction and execution of risk, compliance, and quality. The RMP is a member of KPMG Hungary's Management Board and directly reports to the National Senior Partner. The Quality & Risk Management Partner, Elek Votin was appointed to this role on 1 October 2014.



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Ethics and Independence Partner: The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Hungary and reports on ethics and independence issues to the National Senior Partner. The Ethics and Independence Partner also acts as the Risk Management Partner with the same appointment date.

The Audit, Tax & Legal and Advisory functions

– Function Heads: The three heads of the client service function (Audit, Tax & Legal and Advisory) are accountable to the National Senior Partner for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management and quality management procedures for their specific functions within the framework set by the Risk Management Partner. These procedures make it clear that, at the engagement level, risk management and quality management is ultimately the responsibility of all professionals in the firm. The current Head of Tax & Legal and Advisory, Gábor Beer was appointed to Head of Tax & Legal on 1 October, 2013 and to Head of Advisory on 1 October, 2019. The Head of Audit, Rezső Rózsai was appointed to this role on 1 October 2014.

Audit Leadership Team: Audit partners meet regularly to agree on actions on current and

emerging audit quality issues arising from external and internal quality review processes, issues raised by engagement teams, evaluation of our quality management system, root cause analysis procedures and other quality issues identified from a variety of sources.

Audit Risk and Quality Board: Addressed issues related to maintaining and improving audit quality. The Audit Risk and Quality Board comprises the Risk Management Partner, the Head of Audit and the Head of DPP and holds its meetings with the involvement of the Head of Root Cause Analysis (“RCA”), the Digital Audit Center (“DAC”) Director (has been promoted to the position of Partner from 1 October 2023), an Audit Director, the Audit Process Excellence Manager, the IRM Partner, an IRM Director and an IRM Manager.

The National Senior Partner chairs the **Management Board** (renamed in 2023, previously called the Management Committee) ensuring that the board members receive accurate, timely and clear information and effective communication and relationships between the members. The current National Senior Partner, Rezső Rózsai, was appointed in 2019 by the Chairman of KPMG CEE after a consultation process with the local Partners. The National Senior Partner appoints the other members

of the Management Board whose have responsibility for specific aspects of our business operations: Quality & Risk Management, Audit, Tax & Legal, and Advisory. The board meets monthly (during the year ended 30 September 2023), with additional meetings being held to cover specific topics as they arise. The board has the authority to establish local firm-wide policies (in line with the global policies, procedures and regulations established by KPMG International) and reviews and approves matters of fundamental importance to the firm such as the appointment of new partners, the strategy, operating and financial performance, long-term and annual business plans and budgets, reports from function heads, new business activities, marketing, innovation and technology development, recruitment and retention and quality and risk management matters and policies. The board reviews annual reports on the compliance and quality control reviews performed by KPMG and external regulatory bodies including the appropriate action initiated by the Audit Risk and Quality Board and Head of Tax & Legal and Head of Advisory. The Management Board is responsible to the partners of KPMG Hungary. [The 2023 Boards members are introduced in details in the Transparency Report.](#)



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5.2 Quality of services

Our clients are dealing with complex problems that demand comprehensive and integrated thinking. We are confident that our multidisciplinary approach is the most effective way to serve our clients and is essential for delivering the highest quality in extensive and intricate audit, tax, and consulting assignments. Our business approach enables us to be adaptable and agile in our markets, allowing us to respond effectively to market conditions, while also making KPMG a more captivating and stimulating place to work.

Providing reliable audit and assurance services is critical to maintaining trust with our clients. Audit and auditing activities are currently undergoing a generational shift not seen in decades, as companies begin recognize the importance of high-quality ESG reporting and the risks and opportunities arising from the emergence of artificial intelligence. Climate risks are becoming an increasingly important issue that is increasingly integrated into our work. As a technology-oriented organization, we use innovative solutions to provide high-quality audit and assurance services and are committed to continuously improving our approach.

