

The background of the entire page is a photograph of a kite festival. Several large, red, diamond-shaped kites are flying against a clear blue sky. The kites have long, yellow and white streamers trailing behind them. In the bottom left corner, a person is visible, partially obscured, looking up at the kites. The overall scene is bright and festive.

KPMG in Estonia Corporate Sustainability Report

Financial year 2013/2014

kpmg.com/ee



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Message from our leadership



We aim for success. It means that profitability and creating added value matter to us. At the same time we care how we achieve this – the means and resources we use and the footprint our activities leave.

Ethics, integrity, transparency, independence, anti-corruption mindset, data privacy, service quality, compliance, and good governance are driving our daily business. Excellence and zero tolerance in these aspects give us a license to operate. However, various employment, workplace, environmental, and community involvement related aspects build the surrounding and supporting context. Our approach towards sustainability and responsibility is based on KPMG Global Code of Conduct and applies to every single employee also in Estonia.

Publishing our first sustainability report, we at KPMG in Estonia we have three ambitions: firstly, to let our stakeholders know about what we have done regarding issues that matter to them; secondly, to get valuable insight to help make upcoming strategic decisions; and thirdly, to show the way to a wider range of Estonian businesses in sustainability reporting.

The financial year 2013/2014 generated stable financial results, enabled us to deliver engagements in our priority sectors (the public sector and infrastructure, transport and logistics, financial services, and energy and natural resources) and to execute numerous local and international initiatives. 2014 was also the year the EU audit reform was introduced and this will undoubtedly impact our activities in upcoming years. The highlight of the year was establishing a KPMG branded law firm – KPMG Advokaadibüroo OÜ (KPMG Law Firm in Estonia).

Investment in our people – improvements in motivational packages, professional training and development, satisfaction and engagement – was in focus in 2013/2014 and will remain our priority in future.

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KPMG wants to be an ambitious thought leader in the Estonian market, offering innovative approaches in both Advisory and Audit services. One of the most important strategic goals for 2014/2015 and onwards is continuing to develop our Advisory services. Supporting the development of Estonian start-up businesses, expanding our Deal Advisory and launching Sustainability and Corporate Responsibility Advisory service line are some of the first steps to be taken.

We believe that having strong in-house expertise in sustainability issues not only allows us to be a support to our clients in meeting their growing needs for managing various aspects of sustainability, but also helps us better tackle our own corporate sustainability and responsibility issues. By getting ourselves into a better shape in sustainability management we hope to grow our capacity in supporting our clients to do the same.

This report is not a one-off report and we will continue to communicate with the public on a regular basis about the non-financial aspects that are relevant both for us at KPMG and for our stakeholders.

This report is not a one-off report.

On behalf of our staff and leadership, thank you for reading our report. We hope you find it report useful. Please do not hesitate to contact us if you would like to discuss any of the topics further.

Stephen Young
Senior Partner



Andris Jegers
Office Managing Partner





About the report

Having worked closely with business leaders of various sectors, we are confident that conscious management of sustainability issues is becoming an increasingly relevant topic both globally and in Estonia. At KPMG we see that our long-term business success depends on our ability to cope with the impacts of demographic change, commitment of our employees, regulatory changes, transparent and fair market behaviour, and several other aspects.

Being aware of these issues helps us make sounder business decisions. Measuring and publicly reporting our effort and progress in managing various non-financial aspects of our business strategy will also keep our stakeholders informed about the issues that matter to them. We want to be among the pioneers of sustainability reporting in Estonia. This requires that we ourselves also follow the highest standards.

We want to be among pioneers of sustainability reporting in Estonia.

This sustainability report has been prepared in accordance with the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative at the Core application level. The reporting period is from 1 October 2013 to 30 September 2014 (FY2013/2014).

The report should be read in conjunction with our annual financial reports and transparency report*. By financial reports we mean the consolidated report of KPMG Baltics OÜ (Audit, Advisory and Tax services) and KPMG Raamatupidamisteenused OÜ (Bookkeeping services) and the financial report of KPMG Advokaadibüroo OÜ (Legal services).

This sustainability report covers the data of KPMG Baltics OÜ and KPMG Raamatupidamisteenused OÜ.

We intend to publish our next sustainability report (FY2014/2015) in 2016. If you have any comments or suggestions about the current report, do not hesitate to let us know and help us further improve our transparency.

* <http://www.kpmg.com/ee/et/firmast/majandustulemused/labipaistvusaruanne/Lehed/default.aspx>

Marko Siller
Manager,
Sustainability Advisory



Maarja-Eeva Mändmets
Adviser, Sustainability
Advisory



A photograph showing a group of people in a meeting. A man in a dark suit is leaning over a table, looking at a colorful molecular model. A woman in a white top is also looking at the model. Another person's hands are visible, also interacting with the model. The background is a blurred office setting with a window.

About KPMG

KPMG International is a Swiss entity. It is the coordinating entity for a global network of independent member firms in 155 countries and with more than 155,000 people working in member firms around the world.

KPMG Baltics OÜ (in the report referred to as “KPMG” or “KPMG in Estonia”) is a KPMG member firm located in Estonia which had 105 employees at the end of the reporting period.



KPMG in the Baltics and Belarus

KPMG member firms in Estonia, Latvia, Lithuania and Belarus operate as one business under one management team to the extent allowed by regulatory environment, enabling it to serve clients with appropriate industry, technical, language and cultural expertise across the four countries.



KPMG International

The KPMG network was formed in 1987 when Peat Marwick International and Klynveld Main Goerdeler merged along with their respective member firms. Today KPMG International operates as a network of member firms offering Audit, Tax and Advisory services. Client services are provided by KPMG member firms or by other independent firms licensed by member firms to use the KPMG name. Each KPMG firm is separate and legally distinct. Member firms’ clients include business corporations, governments and public sector agencies and not-for-profit organisations.

KPMG International does not provide services to clients. It is the coordinating entity for a global network of independent firms. The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world KPMG’s member firms operate.



KPMG in Estonia

In Estonia KPMG has been operating since 1992 and was the first multinational audit firm to open an office here. Currently KPMG in Estonia employs 105 advisers and auditors in the office in Tallinn.





Photo: International training is also good for team building and getting to know people from other offices (Audit Foundation Training 2014).

Our vision and values

Our purpose

At KPMG our purpose is to inspire confidence and empower change.

Living by this purpose we become the Clear Choice. When we work with our clients they see that we are the firm they need. Our aim is to be looked upon with respect and admiration not only for what we do but also how we do it.

We are committed to leaving the firm better than we found it.

When speaking about the work our auditors do, it's all about giving real confidence to the market. When speaking about the work our Tax and Advisory people do, it's all about transforming businesses, helping businesses make a more positive impact in the world they are operating in.

The deliberate link between the WHAT and the HOW has always been very important for us and it comes from the very essence of what we've always found to differentiate us from others. The way KPMG works, the experience of working with us and the way how we work with each other is a critical part of who we are.

