

2015 - 2016

Sustainability Report



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1. Letter

G4-1

Dear Reader,

I am pleased to introduce you to KPMG in Romania's fourth Sustainability Report, developed in line with the Global Reporting Initiative (GRI) G4 Guidelines, in which our vision of tailoring a long term sustainable business is broadly defined. We consider this publication as a step forward towards the future of our reporting process, and we look at it as a transitional initiative leading to the application of the GRI Standards, which are global best practice in reporting non-financial performance.

The opinion of our stakeholders is highly important for KPMG, and therefore this publication also seeks to fully respond to their reasonable expectations in relation to our performance and our economic, environmental and social impacts, as well as to provide insight into our future perspectives.

The 2015-2016 period has been particularly special for our firm as we have reaffirmed our identity as a purpose-led organization, focused on explicitly communicating and celebrating this strong sense of purpose with our professionals.

I am appreciative of the work our people carry out considering that many traditional business models are being challenged by disruptive models and continuous change has become the new normal. Concurrently with the increasing use of technology, KPMG is working to expand the skills of its professionals through advanced training and implementation of new tools, as well as recruiting new talent.

More than that, we acknowledge that KPMG has an additional responsibility to be at the forefront of new trends and developments. For this reason over the last few years we have concentrated our efforts not only on providing high quality professional advice to our clients, but also on sharing our knowledge with the public at large.

This entire period was quite intense and full of rapid changes, many of which were unexpected. The UK's vote to leave the

European Union unleashed an enormous wave of political and economic change, entailing risks and opportunities that simply did not exist prior to 23 June 2016. This unprecedented decision generated waves of emotion around the world, and leaders of Romanian organizations had to put the reality of Brexit urgently on their agendas and risk radars.

Reflecting on the larger context of the complexities of global politics, I cannot avoid mentioning the result of the United States election in November 2016, which brought uncertainty over the country's future participation in the Paris Agreement. The international fight against climate change is a long-term challenge and KPMG has also contributed to the work of the Financial Stability Board (FSB)'s Task Force on Climate-related Financial Disclosures (TCFD), the first international initiative to examine climate change within the context of financial stability. Additionally, KPMG continues its commitment to reducing its greenhouse gas emissions and in 2016 we launched the Global Climate Response (GCR), an initiative which aims to continue the journey we started with the Global Green Initiative Programme.

Non-financial reporting requirements applicable to certain EU companies starting from the financial year 2017 will bring some major changes in the corporate framework at both European and national level. This could be an important opportunity for Romanian companies falling under these provisions, and could significantly contribute to an increase in their competitiveness.

Looking back at the regulatory changes that took place during the 2015-2016 period, and the dynamics of these changes up to the present, we have come to realise that there is an escalating degree of uncertainty, which makes forward planning a lot more challenging. Overall Romania performed well during the 2015-2016 period compared with other EU member states. However, given the present context, it is important to consider the risks that might affect the country's financial stability.

For example, a predictable regulatory framework is essential, as well as responsive and responsible leadership at all levels.

The many rapid changes translate into an increase in the stress level of our professionals, who have to dedicate more time to keeping up with all that is happening. We have implemented various initiatives such as flexible working programs, work from home, and well-being programs that have been rapidly embraced throughout the firm and have proven to be effective in helping our employees to maintain a good work-life balance.

We have reshaped our recruitment process and employed very talented new graduates who are now part of our team of professionals. We have continued our focus on delivering quality services to our clients and have developed new types of services, so we are thus able to achieve strong economic performance. During 2015-2016 we continued to work hard to further improve our market position and client focus. We were delighted to be part of several large innovative projects that were successfully implemented and had a positive impact in the community and also on the country's economy. But our work is not always easy and sometimes it requires bold decisions that are not welcomed by all parties involved. Acting with integrity is part of our identity, from the KPMG Story to the systems in place to report irregularities. I invite you to read more about this in the introductory part of this publication.

Our commitment to improving the lives of our communities is similarly important, and it is our higher purpose to help communities generate long term value. I feel inspired by all KPMG professionals who have dedicated time and energy to contribute to various community projects and I am confident that they will continue to do so.

Kind regards,
Șerban Toader



Looking ahead at this complex array of economic, social, political and environmental challenges which will certainly have an impact on all of us, it has become clearer that a shift of perspective is needed to be able to continue our progress and reduce the gap that Romania has compared to other EU developed countries. But it is more important to look at what really differentiates us. For instance, in recent years we have seen that Romania has built its path in the technology field, and has become an important HUB in Europe, which presents attractive opportunities for investors. It is important to build upon this immense opportunity.

As from the economic perspective we are part of the global ecosystem, we have to identify at an early stage the changes and disruptors likely to have an impact over the future development of our country. This report on what has been a transformational period reveals how sustainability is underpinned in our business strategy, and that our future efforts will be channelled towards our four strategic areas: Community, Environment, Workplace and Marketplace.

We are continuing this sustainable journey that you have been part of since 2013, when we first released a report, hoping that our example would inspire other leaders to follow this path and work towards building a better world, governed by responsibility, accountability, transparency and integrity.

I hope you enjoy reading this publication, which aims to provide a comprehensive and balanced image of our performance and the future outlook.



2. Foreword

G4-17, G4-22, G4-23, G4-28, G4-29, G4-30, G4-31, G4-32, G4-33

We are pleased to release the fourth edition of KPMG in Romania's Sustainability report, disclosing the social, environmental and economic performance of the network of independent firms operating on the local market under the brand KPMG in Romania. The information presented in this Report is prepared in accordance with the "core" option and the reporting principles for defining report content and quality under the G4 Guidelines issued by the Global Reporting Initiative.

This report covers all significant aspects related to the sustainability progress of the network member firms operating in Romania under the name KPMG (KPMG Romania SRL, KPMG Audit SRL, KPMG Tax SRL, KPMG Advisory SRL, KPMG Restructuring SPRL and TMO Attorneys at Law SPRL) and of the KPMG Foundation. Although the previous report does not explicitly indicate the inclusion of the KPMG Foundation within the report boundary, the related information has been added and cumulatively presented with that referring to KPMG in Romania. Thus, it covers the period from 1 January 2015 to 31 December 2016, unless otherwise stated, and does not feature data relating to other KPMG member firms. To provide context for some of the information presented we may include brief references to KPMG International, the methodology and basis used. No significant changes to the core business, size, structure or ownership have occurred during the reporting period.

Furthermore, the scope, limit and measurement methods have not changed during the reporting period.

Nevertheless, a restatement related to indirect emissions (resulting from electricity consumption) reported for 2014, is included in this report. To calculate 2014 indirect emissions, we used a conservative emission factor, based on the national energy mix and unprocessed data provided by the Regulation Authority for Energy (ANRE). Subsequently, the relevant authority published the official value for 2014, so we recalculated indirect emissions for that year.

For comparability purposes, the indicators related to our performance in 2015 and 2016 are presented in parallel with those for 2014. The reporting process is overviewed by the Sustainability Advisory Team of KPMG in Romania, which is experienced in providing sustainability assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. At this point, we are not seeking external assurance considering that local companies do not have the capabilities to provide this type of service in line with ISAE 3000.

KPMG intends to issue its future Sustainability report in line with the GRI Standards. We considered a two year reporting cycle, and thus we shall disclose information related to our economic, environmental and social impact on a biennial basis. Moreover, we plan to enhance communication with our key stakeholders to update our materiality assessment on a regular basis.

The structure of the report follows the main focus areas included in KPMG Romania's CSR strategy:

- Community
- Environment
- Workplace
- Marketplace

and aims to provide a comprehensive image of our sustainability activities and performance.

We are committed to continuously improving our practices and would highly value your opinion in relation to this Report. Consequently, we encourage you to take the time to share your ideas at ro-fmfoundation@kpmg.com.

Thank you!

3. Who we are

G4-3, G4-5, G4-6, G4-7, G4-13

KPMG is a global network of professional services firms providing Audit, Tax, and Advisory services and industry insight to support public and private sector organizations in mitigating risks and performing in the dynamic and challenging environments in which they do business. Founded in Switzerland in accordance with Swiss law, and with its headquarters in Amsterdam, KPMG International Cooperative ("KPMG International") is the entity with which all the member firms of the KPMG network are affiliated.

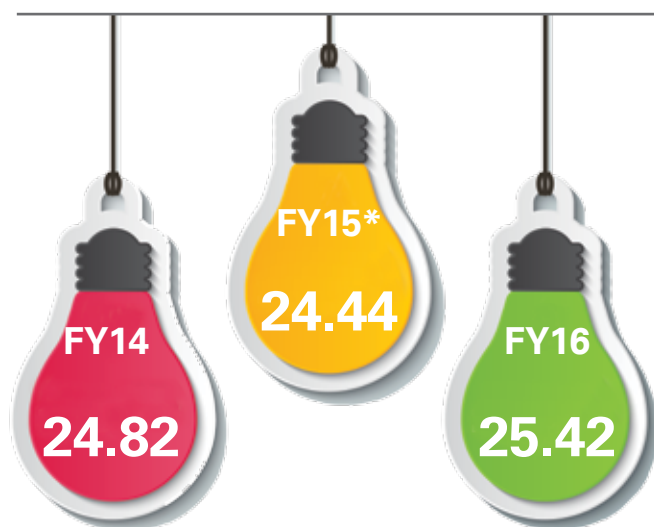
KPMG International carries out business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to

clients. Professional services to clients are exclusively provided by member firms.

There are KPMG member firms in 152 countries. Collectively, they employ more than 189,000 people.

KPMG member firms 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 structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools.

Global total revenues (USD in billions)



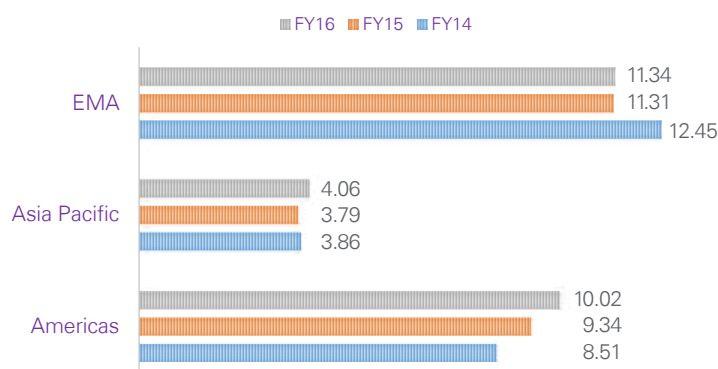
* The relative strength of the US dollar impacted FY15 global revenues when expressed in US\$. In local currency, we registered a growth of 8.1% during FY15. FY stands for Financial Year - 1 October to 30 September.

KPMG Romania SRL, KPMG Audit SRL, KPMG Tax SRL, KPMG Advisory SRL, KPMG Restructuring SPRL and TMO Attorneys at Law SPRL (hereinafter referred to as "KPMG Romania", "KPMG in Romania", "our company", "our firm") are Romanian limited liability companies and member firms within the global KPMG network.

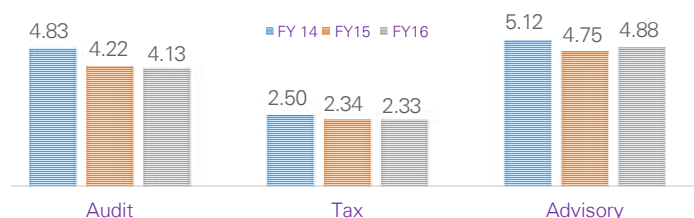
We opened our first office in 1994 and in 2016 we employed more than 800 people, including both local and expatriate staff, in Bucharest, Timisoara, Cluj, Iasi, Constanta and Chisinau (Republic of Moldova).

Our headquarters is in Bucharest, Victoria Business Park, DN 1, no.69 – 71.

Global total revenues by region (USD in billions)



Global total revenues by EMA region and function (USD in billions)



3.1 The KPMG Story

The KPMG Story serves as a global framework for us and it describes our purpose, values, vision, strategy and promise. This framework helps us to deepen our sense of purpose and the promise we make to society and our markets.

G4-56

Our purpose is our legacy. It is the sum of our individual ambitions translated into actions at the level of the firm. Why is our purpose so important? We have reached a certain degree of maturity as a business, and with maturity comes, first and foremost, responsibility. Simply put, because we have a huge impact on everyone we come into contact with – our colleagues, our clients, and our

community. All of us have shared values, which bring us together and are the basis of what we do. If we focus closely on our shared values, we will work well together within our teams and throughout the firm. If we maintain our values, we will inspire confidence among our colleagues and with clients, facilitating positive change along the way.

This is KPMG and
this is our story

When we unify behind our story
we perform at our best.

This is why
we're here

Inspire Confidence.
Empower Change.

This is our Purpose.

This is what
we believe in

- Lead by example
- Respect the individual
- Work together
- Communicate openly and honestly
- Seek the facts and provide insight
- Improve communities
- Act with integrity

These are our Values.

This is what
we want to be

- The Clear Choice:
- Our people are extraordinary
 - Our clients see a difference in us
 - The public trusts us

This is our Vision.

This is how
we'll get there

We will:

- Drive a relentless focus on quality and excellent service
- Take a long-term, sustainable view
- Act as a multi-disciplinary firm, collaborating seamlessly
- Invest together in our chosen global growth priorities
- Continuously improve quality, consistency and efficiency
- Maintain a passionate focus on our clients
- Deploy globally our highly talented people
- Bring insights and innovative ideas
- Build public trust

This is our Strategy.

This is how we want
the world to see us

With passion and purpose, we work shoulder-to-shoulder with you, integrating innovative approaches and deep expertise to deliver real results.

This is our Promise.

3.2 Global Code of Conduct

“Our communities are the marketplaces, locations, authorities, and societies in or with which we operate and with which we engage.” – KPMG Global Code of Conduct



The Global Code of Conduct defines the minimum standards of ethical conduct that KPMG requires of its personnel. Compliance with the Code of Conduct assists with compliance with the fundamental principles of the IESBA Code which KPMG recognizes as the basis for all personnel. Those fundamental principles are: integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

The KPMG Global Code of Conduct is designed to provide an understanding of the standards of ethical conduct that KPMG requires around the world. The Global Code applies to all KPMG partners and employees - regardless of title or position - and serves as a road map to help guide actions and behaviours while working at KPMG. It spells out fundamental ethical principles and highlights resources available to help partners and employees understand and uphold those principles. Also, it has clear provisions that require KPMG professionals to:

- comply with all applicable laws, regulations and KPMG policies.
- report any illegal acts, whether committed by KPMG personnel, clients or other third parties.
- report breaches of risk management policies by KPMG firms or people.
- uphold the highest levels of client confidentiality.
- not promise, offer, make, solicit or accept bribes (whether directly or through an intermediary).

KPMG in Romania is committed to the KPMG set of values and has adopted the KPMG Global Code of Conduct. All KPMG personnel are required to confirm their understanding of, and compliance with the KPMG Global Code of Conduct upon joining the firm and annually thereafter. Moreover, our value based compliance culture encourages individuals to raise their concerns when they see behaviours or actions that are inconsistent with our Values or professional responsibilities, without fear of retaliation. For example, the KPMG International hotline is a vehicle for KPMG partners, employees, clients or other parties to confidentially report concerns relating to certain areas of activity, or the senior leadership of a member firm.

OUR COMMITMENTS

To our people

- To help our people to be objective, ethical, and professional.
- To encourage our people to raise ethical and professional issues without fear of retaliation.
- To invest in our people's professional development so that they can reach their full potential.
- To champion an inclusive and cooperative culture that is free from bullying, discrimination, and harassment, where everyone is treated with respect and dignity.
- To respect the confidentiality of our people's personal data.
- To provide a safe and healthy work environment.
- To provide appropriate work/life flexibility.
- To maintain a just and fair approach to remuneration.

To our network

- To accept the right clients and only accept engagements that we can carry out in a way which is consistent with our high - quality standards.
- To work with clients, suppliers, and subcontractors that live up to KPMG's core ethical standards.
- To drive quality by developing and applying appropriate KPMG methodologies and procedures.
- To address challenging situations in the right way by applying professional ethics and consulting with experienced people within KPMG to reach the right conclusions.
- To strive at all times to protect and enhance KPMG's brand and reputation.
- To keep assets and resources safe and use them only for appropriate business purposes.

To our clients

- To deliver high-quality service to clients in line with our qualifications, experience, commitments and engagement terms.
- To act lawfully, ethically and in the public interest.
- To maintain independence and objectivity and avoid actual or perceived conflicts of interest.
- To protect our clients' confidentiality and use their information for business purposes only.
- To promote member firms' services honestly and compete fairly.
- To prohibit bribery and corruption, and not tolerate illegal or unethical behaviour by our clients or suppliers or by public officials.

To our communities

- To enhance the role of the accounting profession and build trust in global capital markets.
- To contribute to a better-functioning market economy.
- To act as a responsible corporate citizen -playing an active role in global initiatives relating to climate change, sustainability, and international development.
- To manage our environmental impact.
- To follow high standards of ethical conduct around the world including aspiring to the ten principles of the UN Global Compact.
- To work with other businesses, governments, and charitable organisations to create stronger communities.

3.3 What we do

G4-4, G4-8

We provide Audit, Tax and Advisory services and industry insight to a large range of organizations from the private and public sectors. KPMG was one of the first networks of professional services firms to align its services along industry lines and focuses on delivering high-quality, coordinated services to organisations in five key lines of business:

- Financial Services.
- Consumer Markets.
- Industrial Markets.
- Technology, Media & Telecommunications.
- Infrastructure, Government & Healthcare.

Companies in different industries can have very different needs - that is why KPMG member firms place an emphasis on industry focus. We have specialized staff with many different skills and backgrounds, and we are flexible – we adapt our services and develop new ones to meet the needs of clients as market conditions change. Being part of the KPMG International network, we have the opportunity to combine detailed local knowledge with the international skills and experience we can draw on from other KPMG member firms. Our local services include:

Audit

- Statutory audits
- Audits of financial statements prepared according to IFRS and other accounting standards
- Reviews of annual and quarterly financial statements
- Accountants' reports for IPOs and listings
- Business combinations assurance
- Internal controls assurance
- Revenue assurance
- Regulatory & contractual assurance
- Ethics assurance
- Sustainability assurance
- Other assurance services specifically tailored to circumstances

Tax

- Corporate Taxation
- Indirect Taxation
- International Taxation
- Investment Incentives
- Financing of Investments
- Expatriate Tax Advice
- Withholding Taxation
- Global Income Taxation
- Transfer Pricing Assistance during investigations carried out by the fiscal authorities
- Tax Disputes
- Tax Compliance Support
- Taxation of Leasing Operations
- Real Estate
- Forensic Tax Investigations Foreign
- Currency Regulation
- Local Taxes
- Legal services

Advisory

- Consulting
 - IT Advisory
 - Business Performance
 - People and Change Advisory
 - Public Sector Consulting*
 - Corporate Governance
 - Accounting Advisory services
 - Financial risk management
- Forensic services
- Internal Audit
- Sustainability services
- Deal Advisory
 - Corporate Finance
 - Restructuring
 - Transaction Services

* Due to various long term strategic considerations, starting from 2016 we ceased to have a dedicated team for public sector consulting. Some members of the former team are supporting other teams in KPMG, whilst others have decided to pursue other career opportunities.