‘KPMG Clara’ is KPMG Audit’s global operating system, built as the culmination of a multi-year, multi-billion-dollar investment. It’s a globally unified cloud-based technology that includes methodology

and workflow and is used by more than 90,000 audit professionals in more than 140 countries for each audit process. KPMG Clara is a groundbreaking innovation in the audit industry that enables our auditors to provide deeper insights and better audit services to the hundreds of thousands of entities we control globally. Our ongoing initiative, KPMG Clara 2.0, demonstrates our commitment to continuously innovate, improve and digitalize a platform powered by artificial intelligence, deeper data analytics and automation.

Through the continuous improvement of efficiency and consistency, as well as the constant and timely completion of quality and risk management expectations, we always ensure the highest quality for our clients. This allows us to maintain the long-term value of our brand, which has become a trademark of quality and reliable work. You can find out more about [our services on our KPMG website](#).

5.3 Ethics, integrity and independence

Working ethically is essential for KPMG; ensures that the trust necessary for valuable cooperation is built with our clients. Ethics and independence include rejecting bribery and corruption and thoroughly investigating whistleblowing incidents. It also involves giving proper protection and anonymity for whistleblowers of any internal incident.



5.3.1 Bribery and corruption

KPMG has a zero tolerance policy for bribery and corruption. All partners and staff at KPMG member firms receive training on compliance with anti-bribery and anti-corruption laws, regulations, and professional standards, and are required to report any suspected or actual non-compliance. More information about KPMG International’s anti-bribery and anti-corruption policies [can be found](#) on the Anti-Bribery and Anti-Corruption page.



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All partners and client-related professional staff of KPMG Hungary, and certain “covered” covered people must complete independence training upon joining KPMG Hungary and repeat it annually thereafter. In addition, we train all partners and employees annually on:

- the global code of conduct; and
- bribery and compliance with laws, regulations and professional standards.

New partners and employees must complete this training within three months of joining KPMG Hungary. All partners and employees of KPMG are obliged to confirm their continued compliance with the relevant ethical and independence policies upon joining KPMG Hungary and annually thereafter.

5.3.2 Whistleblowing

Our KPMG International Hotline is our primary **whistleblowing system** and is available to all our employees, clients, contractors and anyone else who does business with KPMG Hungary’s member firms. Reports are confidential and sent to the Head of Risk and Quality Assurance and the HR Director, who then decide on further actions. If the report concerns employees in these two areas, it can be addressed directly to the respective manager before sending the report. Reports not related to KPMG Hungary’s operation will be forwarded to the relevant country or international organization. The operation of the

reporting system is entrusted to ClearView Strategic Partners, a company based in Canada, which is an internationally recognized service provider. This ensures that anyone can report concerns and that those who choose to remain anonymous can do so. More information is available [here](#).

All employees must complete a training course on KPMG’s reporting systems upon joining and annually thereafter. The training aims to promote awareness of potential policy violations within their work and encourages employees to report them. It assures employees that reports will remain anonymous and that no retaliation will occur as a result of their reporting.

All KPMG member firms and KPMG employees are prohibited from retaliating against individuals who speak in good faith. Retaliation is considered a serious violation of the policy, for which the person who carried out the retaliatory step is liable according to the disciplinary policy of his company.

In [addition to the KPMG International Hotline](#), we operate a local hotline that is available to KPMG partners and employees, clients and other third parties to confidentially report concerns about the conduct of others (both internal and external). The hotline allows individuals to report concerns to a third-party organisation (by phone, secure internet line or mail). Individuals can report cases anonymously without fear of retaliation. The member firm investigates and documents any relevant matter reported through

the local hotline, KPMG International Hotline or any other channel or manner, and the Head of People, Performance & Culture and the Risk Management Partner evaluate and approve the recommended actions before reporting to business leaders.

On a quarterly basis, the business unit leader reviews a summary of relevant questions investigated and received through the local hotline, KPMG International Hotline or any other channel or method and analyses whether there has been any change in complaints and accusations about culture and management approach compared to the previous period. The National Senior Partner approves the action plans accordingly.