I love my job because it's interesting, full of variety and challenges. That's why I enjoy working at KPMG – every day provides new demanding tasks and what's most important, when faced with a complex case, there are always people near you willing and able to help you. And afterwards, share the joy of achievement and celebrate success.

KPMG believes in developing the staff and commits to employee education by arranging various training events and supporting education through day-to-day work assignments. I'm motivated by great opportunities to develop professionally through providing Audit and Advisory services to a great variety of organisations.

In addition, I appreciate the fact that besides technical skills, my job also requires various soft skills such as project management, delegation, supervision and giving feedback.

My job enables me to communicate with very different people both in and outside KPMG. Besides an inspiring and developing job I've also found some best friends at KPMG and although some of them have left KPMG, we've stayed in touch.

Jekaterina Piskunova
Manager, Audit





Our ambition:
Our people **The public**
are **trusts us**
extraordinary
Our clients see
a difference in us

Our values

KPMG global values set out exactly what we stand for and determine the way we behave, both with our firms' clients and with one another. Our values help us work together in the most effective and fulfilling way. They bring us closer as a global organisation. Our values are documented in our Global Code of Conduct**.

Our Values

We lead by example – at all levels acting in a way that exemplifies what we expect of each other and our clients.

We work together – bringing out the best in each other and creating strong and successful working relationships.

We respect the individual – respecting people for who they are, and for their knowledge, skills and experience as individuals and team members.

We seek the facts and provide insight – challenging assumptions, pursuing facts and strengthening our reputation as trusted and objective business advisers.

We are open and honest in our communication – sharing information, insight and advice frequently and constructively and managing tough situations with courage and candour.

We are committed to our communities – acting as responsible corporate citizens and broadening our skills, experience and perspectives through our work in the community.

Above all, we act with integrity – constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

** <https://home.kpmg.com/xx/en/home/about/governance/code-of-conduct.html>



Photo: Management team's teambuilding event (2014)

Governance

KPMG Baltics OÜ is an Estonian private limited company that is owned beneficially by KPMG. Certain number of shares were held in FY2013/2014 by our partners Andris Jegers, Andres Root, and Taivo Epner.

KPMG member firms in Estonia, Latvia, Lithuania and Belarus operate as one business under one management team to the extent allowed by regulatory independence requirements. Stephen Young is the senior partner for KPMG in those four countries and sits on the Management Board of KPMG in Estonia together with the partners at the national level. The senior partner together with the partners from all four countries set a common strategy for all countries in line with the KPMG's Central and Eastern Europe strategy and KPMG global strategy. Management Board is responsible for detailing and implementing the strategy in Estonia. It is the responsibility of the partners at national level to coordinate the execution of the strategy.

We have also appointed a Management Team that includes partners, service line managers (Audit, Advisory and Tax), head of human resources, head of marketing and head of markets. The aim of this team is to support the Management Board with strategic and managerial decisions. The main focus for FY2013/2014 was creating a new vision and strategy for the firm (read more from the following chapter).

Our vision and strategy

Our business is influenced by economic and market environment, regulations, population trends, etc. Therefore, it is necessary to keep pace with various developments. Taking into consideration all changes in the external environment as well as internal expectations concerning our future, we felt the need to change our vision and reassess the strategy.

Our vision is to be a vigorously developing sustainable company, creating a high-performance environment for the staff, and an ambitious thought leader in the market. This vision integrates several aspects that we consider as crucial:

- **Vigorous development** – We want to grow in all aspects of our business and the best opportunities for growth lie in Advisory services. We intend to invest a lot of effort into developing this business line and to demonstrate we are not “just an audit firm”. We have established a KPMG branded law firm to better meet our clients' needs and to expand the scope of our non-audit services. We are currently investing in Deal Advisory and other Advisory service lines. Our Audit services nevertheless remain a core activity, and with the introduction of EU audit reform and our internal growth plans, continued investment into serving effectively and efficiently a growing audit base remains one of our key priorities.
- **Sustainability** – KPMG has operated in the Estonian market since 1992 and we plan to keep on going for the years to come. We have to make sure that our strategic decisions support our sustainability as we want to help our clients achieve the same. An example of our efforts to become more sustainable is this very report you're reading that gives us an overview where we are now and where the biggest needs for improvement lie. Thus we help our clients prevent and solve problems while creating real business value for them.
- **Employees** – The services we provide to clients depend on our experts and therefore, our people mean a lot to us. As we employ talented, motivated and high-flying people we need to support their continuous development and create an atmosphere where their talent can blossom. This includes offering good working conditions, motivational package, interesting tasks, etc.



Our vision: KPMG in Estonia is a vigorously developing sustainable company, creating a high-performance environment for the staff, and an ambitious thought leader in the market.

Photo: Establishment of KPMG Law Firm in Estonia was rewarded as the Event of the Year 2014 by our employees (Year End Party 2014).

- **Being an ambitious thought leader** – We are looking for new approaches while helping our clients solve problems and are constantly developing and adding to the services we offer. Sometimes it requires bold steps and being the first to introduce a new offering. For instance, we have examined sustainability issues for years and as from next financial year (i.e. FY2014/2015), we are launching our Sustainability service line. We want to be recognised as

an ambitious thought leader in the marketplace providing our clients with innovative approaches as regards both Advisory and Assurance services.

Our key strategic goals in coming years are considerable expansion of Advisory services and growth in sales, increased market share in Audit as well as high commitment and satisfaction of our staff.

The story behind KPMG Law Firm in Estonia

KPMG Law Firm in Estonia, which is a member firm of the KPMG network, opened its doors in October 2013. The founder and managing partner of the law firm is attorney at law Risto Agur. The main goal of KPMG Law Firm in Estonia is to offer broad range of high-quality business law services. We also seek to provide first-rate regional legal services together with the law firms and KPMG legal professionals in the Baltics and Belarus, and to offer services in the framework of the KPMG global network.

A collaboration where auditors, tax, financial advisors and attorneys work closely together ensures that a solution, which works well from the legal perspective, is suitable across these other various disciplines. It should be noted that KPMG Law Firm in Estonia is a separate and independent law firm, legally and physically separate from other service providers that operate under the KPMG name.

Main reasons behind my choice to join KPMG Law Firm where my natural curiosity and desire to work with an ambitious team. KPMG is a symbiosis of a young rapidly developing law firm within a global network with an extensive reach and glorious history.

As a seasoned professional who had just entered into KPMG world I witnessed that the widespread rumors about the vast pool of know-how within the network are actually true. I am also inspired by the diversity my job offers – I can work with professionals from different service lines and other jurisdictions to serve each client's unique needs.

KPMG is not perfect but neither am I. We both acknowledge our mistakes and learn from them together. I like the approach where issues are not covered up but solved by taking into account the staff's point of view.