Additionally, we provide support to our clients through specialised desks or practices (e.g. German desk, China and Israeli practices), which are multidisciplinary teams with a sound understanding of the particularities of specific markets.

In 2011 we launched the KPMG Delivery Centre, which was intended to be a support department for our Audit function. However, this department has considerably expanded beyond its initial remit, now providing support to all

functions within KPMG in Romania and it has extended its activity to other KPMG offices such as KPMG Belgium, KPMG Denmark, KPMG Sweden, KPMG France, KPMG Netherlands, KPMG Global and most recently KPMG Switzerland. The core business is linked to audit support, while secondary services are linked to accounting outsourcing or global mobility services. In terms of audit support, the department specializes in time consuming and low risk audit procedures, file processing, as well as data & analytics.

3.4 Our people

G4-9, G4-10, G4-11

The dynamic character of our sector activity and the volatile business environment we operate in raise the pressure on professional excellence, which can be translated into identifying, recruiting, developing and retaining people with appropriate skills and experience that, at the same time, resonate with KPMG values and strategic priorities. Moreover, the quality of our people is one of the ways our clients tell us we stand out in the marketplace, which makes it critically important that we motivate and retain the very best of them. Our professionals distinguish themselves by being forward thinkers, having a global mind-set and adding value by being passionate about their work.

Creating talents is not an easy process and continuous education and development for both new joiners and seasoned professionals is of high importance at KPMG. We provide our employees with the best individual learning experience by mixing national and international, and internal and external training courses. Furthermore, a global mobility programme is available for professionals seeking an opportunity to work abroad with KPMG. During the reporting period 10 professionals from KPMG in Romania have benefited from this opportunity.

We acknowledge that diversity is one of the key factors helping us to achieve our purpose of inspiring confidence and delivering innovative solutions that our clients need. That requires building teams of experts that are diverse in more areas than simply gender diversity. Not only will this reflect the nature of our clients' businesses, it will allow us to express distinct viewpoints and bring well-rounded perspectives to our clients. Thus, even more important than diversity is our aim to be an inclusive culture.

In this context, the decisive role that human resources (HR) management plays in helping drive change and business growth within KPMG has never been better understood nor more relevant than it is during this tough period. By cooperating, sharing knowledge and integrating HR thinking into our firm's strategy, we are in a much stronger position to drive growth and attract, retain and motivate the talent we have within our organization.

In 2015 and 2016 we remained focused on maintaining our valuable professionals and continued recruiting new employees to embrace our culture.

Thus, the total number of employees had increased compared to 2014 as a response to our growing business needs and our aim of strengthening our mission to deliver quality services to our clients.

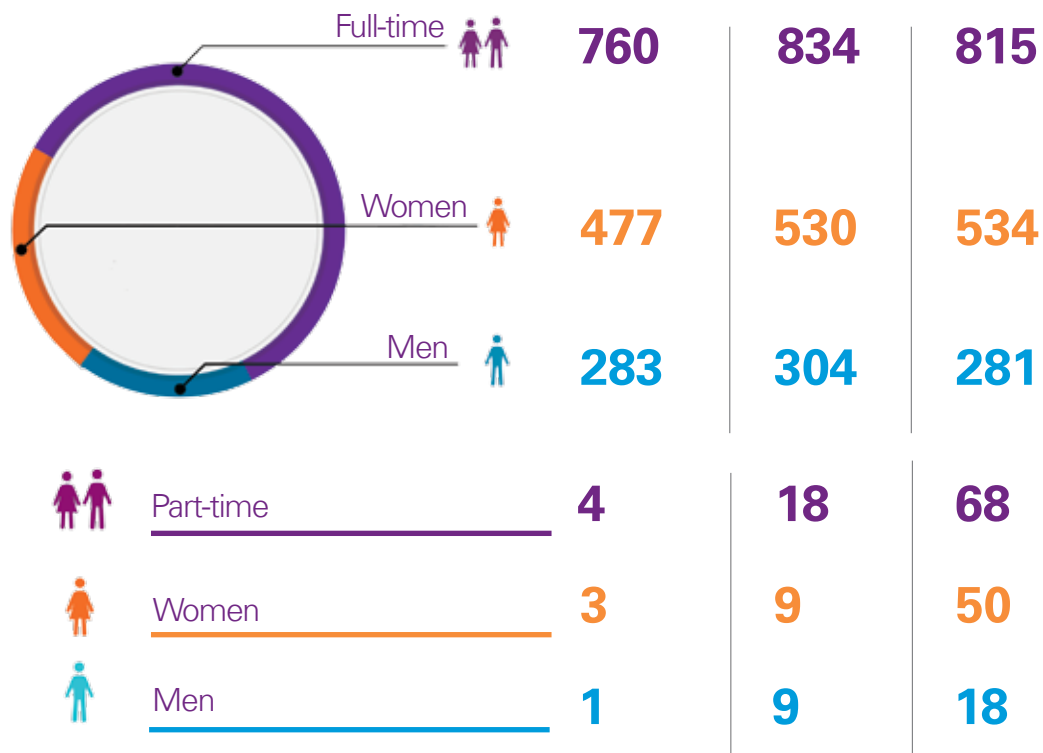


2014 2015 2016

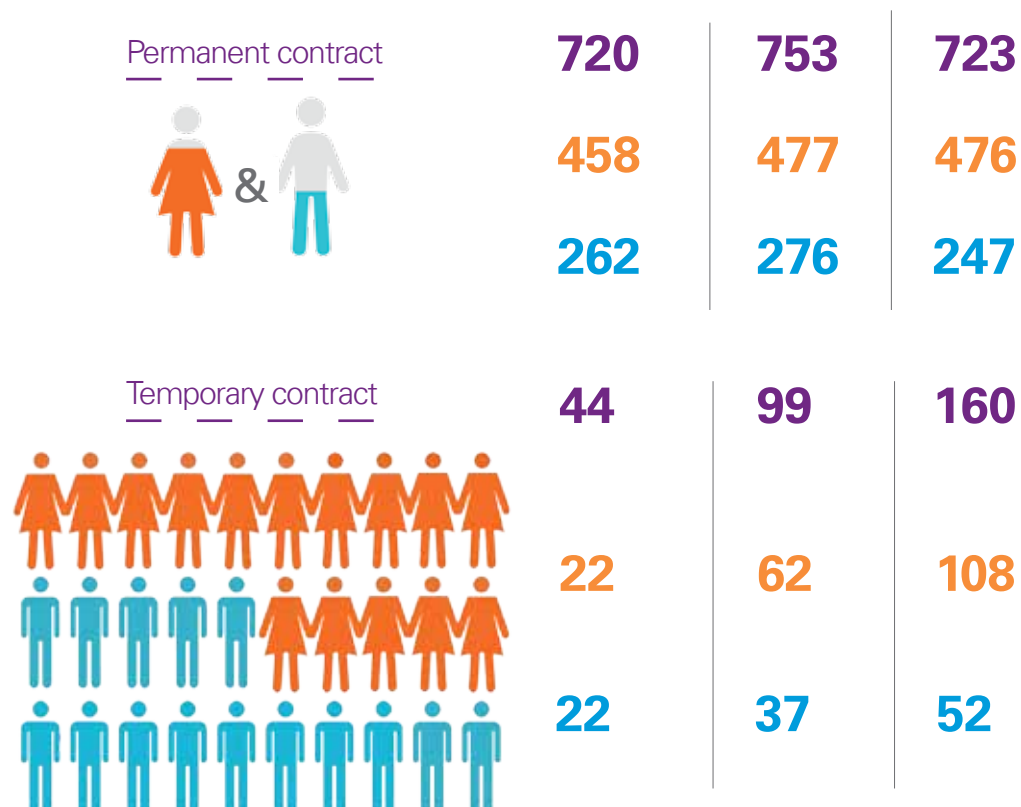
Total number of employees *

764**852****883**

Total number of employees by employment type and gender *















Total number of employees by employment contract and gender *



* The figures presented show the number of staff at the end of the financial year (30 September)

2014 2015 2016

Total number of employees by office and gender *

	Bucharest	655	728	725
	Men	240	265	246
	Women	415	463	479
	Timisoara	28	33	39
	Men	11	14	15
	Women	17	19	24
	Cluj	36	43	56
	Men	16	18	19
	Women	20	25	37
	Iasi	9	9	13
	Men	2	1	2
	Women	7	8	11
	Constanta	3	2	17
	Men	1	0	5
	Women	2	2	12
	Chisinau	33	37	33
	Men	14	15	12
	Women	19	22	21

* The figures presented show the number of staff at the end of the financial year (30 September)

As we are continuously transforming and maintaining our focus on adjusting to the needs of the younger generation, an increase in the number of people working part time with a flexible program was registered during the reporting period. We have an increasing number of undergraduate colleagues who opt for a part time schedule, which enables them to also attend their university classes.

Our pool of talent was massively extended in 2015-2016 after the graduate recruitment campaign, with over 100 new joiners in our Audit Delivery Academy, Audit, Tax, Advisory and Central Services. In terms of recruitment of highly experienced staff, we started an ongoing process with all year round job openings which enables us to better attract talent throughout the year.

We emphasize the importance of collective bargaining for responsible management and are aware that vigorous actions are immediately required. Though we started the negotiation process for drafting and implementing an agreement in 2014, this initiative was put on hold due to other urgent matters that we had to consider under the transition to our new strategy. Currently, general provisions such as non-discrimination rules, equal treatment, working program, maternity support, and remuneration, are set through the Internal Regulation, to which all KPMG employees have access and are required to comply with.



3.5 Acting with purpose

G4-15

We believe KPMG can inspire confidence through our actions and investments, working for the benefit of people and ensuring economic growth is balanced with the need to sustain our environment. It is our belief that the KPMG network, as a global corporate citizen, has a responsibility to sustain the development of the communities and the marketplaces in which member firms operate, to ensure the wellbeing of its professionals in order to contribute to a sustainable world.

Consequently, at global level we have continued our engagement and support for the following initiatives:

United Nations Global Compact (UNGC)

- a principles-based initiative that aims to influence the creation of a more sustainable and inclusive global economy. The Global Compact's ten principles resonate highly with the KPMG Values, which define member firms' culture and commitment to the highest standards of personal and professional conduct. KPMG International has been a signatory of the UNGC since 2002 and submits a Communication on Progress to the UNGC on an annual basis. This report highlights our activities in relation to the UNGC's ten principles and it is available for consultation at this [link](#).

Women's Empowerment Principles (WEP)

– a joint initiative of the Global Compact and the United Nations Development Fund for Women, which offers guidance to business on how to empower women in the workplace, marketplace and community. KPMG International is a signatory of the UN's WEP providing access to a broad network for sharing policies and best practices on gender equality.

Sustainable Development Goals – KPMG member firms have registered to support the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, that will guide international development, aid and investment for the next 15 years. Together with the UN Global Compact, we have used our expertise and sector insights to prepare the 'SDG Industry Matrix' series. This set of six industry matrices provide industry-specific practical examples and ideas for action for each Sustainable Development Goal and profile opportunities which companies expect to create value for shareholders and for society.

The SDG Matrix is available for the following sectors:

- Financial services
- Food, beverages and consumer goods
- Healthcare and life sciences
- Industrial manufacturing
- Transportation
- Energy, natural resources and chemicals.

World Business Council for Sustainable Development (WBCSD) - an organisation that galvanizes the global business community to create a sustainable future for business, society and the environment.

KPMG International actively participates in the WBCSD, with KPMG professionals from across our global network. Our involvement is focused within the Social Impact Cluster, where we participate on the Board, in addition to the Redefining Value workstream, Greenhouse Gas Management and the Future Leaders Team.

KPMG International is a Strategic Partner to the **World Economic Forum**, helping shape initiatives, projects and task forces, and giving intellectual guidance through senior executive participation.

KPMG in Romania, as a member firm of the KPMG network, supports the external commitments undertaken by KPMG International which are envisaged by our global strategy for Corporate Citizenship.

G4-16

In Romania, KPMG contributes, along with other reputable companies, to the promotion of a sustainable business environment. Constant changes on all fronts, from technology to economics to the regulatory framework and politics, creates a succession of challenges for both the private and public sectors, and addressing these challenges requires coordinated efforts on both sides. For this purpose, we have developed strong partnerships, and are active members in several business associations such as: the French Chamber of Commerce, the Coalition for the Development of Romania (Coalitia pentru Dezvoltarea Romaniei), the American Chamber of Commerce in Romania, the British Romanian Chamber of Commerce, the Netherlands Romanian Chamber of Commerce, the German Chamber of Commerce in Romania, and the Foreign Investors Council. Our professionals serve on boards, executive committees and subject matter expert groups of several business associations, aiming to facilitate cooperation between the authorities and the business environment to support economic and social development.

KPMG in Romania is also a member of various Romanian professional bodies including the Romanian Chamber of Auditors, the Chamber of Fiscal Consultants, The Organisation of Expert and Licensed Accountants of Romania, the Association of National Expert Valuers in Romania.

3.6 Our stakeholders

G4-25, G4-26, G4-27

Our business activity strongly depends on the way our stakeholders perceive us, and so we constantly seek to enhance our communication with them, gain insights into their concerns and opinions and integrate the significant aspects of these into our business model.

We are aware of the links with our stakeholders and of their legitimate interest in our sustainability performance, and put a lot of effort into understanding the dynamics of our relationship with those that might be influenced or affected by our activity.

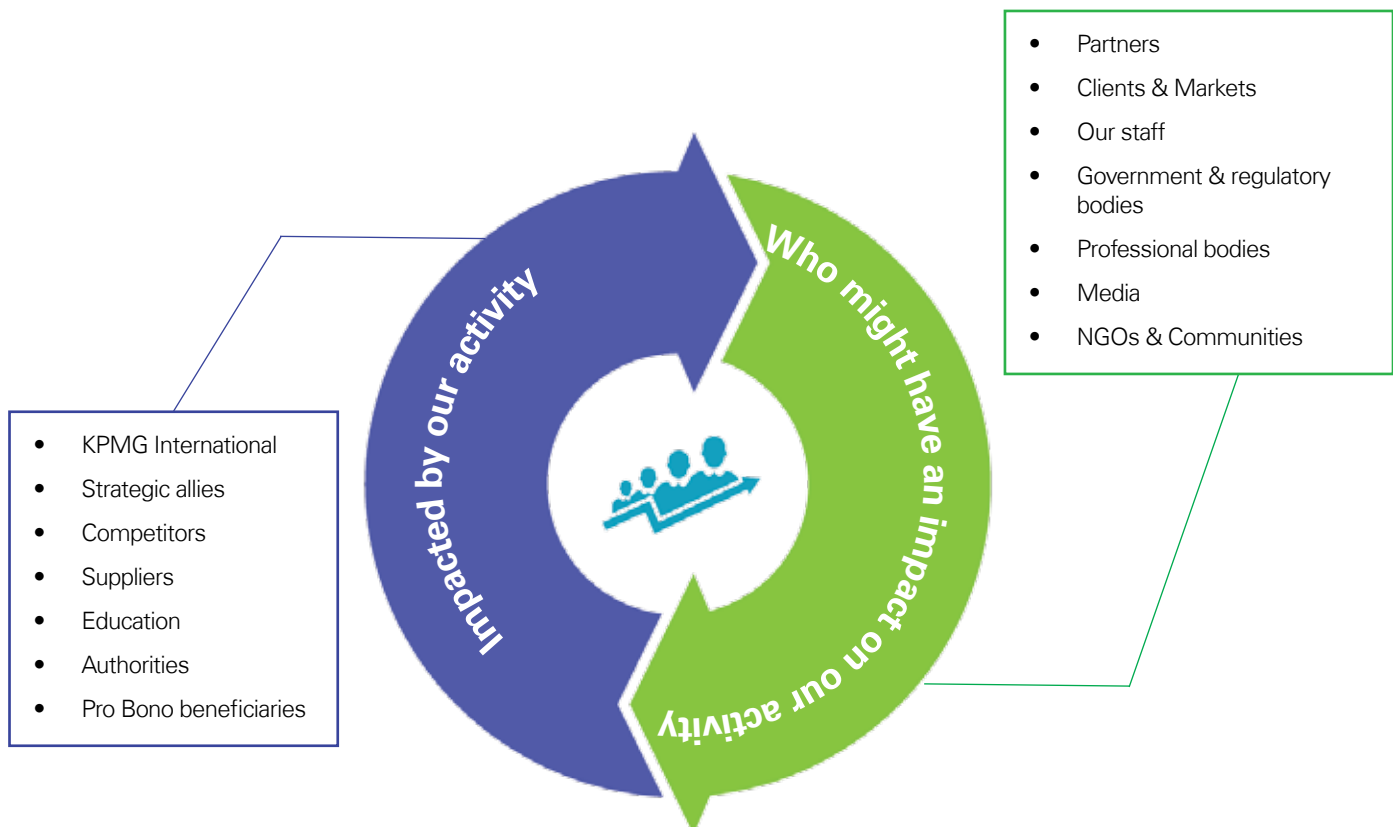
Our first stakeholder mapping exercise was conducted in 2012 at the CSR Steering Committee meeting, when 12 stakeholders, groups were identified and further prioritized considering their impact on our business and also the potential influence of KPMG in Romania's activities on those groups.

In 2013 we continued this process and identified a new group of stakeholders, our strategic allies. As a step forward in mapping our stakeholders, we also carried out an

in-depth evaluation focused on identifying those groups that have the highest influence on our business: partners, our staff, clients & markets, Government & regulatory bodies.

Identifying these priority groups was essential for the effective management of our relationship with them, supporting the activity of our Executive Committee (ExCom) in drafting a communication plan to further engage them. This stakeholders' map was reviewed in 2014 and 2016 by the members of ExCom and of the CSR Steering Committee. This analysis reflected that significant changes of our business, that would require the inclusion of new groups, have not occurred.

However, we use a wide range of communication tools to constantly gain insights from our stakeholders and enhance their engagement. For our future reporting cycle we plan to further extend the stakeholder mapping process by involving external parties and reviewing the current results.



