

Working with you to build long-term value: Introducing KPMG's Sustainability Services

kpmg.com/sustainability



Foreword

I began my journey with KPMG 25 years ago. During this time, I have witnessed organizations place growing importance on their social and environmental performance. Many companies now recognize they are directly connected with, and impacted by, their natural environment and society. This recognition is partly due to accelerating social and environmental changes, from population growth and urbanization to water scarcity, unpredictable weather and soaring demand for resources.

These changes bring both new opportunities and new risks for business.

Market dynamics are transforming, offering rewards for the visionary and the nimble, but threats for those slower to adapt. New regulation is proliferating at international, national and local levels, creating different requirements that companies must comply with. And stakeholders are putting increasing pressure on companies to improve their environmental and social performance, which makes brands and corporate reputations ever more vulnerable.

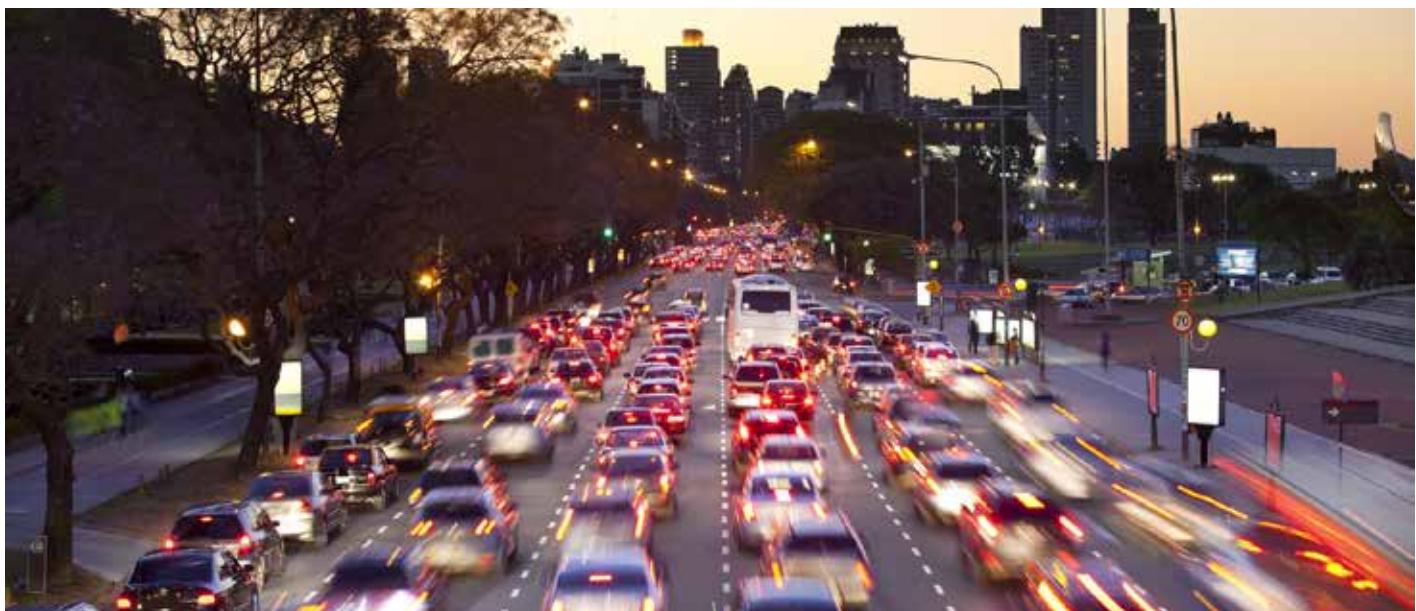
My mission with KPMG's Sustainability Services, along with my colleagues in our international network, is to provide our clients with solutions to ensure their businesses remain resilient and financially sustainable in the future.

We can help guide you through the journey to building long-term value and help you understand what social and environmental change means for your business. We look forward to working with you.



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The journey to a sustainable business model



The business world today is more complex, volatile and fast-moving than ever before.

Constant change on all fronts, from technology to economics to politics, creates a succession of challenges for business leaders. Success depends on understanding and managing the risks, while reinventing business models to unlock new commercial opportunities.