Veiko-Joel Kokk
Senior Associate,
KPMG Law Firm
in Estonia



Our services

Extensive experience in the local market, supporting the network of KPMG globally, and working closely together with our clients enable us to build in-depth understanding of our clients' businesses and the sectors in which they operate. This allows us to meet the needs and exceed expectations of a diverse range of clients.

Our primary market served is Estonia, but we are often involved in projects in Latvia and Lithuania, and have cooperation with other member firms in the KPMG global network.

Although in our business it is obvious that we have to be able to adapt to different circumstances and sectors, we consider financial services, transport and logistics, energy and natural resources, the public sector and infrastructure as our primary sectors. Our clients are large and medium-sized companies of the region, local subsidiaries of international corporations, public entities and even some individual customers.

Our primary sectors are financial services, transportation and logistics, energy and natural resources, and public sector.

Our client work is divided into five functions comprising of the following services:

Audit Services

- Financial Statement Audits
 - Audits of IFRS and other accounting standards financial statements
 - Reviews of annual and quarterly financial statements
- Assurance Services
 - Reports on financial information prepared for IPOs and listings
 - Regulatory and contractual assurance
- EU and other grant audits
- Agreed upon procedure engagements
 - Revenue assurance
 - Future/forecasts assurance
 - Sustainability assurance
 - Other assurance services

Tax Services

- Corporate Taxation
- Mergers and Acquisitions
 - Transaction tax
 - Tax structuring
- Transfer Pricing
- Indirect Taxation



- Global Mobility
- Customs and International Trade
- Tax Risk Assessment
- Tax Compliance Support
- Tax Disputes

Legal Services

- Corporate Law
- Mergers & Acquisitions
- Banking and Finance, Insurance Law
- Real Estate and Construction Law
- Employment Law
- Restructuring and Insolvency
- Tax and Customs Law
- Constitutional and Administrative Law
- Dispute Resolution

Bookkeeping Services

- Financial Accounting and Reporting
- Special Bookkeeping and Reporting
- Preparation of Financial Statements
- Preparation of Regulatory Filings
- Accounting System Design

Advisory Services

- Management Consulting
 - Financial Management
 - Business Intelligence and Analytics
 - Strategy and Operations
 - People and Change
 - Supply Chain and Operations
 - Shared Services and Outsourcing
 - Post-merger Integration
 - The EU and Public Sector
- Risk Consulting
 - Financial Risk Management
 - Internal Audit, Risk and Compliance
 - IT Advisory
 - Forensic
 - Climate Change and Sustainability
 - Accounting Advisory
- Deal Advisory (Transactions and Restructuring)
 - Corporate Finance (Mergers and Acquisitions)
 - Restructuring
 - Transactions
 - Valuation



A major challenge of the Audit function is enhancing the value added to the services provided. Due to the extent and speed of the changes taking place in the business environment and enterprises themselves, readers of the companies' financial statements seem to be less and less interested in the historical financial information, as higher value is placed on future-oriented information. However, auditing so far has largely focused on validating the data reflecting the past. Through representatives authorised by its network, KPMG participates in the discussions about auditing future-oriented information. Distinct added value a client can get from an audit is derived from findings that are communicated by auditors to the client's management during regular financial audit procedures and that analyse the efficiency of the client's internal controls and future events which may have an impact on their financial accounting.

In addition to added value our clients expect fair audit fees and service-related costs kept under control. To keep our audit fees at the level acceptable to our clients we have to invest in new tools and more efficient solutions on an ongoing basis without compromising the quality of our services. To ensure sound investment decisions, KPMG offices in the Baltics have established a joint support unit, the Department of Professional Practice, whose responsibilities include monitoring our development activities and prioritising new investments.

Our operations are also impacted, to a certain extent, by various audit reforms and regulations that impact companies' obligations as regards auditing, or stipulate rotation. On the other hand, demand for other assurance services is growing, and we are offering various assurance services to our clients. For instance, we have been increasingly engaged in verifying how EU funds have been used. In 2015 engagements providing assurance about the data submitted to the Estonian packaging register will become compulsory which will contribute to the greater accuracy of the data submitted to the packaging register and support fair competition between packaging undertakings. We want to help our clients also in this field.

Enhancing the value added by auditors and introducing new service lines depend on a successful recruitment. The competition for the staff with high development potential is rather fierce in the market. Therefore, we start planning recruitment for the Audit function about ten months before the beginning of another season and take great care that the package we offer is attractive for the best candidates.

Indrek Alliksaar
Head of Audit



Service line overviews

In Bookkeeping the most burning issue today is e-services. Our clients are increasingly interested in virtual services. On the other hand, they also want to keep an eye on their day-to-day books and many of them prefer keeping some of their book records (such as sales invoices, stock movements, inflow) themselves. Automatisation has become the in thing, i.e. the less manual work the better.

We are moving in the same direction and together with our software suppliers we try to streamline routine bookkeeping activities. For instance, all bank transactions can be written into software, so you need only a couple of clicks and the software itself recognises whether it is inflow or outflow and relates the amounts to the underlying purchases or sales.

We also suggest such automatisation to our clients where we see that some of their bookkeeping activities can be streamlined. Our business environment is continually challenged by the requirements to protect data and ensure there is adequate IT security, but solutions are possible and the security of our clients' data is something that we do not compromise on.


Ursula Noorväli
Head of
Bookkeeping



The work our Tax function is doing today is guided by our clients' growing risk awareness and foreign investors' expanding interest in Estonia on the one hand and increasingly intensifying competition together with price pressure on the other. Companies have become more aware of tax-related risks and are investing more in risk prevention. Thus, we can experience growing interest in our services and our Tax specialists have been proactively involved in developing appropriate approaches.

KPMG Tax Advisory services are divided into different service lines each addressing a range of specific issues that our clients are expecting our advice in. The traditional services our Transfer Pricing specialists offer are drafting documentation and developing pricing models. However, as tax authorities pay more and more attention to loan or deposit transactions carried out by Estonian undertakings abroad, we also assist our clients in finding comparative information and communication with tax authorities as regards the above transactions. The most burning issues our Tax Disputes specialists are busy with are related with VAT and individual income tax disputes. Our Global Mobility Service (GMS) team is working on an attractive comprehensive service line aimed at non-resident employers and undertakings investing in Estonia which involves recruitment, relocation, immigration, tax and employment law advisory, plus finding an office space. Our aim is to relieve our clients' administrative burden so that they could concentrate on their core activities. Our Direct and Indirect Taxation advisers have focused on the financial sector since we have extensive experience in this field and are able to offer secure yet innovative approaches to our clients.

Amid fierce competition our key resources are our uncompromising quality, which has resulted in a steady client base, and a stable capability to offer an extensive range of services.