3.7 Scaling the expectations of our stakeholders

G4-18, G4-19, G4-24

Our first stakeholder consultation process was conducted for the preparation of KPMG in Romania's 2012 CSR Report and revealed 6 key topics that are of strategic importance for our performance. Then, in 2013, we extended the scope of this initial assessment to identify specific material aspects relevant for each topic, also emphasizing the addition of new themes relevant for our sector of activity, which derive from our responsibilities as a large service provider. We have engaged a large sample of stakeholders, both internal and external, and this process was extremely valuable for KPMG as we have gathered relevant inputs relating to our impact on the economy, environment and society as a whole that have helped us to compile our materiality matrix. Our sustainability reporting process is based on this matrix, which is periodically updated and refined, as it includes qualitative and quantitative data that provides a balanced image of our initiatives and performance related to the material aspects identified.

For the development of our 2014 Sustainability Report, that was prepared in line with the requirements of the GRI G4 reporting guidelines, we strove to maintain our stakeholders' engagement by encouraging them to share with us their opinions on the content of our sustainability reports, as well as in relation to the aspects of our activities which might have a significant impact on the economy, society and the environment, thus enabling us to refine the materiality matrix.

We used a similar approach to enable meaningful communication with our key stakeholders during this reporting cycle and were able to slightly adjust the materiality matrix, which is the basis for the selection of aspects to disclose within our report.

In the light of the recent advancements in sustainability reporting, the most significant being the release of the GRI Sustainability Reporting Standards, we have decided to postpone the process of reshaping our materiality matrix that was initially planned for 2016. We are highly aware of the benefits of having a continuous dialogue with a large number of stakeholders, as well as of the resources involved. Therefore, we took the decision to postpone this extensive process firstly because we plan to redesign our materiality matrix starting with the assessment of a broad range of sustainability topics identified in the GRI Sustainability Standards, considering also the opportunity to add additional topics that might be relevant for our sector. Secondly,

we aim to focus more on integrating within this process topics that are derived from our renewed business strategy and that were identified following the consultation of a broad list of stakeholders from the entire KPMG network of member firms.

Consequently, for the development of KPMG in Romania's 2015-2016 Sustainability Report, we used various opportunities such as meetings of professional associations to engage some of our stakeholders in dialogue relating to the content of our previous report and to evaluate whether it provides relevant information that adds value to them by supporting them in taking informed decisions. Communication and engagement with our clients is undertaken in many ways, such as through and during our service delivery, site visits by Partners and during client events, and consequently we used these opportunities during 2015 and 2016 to obtain their feedback on our last sustainability report and learn about the way they think we have an impact on the economy, local communities and society as a whole, as well as the natural environment.

The inputs collected during the interactions we had with some of our most important stakeholders were considered during the communications we had with a larger pool of interested parties in relation to the selection of aspects to be disclosed in the current Report. According to the GRI G4 reporting guidelines, materiality is the scale of importance which warrants that a topic should be reported on. The topics for consideration in this report were identified using both internal and external factors, including our business strategy and the main elements of the GRI reporting framework. The final list of topics was validated by ExCom and the CSR Steering Committee, which had carried out a simultaneous evaluation of the results of the stakeholders consultation process and of the materiality matrix which was last refined in 2014.

Considering that significant changes have not occurred during the reporting period and that the results of the stakeholder consultation process do not indicate a shift of the prioritization of the material aspects as compared with the last set of results, major changes in the scoring were not made. However, considering our renewed business strategy, the members of ExCom have proposed 3 new topics to be considered for the future consultation process with stakeholders. ExCom and the CSR Steering Committee have also decided to maintain the previous ratings for the importance of the aspects identified.

01 2012

Key topics identified

- Ensuring good treatment of employees
- Ensuring responsible and transparent governance systems are in place
- Managing and reducing KPMG's impact on the environment
- Making positive contributions to society and communities
- Ensuring business is conducted ethically
- Providing high quality work and professional advice

02 2013

Interviews and questionnaires

- 14 external parties submitted answers to questionnaires
- Direct meetings with 20 external stakeholders (clients, authorities, NGOs)
- 55 questionnaires filled in by our employees

Priority themes:

- Ethics, integrity & anticorruption
- Economic performance
- Labour practices
- Occupational health & safety
- Remuneration
- Greenhouse gas emissions
- Pro Bono

2013 Report assessment:

- Dialogue with 12 clients, 3 NGOs, 2 representatives of the academic environment
- 2 focus groups with 30 employees
- 1 conference call with the members of our EMA Corporate Responsibility network

03 2014

Defining the content of the 2014 Sustainability Report

- 27 responses from external parties to the stakeholder consultation questionnaire
- 92 internal responses to the questionnaire, including management representatives
- 1 internal focus group, which 15 employees attended
- Direct meetings with 20 external parties

Reviewing the materiality matrix

- Analysis of GRI materiality guidelines, and of the GRI reporting principles to define the Report Content
- Inputs and results of the stakeholder consultation process
- Overview of the business strategy and of the CSR action plan
- Updating the materiality matrix developed in 2013
- Validation of the reviewed materiality matrix by ExCom and the CSR Steering Committee
- Selection of GRI G4 specific standard disclosures to be included in the Report

04 2015

Follow up with some of our priority stakeholders in relation to the impact of our 2014 Sustainability Report

- Direct meetings with the representatives of 10 companies (clients, potential clients and targets of KPMG in Romania) and 2 high level representatives of the national authorities
- Continuous dialogue with professional bodies, academia and NGOs)
- We did not receive comments or reactions from potential interested parties via the email address indicated in the 2014 Sustainability Report and therefore we considered suitable options to diversify the communication channels in relation to this publication.

05 2016

Defining the content of the 2015-2016 Sustainability Report

- 12 one on one interviews with key external stakeholders
- Inputs collected from 30 employees, including management representatives, during small group discussions (3-5 attendees per session)
- 1 internal workshop, which 15 employees attended

Materiality assessment & Validation

- Overview of GRI materiality guidelines, and of the GRI reporting principles for defining the Report Content
- Assessment of the inputs and results of the stakeholder consultation process
- Overview of the renewed business strategy and of the 2014 materiality matrix
- Validation of the materiality matrix by ExCom and the CSR Steering Committee
- Identification of 3 additional topics to consider during the future reporting cycle
- Selection of GRI G4 specific standard disclosures to be included in the Report



G4-20, G4-21

High level material topic (2012)	Identified material aspects (2014)	Refined list of material aspects (2015-2016) additions to the list developed in 2014 **	Potential negative impact	Groups of stakeholders potentially affected
Providing high quality work and professional advice	Ethics, Integrity and Anticorruption Risk and quality management* Labour practices (learning & development)	Identify risks with an impact on continuity and developing solutions for managing risks	Any loss of quality in the services provided might lead to negative financial or reputation impacts	KPMG professionals KPMG International Clients & markets
Ensuring good treatment of employees	Occupational health and safety Labour practices (performance development, remuneration, wellbeing)	Employer of Choice: • Give KPMG employees the opportunity to do their job well • Offer a great place to work • Offer personal and professional development	The work and life balance of our professionals directly influences the overall performance of our company (ex. high turnover rates and potential loss of expertise might lead to increasing costs)	Our professionals KPMG in Romania
Ensuring business is conducted ethically	Ethics, Integrity & Anticorruption Client and market relations* Risk and quality management* Community investments	Relevant and transparent communication with our stakeholders	Reputational risks, negative exposure for our clients, employees, the company and potentially for our competitors in the case of governance systems failure.	Clients Employees KPMG in Romania Our competitors Partners
Ensuring responsible and transparent governance systems are in place	Ethics, Integrity & Anticorruption Risk and quality management Labour practices		Conflict of interest, impairment of independence, privacy & information security, client and engagement acceptance and continuity	KPMG network of member firms Clients Professional bodies Our professionals
Making positive contributions to society and communities	Community involvement Joint community projects Labour practices (wellbeing)		Affecting the trust of our stakeholders by noncommittal to one of our core values	KPMG network of member firms Local communities
Managing and reducing KPMG's impact on the environment	Greenhouse gas emissions Energy consumption Waste management		Our environmental impact is not significant. However, we have voluntarily committed to reduce our GHG emissions and adhered to the targets set under KPMG International's Global Green Initiative	KPMG network of member firms Local communities

*Aspects raised by members of ExCom in 2014.

** Aspects identified by the members of ExCom in 2016 and that will be considered during the future materiality assessment process. Limited information on these aspects is also covered by this publication.

3.8 Governance at KPMG

G4-34

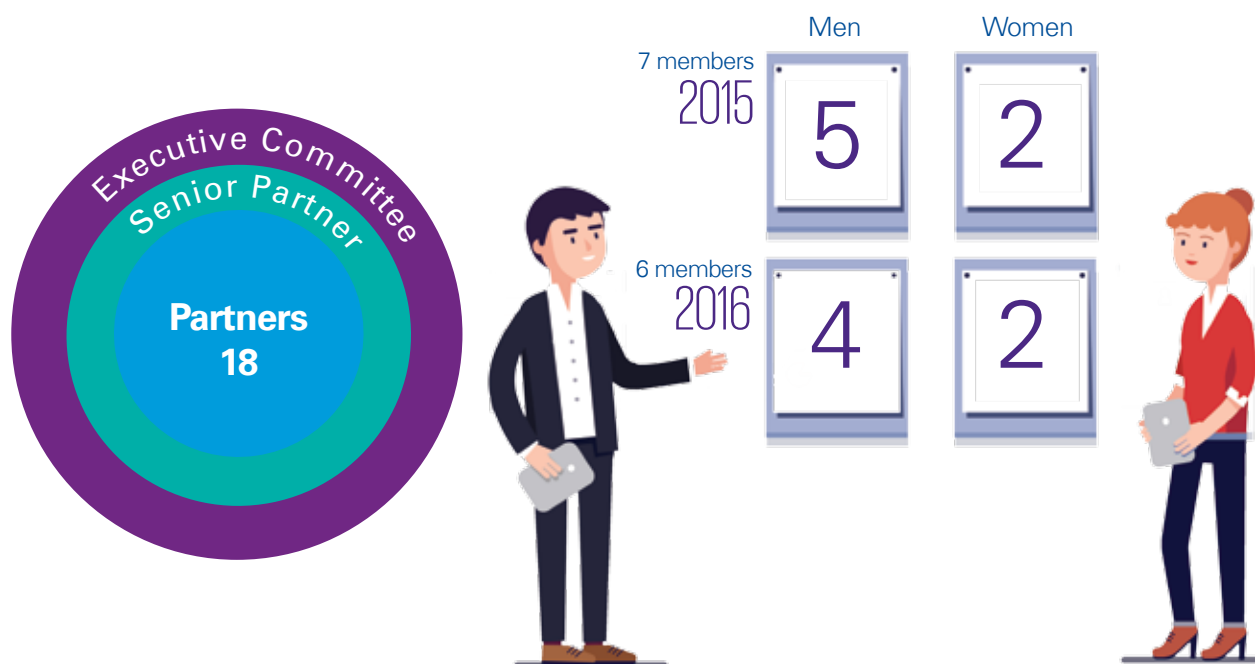
Governance is one of the cornerstones of our strategy and its structure is designed so that we conduct our business according to the highest standards of corporate governance, based on transparency, integrity and ethics. It supports consistency of service quality and adherence to agreed values wherever in the world our member firms operate.

KPMG in Romania takes responsibility for its management and the quality of its work. The Senior Partner of KPMG in Romania, as well as the Partners and professionals of our firm, undertake to act with integrity at all times.

The Senior Partner at KPMG in Romania is the principal local executive officer. The Executive Committee (ExCom), the main

governance and oversight body of our firm, comprises the Senior Partner and partners of the main business functions to ensure full management representation. ExCom is formed by permanent members and 2 temporary members who are rotated every 6 months. The key responsibilities of this Committee include approving long-term strategy, business plans, protecting and enhancing the KPMG brand as well as approving policies and internal regulations. As leaders of their business lines, the members of ExCom continue to exercise their responsibilities related to the services provided to our clients. Consequently, Excom does not include independent members.

Executive Committee



This governance structure enables communication between the members of ExCom and other partners, ensuring that the needs and ideas of each function are communicated at the Committee meetings.

To support two way communication with all our employees and to gain insight into their views, we have established various mechanisms such as periodic meetings by

business group, PDM (Partners, Directors and Managers)/ PD (Partners and Directors) meetings, the annual Global People Survey, as well as the MyPD (My Performance Development) system, which over time have proved to be very useful tools for the identification and implementation of innovative ideas.

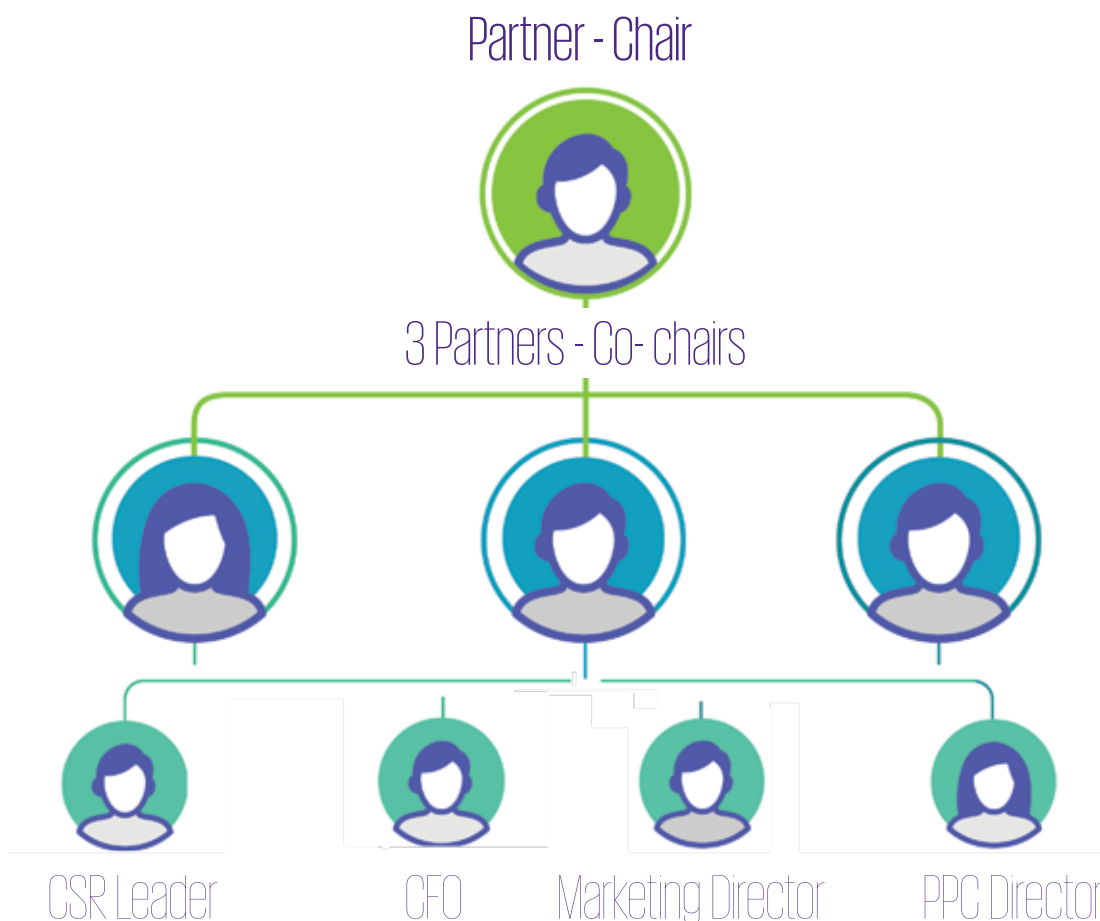
How we run our CSR activities

At KPMG, we strongly believe in and are committed to ethical behaviour, good treatment of our employees, sound environmental management and community engagement. Consequently, we give high consideration to CSR, which is part of our governance structure. The CSR Steering Committee of KPMG in Romania is the group responsible for CSR strategy, planning, policies, supervision and general management, including defining action plans and goals consistent with our business strategy.

The members of the Committee are also involved in preparing communications on CSR related matters, including review and final approval.

Starting 2016 the structure of this Committee was slightly changed to enhance cooperation and have all functions within KPMG appropriately represented. Therefore, the CSR Steering Committee is chaired by a Partner and co-chaired by 3 partners representing the business functions. It includes leaders from the finance, marketing and human resources (PPC) departments. The operational aspects are coordinated by the CSR leader, who is also part of the Steering Committee.

The structure of our CSR Steering Committee



Periodic meetings are held, and results are assessed against the CSR action plan. Staff members who have participated as volunteers in our CSR projects are periodically invited to attend the meetings of the CSR Steering Committee.

Communication of policies, action plans and future projects to our employees is ensured through a dedicated section on

our intranet page, as well as through direct communication and e-mails. Staff feedback in relation to our CSR initiatives is periodically requested, to help us develop new and innovative opportunities in this area, as well as to encourage our employees to become increasingly involved.

Ethics, integrity and Independence

G4-56

Our firm implements KPMG International policies and procedures that are based on professional standards issued by the International Ethics Standards Board for Accountants (IESBA), including International Standard on Quality Control 1. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

Our professionals are required to review their financial interests and other relationships on a regular basis to verify that they are in compliance with applicable independence requirements. This is done using a Web-based independence tracking system which contains an inventory of publicly available investment products. Partners and client facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Any professional providing services to an audit client is also required to notify the Ethics and Independence Partner if they intend to enter into employment negotiations with an audit client.

All personnel are required to sign an independence confirmation upon commencement of employment. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to demonstrate the individual's compliance with and understanding of our firm's independence policies.

Our firm monitors the rotation of partners, and also assists them in developing transition plans that help them to deliver a consistent quality of service to clients.

The monitoring of rotation is subject to compliance testing as part of national quality performance review processes.

Association with the right clients

Strict client and engagement acceptance, as well as client continuance policies and processes support our brand and are key for protecting KPMG's reputation.

Accordingly, KPMG in Romania has implemented the policies and procedures designed by KPMG International in order to decide whether to accept or continue a client relationship, and whether to carry out a specific engagement for a client. These policies and procedures are consistent within the entire KPMG network of member firms.

Consequently, before accepting a client, an assessment of its business and other service related matters, which also involves background checks on the prospective client, its key management and significant beneficial owners, is carried out. Strong emphasis is given to the integrity of management at the prospective client, and the evaluation considers breaches of law and regulations, as well as anti-bribery and corruption policies.

Specific procedures are also in place to assess each prospective engagement and identify the potential risks associated with it, considering a series of factors including potential independence and conflict of interest issues.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are recorded and resolved prior to acceptance. If a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and KPMG standards, or if there are other quality and risk issues that cannot be appropriately mitigated, the prospective client or engagement is declined.

Our integrated management system

G4-14

KPMG in Romania's high level management has committed to continuously improving the quality of the services provided, to enhance clients' satisfaction as well as to integrate best environmental and occupational health & safety practices into the Company's general management system. In 2009 we implemented and certified against internationally recognized standards (ISO 9001:2008, ISO 14001:2005, OHSAS 18001:2008) an integrated quality-environmental-health & safety management system. As we aim to be at the forefront of every major transformation, we made the transition to the latest versions of the standards ISO 14001 and ISO 9001 that were released in September 2015, and have updated the documentation of our integrated management system to incorporate the newly introduced requirements. Hence, KPMG in Romania's integrated quality – environmental – health & safety management system meets the requirements of the most recent versions of ISO 9001 and 14001 standards.