Now, business leaders all over the world find they need to respond to environmental and social changes: from population growth, urbanization

and expanding wealth to resource scarcity, declining ecosystems and climate change.

If a company is to successfully manage the risks and opportunities of these changes, and build a business that is sustainable in the long-term, it needs to go on a journey.

KPMG member firms work with organizations on that journey.

Our sustainability professionals can support you from start to finish, or at specific points on the journey where you need help the most.

This short publication summarizes our view of the journey to a sustainable business model and explains how KPMG member firms can help you along the way.

About KPMG's Sustainability Services

KPMG is one of the pioneers of sustainability consulting – some KPMG member firms first offered sustainability services over 20 years ago. This gives KPMG's network in-depth experience. Today our network employs several hundred sustainability professionals located in around 60 countries.

Contact KPMG's Global Center of Excellence for Climate Change & Sustainability
sustainabilityservices@kpmg.com

Local knowledge, global experience

KPMG's global network means we have in-depth understanding of the economic, political, environmental and social landscapes wherever your organization may operate. At the same time, member firms are closely connected through our Global Center of Excellence. This means that, whatever challenge you face, we can put together a knowledgeable team with international experience to help you.

Results driven

KPMG member firms help clients to develop future-fit business strategies based on solid understanding of the issues. We strive to think big and challenge convention, with implementation in mind, working with you to find practical solutions that can create success and growth through change.

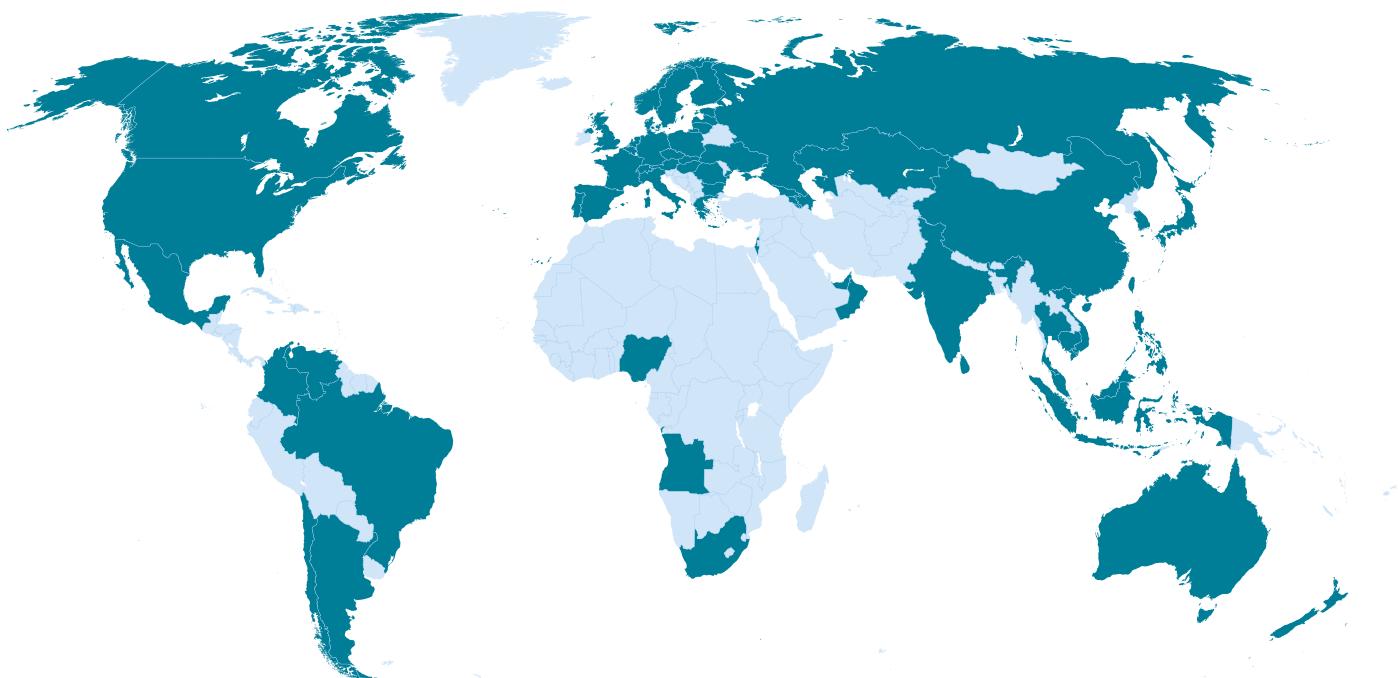
Sustainability+

We don't work in a sustainability vacuum. We work side-by-side with KPMG professionals from tax, audit and advisory including sector specialists, management consultants, tax accountants and experts in IT, supply chain, infrastructure, international development and more. You won't receive generic advice and one-size-fits-all solutions from us, instead you can benefit from a hand-picked multi-disciplinary team.