Joel Zernask
Head of Tax

Developing our Advisory teams and services is one of the priorities for the whole company. The key challenges for Estonian enterprises are shrinking workforce and other resources and a rapidly evolving marketplace which call for increasingly effective operations. Therefore, the aim of our Advisory services is to help clients foresee changes and get better prepared for them, and to operate in a more resource-efficient and profitable way. We have gained an impressive market share in the financial sector helping the organisations of the sector to cope with new and increasing regulations, e.g. in solvency matters. Our Internal Audit practice has built a solid client portfolio and our Management Consulting team has extensive experience in governance and process development matters. Our IT Advisory is outstanding for its information security skills and know-how (e.g. penetration testing), and we are planning to further strengthen our position by acquiring additional certificates in this area.

We are the market leader in anti-money laundering and anti-corruption matters. Besides regular advisory activities we run training sessions and publish a risk management newsletter. We have started building up our Deal Advisory and Sustainability services with an aim to provide a comprehensive approach to our clients' needs. As regards sustainability services, we are the first of Estonian Big4 companies to build up this service line.

Our strength is the synergy between our various services and an ability to combine competencies and provide our clients with practical comprehensive solutions. Our Advisory teams work successfully together with specialists from other functions (Tax Advisory, KPMG Law Firm in Estonia, Audit, etc.). Our Baltic and Belarus offices operate as one pan-Baltic team sharing experts and experience. We are also involved in international projects with more global scope.



Andris Jegers
Partner in charge of
Risk and Management
Consulting Services

A hot issue for businesses is definitely the financial regulatory environment. The Estonian Ministry of Finance is planning to establish a law which would make all consumer credit providers subject to the requirement of an activity licence issued by the Financial Supervision Authority. Major changes are also being planned in respect of legal regulation governing investment funds. Crowdfunding platforms are gaining in popularity and changes in legal environment are likely to follow.

As regards corporate law I would point out a major project of company law codification being worked out by the Ministry of Justice which would entail comprehensive revision and modernisation of the Estonian company law. This will have an impact on absolutely every Estonian undertaking.

Together with the progress of technology, legal advisers are increasingly expected to be competent in information technology and intellectual property (IT/IP) law and to feel at home when advising in merger and acquisition (M&A) and finance law, and venture capital transactions in particular.

Dispute resolution and procedural law continue to take up a large part of legal business.

KPMG Law Firm in Estonia has remarkable competence and experience at the level of the best firms in the market in corporate law, M&A transactions and finance law (transactions and regulatory), as well as more general deal advisory matters. Our special added value derives from tax and finance advisory provided through the KPMG global network since cross-region or global level expertise is instrumental in almost each transaction and many litigation cases.

Our chances and challenges this and next year are definitely (i) development of our Employment Law and Dispute Resolution practice; (ii) better pan-Baltic integration with KPMG Law practices in Latvia, Lithuania and Finland; (iii) development of integrated proposals with Tax and Deal Advisory practices; and (iv) enhancement of cooperation with auditors and advisers.

Risto Agur
Managing Partner of
KPMG Law Firm in
Estonia




Our supply chain

Our core work related supply chain involves almost no physical inputs and is therefore labour-focused. Our people are involved in treating different kinds of information, applying their expertise, building relationships, and communicating new know-how to our clients. This is how we aim to create added value to the business environment and the society in general.

During the process of value delivery it is important for us to maintain independence, integrity, transparency, and ethics in providing information, support, and confidence to our clients in making better business decisions. Thus, our supply chain is very much focused on in-house aspects – how our professionals deliver value to clients.

However, we are also end-users in some other supply chains as end-users. In purchasing IT equipment, office supplies, energy, cleaning services, professional services, transportation, catering, etc. It is important for us to work with suppliers that have a good reputation and who recognise the same values.



It is important for us to work with suppliers that have a good reputation and who recognise the same values.

Financial results

We believe that the quality of our work is the key driver for our profit as it strengthens our reputation, helps maintain loyal clients and find new ones. Our stakeholders expect us to be profitable: partners are interested in financial returns, employees expect that their salaries are paid out and the government is interested in tax revenue. We also contribute to the society through community investments.

We believe that the quality of our work is the key driver for our profit.

Our performance in Estonia in FY2013/2014 was as expected. Our net sales* was EUR 4.11 million, debt EUR 3.05 million and equity EUR 2.05 million. Our performance was mainly influenced by competition and price pressure that also caused a decline in audit services turnover.

We are optimistic about our future as our robust and well-established client relationships and diversified high-quality services create good grounds for business growth in near future.

KPMG continues deriving from close cooperation between specialists of our various functions at both national and global level that allows us to offer comprehensive, high-quality services to meet our clients' needs. For 2014/2015 we forecast growth in sales, especially as regards our Advisory services practice. Our key areas of investment include building the skills and capabilities of our professionals, and upgrading our IT systems.

Financial results (in thousands of EUR)*

	FY2013/ 2014**	FY2012/ 2013**
Direct economic value generated		
Revenue	4,112	4,161
Other income	353	559
Economic value distributed		
Operating costs	1,812	1,813
Employee salaries and benefits	1,717	1,895
Payments to providers of capital	99	90
Payments to the government***	584	644
Community investments	3.7	3.60
Cumulative economic value	249	274

* The results include data of KPMG Baltics OÜ and KPMG Raamatupidamisteenused OÜ while the results of law firm KPMG Advokaadibüroo OÜ have been disclosed in the law firm's annual report.

** Our financial year is from 1 October to 30 September.

*** We did not have to pay any income tax on dividends as the tax was paid by our Lithuanian subsidiary. We do not own any property. This number represents the social security tax.





Our view to sustainability

Corporate responsibility at global level

Being a responsible global citizen is a goal of KPMG internationally. At KPMG, we try to create sustainable, long-term economic growth, not just for our firm and clients, but for the society we work in. We seek to be good corporate citizens, making a real difference to the communities in which we operate.

KPMG International has been a signatory to the United Nations Global Compact since 2002, affording the opportunity to participate in shaping the role of business and the future of international development.

When it comes to playing a responsible role in the society and markets where we operate, and contributing to the societal sustainability the following aspects are the most relevant to KPMG worldwide:

- Serving clients in today`s business environment which is constantly being reshaped and where traditional business models are being challenged
- Leading insights and innovating in the fields we operate in
- Increasing our market expertise to successfully help clients meet their business challenges
- Developing a network of exceptionally talented professionals
- Being a good citizen by acting with purpose for our communities and reducing our impact on environment

This all goes together with being committed to different international guiding principles and following strict rules of ethical behaviour.

The KPMG Global Code of Conduct is the foundation of our responsible behaviour in each country. It outlines the standards of ethical conduct that KPMG requires around the world. The Global Code applies to all KPMG partners and employees – regardless of the 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.