This integrated management system provides the premise that best practices for the control of services are in place and that the organization is aware of the requirements on environmental protection and health & safety, with clear procedures to address these issues.

Moreover, leadership commitment is key for obtaining the intended results of the system and laying a coherent and comprehensive foundation for sustainable growth.

Effective risk management and a precautionary approach are key aspects of our management system, as the "Preventive actions" procedure sets clear guidelines and responsibilities for identifying potential cases of non-compliance and implementing measures to mitigate risks in these areas.

In relation to the environmental impact of our activities, we periodically assess the operations that may affect certain aspects of the environment and we apply rigorous operational control to these activities. Our environmental impact in each area of our operations is quantified and mitigation measures are centralized into an action plan that is implemented according to the priorities identified.

3.9 Our economic performance

G4-DMA, G4-9

KPMG in Romania and Moldova achieved strong results in the financial years 2015 and 2016, reflecting the commitment and innovative thinking our professionals bring to clients. Together with extraordinary people, investments in technology, training, and cooperation with other innovative businesses, we have enabled growth across most of our service lines.

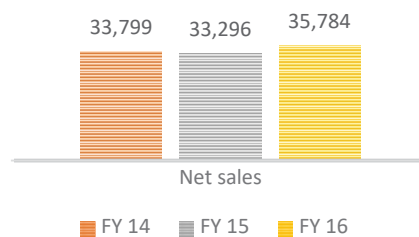
The increase in turnover registered in 2016 consolidates our market position and represents a good premise for setting a growth trend for the next few years by transforming the way we do business to capture the opportunities that exist in the marketplace.

We strongly believe that it has never been more important that we offer a full range of professional services, combined with deep sector expertise at all levels of our business, to continue supporting our clients facing the increasingly complex challenges that are causing disruption across all aspects of their organization: from cost and regulatory pressures, to cyber security risks, to technological change that affects their entire value chain. Above any financials, we are proud that we have managed to have an increase in the number of clients that we work for, as well in the engagements that we have been involved with both in FY 2015 and FY 2016, which is a very good metric for measuring our success.

Economic information

G4-EC1

Net sales (EUR '000) *



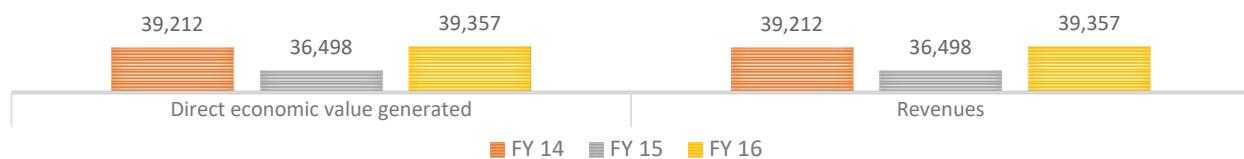
Total capitalization (EUR '000) *

	FY14	FY 15	FY16
Debt	-	62	268
Equity	926	916	916

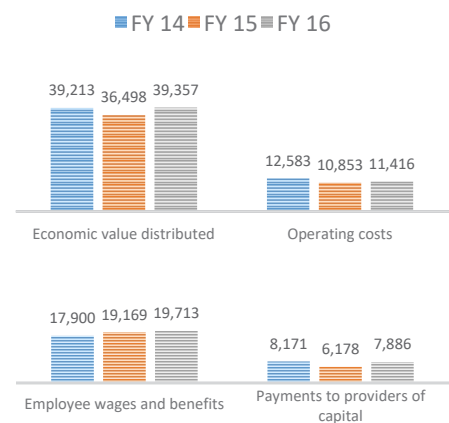
Quantity of products or services provided *



Direct economic value generated and distributed (EUR '000) *



Economic value distributed (EUR '000) *



	FY14	FY 15	FY16
Payments to government (by country)	529	241	279
Community investments	30	57	63

Economic value retained

	FY14	FY 15	FY16
Economic value retained	(0)	(0)	(0)

*These results are based on financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and cover the operations of KPMG in both Romania and the Republic of Moldova.

The quality of services delivered, client loyalty and client acquisition, are pillars of our economic performance, including financial returns, wages and benefits for our employees, tax payments and community investments, and therefore the effects of our

work are cascaded into the whole of society. This strengthens our position as a successful organisation, increasingly important for our stakeholders, which acts with integrity and diligence to achieve its business goals.

3.10 Management of suppliers

G4-DMA, G4-12, G4-13

Supplier Code of Conduct

Supply Chain management plays a strategic role for companies and has gained additional significance over the last few years.

We are increasingly conscious of our sphere of influence and to the extent possible we strive to motivate suppliers to deliver products and services that are aligned with our purpose, corporate values and strategy. We aim to conduct business with organisations which are also committed to acting with transparency, responsibility and integrity. This is the main driver for encouraging our suppliers to adhere to the KPMG Suppliers' Code of Conduct, which requires suppliers to adopt the following principles:

Conduct and integrity

Integrity is vital for a sustainable and fruitful relationship with all KPMG suppliers. We expect suppliers to:

- Act with integrity, constantly striving to uphold the highest standards of ethical practice.
- Adhere to all applicable laws and regulations.
- Avoid any conflicts of interest and never participate in improper practices such as bribery.

Labour conditions and human rights

KPMG's policies are underpinned by a respect for each individual's dignity and internationally recognised rights. We expect suppliers to:

- Allow employees the freedom to associate and have effective ways to conduct collective negotiations.
- Provide a safe working environment and support the occupational health of employees.

- Never make use of child, forced or bonded labour.
- Treat employees fairly and not discriminate on the basis of differences such as race, colour, creed, religion, age, gender, national origin, citizenship status, marital status, sexual orientation, gender identity, disability, pregnancy, or other legally protected status.

Environment

Environmental considerations are an integral part of KPMG's business practices. We are committed to operating with due care for the environment (the precautionary principle) and we have tailored a special procurement procedure, focused on management of suppliers, which is part of our Integrated Management System. Consequently, we expect our suppliers to:

- Reduce the environmental impact of their designs, manufacturing processes, services, and waste emissions.
- Encourage the development and diffusion of environmentally friendly technologies.
- Minimise the use of hazardous substances as well as the consumption of scarce resources.

Our supply chain and suppliers management

Considering the sector we operate in, we do not have a complex and high impact supply chain. We have to maintain our independence and ensure that our service delivery is not significantly dependent on particular suppliers or subcontractors. Consequently, it could be said that we are part of our primary supply chain.



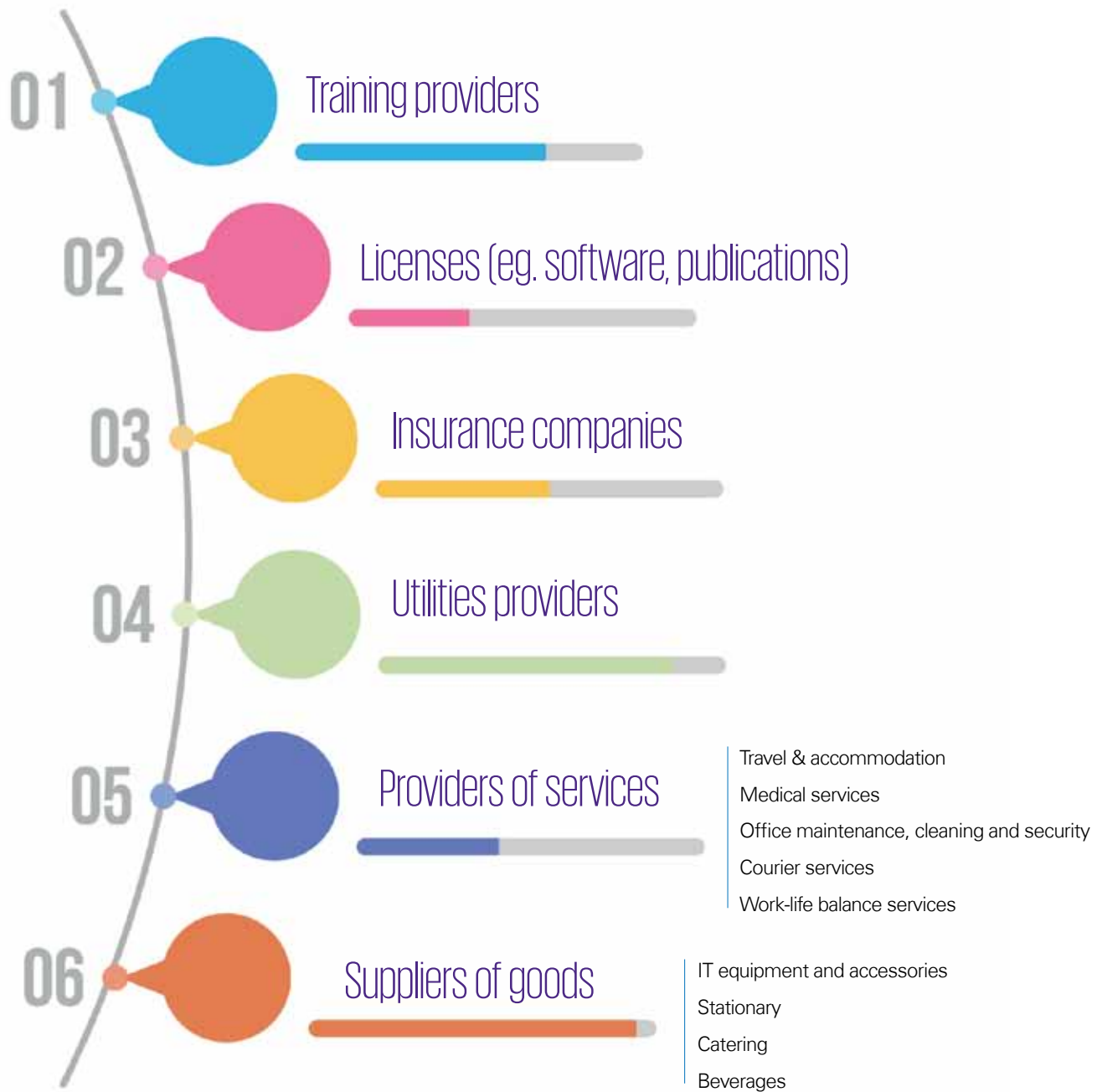
This report presents only aspects and results that pertain to KPMG in Romania, and we are committed to increasing our focus on the suppliers' selection process.

KPMG in Romania has implemented the procurement procedure as part of our Integrated Management System, which was updated in 2015. This new version of the procurement procedure sets thorough rules for purchasing goods and professional services, including criteria related to conflicts of interest, transparency and integrity. The procedure has been designed to ensure the availability of procurement information, quality requirements and environmental considerations related to the product/service to be purchased, as well as the transparency of procurement activities. It facilitates the control of suppliers and service providers.

Suppliers and subcontractors are assessed annually based on their performance and on the principles set within the Suppliers' Code of Conduct. These results are considered in decisions on further agreements.

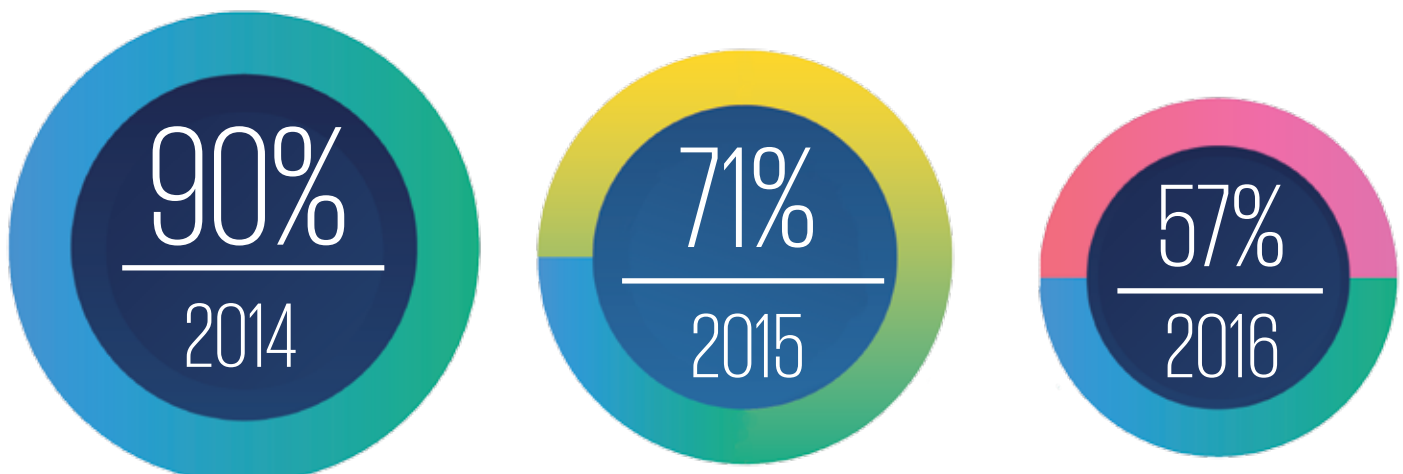
We favour Romanian suppliers where possible, as part of our effort to support the national economy, as well as due to environmental considerations relating to the impact of the transport of goods. However, a continuous decrease in our cooperation with local suppliers can be noticed starting from 2015 as we have taken strategic steps to ensure that we reduce to a minimum the work carried out by external parties. Though the impact on some local subcontractors might be important, this has enabled us to better mitigate risks.

Categories of suppliers



Percentage of local suppliers

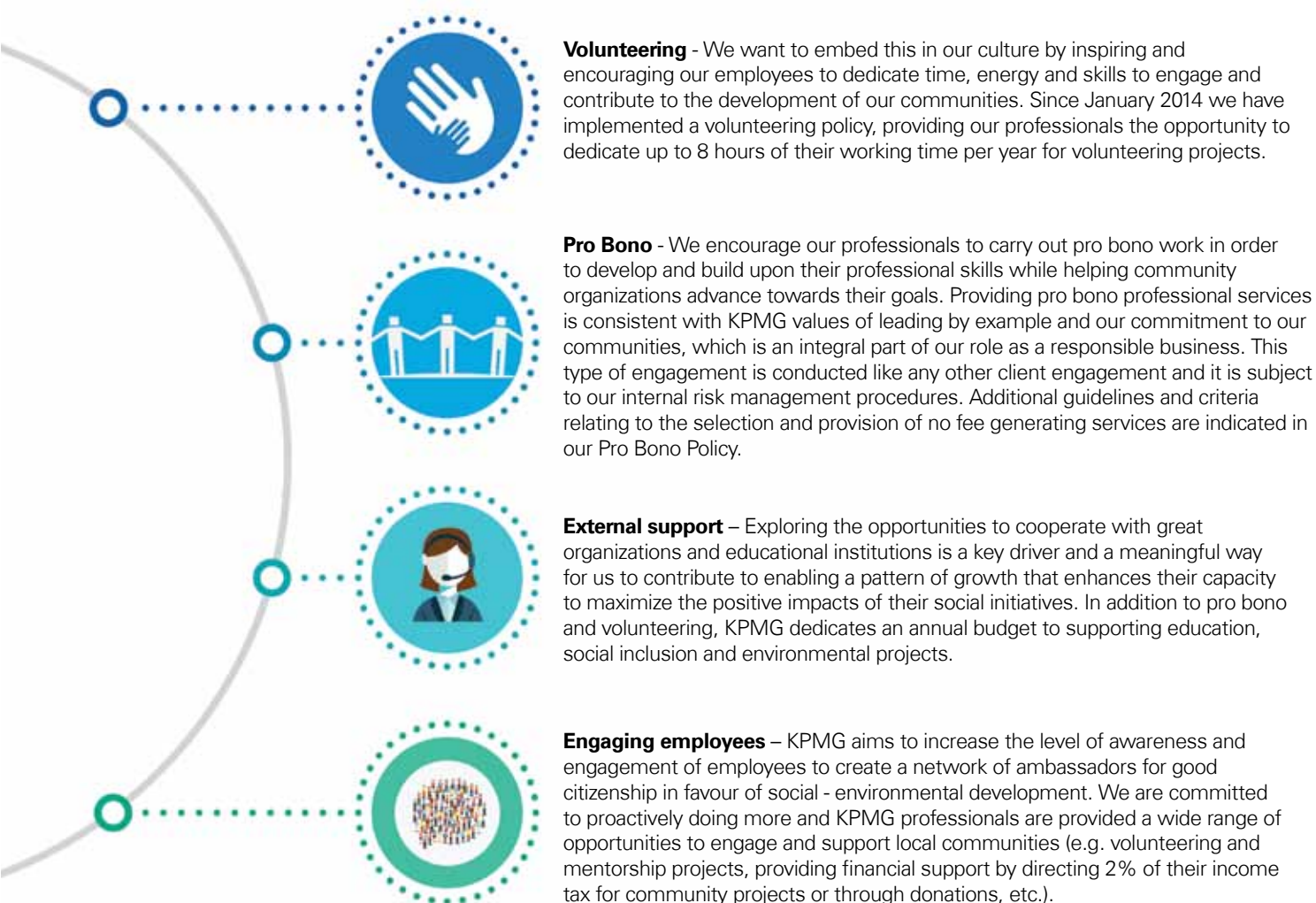
G4-EC9



4. Community

Our vision of community involvement results from our aim of inspiring, challenging and empowering our professionals to contribute positively to our local communities and the environment to create a more sustainable future.

Beyond the global initiatives we support, KPMG has set the following national priorities to demonstrate its commitment to society and awareness of the role the company has in enabling change and helping communities to achieve their full potential.



4.1 Our adopted school

The adoption of the 2030 Agenda for Sustainable Development in September 2015 was a clear signal that transformational initiatives are needed to address a broad range of sustainability issues such as ending poverty and hunger, combatting climate change, as well as improving health and education. Moreover, the achievement of the 17 Sustainable Development Goals (SDGs) included in this Agenda can only be possible with the involvement of the private sector working alongside governments, Parliaments, international institutions, local authorities, academic bodies and society at large.

We have a clear vision of our role and strongly believe that we have to continue using our skills and resources to become fully involved in finding solutions to some of these pressing sustainability challenges. Sustainable Development Goal 4 "Ensure inclusive and quality education for all and promote lifelong learning" is of particular interest to KPMG in Romania as education has always been one important action area on our CSR agenda. We consider that by pursuing this important goal and enhancing our efforts to support education we can also indirectly contribute to some other equally important SDGs. Quality education has the potential to reduce social inequalities and provide good employment opportunities by empowering young people to develop relevant skills and thus also contribute to economic growth.