An ABC (Anti Bribery and Corruption) analysis is prepared annually at KPMG by the risk analysis team. In doing so, the main risks and mitigation action plans are identified and approved by the local Risk Management Partner and forwarded to the regional risk management department.

In addition to the processes outlined above, the Global People Survey provides information to our management and KPMG International management about the implementation of KPMG’s values. We and KPMG International will monitor the results and take appropriate steps to communicate and respond to comments.



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5.4 Corporate culture

At KPMG, our values express our core beliefs; they guide all of our actions and behaviors. Across all our employees, in every country, jurisdiction and territory in which we operate, they form the basis of our unified culture. KPMG's culture is rooted in our values. Our integrity, open and honest communication build trust and collaboration, while our flexibility and diversity create a culture where people are free to share their knowledge and bring out the best in each other. When asked why they chose KPMG, many clients cite our high level of professional ethics, loyalty, and availability.

Global Code of Conduct: We are committed to upholding the highest standards of personal and professional conduct in everything we do. Ethics and integrity are core values for who we are, and our Global Code of Conduct outlines the responsibilities that all KPMG employees have towards each other, our clients and the public. This shows how our values help us achieve our goals and guide all our behaviors and actions. It defines what it means to be an employee and part of KPMG and outlines our individual and collective responsibilities. Everyone at KPMG can count on being accountable for their conduct per the Code, and everyone at KPMG is expected to confirm their compliance. We

strongly encourage our employees to express their views if they experience action that is not acceptable to them or that is not in line with the Code or our values. All KPMG employees are required to report any action that may violate or violate KPMG's values, KPMG policies, applicable laws, regulations, or professional standards.

KPMG Hungary conducts various activities to reinforce corporate values and culture. These include online training on company culture, which employees are required to complete annually. Additionally, KPMG's corporate values are integrated into other trainings, corporate events, evaluation webinars, and company policies.



More and more brands are incorporating environmental, social and governance (ESG) principles into their values and communications. This in turn drives sustainability efforts and helps the related messages reach their destinations. This ESG mindset has now profoundly transformed the focus and role of marketing operations. In today's value-driven and accountable world, no brand can be taken seriously without progressing towards sustainability, transparency and responsible growth."

Gabriella Liptay

Director • Marketing & Communication



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5.5 Risk and opportunity analysis

At KPMG, we recognize the importance of identifying, managing, and forecasting risk. To this end, we have our enterprise risk management (ERM) process, which applies to our interaction with both external and internal stakeholders.

5.5.1 Quality management

In line with the principles in ISQM (International Standard on Quality Management), our National Senior Partner, Rezső Rózsai has ultimate responsibility for KPMG Hungary's quality management system for the year ended 30 September 2023. In their capacity as the managing director of legal entities of KPMG in Hungary, the National Senior Partner has the overall responsibility for the day-to-day management of KPMG in Hungary including the day-to-day oversight of our system of quality control and must, together with the Leadership Team, follow all relevant and lawful guidelines and instructions set by the Management Board. The National Senior Partner demonstrates a strong tone and culture supporting quality and professionalism through communication, engagement support and commitment to maintaining integrity, objectivity, professional scepticism and ethics.

5.5.2 Third-party risk management

Strict global client and engagement acceptance and retention policies are essential for providing high-quality professional services.

KPMG Hungary expects all suppliers to strive to promote social responsibility, equal treatment, social diversity and operation according to the principles of optimal energy management. Suppliers must reject all forms and possibilities of energy waste, preferably in their own environmental and energy policies. Detailed conditions are outlined in the procurement regulations of KPMG Hungary's member firms.

There are specific business lines, sectors and regions for which a more extensive risk analysis and consideration of several aspects may be necessary to determine risk.

Client evaluation: Our assessment of a prospective client involves assessing the client's risk profile and background information about the client, its key managers, directors and owners. Where necessary, the assessment shall include the collection and assessment of additional information to comply with applicable legal and regulatory requirements.