Foresight needs insight

Our Global Center of Excellence focuses on thought-provoking research, analyzing drivers of global change and developing practical business responses that you can apply within your own organization.

KPMG member firms with dedicated sustainability professionals



TEN INTERCONNECTED ENVIRONMENTAL AND SOCIAL MEGAFORCES¹



RISKS

COMPETITIVE

Changing market dynamics

REPUTATIONAL

Corporate reputations are vulnerable when companies are perceived as 'doing the wrong thing'

PHYSICAL

Impacts of extreme weather

REGULATORY

Increasing environmental and social regulation

LEGAL

Increasing risk of legal action over environmental and social transgression

SOCIAL

Social unrest, worker and community protests, migration and potential conflict over resources

OPPORTUNITIES

COST

- Reduce costs through more efficient and sustainable production processes and operations

GROWTH

- Innovate new products and services that provide solutions to the challenges of environmental and social megaforces
- Tap into new markets in new places
- Secure license to operate
- Access capital on the basis of positive environmental and social impacts

BRAND

- Protect brand value by managing risks effectively
- Enhance corporate reputation
- Strengthen stakeholder relationships

¹ KPMG International (2012). *Expect the Unexpected: Building business value in a changing world*.

² Oxfam International (2011). *Growing a Better Future: Food justice in a resource-constrained world*.

³ 2030 Water Resources Group and United Nations Environment Programme (2011). *Towards a Green Economy: Pathways to sustainable development and poverty eradication*.

Building long-term value:

The journey







🔍 Phase 1 Analyze

The journey to building long-term value begins with analysis of an organization's situation in relation to today's environmental and social megaforces and by asking the question: "How does the organization's business strategy need to change in order to build long-term value?"

The analysis phase provides essential information on which to define a plan of action, a baseline from which to measure progress and a clear view of priorities.

KPMG professionals can help your organization to:

- assess your exposure to environmental and social risks including quantifying risks and opportunities in financial terms
- identify actions that will create or protect value for your business and your stakeholders in the long-term
- identify opportunities to cut costs; develop profitable new business models; and strengthen your brand and corporate reputation

- pinpoint the environmental and social issues that are most important to your business, your value chain and your stakeholders (materiality assessment)
- benchmark your environmental and social performance against sector peers and highlight areas for improvement.

Calculating True Value in the cement industry

The challenge

Global cement company Holcim needed to demonstrate the business case for its ambitious sustainability program. The company, together with its Indian subsidiary Ambuja, set out to do the quantitative analysis required to enable informed decision-making on which sustainability initiatives to invest in.

How KPMG helped

Professionals from KPMG in the Netherlands and KPMG in India worked with Ambuja to investigate its True Value. The team monetized the impact of the company on society and the environment and set this off against its financial results, thereby revealing key areas of business

risk and the potential impact on future profitability. At the same time, the KPMG team calculated the business case for proactive management of the social and environmental value.

Benefits for the client

With this True Value analysis, Holcim is translating sustainability into the language of the boardroom and building a foundation for management decisions on a business model that is sustainable in the long-term. The result is the identification of strategic initiatives that will protect and unlock company value going forward, giving the company competitive advantage.



Phase 2 Plan

The analysis in Phase 1 provides an organization with clear understanding of its most significant risks, opportunities and material issues.

The next phase is to develop a plan of action to address these. Goals and milestones must be fully integrated with the broader business strategy.