This is part of what encourages us to continue our projects to support education, especially that involving School 134, the school KPMG adopted in 2010. Though there is always room for improvement, we realize the positive impact that we have on the

future development and perspectives of the children of this school and therefore intend to gradually enhance our involvement.

Furthermore, "We lead by example" is one of our core values, and we constantly seek to inspire the children at the school to strive for great results, as well as to act with integrity and a sense of responsibility and consideration. The KPMG professionals involved in the projects developed with our adopted school have formed close bonds with the children, who always demonstrate commitment to continuously improving the school's performance and an enormous level of curiosity.

Year-end award ceremony

High performance requires commitment, sustained work and effort, and KPMG in Romania continues to believe that good results deserve recognition and encouragement. We highly appreciate the achievements of the children from our adopted school, and always seek to be there for them at the year-end awards ceremony. Consequently, as a token of our appreciation, representatives of our management and staff members attended the ceremonies held in 2015 and 2016, to congratulate and reward the children who had achieved exceptional results. We hope that our continuous support will inspire and motivate the students to surpass their own performance and, in the longer term, gain access to a wider array of perspectives. Thus, to encourage the children to even greater efforts, in 2015, the top performers were awarded books to discover the experiences of famous characters in Romanian literature and interesting puzzles to keep their minds sharp over the long summer vacation in 2016.



Experiencing an innovative style of learning

In 2015 we had the opportunity to support an interesting project that was implemented at School 134 by an organization which is well known for its unique learning methods, which are focused on experimenting. We provided the required financial support for this project, which involved building and decorating a multipurpose item - modular stage and bookcase – for one of the school classrooms. During the implementation of this project, 27 preschool children supported by 3 colleagues in the 8th grade had the chance to enjoy the creative, practical and intellectual activities designed and led by the organization's staff (e.g. experimenting with 3D printing, building the stage and painting various decorations, preparing an inauguration event, reflection moments, etc.). All the activities within this project were aimed at contributing to building the children's emotional intelligence, independent thinking and self-esteem, to help them become more familiar with new environments, such as the school they will soon join.

Christmas Carols

Winter holidays have always been very special to us and since we adopted School 134, this time of the year has become more and more joyful, irrespective of the workload. The visit from the children of School 134 before the Christmas holidays had become a tradition for our colleagues in Bucharest and we felt that this season would lose part of its' magic if their laughter didn't resound in every corner of the building. In December 2016, they visited our Bucharest office and surprised us with lovely dances and Christmas carols they had prepared intensively. These children seem to have an enormous reserve of energy and passion and perhaps they will never stop amazing us with the effort they put into developing their talent. We enjoyed spending quality time with them and sharing the wonderful moment of opening presents around the Christmas tree.



4.2 KPMG Foundation “Happy Hour” events

We continued the series of “Happy Hour” events, an initiative launched in 2013. These events have always proven to be successful and an accessible way for our staff to engage in community projects that KPMG supports through the KPMG Foundation. Not only have these events contributed to enabling internal networking and cooperation, being a good opportunity for our colleagues to discover common interests, but also they have a significant role in raising funds for the implementation of various projects aimed at supporting the communities in which we operate.

Created in June 2011, the KPMG Foundation has the role of:

- Providing a framework to support collective giving, both of money and time, among our people.

- Planning and reviewing KPMG’s contributions to our communities by monitoring our performance.
- Celebrating the collective philanthropic efforts of KPMG and its people.

During the reporting period three KPMG Foundation Happy Hour events were organized, thanks to our Tax, Advisory and Infrastructure colleagues who put a lot of passion into making unique items such as broaches, trinkets and Christmas decorations, as well as an impressive variety of homemade cakes, cookies and pastries. Their collective effort remains a source of inspiration and motivation for all of us, as they managed to raise more than Euro 1,200 for the community projects supported by the KPMG Foundation.

4.3 Making an impact in our community

Joining forces with United Way

Our cooperation with United Way Romania (UW), a well-known organization which supports projects in education, social and economic integration and health, has gradually expanded since 2012 when we began providing pro bono accounting services. We consider this organization a valuable partner of KPMG in Romania and we are always very keen to contribute to its initiatives, which provide valuable support to the life of the community.

Moreover, our professionals have a strong affinity with the causes promoted by this foundation, as they have an in depth understanding of the challenges faced by both UW and the organizations that it supports, gained by working closely for many years now in providing pro bono services. For example, during the reporting period, 912 hours were dedicated by our employees to providing pro bono services to UW. Moreover, the Senior Partner of KPMG in Romania is one of the “leadership” donors of this foundation and some KPMG professionals provide monthly or annual financial contributions to UW. Around 42 donation forms were collected in December

2016, following a visit by UW representatives to our Bucharest office. They were accompanied by some of the children they provide support to, and offered handmade paper butterflies to the KPMG professionals as a sign of gratitude for their involvement.

We also dedicate time to the volunteering activities coordinated by UW, and in 2015 sixteen staff members from KPMG in Romania enrolled in the Mentoring and Tutoring programmes conducted by this organization. The Tutoring programme was focused on helping children to improve their educational performance, whilst the Mentoring programme was addressed to single/under aged mothers and young people, and aimed to improve their self-esteem, enhance their communication skills and provide support in setting personal and professional targets. Each programme was conducted for 3 months, and the KPMG professionals who volunteered for these programmes dedicated up to 8 hours each month for mentoring and tutoring activities.

Supporting education

We consistently encourage activities focused on learning and emphasise the important role education plays in the development of our society. Consequently, in 2015 and 2016 we supported the educational programmes of Inocenti Foundation, which focus on providing children from socially disadvantaged environments the chance to go to a summer camp and visit tourist attractions, attend the learning activities arranged by this organization and enjoy outdoor play activities. Our employees made financial donations for 46 children to participate in the summer camps organized in Predeal (2016), Straja and Târgoviște (2015).

We are confident that the children enjoyed this experience and are sure that enabling such opportunities for children from families facing high financial stress will have lasting results. As such, we intend to focus in the years to come on supporting more educational initiatives.

Santa's Elf

This project had already become a tradition in KPMG as it had become extremely popular since it was first implemented in 2014. Our professionals are always eager to help Santa read the letters received from the children, especially from the less fortunate among them, and provide support for purchasing and wrapping the gifts. They are so anxious to help, that we had to ask for additional letters besides the ones we had been initially allocated. This was possible thanks to "Because We Care", "Inocenti", and other organizations that also arranged for the presents to be delivered just in time.

So the 2015 and 2016 Christmas holidays were more joyful for 257 children that had been visited by Santa thanks to our enthusiastic volunteers and to the support provided by the NGOs that arranged the logistical details. And, while no one reported green hats and long narrow ears in KPMG's Timisoara and Bucharest offices, the elves did an excellent job as one could barely spot the Christmas trees between the piles of presents.

Healthcare

Though healthcare is not part of our CSR agenda and is not an area where we could make a significant impact, we cannot remain unmoved by the causes that we learn about.

Consequently, in 2015 our Tax colleagues contributed to one of the projects supported by the Genesis Collegiate Foundation, which was aimed at raising funds to acquire a dialysis machine needed to treat premature babies hospitalized in the Marie Curie hospital. Furthermore, in 2016 they promoted the programme "Volunteer in hospital," organised by the Association of Medicine for Public Health and succeeded in bringing a glimpse of happiness to the rooms of the N.D Robanescu Recovery Center and the Marie Curie hospital, where children face long term hospitalization. We highly admire our Tax professionals who are so passionate about this cause and so dedicated to ensuring that the holiday spirit also touches children facing difficult medical conditions and their families, as they put so much effort into collecting money (around Euro 1,000) to provide Easter and Christmas gifts for these children.

The tragic accident on 30 October 2015 at the Colectiv Club in Bucharest, which led to the deaths of 64 people and a large number of injuries, shocked all of us. During that dark period that cannot and should not be forgotten, one of the few things that provided a little comfort was the empathy and solidarity that we, as a nation, showed. KPMG staff donated blood or made financial contributions (Euro 4,484) that were directed to the victims of this tragedy through the Red Cross Organisation.

It is well known that blood transfusion is a real challenge for our medical system, and many of those with severe medical conditions face difficulties in finding eligible blood donors at short notice. As the blood donation campaigns conducted in the past at KPMG have been highly appreciated by the transfusion centres that we have cooperated with, we organized a new campaign on 16 May 2016. React Association and the mobile unit of the Bucharest Transfusion Center provided help in organizing this campaign in our Bucharest office, to which 60 colleagues have subscribed. So around 20 litres of blood that could be used for 125 individuals in need of a blood transfusion were collected thanks to our 42 colleagues who were able to give blood and to the people that made this event possible.





Lending a helping hand to others that care

We continued to be involved in various philanthropic projects, and the longer we nurture relations we have with NGOs supporting humanitarian and social causes, the more we realize that much remains to be done. So we make strong efforts to lend a hand to those in need, and the help we provide can take many forms.

In April 2016 we hosted an Easter fair at KPMG in Romania's Bucharest office to support an NGO and a local artist, at the same time providing the opportunity for our staff members and visitors to choose unique hand-made Easter gifts. All products exhibited at the fair (Easter eggs, greeting cards, decorations and much more) were manufactured by the Saint Dimitrie Foundation which runs a social centre for children and a protected workshop for disabled young people to work in, and by Serebe, a very talented artist suffering from chromatic ADHD (Attention Deficit Hyperactivity Disorder). All proceeds from the sales went to Serebe and the Saint Dimitrie Foundation.

In 2015 the KPMG office in Bucharest was refurbished and we decided that it was time for a change. This process involved replacing some of our furniture, which was still in very good condition, with some modern twist pieces. We donated some of the items we no longer needed to "Valentina" Association, which runs a day-centre called "Casa Valentina" and helps around 100 children to gain a normal education. This organization also provides assistance to the families of the children it supports, with social and professional reintegration.

Some items of furniture were also donated to the Association "Sprijinirea Integrării Sociale", an organization

dedicated to supporting some of the most underprivileged individuals/ social groups in Bucharest through humanitarian activities. Furthermore, in 2016 KPMG in Romania donated 293 old computers to the Ateliere fara Frontiere Association, which managed their recycling. The funds obtained by selling this IT equipment to a specialised recycling company were used to support the Association's projects, which are focused on providing education to disadvantaged children.

Financial support for social causes

It is always challenging to decide which cause to support and what to leave aside, especially when there are a lot of interesting projects designed to solve some of the many problems that the community faces. Our purpose is to endorse and give our support to those causes that we believe in and which we consider can make a significant contribution to social value creation.

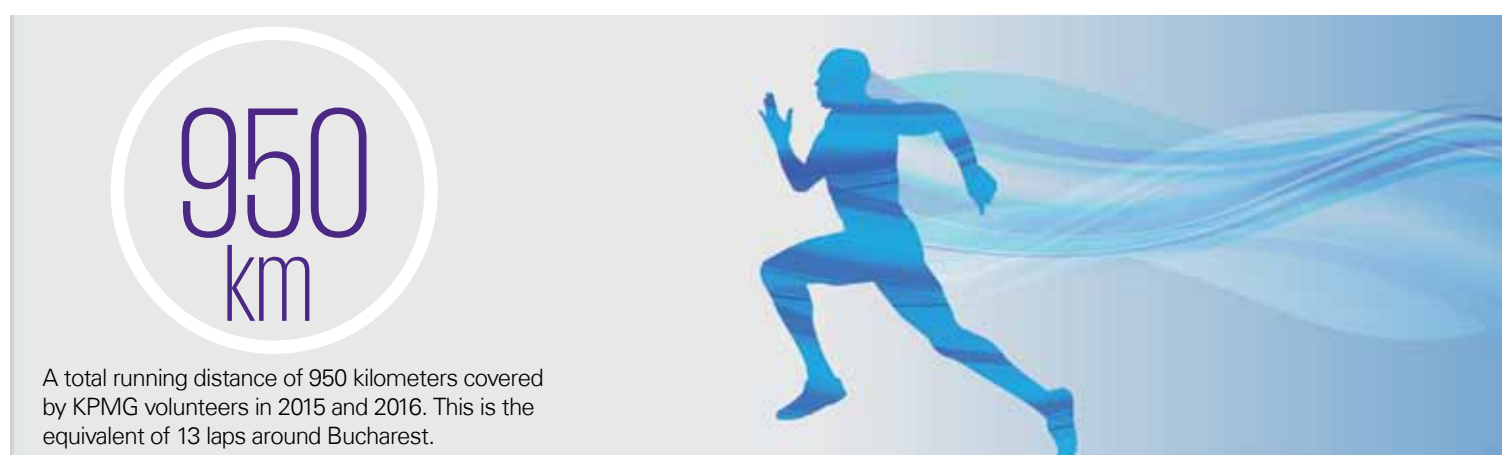
In 2015 and 2016 we supported projects in many areas such as social enterprises, culture, health, and sport. Most importantly, the donated amounts originate from voluntary financial contributions made by our employees either during fund raising campaigns such as KF Happy Hour, monthly /quarterly donations to KF or one-off contributions for a specific project, and from directing 2% of their income tax to our Foundation. As our aim is to increase our involvement in community projects, either as professionals carrying out pro bono work, volunteers or financial donors, in order to help our communities to surpass the challenges they are confronted with, we consider that we are on a good path and that we will manage to continue inspiring our employees and their families to be dedicated to a higher purpose.

4.4 Competing for good causes

In 2015 and 2016 we participated in one of the most important events in the city's calendar, the Bucharest International Marathon. This large race attracts an impressive number of participants every year, who are usually racing to support the causes promoted by the charity organizations associated with the marathon.

Continuing last year's tradition, KPMG volunteers joined the team of Hospice Casa Sperantei Foundation, an organization which

specializes in caring for terminally ill patients and their families. This event proved to be very popular among our colleagues, as 75 volunteers participated during the reporting period (51 in 2016 and 24 in 2015). The total financial contribution made for Hospice Casa Sperantei Foundation from subscription fees for the 8th and 9th editions of the marathon was Euro 5,500.



4.5 Pro Bono

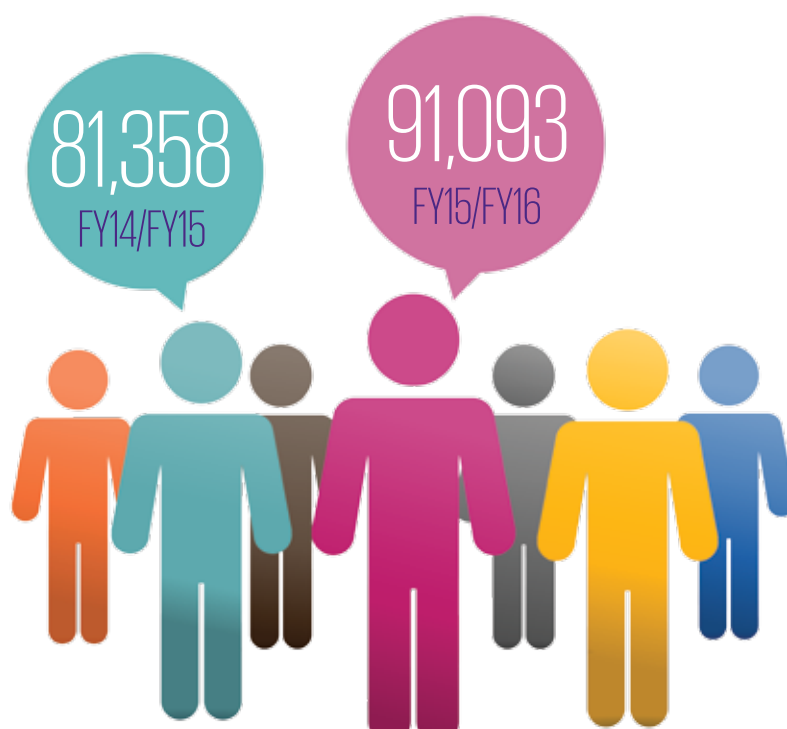
Pro Bono assignments are one of KPMG's most important initiatives to support the community, allowing our employees to develop and build on their professional skills, while at the same time promoting the values of our company. Maintaining our independence and integrity at all times is crucial for our business, and consequently all Pro Bono engagements are subject to KPMG's internal risk management procedures, similarly to fee generating

projects. So in 2014, we developed a Pro Bono Policy, providing guidelines on the issues to be considered for the assessment of these opportunities.

In 2015 and 2016 our professionals dedicated time to helping more than 17 not-for-profit organizations improve their performance and add credibility and transparency into their financial statements.

Service	Number of hours FY 14 / FY 15	Number of hours FY 15 / FY 16	Variance
Audit	1,250	1,011	↘
Tax	461	576	↗
Advisory	170	371	↗
Total	1,880	1,958	↗

Estimated value of pro bono services (Euros)



Objective	Status	Comments
Involve more employees in volunteering activities	●	This is a long term objective and to support it we have implemented a Volunteering Policy. We also focused more on supporting projects that also have a volunteering part to diversify the range of opportunities and encourage our professionals to become involved in these activities. To measure our success in this area, we plan to start monitoring the number of employees involved in at least one volunteering project promoted by KPMG.
Implement a monitoring procedure for volunteering programs and start reporting the total number of volunteering hours	●	Our Volunteering Policy, launched in January 2014, enables KPMG in Romania employees to dedicate 8 hours of their working time per year to participate in volunteering projects. However, as most of the volunteering projects (e.g. planting trees, cleaning our city, participation in the International Marathon for various causes, etc.) are held during weekends, the related time spent on these activities is not recorded in the employees' timesheets. We are currently carrying out an analysis to find an acceptable method for accurately monitoring and recording volunteering hours.
Increase our Pro Bono support	●	In FY 2015/2016 we succeeded in slightly increasing our community support by providing more advisory and tax services to non-profit organizations. This type of work was mostly needed due to important regulatory changes, which also affected non-profit organizations. Nevertheless, delivery of Pro Bono professional services is also dependent on the availability of our staff, and this is the main factor behind the slight decrease in the Audit function's involvement.
Initiate and implement more education and mentorship projects for new graduates	●	We continued our KPMG Business School programme, giving the opportunity to students and fresh graduates to start a career in Audit and gain an overview of the financial sector, grow their talent and acquire some experience, whilst continuing their university studies. KPMG in Romania also joined the KPMG International Case Competition (KICC) in 2015, giving a team of bright Romanian students the chance to measure their knowledge and skills against global standards, in the fascinating landscape of Dubai. Moreover, in 2015 we initiated a new programme, "Scholarships for excellence", dedicated to students with remarkable academic results. This was designed for a 3 year period and involves intensive learning activities, training and mentorship with KPMG professionals and a monthly scholarship of 250 Euros per student. A group of 14 students from 3 important universities in Romania (Academy of Economic Studies, Babes-Bolyai and West University of Timisoara) was selected to participate in the first edition of this programme.