Engagement evaluation: When evaluating each prospective engagement and project we consider a number of factors, including:

- potential independence and conflict of interest issues;
- the intended purpose and use of the materials to be delivered under the request;
- public opinion;
- whether the services would be unethical or in conflict with our values.

Additionally, when evaluating an audit assignment, we assess the capacity of the client's financial managers, as well as the skills and experience of KPMG's professional staff. When providing audit services for the first time, we perform additional independence assessment procedures, including reviewing the non-audit services provided to the client and other relevant business, financial and personal relationships. Similar independence assessments take place when an existing audit client becomes a public interest entity (PIE) or when additional independence restrictions apply following a change in the client's circumstances.



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Any potential independence or conflict of interest issues shall be documented and resolved prior to adoption. A prospective client or engagement will be rejected if the independence or conflict of interest issue cannot be resolved per professional standards and our policies, or if other quality and risk issues cannot be adequately mitigated.

Retention process: KPMG Hungary annually reassesses each audit client to identify any risks to the continuing relationship and any mitigation procedures that need to be incorporated.

In addition, a reassessment of clients and engagements should be carried out if there is an indication that there may be a change in the risk profile.

Withdrawal process: If KPMG Hungary comes to a preliminary conclusion indicating that we should withdraw from an assignment or client relationship, we will conduct internal consultations and identify any required legal, professional, and regulatory responsibilities regarding that relationship. Additionally, we will consider further communication with those entrusted with management and any other appropriate authority as required by our professional obligations.

Business relationship and suppliers: KPMG Hungary has policies and procedures in place to ensure that business relationships with audit and assurance clients are conducted in accordance with the IESBA Code of Ethics and other applicable independence requirements (similar to those enacted by the SEC). These include establishing and maintaining processes for assessing agreements with third parties (e.g. business associations, cooperation agreements, procurement relations, marketing and public affairs activities), in particular whether they affect audit independence. All prospective business relationships will be analyzed to assess the risks of the partnership and identify potential audit independence and conflict of interest issues. The assessment of the relationship involving a third-party service provider, whether acting with the member company on behalf of clients or for other purposes, should also determine whether the third party has the necessary competence to provide the services in question. Service providers should confirm that they are aware of and fulfil the relevant ethical and independence requirements and have completed ethics training. Third parties involved in the provision of audit or assurance services should also complete independence training.





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5.6 Data security and privacy

We place a strong emphasis on maintaining the confidentiality of client information through various mechanisms, including KPMG's Global Code of Conduct. We have implemented significant policies on IT security, handling of confidential information and personal data, and data protection. In addition, we have a document retention policy in place to govern the retention periods for audit documentation and other records relevant to a specific assignment, in accordance with applicable laws, regulations, and professional standards. KPMG Hungary conducts annual training courses for all employees on topics such as confidentiality, IT security, and data protection.

5.7 Economic performance

The profitability of companies is crucial for achieving sustainability goals, promoting social welfare, ensuring employee well-being, and funding the fight against climate change. Our sales revenue increased this year compared to last year, and all three of our entities contributed to the revenues of the Hungarian state through various tax and contribution payments. We made contribution for various initiatives relating to sports from our corporate tax in the years covered in this report, and in 2023 KPMG Hungária and KPMG Advisory were incorporated to a common tax group.





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5.8 Technology and innovation

KPMG has been actively involved in driving significant changes and transformations for several decades. Our strength lies in our ability to effectively combine business and technological solutions, implement efficient processes, and leverage the deep and specialized expertise of our colleagues.

We put tomorrow's technology at the service of our clients' business success today. We assess the business, operational and digital success factors of our clients' businesses and design a business transformation and technology plan, then implement and systemize the improvements. We keep the systems we deliver up to date.

We share our knowledge and experience with our clients following our KPMG Center of Digital Excellence approach. Our goal is to make companies' business operations future-proof through digital technology developments and ESG considerations, helping them to innovate. You can read more about KPMG's Hungary technology solutions [here](#).