Sustainability in Estonia

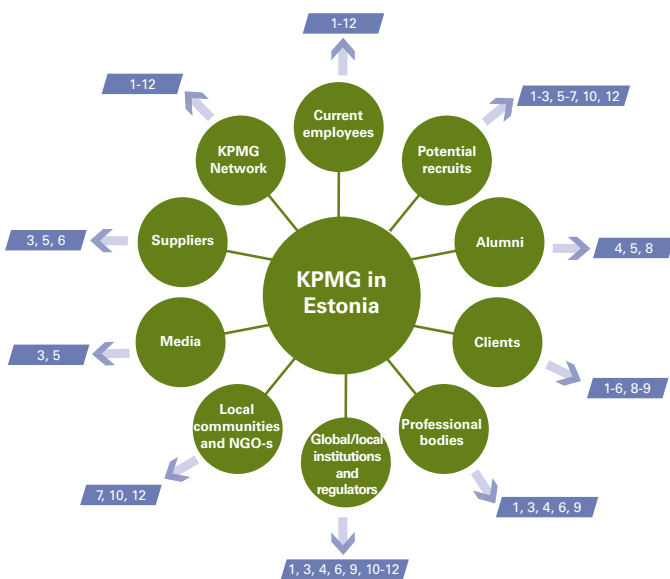
At KPMG in Estonia we have not treated corporate responsibility and sustainability issues as a separate topic so far and there is no such strategy in place, although it is integral to what we do. We have, however, appointed a person responsible for corporate responsibility issues with an aim to keep current measures running and represent us in sustainability related discussions in the KPMG’s global network. We have numerous measures in place to manage the most important issues of sustainable market behaviour, and social and environmental impacts that our operations have. We are proud of what we have achieved to date and acknowledge that although this is a never-ending path we want to make more progress.

Our ambition is to create a comprehensive corporate responsibility and sustainability strategy and action plan. The process will be reflected in our future sustainability reports. We feel that having the will to be a pioneer in helping our clients manage their environmental and social sustainability issues in an outstanding way that puts on us a responsibility to be a living example.

Our ambition to be a pioneer in providing sustainability services requires us to walk the talk.

Responsibility principles that we have followed so far can be divided into two: firstly, ensuring that our daily operations are ethical and transparent, taking a good care of our employees, and minimise our environmental impact; and secondly, finding ways to contribute extra to the development of local economy and business environment, and to the prosperity of the community.

Figure 1: Our stakeholders and relevant aspects for them (marked as numbers, see explanation from the legend)



Focusing on material issues

As we want to meet the expectations of our stakeholders, it is relevant for us to be aware of what they expect from us as a firm and from our people. For that we identified our main stakeholders, mapped their main concerns, and evaluated the impact of these concerns on our business.

Our stakeholders

Like other companies, KPMG is influenced by and is influencing different interest groups. Using this definition of stakeholders as the basis, we asked different practices in our office and used benchmarking to map all relevant stakeholders. Stakeholder groups were reviewed and validated by partners.

Our stakeholders and their aspects of interest are presented in Figure 1. The aspects are numbered according to the legend provided below. See also KPMG materiality matrix in “Materiality assessment”, page 23.

Some stakeholder groups such as current employees, clients/targets and regulators are business critical and therefore, receive more attention. Throughout this report we describe how we communicate with these stakeholder groups and what their key concerns are.

No external engagement was undertaken specifically as part of the report preparation process; internal engagement activities are described in the following subchapter.

Material aspects legend:

1. Data privacy and security
2. Staff commitment
3. Ethics, integrity, independence and anti-corruption
4. High quality
5. Reputational issues
6. Transparency, governance, compliance and claims
7. Volunteering and community
8. Client satisfaction
9. Regulatory changes and competitiveness
10. Fair recruitment and diversity
11. Environmental impact
12. Occupational health and safety

Materiality assessment

Materiality assessment workshops were held for employees from all Baltic countries and Belarus. We believe that our stakeholders and their concerns are rather similar and therefore, the materiality assessment was held in a joint manner.

The aim of our materiality assessment was to make sure that we focus our efforts on the issues that are most important to our business and stakeholders. We also mapped the aspect boundaries during the process.

Materiality analysis process:

- Internal review of possible sustainability topics relevant to our sector including inputs from:
 - Global megaforges¹ and current economic and regulatory environments;
 - Targeted external sustainability benchmarking of key companies in our sector and other KPMG network companies.
- Materiality assessment workshops for employees during the Baltic service line meetings where employees discussed which aspects are material for our different stakeholder groups and for KPMG and placed them on a matrix.
- Client care interviews. Some questions regarding KPMG’s sustainability and material aspects were added to our client care interviews. Clients assessed what aspects were most relevant for them concerning their relationship with KPMG.
- Partners’ review and approval of issues.

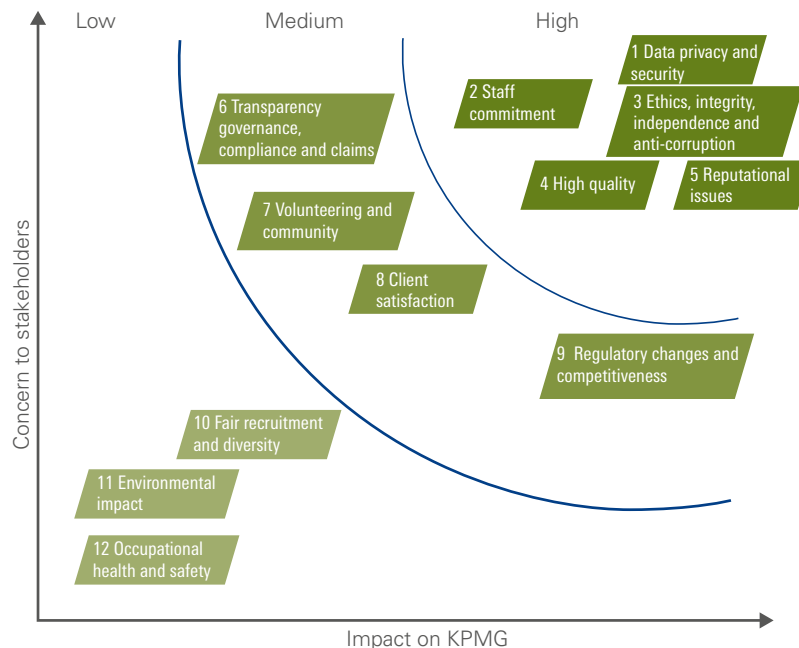


The results of the materiality analysis are presented in Figure 2² depicting the distribution of the aspects identified as material on the axes of “Concern to stakeholders” and “Impact on KPMG”.

All the issues are relevant to our employees (incl. partners). Materiality for external stakeholder groups is described in Figure 1.

All issues identified as material and outlined in the matrix, have been addressed in this report.

Figure 2: KPMG Baltics and Belarus Materiality Matrix



¹ Global megaforges are the environmental and social changes that are likely to have the greatest impact on businesses over the next 20 years. For more information, see KPMG International’s report 2012 “Expect the Unexpected: Building business value in a changing world.” <https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/building-business-value.pdf>

² The three aspects in the lower position of the matrix, although considered less material in a range of materiality, nevertheless remain important for us and our stakeholders.



Marketplace

Risk management, independence and quality

Basically, the commodity we sell is trust. Our clients and their owners and other stakeholders expect us to provide our independent and professional opinion that is based on facts. Maintaining quality and independence is crucial for us for succeeding in the marketplace. Therefore, we have a set of quality control, risk management and compliance policies and procedures in place, both locally and globally to stay on the right track.