5. Environment

5.1 Management approach

We express our strong commitment to integrating best environmental practices into our daily activities, to achieve our goals of continuous improvement of our company's environmental status. In order to improve our environmental performance, we undertake the following steps and actions:

- We identify and measure the way our activities affect the environment, through periodical assessment of environmental aspects and quantifying our impact.
- We adopt best practices and play a key role in development of innovative solutions for specific environmental problems of our economic sector.
- We carry out our activities in full knowledge and in compliance with environmental regulations or other environmental requirements.
- We integrate environmental considerations and objectives into all our business decisions.
- We minimize consumption of natural resources and waste generation as much as possible.
- We set environmental targets and objectives to measure our performance.
- We implement measures to increase the energy efficiency of our office buildings.
- We develop training programs and a working schedule to support environmental objectives, targets and programs and reduce our environmental impact.
- We ensure that our environmental actions become an integral part of our business processes.

We have continued to promote awareness on environmental issues among our stakeholders through:

- Delivery of information related to environmental protection, our strategy and objectives, improving

environmental performance and actively requesting feedback.

- Supporting actions to protect the environment among our employees and other stakeholders.

KPMG is committed to making a positive impact on the environment and addressing environmental related matters. As climate change is one of the most serious challenges facing the world today, we have a global strategy to deal with this issue, centred on three commitments:

- **Our environmental impact:** measuring, reducing and reporting our carbon footprint; increasing use of renewable energy; measurement of water, waste and paper; replacing high-emission energy sources with lower-emission alternatives, sustainable IT.
- **Community and marketplace:** being a leading provider of Climate Change and Sustainability client services; partnering with and supporting environmental projects and NGOs; contributing via industry initiatives and thought leadership on climate change and sustainability, building efficiency.
- **Awareness and engagement:** raising awareness of climate change amongst our people; encouraging commitment to improve environmental performance amongst our suppliers and clients; communicating and reporting our environmental performance, sustainable travel.

Based on these main areas of commitment to environmental protection, several strategic priorities and directions of actions have been identified and specific measures to be implemented have been proposed, within the limitations of the firm's control over the related issues.

In 2016 we revised our environmental policy to comply with the requirements of the new version of the standard ISO 14001 and to be aligned with the KPMG network's updated global strategic approach on environmental protection— Global Climate Response.

5.2 Our environmental impact

G4-DMA

Emissions

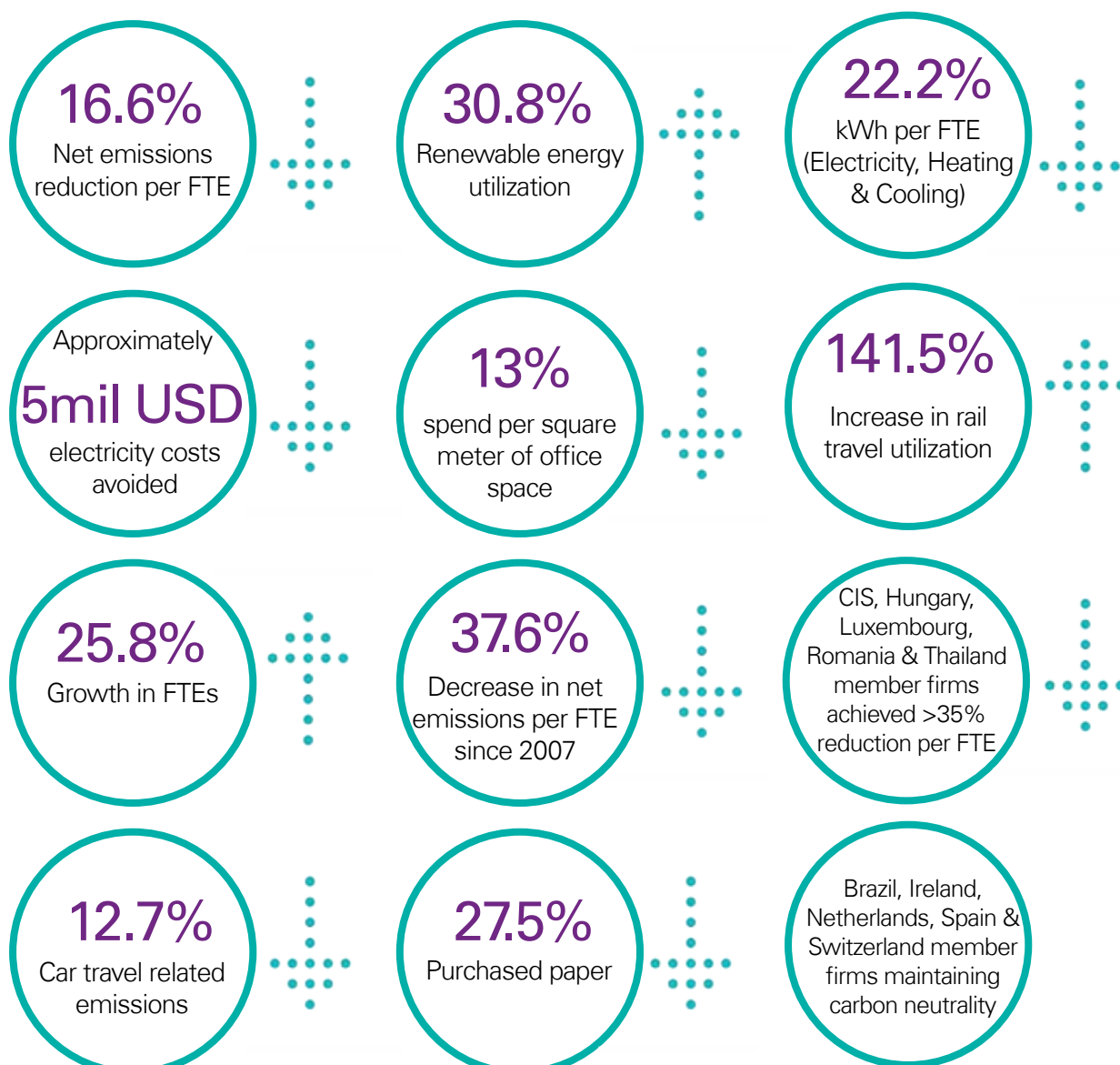
Within the most recent materiality analysis conducted in 2015, emissions have been rated as the main environmental aspect, both in the view of our stakeholders and from our company's perspective. Direct and indirect greenhouse gas emissions are reported annually by KPMG member firms, under a global program that includes specific targets for emissions reduction.

2015 marked the end of an important stage of our environmental strategic program. KPMG's Global Green Initiative, setting the KPMG network's climate change strategy and the target of reducing our global carbon footprint by 25 per cent within the first

phase (2007-2010) and by an additional 15 per cent in phase 2 (2010-2015), came to an end. Due to personnel fluctuation and for consistency reasons, the targets were set for GHG emissions per capita (full time equivalent – FTE).

The reduction target of 15% net emissions per FTE has been met and exceeded, with a total Phase II GGI reduction of 16.6% net emissions per FTE. The KPMG Global Network's efforts to reach this goal is a source of pride, and should not go without recognition, as we have continuously achieved reductions in global energy consumption, the largest source of our carbon footprint.

Snapshot of highlights of Phase II of the GGI



However, this is not the end of the journey, but a new beginning. The Global Climate Response (GCR) is the 3rd installment of KPMG's response to the challenges of climate change, following on from the Global Green Initiative. It demonstrates KPMG's commitment to reduce our impact

on the wider environment whilst uniting our efforts to mirror those set out in the Sustainable Development Goals and the Paris Agreement on Climate Change. Part of this commitment is to measure, reduce and report KPMG's combined global greenhouse gas (GHG) emissions inventory.

Sustainable Development Goal Alignment

GCR targets

Affordable and clean energy



Goal 7

- Enhance global cooperation to facilitate access to clean energy research and technology
- Ensure universal access to affordable, reliable and modern energy services
- Continues focus on optimal energy efficiency within our operations

Responsible production and consumption



Goal 12

- Substantially reduce waste generation
- Promote public sustainable procurement practices
- Ensure access to information and awareness for sustainable development and lifestyles
- Continued monitoring and reporting of emissions across stated targets

Climate action



Goal 13

- Improve education, awareness raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

10% NET
Emissions
reduction per FTE

60% Purchased
Electricity from
renewable energy
sources

With 2016 as the beginning of the Global Climate Response, setting this year as a baseline for the proposed targets is an important starting point. The stated targets of the GCR by the end of the 2020 reporting year are:

- 10% Net Emission Reduction per FTE.
- 60% of Electricity to be purchased from Renewable Energy Sources.

The 2016 global baseline has been calculated using an updated methodology pertaining specifically to air travel emissions and renewable energy. The trend is to use air travel factors that include radiative forcing, which leads to a significant increase by comparison with the factors previously used.

The GCR emissions inventory has been developed based on the globally recognized Greenhouse Gas Protocol (GHG Protocol), developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). The GHG Protocol provides broad standards and guidance for companies and other organizations preparing a GHG emissions inventory, also known as a carbon footprint. The GHG Protocol categorizes a company's emissions into three separate scopes:

- Scope 1 Direct GHG emissions – from sources that the firm owns or controls, including on-site stationary fuel combustion, fuel combustion in owned/controlled vehicles, and fugitive emissions from leaks in Heating, Venting, and Air Conditioning (HVAC) equipment.
- Scope 2 Indirect emissions from purchased electricity – indirect emissions from purchased electricity arise from the generation of electricity by a third party that is consumed by the firm.
- Scope 3 Other indirect GHG emissions – includes business activities that are relevant to the firm's operations, but are not under the direct control of the firm, such as air travel, business travel in personal vehicles, and rail travel, as well as heating and cooling in common areas of multi-tenant leased buildings.

The KPMG Global Climate Response reports emissions data from the KPMG member firms on a calendar year basis. This is necessary, as KPMG member firms have varying fiscal years and some member firms have indicated they can only provide data on a calendar year basis. The GCR follows the 'Operational Control' approach to setting organizational boundaries. According to the GHG Protocol, a company has Operational Control if it has the full authority to introduce and implement its operating policies. Having

operational control does not mean that a company necessarily has the authority to make all decisions concerning an operation, but it does mean that the company has the authority to introduce and implement its operating policies. For KPMG, this means only the emissions arising from activities within the operations, equipment and facilities that the firm controls should be included in the Scope 1 or Scope 2 emissions. Following the GHG Protocol, the GCR includes all emissions from Scope 1 and Scope 2 activities, and selected Scope 3 indicators.

Participating member firms collect or estimate data for all facilities under their operational control and submit that data for review and consolidation. The member firm may design its own data collection procedures; however the scope, boundaries and calculation methodologies should follow the global guidance for consistency across all participating member firms. For example, KPMG in Romania reports on all required core indicators, but may also choose to adjust the scope, as necessary, for national reporting purposes. The GCR provides submission tools and templates for member firm use. Participating member firms complete the submission form as instructed, to enable consolidation into the global figures.

When possible, we should obtain actual data for each environmental performance indicator, based on verifiable consumption which can be sourced to an invoice, the expense system, or other documentation. In some cases, actual data may not be available and consumption will be a data estimate. For example, leased buildings without sub-metering may only be able to get the annual energy consumption for the entire building from a landlord. Similarly, it may not be practical or possible for a firm to gather data for every office. In such cases, we seek data for the largest office, ideally covering at least 75% of the firm's full-time equivalents (FTEs). For the remaining offices, a national average can be applied to estimate 100% coverage of the firm's emissions based on FTEs, also known as a data extrapolation. For every indicator in the data collection, the GCR requests the percentage of data that was actual data versus data estimates.

G4-EN15, G4-EN16, G4-EN17, G4-EN19



Greenhouse gas emissions

	2014	2015	2016
Net emissions/FTE	1.04	0.91	1.53
Total emissions	688	711	1,182
Direct emissions (scope 1 – gas/fuel consumption)	178	193	257
Indirect emissions (scope 2 – electricity)	*291	299	409
Indirect emissions (scope 3 – business related travel)	219	220	516

Note: metric tons CO2 equivalent

* For the 2014 indirect emissions scope 2 (electricity), we took into account a conservative emission factor, based on the national energy mix and unprocessed data provided by the Regulation Authority for Energy (313 g/kWh). Subsequently, the relevant authority published the official value for the year 2014 (292 g/kWh) which means that our calculated scope 2 emissions for 2014 were overstated. This change influences the figures marked in the table as follows: Indirect emissions scope 2 – 291 tons instead of 312; Total emissions – 688 tons instead of 709, Net emissions/FTE – 1.04 instead of 1.07.

Emission factors are identified for each environmental performance indicator (e.g. fuel and electricity consumption, used for GHG emissions calculation), for converting consumption or operational activity into carbon dioxide equivalents, to estimate our overall output of emissions into the atmosphere. Emission factors are obtained from the public information services provided by the national government or the vendor that provided the services/utilities. If these sources are unavailable, the GCR can provide additional sources and guidance.

These factors are updated annually and should be requested each year. In most cases, the emission factor will not be the same as the prior year, but should be collected from the same source to ensure consistency over time. The most accurate, recent and applicable emission factor

should be used for each indicator, and the emission factor source should be recorded in the submission form and supporting documentation.

During the data collection process, we might obtain more accurate information for a prior year, or identify missing or erroneous information. In these cases, adjustments may need to be made to ensure accuracy and comparability of data between years. All missing or erroneous information is noted and explained. An evaluation of the materiality of an error or omission is necessary to determine if a prior year adjustment is required.



Across GGI Phase 2, KPMG in Romania has achieved a 37.8% decrease in NET emissions per FTE, thus significantly surpassing the target of a 15% reduction, and was consequently one of the best performing member firms in terms of emissions reduction in the period 2010-2015. A 12% drop of net emissions per FTE was achieved in 2015 compared with the previous year, confirming the descending trend of the emissions level as a consequence of the sustained organisational measures implemented during the last few years.

Nevertheless, the figures for 2016 show an obvious growth of the emissions level, compared with the previous year. This setback is not due to lack of commitment and involvement in achieving our goals, but has objective causes:

- In 2016 we rented 670 square metres of additional floor space for our office in Bucharest, meaning a 10% increase of the total surface occupied by our employees. Thus, the natural resources consumption necessary for heating, lightning and ventilation of this space is incremental to that reported in previous years.
- During 2015-2016, our main office in Bucharest underwent a major refurbishment, which involved energy intensive processes, thus generating a significant increase in electricity consumption, reflected mainly in the invoices issued at the beginning of 2016. The work included the replacement of the air conditioning system, lightning sources and water taps and the selected equipment is designed to reduce consumption of resources in the future.

- The methodology for calculating emissions has been amended for the GCR and the air travel emission factors have been revised, to include radiative forcing. This change led to a major increase in the recorded emissions generated by air travel. For example, for a similar number of km travelled, the emissions level is almost double using the new calculation method, taking into account the revised factors.

The figures reported are determined based on the actual consumption of electricity and natural gas by the Bucharest office, extrapolated by 12% in 2015 and by 13% in 2016 (pro-rata for FTEs of the other KPMG offices, for which we are not able to measure these indicators). Travel related data are provided by the travel agencies we work with for all KPMG offices, covering 100% of the kilometres travelled by plane, car or train by KPMG in Romania professionals, for business purposes.

KPMG in Romania has been part of the Global Green Initiative, and has made a commitment to integrate best environmental practices into its daily activities and exceeded the emission reduction target established. We maintain our support for the global ambition to continuously reduce GHG emissions and we will make every effort to perform at least as well for the period of the Global Climate Response as we did during the Global Green Initiative.

Energy**G4-DMA**

Globally, we continue to achieve reductions in global energy consumption, the largest source of our carbon footprint. Energy, Heating and Cooling (EHC) is the 2nd biggest emissions source. Since 2010, the total amount of renewable energy we use has increased by 22.5% and about 35% of our energy now comes either directly from renewable sources (including on-site solar at a few facilities), or from renewable energy certificates and green tariffs.

Due to our activity profile, which mainly involves office work and trips to our clients' premises, electricity, natural gas and fuel consumption account for most of the environmental impact we generate. Consequently, their reduction is one of the main focus areas in our initiative to diminish our carbon footprint.

We continuously raise our people's awareness of the importance of behaving responsibly in relation to the consumption of resources as well as to the fact that each individual's efforts are important for the achievement of our goals. We commit to these actions voluntarily, as we are not subject to any regulation or policy related to energy consumption or energy efficiency.

KPMG in Romania's energy consumption consists of:

- KPMG generated heating: on-site generation, natural gas boiler. The collected data relates to the volume of natural gas consumed, based on the invoices issued by the provider.

The emission factor for natural gas is published by the Ministry of Environment.

- Purchased electricity: from the local supplier, consumption is determined based on the monthly invoices. The annual emission factor is provided by ANRE, based on the energy mix at national level. Transmission and distribution losses are excluded from this scope since we do not own or control the system.

Continuous efforts are made to encourage environmentally-friendly habits by KPMG in Romania's employees (use lights only when necessary, turn off the air conditioner, unplug office equipment at the end of the day etc.). We have noticed an improvement in our colleagues' understanding of environmental issues, and many of them are increasingly aware of the importance of efficient use of resources.

The increase in energy consumption in the last year in terms of electricity and natural gas consumption has been explained previously, as this was directly connected with the extensive modernization work carried out at our Bucharest office. We are confident that the baseline 2016 will be the peak of the consumption level and the next few years will bring significant reductions, supported by the energy-efficient air conditioning and lightning equipment installed, and by responsible behaviour by our employees.

G4-EN3**Energy Consumption****Electricity**

	2014	2015	2016
Consumption (kWh)	997,948	1,023,303	1,427,305
Emissions (kg)*	291,358	298,404	409,637
Cost (RON)	333,995	304,255	387,491



*The emission factor has been adjusted according to the latest data published by ANRE

**Natural gas**

	2014	2015	2016
Consumption (m ³)	743,987	804,545	1,135,642
Emissions (kg)	148,425	160,507	227,242
Cost (RON)	95,985	133,461	181,702

Transport

G4-DMA

We monitor and report the kilometres travelled by our employees for business purposes, as part of our involvement in global programs to reduce emissions. This includes KPMG minibuses, company cars, train and air travel. We also determine the GHG emissions generated, based on emission factors disclosed by international organizations or available in the technical specifications of the related vehicles. The main categories of means of transportation and the related approach is detailed below:

- Fuel consumed in KPMG leased or owned vehicles: KPMG owns 3 diesel cars and has a contract with a transportation company that provides 4 mini-buses for transportation of employees at the beginning and end of each working day. We collect data on the kilometres travelled using these vehicles during the reporting period and the emission factors are those specified in vehicles' technical data, with an annual ageing coefficient.
- Air travel includes all travel booked through the firm's travel agencies and/or paid by the firm for client services and internal meetings, irrespective of whether it was billed back to a client. We provide air travel data based on the class of travel (by both length of flight and service class). This method is considered the most accurate for calculating air travel emissions as it assigns the emissions from a given flight according to the portion of the plane that the seat uses. For example, a first class seat takes more space on the plane than an economy class seat and therefore the first class seat is assigned a higher emissions factor.
- The GCR uses the DEFRA emission factors, including the uplift factor, applied to direct greenhouse gases only – indirect greenhouse gases are not considered in our methodology. In 2013, DEFRA released a revised

set of business air travel conversion factors which now recommends a 90% increase in the CO₂e factor to consider "radiative forcing", or the influence of other climate change effects of aviation (water vapour, contrails, nitrous oxide, etc). The GCR has been adopting DEFRA emissions factors inclusive of "radiative forcing" as from 2016, resulting in a significant increase in emissions. Radiative forcing provides a more accurate reflection of the long term impacts of air travel related emissions. For this reason alone it is becoming the preferred use factor for air travel.