KPMG professionals can help your organization to:

- develop your business strategy to address your key environmental and social risks, opportunities and material issues

- build the business case for investment and identify tax breaks and other incentives that can improve returns
- secure consensus, support and engagement from internal and external stakeholders
- establish relevant and robust targets and key performance indicators by which to measure progress
- identify and develop new policies, such as diversity and equality policies and supplier codes of conduct
- analyze your value chain to help you reduce the environmental and social impacts of both your suppliers and your products and services
- develop issue-specific strategies in areas such as energy efficiency and carbon reduction, water efficiency, waste reduction and biodiversity conservation
- assess the organization's capacity to deliver on the actions needed to build a sustainable business model, and identify capacity building initiatives.

Helping a confectioner source cocoa more sustainably

The challenge

A large consumer goods company wanted to increase the amount of certified sustainable cocoa it used and to help cocoa farmers to achieve certification. By doing so, the company would help to make the farms more productive, help make the farmers more financially secure, and would ensure that its supplies of cocoa would be secure and sustainable over the long-term.

In order to implement the most effective sustainable sourcing strategy, the company needed in-depth analysis of the economic dynamics and cost drivers within the industry.

How KPMG helped

A team from KPMG in the Netherlands - comprised of experts from sustainability, finance and business strategy - worked with colleagues from KPMG in Ghana, Brazil and Indonesia. Together they provided the client with a broad-ranging analysis of the financial dynamics of cocoa certification and identified the farmers most ready for sustainability training and certification in West Africa, South America and Asia, as well as the most appropriate certification schemes.

Benefits for the client

KPMG's analysis enabled the company to identify the most effective strategy for supply chain intervention. It also helped the company to quantify more accurately the benefits of its sustainability program, including the number of farmers trained and subsequent increases in yield and farmer income.



Phase 3 Implement

Designing a strategy for a sustainable business model is one thing, making it happen is another. An organization needs a number of fundamentals in place in order to implement the strategy effectively.

These fundamentals include ensuring that the organization has the capacity and capability to achieve its goals, that the right technologies and processes are in place and that people are aware, committed and incentivized.

KPMG professionals can help your organization to:

- review core processes across all functions, and identify and implement changes required
- design and implement new IT systems
- identify training needs, and develop and deliver training programs for employees and suppliers
- engage and incentivize employees to achieve sustainable business targets
- ensure compliance with mandatory regulations and voluntary frameworks such as sectoral codes of conduct and UN principles
- review governance frameworks within your organization to ensure engagement and accountability
- capture green tax incentives and credits that enhance the return on investments.

Unlocking millions in cost savings through green tax incentives

The challenge

Governments worldwide are increasingly using tax as a tool to address the challenges of social and environmental change, but many corporate tax teams are not aware of the landscape of green tax in which they operate and the incentives that may be on offer. Often, there is a disconnect between a company's tax and sustainability departments. As a result, a multinational high-tech corporation was struggling to justify investments in green infrastructure, despite decades of experience with corporate social responsibility and an established sustainability strategy.

How KPMG helped

A team from KPMG in the US reviewed the company's sustainability-related capital expenditures and matched

them against applicable green tax credits. For example, the client would qualify for an investment tax credit of 30 percent on the cost of solar panels on its premises in the US.

Benefits for the client

As a result, the client can now clearly identify tax opportunities to decrease cost and increase returns on its sustainability investments. The client's tax and sustainability teams now work more closely together in sourcing the data needed to apply for green tax credits and in aligning capital expenditures with the availability of tax incentives. Similar projects conducted by KPMG member firms have identified green tax savings for clients of up to USD50 million.



Phase 4 Monitor

In order to monitor performance effectively, organizations need to have the right data-gathering processes in place along with the right analysis tools and methodologies.

KPMG professionals can help your organization to:

- develop and improve information management systems to measure progress against your strategy
- develop and implement engagement processes to monitor the views of your most significant stakeholders
- monitor and measure the environmental and social impacts of your business and your value chain including carbon emissions, water use and waste
- monitor the performance of your suppliers against codes of conduct or environmental and social requirements
- analyze information gathered to provide new insights and to adjust the strategy as required.

Monitoring suppliers in the clothing industry

The challenge

Prompted by concerns about working conditions in the garment industry, a major fashion group wanted to investigate to what extent its suppliers in India were complying with its Code of Conduct and assess its exposure to risk through its suppliers.