Table 10: Financial performance of KPMG's reporting scope legal entities

|  Legal entity | 2022 | 2023 |
|--|------------|------------|
| Net sales revenue (thousand HUF) | | |
| KPMG Hungary Ltd. | 10,594,399 | 11,972,199 |
| KPMG Advisory Ltd. | 13,125,373 | 13,635,011 |
| KPMG Legal Tóásó Law Office | 762,352 | 682,284 |
| Corporate tax paid (thousand HUF) | | |
| KPMG Hungary Ltd. | 164,063 | 87,505 |
| KPMG Advisory Ltd. | 172,879 | 69,990 |
| KPMG Legal Tóásó Law Office | 8,911 | 1,469 |
| Contribution for sports from the corporate tax (thousand HUF) | | |
| KPMG Hungary Ltd. | 125,022 | 121,857 |
| KPMG Advisory Ltd. | 137,716 | |
| KPMG Legal Tóásó Law Office | 4,360 | 1,175 |



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KPMG Hungary is voluntarily preparing its sustainability report for the first time. For the financial year 2023, KPMG Hungary is not required to publish a sustainability report under the Hungarian Accounting Law, which determined the local implementation of the CSRD. Full compliance with the requirements of the ESRS will be achieved in the next period in line with the mandatory disclosure period. The table below presents KPMG Hungary's current status of compliance with the disclosure requirements of ESRSs.



Disclosure requirement



Reference



Comment

ESRS 2: General disclosures

| | Disclosure requirement | Reference | Comment |
|--------------|---|--|--|
| BP-1 | General basis for preparation of sustainability statements | 2.1 Background to the preparation of our report | |
| BP-2 | Disclosures in relation to specific circumstances | 2.1 Background to the preparation of our report | |
| GOV-1 | The role of the administrative, management and supervisory bodies | 2.2 We strive for continuous improvement in corporate governance to manage and monitor sustainability issues | Structured data collection is under development, quantitative information on composition and diversity is not disclosed. Processes and responsibilities for managing impacts, risks, opportunities, and other sustainability matters are under development, therefore, partially disclosed. Further information: KPMG Transparency Report 2023 |



Disclosure requirement



Reference



Comment

ESRS 2: General disclosures

| | Disclosure requirement | Reference | Comment |
|--------------|---|--|--|
| GOV-2 | Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies | 2.2 We strive for continuous improvement in corporate governance to manage and monitor sustainability issues | Processes and responsibilities for managing impacts, risks, opportunities, and other sustainability issues are under development, therefore, partially disclosed. Further information: KPMG Transparency Report 2023 |
| GOV-3 | Integration of sustainability-related performance in incentive schemes | | Currently, there are no sustainability performance indicators integrated into management incentive mechanisms. |
| GOV-4 | Statement on due diligence | 2.2 We strive for continuous improvement in corporate governance to manage and monitor sustainability issues | A due diligence was conducted as part of the Double Materiality Assessment. The integration of processes to monitor the identified negative impacts is still in the early stages, therefore it is partially disclosed. |
| GOV-5 | Risk management and internal controls over sustainability reporting | | Based on our first sustainability reporting experience, we started to develop an internal control framework, which is not disclosed. Our risk management processes comprehensively cover both our internal and business operations, which we describe in more detail in the following documents: Business and Human Rights Statement , Code of Ethics , Transparency Report |

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Disclosure requirement



Reference



Comment

ESRS 2: General disclosures

| | | | |
|--------------|--|---|--|
| SBM-1 | Strategy, business model and value chain | 2.3 ESG as a watermark of our business | KPMG Hungary's business model and value chain are not presented in details because they contain sensitive information about our clients. |
| SBM-2 | Interests and views of stakeholders | 2.3 ESG as a watermark of our business | We have involved our external and internal stakeholders in the Double Materiality Assessment. The incorporation of the results into our strategic approach is in its early stages, therefore, partially disclosed. |
| SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | 2.4 Our core sustainability topics play a key role in our future strategy and business operations | For the material topics, we are currently working on the deeper assessment of impacts, risks and opportunities across the entire value chain and integrating them into our strategy, therefore these are partially presented. The data collection process for expected financial risks and opportunities is in progress, therefore quantitative information is not disclosed. |
| IRO-1 | Description of the processes to identify and assess material impacts, risks and opportunities | 2.4 Our core sustainability topics play a key role in our future strategy and business operations | |
| IRO-2 | Disclosure requirements in ESRS covered by the undertaking's sustainability statement | ESRS-index | |