- Rail travel includes all tickets booked through travel agencies and paid for by the firm for client services and internal meetings, whether or not it was billed back to a client. However, it does not include client-arranged rail travel for the firm's professionals that is paid for directly by the client. The passenger kilometres travelled are provided by the travel agencies we work with and the emissions factor is calculated by using a dedicated public study on specific emissions per means of transport.

Air travel remains our biggest challenge with spend per FTE increasing 15.9% since 2010. As a client service business, travel is frequently required to meet client needs. However, our data also shows that approximately 51% of KPMG air travel is non-client related or non-client billed. With air travel spend at approximately \$ 300 million, a small reduction in non-client related or billed air travel can offer significant cost and environmental savings. Actions taken in this area include enhanced monitoring of video conferencing usage, promotion of rail over air travel (where possible), expanding e-learning options, and adjusting class of travel policies for flights.

Transportation

G4-EN30



Car travel

	2014	2015	2016
Distance (km)	88,560	94,320	83,100
Emissions (kg)	29,232	32,198	29,328
Cost (RON)	289,358	408,521	468,138

Air travel

	2014	2015	2016
Distance (km)	2,057,413	2,048,291	2,385,239
Emissions (kg)	215,938	216,978	513,938
Cost (RON)	1,137,408	1,587,435	1,824,060



Rail travel

	2014	2015	2016
Distance (km)	68,542	58,164	43,152
Emissions (kg)	3,461	2,937	2,179
Cost (RON)	49,529	46,168	18,043



We strive to make our employees aware that every kilometre they do not travel means less GHG emissions, so we encourage them to take a responsible approach to this issue both at home and in the office.

KPMG in Romania's employees travelled more by plane during the reporting period, as we have been involved in more regional projects and management teams have recently undertaken intensive training abroad. However, we strive to limit the number of km travelled and to choose economy class tickets instead of business class ones. Trips to clients and meetings have been replaced whenever possible with conference calls or videoconferences.

The kilometres travelled by car (both company owned cars and minibuses) and train for business purposes decreased, as we made efforts to streamline our trips to clients' premises, as well as the routes and schedule of the minibuses hired to take employees to and from the office. Car sharing when visiting clients or when coming to the office is common practice and an increasing number of employees have started using bicycles or motor-scooters, proving that they have become increasingly concerned about our environmental impact and are making continuous progress towards being more responsible citizens.

Effluents and waste

Waste management is one of our top concerns and strategic priorities in terms of environmental protection. We work constantly to raise our employees' awareness and we encourage them to take a responsible attitude to separation of waste, both in the office and at home.

We have installed special bins for waste paper collection, located near each printer, and for plastic waste, in the kitchens. These bins are easily accessible and clearly marked, so employees learn to use them correctly.

Records on the amount of waste generated and managed are kept according to current legal requirements and each year a waste audit is conducted and a plan for prevention of waste generation and reduction is developed. The figures reported are determined based on the actual generated waste quantities by the Bucharest office, extrapolated by 12% in 2015 and by 13% in 2016 (pro-rata for FTEs of the other KPMG offices, for which we are not able to measure this indicator).

The total quantity of waste generated by KPMG in Romania's employees increased by 10% in 2015 and remained at a steady level in 2016. This increment is due to the higher number of FTEs.

Plastic, paper waste and WEEE (waste electrical and electronic equipment) are separately collected and sent for recycling, based on contracts with specialized companies. From 2016, we began separately collecting waste batteries and accumulators, after concluding a protocol on this issue.

The amount of plastic waste generated and collected increased significantly in 2015, compared with the previous year.

The quantity of paper waste also saw significant growth in 2015, due to an intensive archiving process and the amount collected in 2016 is almost at the level of 2014, with a slight decrease determined by the implementation of software applications replacing hard-copy documents. A significant quantity of WEEE was collected in 2016: 1.3 tons. Out of the total, 678 kg of waste electrical and electronic equipment (laptops) were donated to an NGO specializing in refurbishment (for re-use) or WEEE recycling.

The money obtained from equipment sent for recycling was subsequently donated to children in need.

The overall trend of the amount of separately collected waste is positive, emphasizing the results of the awareness campaigns conducted regularly. These achievements demonstrate our clear concern to carry out effective waste management practices and our employees' commitment to environmental protection.

Waste

G4-EN23

	2014	2015	2016
Domestic (t)	225.3	243.2	250.6
Paper (t)	5.9	7.7	5.1
Plastic (t)	6.4	9.2	6.8
WEEE (t)	0.2	0	1.3
TOTAL (t)	237.8	260.1	263.8



Water

G4-EN8, G4-EN22

	2014	2015	2016
Consumed ('000 l)	3,513	3,752	3,943
Discharged ('000 l)	3,513	3,752	3,943
Cost (RON)	21,796	35,306	25,627

Our water consumption is equivalent to 2 Olympic Size Pools

Other environmental issues and their associated impact

G4-DMA

Even though the following environmental issues have not been quantified as material for our activity by the relevant stakeholders, we continuously monitor the quantity of used water and discharged wastewater, striving to improve our processes, procedures and controls and, ultimately, performance trends.

Water use and wastewater discharge

In 2015-2016, the volume of water consumed for sanitary use, drawn from the municipal supply system for all our offices, steadily increased. The figures reported are determined based on the actual water consumption of the Bucharest office, extrapolated by 12% in 2015 and by 13% in 2016 (pro-rata for FTEs of the other KPMG offices, for which we are not able to measure this indicator).

However the growth trend is below the increase in FTEs, meaning that each of our employees consumes less water. This reveals that communication on the scarcity of natural resources had positive results, leading to increased awareness of the importance of responsible use of water among our employees. Taking into account that in 2016 in our main office in Bucharest "smart" water taps were installed, we are confident that the next few years will see a descending trend for water consumption.

Sanitary waste water goes into the municipal sewerage systems, as no KPMG office recycles or reuses water. The drinking water for our employees consists of bottled water provided by a special supplier and this is not included in the reported figures. Disposal of waste water is carried out according to current environmental legislation.



Environmental taskforce in action

Tree planting

During the two years covered by this report, KPMG employees were involved in 3 tree planting actions, coordinated by the company or by other business associations and NGOs.

1. Over 25 KPMG volunteers responded to the invitation launched by the EcoAssist Association via "Plantam fapte bune" (Plant good deeds) Initiative and participated in the most important tree planting event at national level. On 19 November 2016, 27,500 trees were planted by 1,225 volunteers in a flooded area in Calarasi County (Jegalia).

"The first participation by KPMG volunteers in the tree planting initiative "Plantam fapte bune" was an unforgettable experience. We were pleasantly surprised by the enthusiasm and cheerfulness of the organizers and I cannot describe the satisfaction I had seeing people of all ages who managed to cover a surface area of 24 hectares with willow trees in half a day. All these aspects made us want to repeat the experience and we look forward to the next action organized by these beautiful people!" said Geta Diaconu, KPMG Foundation coordinator.

2. Over 30 volunteers headed by Serban Toader, Senior Partner of KPMG in Romania, joined forces on 17 October 2015 to plant 50 maple-trees in one of Bucharest's neighbourhoods, as part of the company's commitment to environmental protection. The project was funded through donations by KPMG employees, via the KPMG Foundation, and it was jointly implemented with the local public administration.
3. On 29 October 2015, 3 KPMG employees joined forces with volunteers from other companies for a tree planting action organized by the American Chamber of Commerce in Romania.

Earth Hour

Earth Hour is a time when individuals, businesses and governments switch off their lights for one designated hour to demonstrate a collective commitment to protecting our planet.

The annual lights out event has grown from a single-city initiative in 2007 to become the world's largest display of environmental action. KPMG has a clear position on our environmental responsibilities, as we aim to continuously cut our carbon footprint. This requires a commitment from us all as individuals as well as an investment by the firm.

As in previous years, KPMG in Romania demonstrated its commitment to the environment by supporting Earth Hour on 29 March 2015 and 19 March 2016, when all lights in the Bucharest office were turned off for one hour (8.30-9.30pm). This initiative was aimed at raising awareness among KPMG employees about global environmental challenges, and inspiring real action to resolve climate change, at work as well as at home.

World Environment Day

We supported World Environment Day (WED), the United Nations' main vehicle for encouraging worldwide awareness and action for the environment. To promote the 2015 theme "Seven Billion Dreams. One Planet. Consume with Care.", we launched an extensive awareness raising campaign focused on reducing electricity consumption. The core element of this campaign was the thematic message developed for this event, which was rolled on all KPMG computers when these were switched on.



Objective	Status	Comments
Update our Environmental Policy and maintain the ISO 14001:2005 certificates.	●	The environmental policy has been revised to comply with the requirements of the new version of the standard ISO 14001, released in 2015 and will be aligned with the revised strategic approach on environmental protection of the KPMG network (Global Climate Response).
Conduct more in-house projects focused on increasing our employees' awareness of the challenges of environmental protection.	●	In 2015 and 2016 we continued our efforts to make our people aware of environmental protection issues, through Induction training courses and internal projects in this area: Tree planting, Earth Day, Earth Hour, World Environment Day.
Continue our participation in the GGI and reach the GHG emission reduction target for the second period (-15% by 2015, with the 2010 emissions level as baseline).	●	We achieved a reduction in net emissions/FTE of 38% against the baseline level (2010), thereby significantly exceeding the target (15%).
Implement measures to improve building efficiency for our offices.	●	During 2015-2016, our largest office building located in Bucharest underwent a major refurbishment process that included the replacement of the air conditioning system, lightning sources and water taps. The installed equipment has been selected to be energy efficient and to lead to a decrease in consumption of resources.

● Achieved ● Partly achieved/In progress ● Not achieved

6 Workplace

6.1 Labour practices and good working conditions

Employment

G4-DMA

We remain focused on retaining our valuable professionals and continuing to recruit new employees to embrace our culture.

Our recruitment policy sets out clear and transparent steps for the recruitment process. The People Performance Culture (PPC) department works closely with line managers to ensure that candidates possess the right skills, competencies, technical expertise and motivation required to enable them to continue our culture of making the difference for our clients.

A new initiative has been to involve top management in the graduate recruitment process. Partners, Directors and Managers have participated in several projects and events designed for students from all the big university centres around the country. Moreover, we organized multiple in-house technical and soft skills workshops inviting students to attend and gain an understanding of the business environment, as well as the audit & tax consultancy professions, helping them to gain the tools & skills they need for a career start.

We continued to develop our referral program and we strongly encouraged young professionals to recommend us their peers to introduce them into our recruitment process.

In our screening procedure, we use both internal and external tools, such as written and verbal communication and psychometric tests, as our first step in the selection process. This is followed, for successful candidates, by assessment centres where capabilities such as teamwork, creativity, as well as business focus and acumen, are further tested under the close supervision of our line managers, together with the HR business partners.

Once our new employees are accepted at KPMG in Romania, they pass through a complex Induction program, so that they get to know the organization better. This has several components: internal procedures, IT systems workshops, performance management workshops, health & security courses, mandatory courses on technical skills as well as soft skills programs.



All employees are encouraged to consider their professional and personal development as an ongoing priority. As discussed, we are constantly seeking to help our people improve their performance and give them more support to achieve their full potential. The performance development process uses an all-round approach which places the employee at the centre. It starts from our brand attributes and the necessary capabilities which must be displayed by our people, setting both business and personal development planning goals, and is supported throughout the process by:

- Continuous feedback.
- Quality conversations rather than lengthy completion of forms.
- Performance Managers who act as coaches, and who support individual development aspirations.

Benefits

As part of our benefits package we offer life and accident insurance coverage, health care, which also includes dental service facilities, free transport services to and from our premises and wellness facilities. These benefits are standard for both full-time and part-time employees of the firm.

We started designing our Employee Value Proposition in the last quarter of 2016. We have implemented some measures and we are still working on others.

Please find below a list of implemented actions, in a random order.

1. We started having monthly roundtables where we discuss issues affecting our work environment.
2. We started promoting an entrepreneurial culture and showing everyone successful projects within KPMG, which were driven by the entrepreneurial spirit of some of our colleagues.
3. We relaxed the dress code.
4. We continued a flexible working program in Tax (gliding hours, short days) and work from home for 2 days a month - depending on utilisation rate and business needs.
5. We started delivering training courses on topics such as changing mindsets, emotional intelligence, and career success in the 21st century.
6. We started having monthly social meetings between junior staff and the partners to allow people get to know each other better.
7. We started arranging several wellbeing workshops in the office (ranging from nutrition and parenting to handmade art/crafts, etc.).

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

Total number and rate of new employee hires	2014		2015		2016	
Office	New hires	%	New hires	%	New hires	%
Bucharest	277	42.29	245	34	273	38
Timisoara	19	67.86	14	42	20	51
Cluj	14	38.89	22	51	38	68
Iasi	8	88.89	1	11	6	46
Constanta	0	0	0	0	5	29
Chisinau	14	42.42	12	32	9	27
Gender						
Men	128	45.07	104	33	119	40
Women	204	42.50	190	35	232	40
Age group						
< 30 years	297	33.89	247	37	327	48
30 - 50 years	35	7.95	47	26	24	13
>50 years	0	4.55	0	0	0	0
Total	332	43.46	294	34.51	351	40

Note: The figures presented show the number of hires recorded during the financial year (1 October – 30 September).

Total number and rates of employee turnover	2014		2015		2016	
Office	Employee turnover	%	Employee turnover	%	Employee turnover	%
Bucharest	150	22.90	164	22.53	194	26.76
Timisoara	14	50.00	12	36.36	11	28.21
Cluj	8	22.22	9	20.93	23	41.07
Iasi	2	22.22	3	33.33	0	0
Constanta	2	66.67	0	0	0	0
Chisinau	8	24.24	12	32.43	11	33.33
Gender						
Men	70	24.65	66	21.09	91	30.43
Women	114	23.75	134	24.86	148	25.34
Age group						
< 30 years	138	18.41	157	23.82	197	28.76
30 - 50 years	45	12.88	41	22.40	42	23.33
>50 years	1	4.55	2	20.00	0	0
Total	184	24.08	200	23.47	239	27.07

Note: The figures presented are those recorded during the financial year (1 October – 30 September).



Although in 2014 we registered high turnover rates for two of our offices located in important Romanian cities, mainly because of the dynamic business environment in these areas, in 2015 and 2016 we saw a decrease in these rates, and their level can be considered acceptable, taking into account the normal patterns of staff turnover in a market economy. We continue to make efforts to retain our professionals, but we understand and we have to support the decisions some of our employees make to take a different path to achieve their full potential, even if this means they leave us.

Training and education

G4-DMA

Learning and development is a fundamental part of who we are at KPMG in Romania. We take great pride in our people and their education and development is our highest priority.

Our aim is to improve the way knowledge is delivered and embodied, and so we are constantly seeking to adapt to new learning behaviours and needs. The courses we provide include: blended training courses, e-learning, virtual classrooms and online courses. These learning opportunities are now accessible on-demand and sharing the information has been customized in a more interactive way, while the importance of on-the-job training is emphasized.

G4-LA9 Average hours of training per year per employee by gender, and by employee category

Average hours of training per year	2014	2015	2016
Training hours	31,445	25,477	33,561
Training hours/employee	41.15	35.58	38.80
Training hours by employee category:			
Management	23.50	38.71	27.76
Staff	48.50	34.73	42.36
Training hours by gender:			
Men	40.70	35.83	39.10
Women	47.26	35.06	38.63

Note: The figures presented show the number of training hours recorded during the financial year (1 October – 30 September)

In late 2015 we began implementing a new Global Learning Management System (GLMS), and the official launch took place in June 2016.

The new system allows easy administration, tracking, reporting and even delivery, where possible, of most of KPMG's internal and international courses. The GLMS is a Success Factor learning management system, one of the industry's most highly acclaimed methods for managing employee training.

The number of training hours increased during the reporting period, as a consequence of the management's aim of widening employees' range of skills and competencies on the one hand, and due to the implementation of the new system, on the other. This allowed employees to enroll for additional on-line courses, to plan and record their individual training programmes more easily.

In late FY16, a pilot change management project started with an external consultant, with the aim of helping the firm prepare for and successfully navigate future market challenges. This initiative resulted in additional career development workshops for the staff taking part in the pilot. Since then, the programme has been extended firm wide.

The professional development policy within our firm states that all our professional staff, are required to assign annually a minimum of 20 hours to relevant professional development and learning activities and 120 hours over a three year period.

We facilitate and support staff members' participation in courses organized both locally and at regional level, which help them to gain appropriate formal qualifications

required for the job and to develop their technical competencies. We monitor closely the range of courses available to our employees and try to extend the curricula to keep our people up-to-date in their specialist area. Consequently, we have broadened our training curricula to include new courses such as Business Acumen and set up soft skills development centres for specific groups. We have also expanded our range of soft skills courses to include new training programs such as business etiquette, personal branding, writing skills, as well as listening and questioning skills.

Accordingly, we aim to encourage close communication with our staff in relation to their training and development experience, through timely feedback at the end of each training programme, and once a year through our Global People Survey.

We support our staff in obtaining membership of a wide range of international and Romanian professional organisations such as the Chamber of Financial Auditors of Romania (CAFR), the Organisation of Expert and Licensed Accountants of Romania (CECCAR), the Romanian Chamber of Tax Consultants (CCF), and the Association of Chartered Certified Accountants (ACCA). We also support our employees in obtaining relevant qualifications, such as the Advanced Diploma in International Taxation (ADIT), or certification as a Chartered Financial Analyst (CFA) or a Financial Risk Manager (FRM) etc.

In addition, we provide numerous professional, technical and soft skills training courses, which support the continuous development process of our employees. All these, together with the accreditations received while at KPMG, have a direct positive impact on the careers of our professionals even if they leave KPMG.



Equal remuneration for women and men

G4-DMA

KPMG in Romania considers that the remuneration granted to staff must reflect their level of experience, knowledge and degree of responsibility as well as competences specific to each staff category.