How KPMG helped

Sustainability professionals at KPMG in India mapped the group's supply chain and identified more than 3000 subcontractors involved in production in India alone. They also conducted analysis to identify priorities to reduce risk, complexity and turnover in the supply chain. They developed new performance indicators and a supplier rating system (including social and environmental criteria) to encourage main suppliers to take responsibility.

In addition, they conducted regular audits and site visits to main suppliers and their subcontractors to verify compliance with the Code of Conduct.

Benefits for the client

As a result of the project, suppliers changed behavior to limit outsourcing and to build long-term relationships with their subcontractors. The social and environmental performance of the supply chain has moved from mere compliance with the Code of Conduct to proactive management of issues such as gender diversity and education. Slowly, the sustainability parameters found their way into the group's business considerations. The group is now replicating the model in other manufacturing locations.



Phase 5 Report & assure

Reporting on environmental and social performance is now standard practice in business wherever in the world you may operate. The KPMG Survey of Corporate Responsibility Reporting 2013 found that almost three quarters of the top companies across 41 countries now issue corporate responsibility/sustainability reports. That figure rises to 93 percent among the world's largest 250 companies.

Stakeholders, from investors to NGOs, want to know that a company has identified its most significant environmental and social risks and impacts, and is addressing them effectively. They also need to know that the information

provided by a company is accurate, credible and can be trusted.

Momentum is also building towards integrated reporting, which provides a holistic overview of an organization's financial and non-financial performance.

KPMG professionals can help your organization to:

- understand what environmental and social information you should report
- choose the right reporting approach and frameworks for your business
- integrate financial and non-financial information in your reporting
- report information for specific purposes such as the Carbon Disclosure Project and sustainability indices
- benchmark the quality of your reporting against industry peers
- assure your internal and external reporting systems
- provide independent assurance of your sustainability performance reporting
- verify the sustainability performance of your suppliers.

Verifying compliance with responsible gold guidelines

The challenge

Profits from mining and the mineral trade are being used by some to fund conflict and human rights abuses in the war-torn Democratic Republic of Congo. In an attempt to address this, the London Bullion Market Association (LBMA), the de facto global standard-setter for the quality of gold bars, recently introduced Responsible Gold Guidance. All gold refiners who wish to sell their gold into the London Bullion Market must comply with the guidance, produce an annual compliance report, and have it assured by an independent third-party auditor.

How KPMG helped

In 2012, KPMG in Japan started to provide assurance on compliance reports prepared by gold refiners in accordance with the LBMA Responsible Gold Guidance.

Since then, the practice has delivered assurance services to several Japanese gold refiners and established a reputation for its expertise in this sector.

Benefits for the client

As a result of the assurance, clients maintain their status as quality refiners, ensuring their continued access to the global gold market. Refiners trading in a variety of minerals and metals are now able to easily expand their due diligence systems beyond gold to include other conflict minerals including tin, tungsten and tantalum.

Phase 6 Evaluate

Regular evaluation is essential for companies taking the journey to a more sustainable business model. It is important to take a step back and critically examine what the outcomes have been for the business, its key stakeholders and its True Value.

This evaluation will enable the organization to make the journey more efficient and effective and will provide the information needed for strategic decision making.

KPMG professionals can help your organization to:

- design and implement evaluation programs
- measure the return on investment of initiatives and conduct cost/benefit analyses.



Quantifying social return on investment in mining

The challenge

In South Africa, mining companies must submit Social & Labour Plans (SLPs) as a pre-requisite to the granting of mining or production rights. This is part of the government's approach to promoting employment and ensuring economic growth and socio-economic development. A leading coal producer needed to understand the social impact of its previous activities to better inform future investments.

How KPMG helped

Sustainability and valuations experts from KPMG in South Africa conducted a Social Return on Investment (SROI) study on approximately 30 projects across all their community development themes. The team monetized material social outcomes to determine the present value

of each project and compared it with the original investment, enabling the client's SLP to detail the relevance and value of the projects in a more accurate and compelling way.

Benefits for the client

KPMG's work has helped the client to engage with its stakeholders to improve the development impact of the mining sector. The results will also enable the company's next SLP to be more strategic and outcome-oriented. The improved approach to community development will lead to better projects, which will strengthen the company's license to operate. Finally, the impact map developed as part of the project will form the foundation of the company's nascent monitoring and evaluation system.