Compliance with law, regulations and standards is a key aspect of behaviour of all KPMG personnel. Operational responsibility for the system of quality control, risk management and compliance at KPMG Baltics OÜ has been delegated to the Baltics risk management partner who is responsible for setting the overall professional risk management and quality control policies and monitoring compliance for the firm. He has a direct reporting line to the senior partner. The risk management partner is supported by a team of partners and professionals in each of the functions and locations.

Compliance with law, regulations and standards is a key aspect of behaviour of all KPMG personnel.

Risk management

The Risk Compliance function is responsible for matters related to management of regulatory risk, testing adherence to our practices and ensuring that all employees undertake relevant training. They control and monitor factors that could affect our business, our professionals and clients and the capital market and the operating environment as a whole. Their work enables us to anticipate conflicts of interest or non-compliance with rules, regulations, standards and policies established locally and globally by KPMG or other regulating bodies. This function consists of the risk management partner and two assistants with the tasks of:

- Managing rigorous and systematic policies for accepting and continuing with clients and projects. This includes reviewing and consulting public information about the business and management of a potential client, incorporating the reputation of its management, its financial health, types of products, the technical risk of the project and ethics and independence issues.
- Maintaining controls and analysing the conformity of our operations and services with our policies and procedures as well as with the policies and procedures established by regulators with respect to independence and screening for conflicts of interest.
- Managing our independence by requesting approval for each engagement through our global online system Sentinel for screening projects against independence requirements and applicable standards. This system is also used for identifying the ultimate beneficiary of our services to avoid breaches of anti-money laundering laws and regulations, as well as best practice..

Risk management is not the responsibility of the compliance function alone; every employee is responsible for ensuring that their doings or omissions would not cause any risk for our company. When recruiting, in addition to the professional skills and qualifications of the candidates we take into consideration their personality and mentality, and their ability and readiness to share our values.

Ethics, integrity and independence

Our ethics, integrity and independence principles are described in three main documents: the Global Code of Conduct, the Global Marketing Compliance (GMC) and the Global Quality and Risk Management Manual (GQ&RM). The guidelines are communicated to our professionals through our management, intranet and regular training.

Mandatory firm rotation

According to the Estonian Auditors Activities Act, a certified public accountant can be a signatory of a Public Interest Entity audits for up to seven consecutive years. The EU audit reform applying from June 2016 requires Public Interest Entities (PIEs) to rotate their audit firm in at least 10–24 years, depending on date of initial appointment.

We have to take it into account when planning our activities. If you would like more information on how EU audit reform will also impact you, please do contact us.

Global Code of Conduct

The KPMG Global Code of Conduct which is designed to provide an understanding of the standards of ethical conduct that KPMG requires around the world.

It applies to all KPMG partners and employees – regardless of the 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.

The Global Code of Conduct reflects the changes in law, regulations and professional ethics as well as our enhanced commitment to communities and acting in the public interests while delivering high-quality services. It also reflects how we live the attributes of our strategy – expert, global mindset, forward-thinking, value-adding and passionate – to deliver our knowledge and insights to our clients with clarity and perspective, which we refer to as the KPMG Difference.

Global Marketing Compliance (GMC)

Even though all KPMG network member firms are independent from each other, we all use and benefit from the same resource – our brand. Various risk management, quality, human resource and other aspects disclosed in this report have a direct impact on our reputation in the market and among stakeholders. Therefore, we have the GMC in place to ensure that all member firms use the brand name consistently and maintain and manage our reputation in the best way possible by managing client expectations with respect to services provided, and disclosing clear and objective information.

All communication and marketing material prepared by KPMG is revised by qualified, GMC-accredited professionals. No violations or warnings relating to the organisation's regulations and codes occurred during the period reported.

All KPMG network member firms contribute to and benefit from a common resource – our brand.

Quality and Risk Management Manual (GQ&RM)

Member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where the requirements apply extraterritorially). These policies are supplemented by other processes to ensure compliance with the standards issued by the Estonian Board of Auditors.

To help ensure ethical conduct, including integrity and independence, KPMG International requires that each member firm, and its personnel, must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

We have a designated ethics and independence partner (EIP) supported by a core team of specialists to help ensure that we implement robust and consistent independence policies and procedures. All our ethics and independence policies are available in our intranet, and the staff knowledge is reinforced through an annual training programme and other relevant communications. During the period covered by the report, all our employees were trained in Ethics & Independence as well as in anti-corruption policies. Amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications.

These policies and processes cover areas such as personal independence, the firm's financial independence, business



relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services. KPMG International policy extends the IESBA Code of Ethics restrictions on audit client privacy and data security to every member firm's partner in respect of any audit client of any member firm.

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a web-based independence tracking system to assist our professionals in their compliance with the independence policies on personal investment. This system 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 or not they are allowed to make the investment. 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. We monitor partner and manager compliance with this requirement as part of our programme of independence compliance audits of a sample of professionals.

Each professional providing services to an audit client is also required to notify the EIP if they intend to enter into employment negotiations with an audit client.

Transparency is a core principle for maintaining our integrity. We have therefore established an open and honest communication with all our stakeholders, based on ethics and objectivity. The GMC and GQ&RM provide guidelines to ensure that these principles are followed in all relationships with KPMG's stakeholders, aligned with our communication and marketing strategies.

Anti-corruption

Compliance with laws, regulations and standards is a key aspect for all KPMG personnel. In particular, KPMG has zero tolerance to bribery and corruption. KPMG holds the position that bribery and corruption are unethical and unacceptable and are inconsistent with our values and our Global Code of Conduct.

In support of this position, KPMG International has an extensive anti-bribery and corruption programme. This includes detailed policies applicable to all member firms and their personnel, as well as regular training, compliance procedures and a whistle blowing hotline. Training on anti-bribery and corruption is included within KPMG International's "Acting with Integrity" course, which also includes modules on areas such as compliance with laws, regulations and professional standards and the Global Code of Conduct.

We provide anti-bribery and anti-corruption training to all our personnel.

Accordingly, training covering compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards, and the KPMG Code of Conduct is required to be completed by client-facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining the firm. In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are required to participate in anti-bribery training which is tailored to these groups.

Further information on KPMG International's anti-bribery and corruption initiatives can be found on the anti-bribery and corruption site [<https://home.kpmg.com/xx/en/home/services/advisory/risk-consulting/forensic/anti-bribery-corruption-services.html>].

During the period covered by the report, all of the professionals required to attend training were trained in Ethics & Independence and anti-corruption policies.

Fair competition

We follow the principles of fair competition that are set by law. We do not have any legal actions pending or completed during the reporting period regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation in which we would have been identified as a participant.