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ESRS E1: Climate change

| | | | |
|------------------------|---|--|--|
| ESRS2 GOV-3 | Integration of sustainability-related performance in incentive schemes | 2.2 We strive for continuous improvement in corporate governance to manage and monitor sustainability issues | Currently, there are no climate change related performance indicators integrated into management incentive mechanisms. |
| E1-1 | Transition plan for climate change mitigation | Not included in report | KPMG Hungary has not prepared a transition plan due to the nature of its business and the extent of its environmental impact. |
| ESRS2 SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | 2.4 Our core sustainability topics play a key role in our future strategy and business operations | Further information: Our Impact Plan |
| ESRS2 IRO-1 | Description of the processes to identify and assess material climate-related impacts, risks and opportunities | 2.4 Our core sustainability topics play a key role in our future strategy and business operations | Due to the nature of KPMG Hungary's business operations and the extent of its environmental impact, no resilience analysis has been prepared. More information on KPMG's global level Climate Scenario Analysis can be found here: Our Impact Plan |
| E1-2 | Policies related to climate change mitigation and adaptation | 3.1 Our energy use | |
| E1-3 | Actions and resources in relation to climate change policies | 3.1 Our energy use | Financial resources dedicated to climate change policies are not defined. |
| E1-4 | Targets related to climate change mitigation and adaptation | Not included in report | KPMG has a global GHG emission reduction target, to which KPMG Hungary contributes. Our Global Goals and Directions: Our Impact Plan |

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ESRS E1: Climate change

| | | | |
|-------------|---|--|--|
| E1-5 | Energy consumption and mix | 3.1 Our energy use | |
| E1-6 | Gross Scopes 1, 2, 3 and Total GHG emissions | 3.2 Our carbon footprint | The emission factors and methodology used for GHG emissions are partially disclosed. |
| E1-7 | GHG removals and GHG mitigation projects financed through carbon credits | Not included in report | Not relevant, KPMG Hungary does not finance GHG removal projects due to the nature of business. |
| E1-8 | Internal carbon pricing | Not included in report | Not relevant, KPMG International has internal carbon pricing guidelines, but this has not been implemented at local level due to low business relevance. |
| E1-9 | Anticipated financial effects from material physical and transition risks and potential climate-related opportunities | Not included in report | Not relevant, the expected financial impacts from material physical and transition risks and potential climate-related opportunities are not material to KPMG Hungary. |

ESRS S1: Own workforce

| | | | |
|--------------------|--|---|---|
| ESRS2 SBM-2 | Interests and views of stakeholders | 4.1.1 Employee related policies ; 4.1.2 Communication with employees | Further information: Global Code of Conduct , Whistleblowing Hotline |
| ESRS2 SBM-3 | Material impacts, risks and opportunities and their interaction with strategy and business model | 2.4 Our core sustainability topics play a key role in our future strategy and business operations ; 4.1.1 Employee related policies | Further information: Global Code of Conduct , Whistleblowing Hotline |
| S1-1 | Policies related to own workforce | 4.1.1 Employee related policies , 4.2 Equal opportunities ; 4.6 Well-being and employee safety | Further information: KPMG IDE Policy |