New thinking from KPMG's sustainability professionals

KPMG's thought leadership provides insights on the most important trends in sustainability and business responses to environmental and social change.



A New Vision of Value: connecting corporate and societal value creation

A New Vision of Value explores how economic, social and environmental megaforces are transforming the operating landscape for business. The report identifies three key drivers that are closing the gap between corporate and societal value creation, and bringing new risks and opportunities for business. It presents the KPMG True Value methodology which helps to enable business leaders to develop response strategies to protect and create value both for shareholders and for society. kpmg.com/truevalue



Expect the Unexpected: Building business value in a changing world

Expect the Unexpected identifies and explores the 10 environmental and social megaforces that will have the greatest impact on businesses in coming years. It assesses value at risk and value creation opportunities for 10 industry sectors and offers recommendations for business and government actions.

kpmg.com/expecttheunexpected



Sustainable Insight: The essentials of materiality assessment

Some 80 percent of the world's largest 250 companies already identify material sustainability issues in their reporting. Yet the process of identifying material issues is a challenge that clients of KPMG member firms are increasingly seeking our professional guidance on. In this guide, KPMG presents a 7 phase materiality assessment process, highlights challenges commonly experienced by risk and reporting professionals when implementing a materiality assessment process for sustainability and provides KPMG's solutions to these challenges. kpmg.com/sustainableinsight



GRI's G4 Guidelines: The impact on reporting

This briefing paper assesses the impact of the Global Reporting Initiative's (GRI) G4 reporting guidelines which were launched in May 2013. It highlights the most significant differences between G4 and the previous G3 guidelines. kpmg.com/g4



Sustainable Insight: Unlocking the value of social investment

KPMG research on corporate and foundation approaches to measuring and reporting social investment found that 100 of the world's largest companies and their associated corporate foundations invested, on average, the equivalent of 2.5 percent of their pre-tax profits in programs to tackle social and environmental challenges such as access to education, healthcare and disaster relief. In this paper, KPMG presents a framework to help companies improve the effectiveness of social programs. It also includes examples of social impact assessment projects that KPMG has worked on around the world. kpmg.com/sustainableinsight

Publications

Sustainability Services



The KPMG Survey of Corporate Responsibility Reporting 2013

The KPMG Survey of Corporate Responsibility Reporting has been published since 1993 and is the most broad-ranging survey of corporate responsibility (CR) reporting trends available. The 2013 edition looks at CR reporting trends across 4,100 companies across 41 countries. It also explores the quality of CR reporting among the 250 largest global companies and offers some lessons from the leaders.

kpmg.com/crssurvey



The KPMG GreenTax Index 2013

The KPMG Green Tax Index 2013 explores green tax incentives and penalties in 21 major economies. Its purpose is to increase awareness of the complex, fragmented and rapidly evolving green tax landscape worldwide and to encourage tax and sustainability teams within corporations to work more closely together to capture available incentives and minimize exposure to green tax penalties.

kpmg.com/greentax



Sustainable Insight: A roadmap to responsible soy

Soy is one of the world's most important and profitable agricultural commodities. But it is also controversial because its production is associated with significant environmental and social problems, including deforestation and poor working conditions. This paper identifies four key barriers to mainstreaming responsible soy production, presents a roadmap to overcome them and a framework of actions to assist companies in developing an effective response strategy.

kpmg.com/sustainableinsight



Sustainable Insight: Water scarcity - a dive into global reporting trends

This publication explores how the world's major businesses are setting out their approaches to water scarcity via their key communication vehicles on corporate responsibility (CR) and sustainability. It investigates what they are reporting on and – sometimes more importantly – what they are not reporting on, and draws out significant variances between sectors and geographic regions.

kpmg.com/sustainableinsight



Future State 2030: The global megatrends shaping governments

Major global forces taking shape today will significantly impact the business landscape for the public and private sector through to 2030. This report delves more deeply into the implications for national governments and public sector policy makers and identifies nine global megatrends that are most salient to the future of governments.

All reports: kpmg.com/sustainability

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Publication name: Working with you to build long-term value

Publication number: 131019

Publication date: December 2014