Quality

The quality of our work is reflected in our image and each professional in our firm is responsible for it. This responsibility includes the requirement to examine and adhere to the firm’s policies and associated procedures in carrying out the day-to-day activities. There is a wide range of tools developed to support the staff in meeting these expectations.

Engagement Quality Control (EQC)

KPMG International has policies of quality control that apply to all member firms. These policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and on the Code of Ethics for Professional Accountants issued by the IESBA. Both of the sets of standards are relevant to the firms that perform statutory audits and other assurance and related services engagements.

These policies and associated procedures are designed to guide the member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

We implement KPMG International’s policies and procedures and adopt additional policies and procedures that are designed to address the rules and standards issued by the Estonian Board of Auditors and other relevant regulators and Estonian legislators.

KPMG International’s policies reflect individual quality control elements to help our personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

Quality Performance Reviews (QPRs)

KPMG International has developed a robust monitoring programme QPRs that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and KPMG International’s policies and procedures. The results and lessons from the programmes are communicated within each member firm, and the overall results and lessons from the programmes are considered and appropriate action taken at regional and global levels. All partners and signing directors in all service lines are reviewed

at a minimum once every three years with the last QPRs in KPMG in Estonia carried out in FY2013/2014.

Risk Compliance Program (RCP)

In addition, KPMG International has developed an annual RCP to monitor Audit, Tax and Advisory functions. It is a member firm’s self-assessment programme to monitor, assess, and document the member’s firm-wide compliance with the system of quality control established through KPMG International’s quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The programme is overseen and monitored regionally as well as globally.

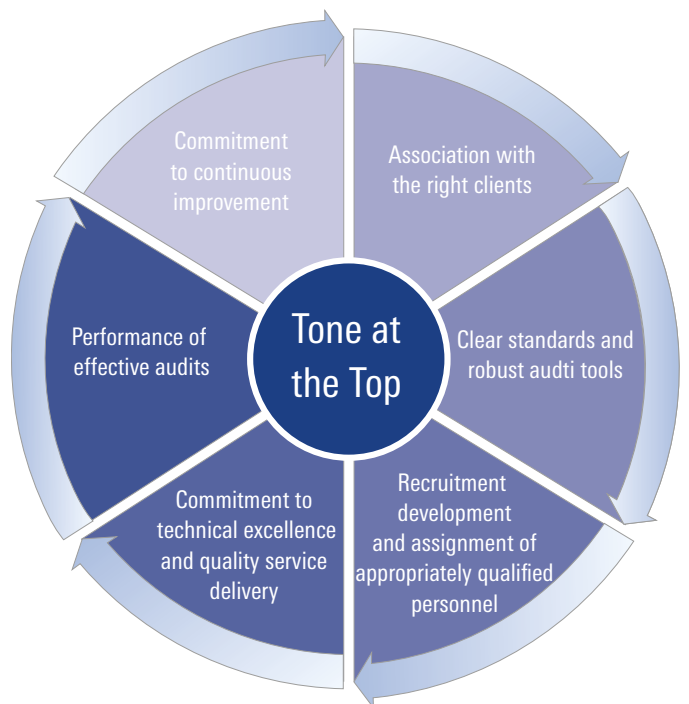
Global Compliance Reviews (GCR)

GCRs are performed by reviewers independent of the member firm who report to the Global Quality & Risk Management and are led by the Global Compliance Group. GCRs are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management, independence, and finance processes (including an assessment of the robustness of the firm’s RCP). In the event that a GCR identifies issues that require immediate or near-term attention, a follow-up review will be performed as appropriate. The last GCR on KPMG Baltics OÜ was performed in March 2012.

Audit quality framework

We have a global Audit Quality Framework that sets out the seven key elements defining the quality of our audit service (See Figure 3). More information about this framework can be found from our Transparency Report.

Figure 3: Audit quality framework



External monitoring

In the regions where the requirements of external monitoring have been established, the activities of KPMG member firms are inspected by local supervisory authorities. The Auditors Activities Act which enforced Directive 2006/43/EC in Estonia entered into force on 8 March 2010. Pursuant to the Auditors Activities Act an audit firm who has entered into a client contract with a public interest entity is subject to a regular quality control by the Board of Auditors carried out at least once in three years. The last quality control in KPMG Baltics OÜ by the Board of Auditors was carried out in autumn 2011.

Methodologies

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, and which KPMG believes enhance the quality of our audits.

The KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional scepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate, and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met.

The KAM includes implementation of quality control procedures at the engagement level that provides us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory, and KPMG requirements.

The policies and procedures set out in the KAM are specific to audits and supplement the policies and procedures set out in the Global Quality & Risk Management Manual (GQ&RM) that is applicable to all KPMG member firms, functions and personnel.

Our audit methodology is supported by eAudit, KPMG International's electronic audit tool, which provides KPMG auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. eAudit's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders.

Client privacy and data security

An engagement is successful only when the client trusts us with their data as this is the foundation that we work with. We need to maintain client confidentiality and privacy and take good care that all our employees understand the importance of as well as their personal responsibility for this.

Maintaining client privacy and confidentiality is based on risk assessment, policies, procedures, regular communication and training. We have information security policies in place that specify the equipment, access permission to systems, necessary settings and security requirements. We use encrypted hard drives and memory sticks in case devices get stolen or lost. We limit access to client information on a need-to-know basis.

We also take care of the physical security of our people and equipment: access to the office is restricted, computers are locked with safety wires, and the means of transportation we use when going to the client are carefully chosen. Our IT equipment is regularly upgraded ensuring that we keep pace with the development of technology. After the effective life cycle of the IT equipment owned by us expires, the equipment is utilised in line with relevant national regulations.

All employees are required to keep all client and former client information confidential; this is also stipulated in employment contracts. The relevant policies and practices are communicated to all personnel and, as appropriate, reinforced through guidance, awareness and training. Every employee has to pass Global Independence and Risk Management e-training courses annually and a Data Privacy e-training course within three months from the commencement of employment. The Ethics and Independence e-training course "Acting with Integrity" is compulsory in every two years.

We have a strong requirement to keep all client and former client information confidential.

The information security function is managed at the pan-Baltic level by the national IT security officer (NITSO) who works closely with local IT services, the Quality and Risk Management Group (QRMG), global IT security officer and global head of information protection.

We have an incident response procedure to minimise the impact of a security breach or data loss. During the reporting period we did not have any of such cases and we did not receive any complaints concerning breaches of client privacy.

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including the Code of Conduct, training, and the annual affidavit/confirmation process that all of our professionals are required to complete.

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations.

We have clear policies on information security that cover a wide range of areas. Our Data Privacy policies are in place governing handling of personal information, and associated training is obligatory for all KPMG personnel.



Striving for continuous growth in service quality

Excellence in client engagements is one of our fundamental drivers in the market. We find it vital to ensure that our work keeps meeting the requirements of our clients. That urges us to strive for improvement in various aspects.