Regardless of gender, when developing the remuneration and bonus structures for our staff members, we take into account these elements and relate them to employees' performance.

G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Region	FY 2014		FY 2015		FY 2016	
	Ratio of remuneration	Ratio of basic salary	Ratio of remuneration	Ratio of basic salary	Ratio of remuneration	Ratio of basic salary
Bucharest	0.81	0.83	0.82	0.83	0.83	0.84
Cluj	0.65	0.68	0.66	0.68	0.73	0.75
Constanta	1.21	1.20	1.21	1.20	1.21	1.25
Iasi	2.52	2.35	0.95	0.96	0.95	0.96
Timisoara	1.36	1.31	1.36	1.31	1.33	1.31
Romania	0.81	0.83	0.81	0.83	0.82	0.83

7 Marketplace

7.1 Joint Community Programs

Joining forces with other companies

KPMG in Romania joined the Financial Education project organized by the Association for Promoting Performance in Education together with the National Bank of Romania and the Ministry of Education. The project consisted of the implementation at the primary education level of optional classes in financial education. In August 2016, the firm offered financial support for the cost of textbooks and related special copybooks for 2,100 children who chose to learn more about financial issues and thus to be prepared for the life challenges awaiting them and for their future careers.

Contribution to business associations' initiatives

Our Sustainability and CSR director delivered a presentation on KPMG's CSR Strategy and Community Support, within the Roundtable on CSR organised by the French Commercial and Industrial Chamber in Romania, on 3 March 2016. Communication of the key directions of KPMG's CSR strategy created a good basis for future joint CSR projects with other companies (clients/targets) attending this event, as well as with some NGOs with a strong reputation.

We contributed to the development of the Community Investment Guide launched by the American Chamber of Commerce in Romania on 3 November 2015. The guide is a valuable tool for companies which are interested in developing their relationship with the communities in which they operate. The document is based on best practices in this area and is the result of a cooperative effort by American Chamber of Commerce members, including KPMG in Romania. 1

Connected with culture

At KPMG, we consider that irrespective of the challenges Romanian society is confronted with, we need to recognize our national values and to support our culture. Our remarkably talented artists play a significant role in maintaining and promoting our national identity, and their efforts should be acknowledged and encouraged.

In 2015 and 2016, as we have done for many years, KPMG supported the Romanian Association of Theatre Artists (UNITER) Awards Gala, one of the most important events for theatre artists.



7.2 KPMG empowers students

Excellence Scholarships

We continued our strategy of investing in the national education system by implementing the Excellence Scholarships program, aimed at inspiring and supporting the next generation of leaders.

The Excellence Scholarships are part of a wider program meant to support educational excellence, and they are aimed at students from prestigious Romanian universities. These students are given the opportunity to become financially independent starting from their first year of University, and the scheme also enables them to gain valuable professional experience through mentorship and intensive training sessions with top KPMG professionals. Excellence Scholarships are granted based on rigorous criteria set for the entire period, and focus on motivating the students to build a career, while at the same time achieving high standards in their academic studies.

In 2015, KPMG in Romania selected the first beneficiaries of this program, including 14 students from the Academy of Economic Studies in Bucharest, the Babes Bolyai University in Cluj and the West University of Timisoara. The students receive a monthly scholarship of 250 euros for a 3 year period. They continue to focus on their academic activity and in parallel are included in KPMG training and mentorship programs, together with KPMG professionals.

Șerban Toader, Senior Partner of KPMG in Romania states: "The Excellence Scholarships program is part of a series of actions implemented by our company, which aim to support talented young people who wish to build a career in audit and advisory. The main objective of this project is to help outstanding young people develop their potential by encouraging them to channel their energy into in-depth academic studies, extracurricular activities and practical experience. I congratulate the first 14 students enrolled in this program. I am convinced that this experience will drive them to a successful career. I invite all young people who are interested in this scheme to contact us on our Facebook page."

KPMG International Case Competition

KICC is a fast-paced annual competition, which challenges students from over 20 countries to review and develop solutions for a number of business case studies, while putting their analytical and problem solving skills to the test.

After its first participation in the KPMG International Case Competition (KICC) in the final stage at São Paulo, Brazil in 2014, with 4 young and ambitious students from the Academy of Economic Studies in Bucharest, in 2015, KPMG in Romania organized a second national phase of the contest, which ended this time with a winning team of students from Babes-Bolyai University in Cluj, Faculty of Economic Studies and Business Management, who went to Dubai (13 – 15 April 2015).

KPMG Business School

KPMG Business School is part of the Audit Delivery Academy (ADA), a special department whose purpose is to increase the efficiency of Audit projects, as well as provide students with key capabilities to carry out Audit specific tasks. This approach closely follows KPMG in Romania's strategy to deliver superior services to our Audit clients, combining our highly trained specialists' input with a high output of technology processed information.

In October 2015, KPMG in Romania hired 57 young professionals, validating our confidence in Romania's business environment and economic growth. One year later, another group of 82 fresh graduates as well as some students joined our ADA team and began their career in financial audit.

The new professionals underwent a rigorous recruitment process, aligned to KPMG's strategy of attracting and retaining employees with the potential to develop and adapt to client needs.





KPMG Professorship

Following the example of the KPMG Foundation in the U.S., which has been sponsoring the KPMG Professorship since 1974, in 2011 we signed a cooperation agreement with the Academy of Economic Studies (ASE) in Bucharest. This program aims to support leading professors in their educational and research activities, thus enabling innovation and contributing to the development of a modern education system.

Serban Toader, Senior Partner of KPMG in Romania, comments: "We initiated this partnership to develop and better train students for the future challenges of the business environment. We chose a proactive approach for this partnership because we believe it is our responsibility to make our contribution to an educational system which will provide the next generations of employees and business leaders. Development of people is a critical part of our philosophy as a firm".

We had the great honour to have Lord Michael Hastings of Scarisbrick CBE, KPMG Global Head of Corporate Citizenship, as a guest during the CEE Board Meeting held on 18 and 19 March 2015. On this occasion, Lord Hastings highlighted KPMG's global vision of leading change in society, shared some of his views on global citizenship challenges and congratulated KPMG in Romania for its community projects.

Additionally, Lord Hastings visited the Academy of Economic Studies (ASE) in Bucharest, in recognition of the support extended under the KPMG Professorship programme. Discussions were held with the management of ASE on the role of the KPMG Professorship programme, new opportunities to move forward and on how KPMG and ASE can continue to work together to make a difference for both the Academy and Romanian society.

7.3 Market recognition

In 2015, KPMG in Romania's environmental performance related to the previous year was assessed against the Green Business Index (GBI) corporate environmental responsibility barometer for the following areas: sustainable development, use of resources, environmental impact, waste management, green buildings, supply chain sustainability and sustainable transport.

The Green Business Index is a project launched by the Green Revolution Association in 2010, which assesses, compares and rewards the environmental performance of companies in Romania.

The environmental status is verified through an online tool based upon key environmental performance indicators used at international level, as well as based on the records companies are requested to upload. The performance of the participating companies is assessed by independent environmental experts and benchmarked within industry sectors.

We are very proud of the results achieved following this comparative analysis of peer companies' environmental performance, as we were awarded 4 diplomas:

- 1st place – Environmental impact
- 1st place – Sustainable transport
- 2nd place – Sustainable development
- 2nd place – Waste management

These awards enhance our belief that we are on the right track and that the environmental protection strategy, procedures and actions we have implemented place KPMG in Romania among the most sustainability-focused companies in our sector of activity.

During the reporting period, KPMG in Romania donated 293 second hand computers to the Ateliere fara Frontiere Association, which focuses on social, professional and civic inclusion for people in difficult situations. Some of these computers are repaired in the Association's workshop, where young people with various motor deficiencies work, and then sold for a low price to other NGOs which need them. Those computers which cannot be repaired, are sold to a specialized authorized recycling company for IT equipment. The funds obtained are used to support the Association's projects, especially providing education to disadvantaged children. Consequently, we have been awarded a "Green Certificate" by the Ateliere fara Frontiere Association, for responsible and environmental friendly management of waste of electric and electronic equipment as well as for the strong social impact of this project.

KPMG in Romania supported its strategic charity partner, United Way (UW), in organising the UW Gala 2015, a charity fundraising event. The purpose of the Gala was to contribute both to the education of children in families facing financial challenges, and to the socio-professional integration of young people in vulnerable situations.

On 24 March 2016 at the following edition of the UW Gala, KPMG in Romania was awarded a special diploma for its pro-bono Payroll, Accounting and Risk Management services.



7.4 Alumni

We are all aware that Alumni are an extremely important community for us and an incredibly powerful business network with which we should stay closely in touch. They are ambassadors of our firm, refer work and many return to KPMG with greater experience gained from working with other organizations. Business opportunity identification, as well as product and business development are just two of the areas where our cooperation with them has proved to be fruitful. Furthermore, we can use their experience for recruitment referrals and analyse our Alumni community for targeted re-employment opportunities. We invest a great deal to ensure we attract and retain the best. Inevitably, some people will choose to leave KPMG, but that does not mean that they are lost to us forever.

KPMG has always regarded its former employees as a valuable and significant part of the community. Around the world, former KPMG people stay in touch with our organisation, reconnect with their former colleagues and make valuable business contacts through the KPMG Alumni Program. People who leave KPMG to advance their careers, or for other reasons, are never truly 'lost' to our firm. Most value the time they spent with us: the friends they made; the things they learned and the opportunities it provided to them. For our part, we are proud of the achievements of our former colleagues. In so many walks of life in so many places, KPMG alumni are filling important and influential roles and making a difference. Good communication is the essence of good relationships. That is what an alumni program is all about – keeping communication channels open so that relationships can be leveraged.

KPMG in Romania has attracted talented and interesting people, who have developed both as professionals and individuals within the firm. We want to create a vibrant and diverse community of people who have one thing in common- they have worked with us. So we place a lot of emphasis on keeping in touch with our alumni, some of whom now have leading positions in a wide range of organisations.

Our Alumni Program in Romania recognises the past and future contributions of former KPMG colleagues. These people tell us they value the opportunity to maintain contact with us.

For some it may be a chance to see some familiar faces and exchange professional news. Others access valuable industry intelligence, discover how KPMG can help them overcome business problems, or gain entry to important professional or business networks.

KPMG is committed to developing strong relationships by offering the following benefits to our alumni:

- Regular alumni social functions to catch-up with former colleagues.
- Ready access to KPMG's technical and industry knowledge through our range of seminars, events and publications.
- An extensive network of business and industry contacts.

We aim to keep our people in close contact with former colleagues and friends. This provides a valuable network for both our people and our alumni members.

7.5 Client satisfaction

G4-DMA, G4-PR5

We are fully committed to the highest service quality and we constantly strive to exceed the expectations of our clients. The raw material of our work is knowledge, which we generate and process on a daily basis to understand the entire framework of business challenges and opportunities, so enabling us to support our clients in building long term value.

Our service commitment arises from:

Being results driven – we strive to “think big” and challenge convention.

Creating and delivering value – we assign people based on the appropriateness of their skills and expertise for each engagement. So our clients feel the difference by getting more than generic advice and “one size fits all” solutions.

Being available – this is essential to us and we plan all our activities with foresight.

Credibility, integrity and objectivity – we are brave in pointing out the real root of a problem, and we base that courage on our skills, experience and integrity.

We are also aware that the key to effective client relationship management is to enable permanent two way communication which adds value and consistency to service quality. Consequently, we channel our efforts to support effective dialogue.

Ongoing feedback – through the teams involved in service delivery we routinely request feedback, so that we are constantly able to learn how we can improve.

The Client Satisfaction Survey – which is a more formal programme that allows us to record and monitor the results.

In addition, when closing an engagement, the partner in charge of service delivery initiates an open and honest dialogue with the client's top management in relation to the overall quality of our work.

This gives us a very good perspective on whether we have succeeded in meeting their expectations as well as offering insight into their future outlook. We have noticed that our clients value the relationship they have with us and we very often receive formal recommendation letters. In the same context, the consistent direct dialogue we have with our clients gives us the opportunity to understand the particular needs of each one of them and to act accordingly.

Insights gained from Partners and Directors through direct discussions with clients' representatives are analysed during the annual management meeting and potential areas for service quality improvement are identified.

In 2016 we started a pilot project of a client satisfaction survey for our Tax & Legal clients, according to an up-dated version of the applicable procedure and a revised questionnaire provided to our clients to enable them to express their opinions on the quality of services provided, and their interaction with the team of consultants, as well as to give a rating on the quality-price ratio. Analysing the survey results, it was concluded that 87% of respondents were very pleased or pleased with the results of our work, the communication with the KPMG team, as well as with the KPMG team's proactivity. 81 % of clients surveyed were very pleased or pleased with the ratio between quality and price, and 80% would recommend KPMG services to other companies.

The survey will be carried out in future years by other KPMG lines of business.

Objective	Status	Comments
To integrate CSR issues into our future Client Satisfaction Survey	●	Our Client Satisfaction assessment procedure and the associated questionnaire are currently undergoing thorough revision, which aims to align them with KPMG's latest global strategic approach. The document will be checked and approved in time for our next Client Satisfaction Survey.
To enhance cooperation with our clients on CSR and engage them in the implementation of projects supporting community development	●	In 2016 we implemented a joint CSR project with the National Bank of Romania focused on financial education of 2,100 children. We continuously search our clients' database to identify a potential pool of companies that could be engaged in CSR activities aligned with our strategy.
To drive change by promoting CSR among our business partners and professional networks	●	We have explored various opportunities such as conferences, workshops, FIC taskforces and Amcham Committee meetings, to promote responsible conduct among the local business community, as well as to raise awareness on increasing transparency and the latest regulatory requirements on non-financial reporting.

● Achieved ● Partly achieved/In progress ● Not achieved

Appendix 1 - Glossary

ACCA	Association of Chartered Certified Accountants
ADA	Audit Delivery Academy
ADHD	Attention Deficit Hyperactivity Disorder
ADIT	Advanced Diploma in International Taxation
AmCham Romania	American Chamber of Commerce in Romania
ANRE	Romanian Energy Regulatory Authority
ASE	Economic Studies Academy
CAFR	Chamber of Financial Auditors of Romania
CBE	Commander of the Order of the British Empire
CCF	Romanian Chamber of Tax Consultants
CECCAR	Organisation of Expert and Licensed Accountants of Romania
CEE	Central and Eastern Europe
CFA	Chartered Financial Analyst
CFO	Chief Financial Officer
CIS	Commonwealth of Independent States
CSR	Corporate Social Responsibility
DEFRA	Department for Environment, Food & Rural Affairs
DMA	Disclosure on Management Approach
EHC	Energy, Heating and Cooling
EMA	Europe, the Middle East and Africa
EU	European Union
ExCom	Executive Committee
FIC	Foreign Investors Council
FRM	Financial Risk Manager
FSB	Financial Stability Board
FTE	Full time equivalent
FY	Fiscal Year (1 October to 30 September in KPMG)
GBI	Green Business Index
GCR	Global Climate Response
GGI	Global Green Initiative
GHG	Greenhouse gases
GLMS	Global Learning Management System
GRI	Global Reporting Initiative
HR	Human Resources
HVAC	Heating, ventilating and air conditioning
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISAE	International Standard on Assurance Engagements
ISO	International Organisation for Standardisation



KF	KPMG Foundation
KICC	KPMG International Case Competition
MyPD	My Performance Development
NGO	Non-Governmental Organisation
OHSAS	Occupational Health and Safety Management System
PD	Partners and Directors
PDM	Partners, Directors and Managers
PPC	People, Performance and Culture
SDG	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations
UNGC	United Nations Global Compact
UNITER	Romanian Association of Theatre Artists
UW	United Way Romania
WBCSD	World Business Council for Sustainable Development
WED	World Environment Day
WEEE	Waste of Electric and Electronic Equipment
WEP	Women's Empowerment Principles
WRI	World Resources Institute

Appendix 2 - GRI Content Index

GENERAL STANDARD DISCLOSURES		
General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
STRATEGY AND ANALYSIS		
G4-1	4-5	No
ORGANISATION PROFILE		
G4-3	7	No
G4-4	11-12	No
G4-5	7	No
G4-6	7	No
G4-7	7	No
G4-8	11-12	No
G4-9	12-14, 24	No
G4-10	12-14	No
G4-11	12-14	No
G4-12	26-28	No
G4-13	7, 26-28	No
G4-14	24	No
G4-15	15-16	No
G4-16	16	No
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	6	No
G4-18	18-20	No
G4-19	18-20	No
G4-20	20	No
G4-21	20	No
G4-22	6	No
G4-23	6	No
STAKEHOLDER ENGAGEMENT		
G4-24	18-20	No
G4-25	17	No
G4-26	17	No
G4-27	17	No

REPORT PROFILE					
G4-28		6		No	
G4-29		6		No	
G4-30		6		No	
G4-31		6		No	
G4-32		6		No	
G4-33		6		No	
GOVERNANCE					
G4-34		21-22		No	
ETHICS AND INTEGRITY					
G4-56		8-10, 23		No	
SPECIFIC STANDARD DISCLOSURES					
DMA and Indicators	Page Number (or Link)	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
	Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	In exceptional cases, if it is not possible to disclose certain required information, identify the information that has been omitted.	In exceptional cases, if it is not possible to disclose certain required information, provide the reason for omission.	In exceptional cases, if it is not possible to disclose certain required information, explain the reasons why the information has been omitted.	Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
CATEGORY: ECONOMIC					
MATERIAL ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	24				No
G4-EC1	25				No
MATERIAL ASPECT: PROCUREMENT PRACTICES					
G4-DMA	26-28				No
G4-EC9	28				No

SPECIFIC STANDARD DISCLOSURES					
DMA and Indicators	Page Number	Identified Omission(s)	Reason(s) for Omission(s)	Explanation for Omission(s)	External Assurance
CATEGORY: ENVIRONMENTAL					
MATERIAL ASPECT: ENERGY					
G4-DMA	43				No
G4-EN3	43				No
MATERIAL ASPECT: WATER					
G4-DMA	47				No
G4-EN8	47				No
MATERIAL ASPECT: EMISSIONS					
G4-DMA	38-42				No
G4-EN15	41				No
G4-EN16	41				No
G4-EN17	41				No
G4-EN19	41				No
MATERIAL ASPECT: EFFLUENTS AND WASTE					
G4-DMA	46				No
G4-EN22	47				No
G4-EN23	47				No
MATERIAL ASPECT: TRANSPORT					
G4-DMA	44-45				No
G4-EN30	45				No
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
MATERIAL ASPECT: EMPLOYMENT					
G4-DMA	50				No
G4-LA1	52				No
MATERIAL ASPECT: TRAINING AND EDUCATION					
G4-DMA	53-54				No
G4-LA9	53				No
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-DMA	55				No
G4-LA13	55				No
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING					
G4-DMA	60-61				No
G4-PR5	60-61				No



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