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| |  Disclosure requirement |  Reference |  Comment |
|-------------------------------|--|--|--|
| ESRS S1: Own workforce | | | |
| S1-2 | Processes for engaging with own workers and workers' representatives about impacts | 2.4 Our core sustainability topics play a key role in our future strategy and business operations; 4.1.2 Communication with employees | The detailed due diligence processes required by the standard are in development and partially disclosed. |
| S1-3 | Processes to remediate negative impacts and channels for own workers to raise concerns | 5.3.2 Whistleblowing | |
| S1-4 | Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions | 4.1 Our employee value proposition; 4.3 Training and skills development; 4.4 Adequate wages; Diversity; 4.6 Well-being and employee safety | A comprehensive set of measures to address the impacts, risks and opportunities identified in the Double Materiality Assessment is being developed, therefore, partially disclosed.. |
| S1-5 | Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities | 4.1 Our employee value proposition | KPMG Hungary currently has no measurable targets, therefore, it is not disclosed |
| S1-6 | Characteristics of the undertaking's employees | 4.1.2 Communication with employees | The turnover rate of our employees contain sensitive information and, therefore not disclosed. |
| S1-7 | Characteristics of non-employee workers in the undertaking's own workforce | 4.1.2 Communication with employees | |
| S1-8 | Collective bargaining coverage and social dialogue | Not included in report | Not relevant, as KPMG Hungary does not employ employees within the framework of collective bargaining. |
| S1-9 | Diversity metrics | 4.5 Diversity and inclusion | |



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| |  Disclosure requirement |  Reference |  Comment |
|-------------------------------|--|---|---|
| ESRS S1: Own workforce | | | |
| S1-10 | Adequate wages | 4.4 Adequate wages | |
| S1-11 | Social protection | 4.6 Well-being and employee safety | For KPMG Hungary, the benefit for loss of income due to retirement is not relevant, this data point is not disclosed. |
| S1-12 | Persons with disabilities | 4.5 Diversity and inclusion | Development of data collection process is in progress, therefore quantitative information partially presented. |
| S1-13 | Training and skills development metrics | 4.3 Training and skills development | |
| S1-14 | Health and safety metrics | 4.6 Well-being and employee safety | Development of data collection process is in progress, therefore quantitative information not disclosed. |
| S1-15 | Work-life balance metrics | 4.6 Well-being and employee safety | |
| S1-16 | Compensation metrics (pay gap and total compensation) | Not included in report | The compensation metrics contain sensitive information, therefore KPMG does not disclose it. |
| S1-17 | Incidents, complaints and severe human rights impacts | Not included in report | Not relevant, there were no related incidents for KPMG Hungary in the reporting period. |



Disclosure requirement



Reference



Comment

ESRS G1: Business conduct

| | | | |
|---------------------|---|---|---|
| ESRS 2 GOV-1 | The role of the administrative, supervisory and management bodies | 5.1 Transparency and accountability | Further information: Transparency report |
| ESRS 2 IRO-1 | Description of the processes to identify and assess material impacts, risks and opportunities | 5.5 Risk and opportunity analysis | Further information: Transparency report |
| G1-1 | Corporate culture and Business conduct policies and corporate culture | 5.3 Ethics, integrity and independence; 5.4 Corporate culture; 5.5 Risk and opportunity analysis | Animal welfare policies are not relevant for KPMG Hungary and there are no functions particularly vulnerable to bribery, therefore these data points are not disclosed. Further information: Whistleblowing Hotline, Global Code of Conduct |
| G1-2 | Management of relationships with suppliers | 5.5.2 Third-party risk management | The process is disclosed partially. |
| G1-3 | Prevention and detection of corruption and bribery | 5.3 Ethics, integrity and independence | Further information: Whistleblowing Hotline, Anti-Bribery and Anti-Corruption The table summarising training courses to prevent and detect corruption or bribery is not disclosed. |

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ESRS G1: Business conduct

| | | | |
|-------------|--|--|--|
| G1-4 | Confirmed incidents of corruption or bribery | 5.3 Ethics, integrity and independence | Further information: Whistleblowing Hotline, Anti-Bribery and Anti-Corruption There were no related incidents for KPMG Hungary in the reporting period |
| G1-5 | Political influence and lobbying activities | Not included in report | Not relevant, KPMG Hungary does not carry out lobbying activities |
| G1-6 | Payment practices | Not included in report | Development of data collection process is in progress, therefore quantitative information not disclosed. |

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