In order to be informed about the expectations our clients have as regards our work we interview ten of our key clients each year. The objective of the Client Care interviews is to maintain excellent client service standards and a high client satisfaction level of our key accounts. The face-to-face interviews are carried out by an independent KPMG employee who has not been a member of the client service team.

As a result of the interviews we have a good understanding of our current client relationships, clients' needs, the quality of communication and services provided, the value for money and loyalty. This is an immensely useful input to ensure the top quality of the services we provide and the high level of client satisfaction.

During the Client Care Interviews in 2014 our clients gave us the highest scores of all times. The average score in 2014 was 8.8 out of 10 (2013: 8.6; 2012: 8.4).

During the Client Care Interviews in 2014 our clients gave us the highest scores ever.

In 2014, some of the highest grades were given as regards such criteria as:

- Overall relationship
- Quality and skills of the team
- Understanding of the client's needs
- General level of the service quality
- Easiness to do business with KPMG
- Effectiveness of communication
- Quality of the audit service
- Quality of the advisory service
- Overall satisfaction

For new clients we offer an opportunity to give feedback during a personal feedback interview immediately after the first project. Discussions include such issues as relationships and communication, understanding the needs, service quality and the value for the client.

Each interviewer issues a report with a detailed overview of recommendations made for the partner in charge and their team. Each project team carefully considers the client's feedback and recommendations when planning the next project.

I joined KPMG at the end of 2006. The reason I decided to choose KPMG then is also motivating me today, and it is the people. An active team with a good sense of humour holding together is the thing that inspires me the most. Adding the features characteristic of my day-to-day job, such as innovation and wonderful development opportunities, insight into the business environment and ability to meet the leaders of some of the most successful undertakings of Estonia, will complete the list of the most significant reasons I find KPMG a very attractive employer.

Merit Wassenaar
Head of Markets



Developing the field

Being recognised as one of the leading firms in our field means that we also have to take responsibility for contributing to the development of Estonian economy at a more general level.

Membership in professional networks

We have selected several industry associations and other organisations to be members of because this creates tripartite benefits: (1) the organisations benefit from our experts' contribution as our people share their know-how and experience at meetings, discussions, and workshops; (2) our people involved, and through them also KPMG as an organisation, can acquire knowledge and keep updated on societal trends and market needs; (3) our clients win from our broader view and enhanced expertise.

As we act with integrity, consistently strive to uphold the highest professional standards and provide sound advice and insight, we are members of the following organisations:

- Baltic Institute of Corporate Governance (BICG)
- Estonian Service Industry Association
- Finance Estonia
- Internal Audit Advisory Committee to the Minister of Finance
- International Fiscal Association - Estonia

All our auditors are members of the Estonian Association of Auditors.

In addition, our people contribute to the work of managing bodies of the Estonian Association of Auditors, the Public Oversight Board of the Association of Auditors, and are members of the Institute of Internal Auditors – Estonia, the local chapter of ISACA (Information Systems Audit and Control Association), and JCI (Junior Chamber International) Estonia.

We are also members of the Estonian Chamber of Commerce and Industry, Estonian Human Resource Management Association, American Chamber of Commerce in Estonia, British-Estonian Chamber of Commerce, Norwegian-Estonian Chamber of Commerce, Estonian-Russian Chamber of Entrepreneurs, and the Estonian Taxpayers' Association. KPMG Law Firm attorneys are members of Estonian Bar Association.

Sharing our knowledge

At KPMG, knowledge sharing and thought leadership have always been considered as an integral part of our business. Combining the skills and in-depth professional know-how across our functions with the practical experience gained by our professionals in various industries we are able to provide organisations with valuable information and useful practical advice.

We are keen to support the development of local economy. We hold regular seminars and workshops, and our professionals contribute to various conferences. In addition, we publish newsletters and a magazine dedicated to communicating to Estonian businesses various management topics, e.g. IT and risk management, as well as key issues and possible solutions in such areas as tax and legal and financial accounting.



Photo: Our magazine for decision makers KPMG Foorum is issued twice a year. KPMG Foorum Autumn, 2013)

Our clients can also benefit from new trends we gain and share within KPMG global network. We believe we can contribute to the development of businesses and their staffs by sharing new knowledge, skills and ideas with them at our training events.

Foorum. A magazine for decision makers issued twice a year, provides insights into various topics. KPMG advisers from Estonia, Latvia and Lithuania with practical experience in consulting and audit, intensive understanding of local businesses and in-depth professional industry knowledge contribute to the magazine. Besides articles and recommendations, interviews with our clients and business partners can be found in each issue. The issues discussed in the Foorum during 2013/14 financial year involved EU audit reform, corporate sustainability, taxation, amendments to corporate law, secure IT systems, fraud, energy market, and Latvia and Lithuania implementing the euro. Foorum is published in all three Baltic countries and in four languages – Estonian, English, Latvian and Lithuanian. <http://www.kpmg.com/EE/et/IssuesAndInsights/ArticlesPublications/Foorum/Lehed/Default.aspx>

InfoCourier. A monthly newsletter provides a summary of amendments to legislation, and taxation related law cases that might be of interest and relevance to businesses. <http://www.kpmg.com/EE/et/IssuesAndInsights/ArticlesPublications/Infokuller/Lehed/default.aspx>

Risk management newsletter.

A newsletter issued once per three months, discusses current risk management issues at both Estonian and global level ranging from IT risks, anti-corruption and money laundering to internal audit and other risk management topics. http://www.kpmg.com/EE/et/IssuesAndInsights/ArticlesPublications/riskijuhtimise_uudiskiri/Lehed/default.aspx

Reports of surveys and thought leadership. Management and economy surveys that are conducted in our Central and Eastern Europe region in various sectors allow us to share fresh insight with Estonian businesses. We also introduce internationally created KPMG's thought leadership reports

on the most important trends in the business environment.
<https://home.kpmg.com/xx/en/home/insights.html>

Since 2010 KPMG has conducted a **“Majanduse Puls” (Pulse of Economy)** survey once a year to ask opinions of decision makers in Estonian, Latvian and Lithuanian business sectors about perspectives of economic growth, foreign investments, tax environment, and also about remuneration and human resource policies. <http://www.kpmg.com/EE/et/IssuesAndInsights/ArticlesPublications/Majanduse-Pulss/Lehed/default.aspx>

Business mornings and seminars for our key clients. Three to four times a year we discuss various issues of interest for businesses, such as:

- Establishment of audit committees
- ASBG (Estonian Accounting Standards Board’s Guidelines)
- Management board’s duty of care
- Tax news and cross-border mobility tax issues and risks
- Anti-Corruption Act
- Solvency for insurers

Conferences. Together with various partners, we have run several conferences, such as:

- Annual risk management conference (together with Corpore Konverentsid)
- BIG4 Conference (with Äripäev Konverentsid)
- Pärnu Finance Conference and Pärnu Management Conference (with Pärnu Konverentsid). Together with other large audit and consulting firms we select annually the most influential Chief Financial Officer to be announced at Pärnu Finance Conference.

Contributing to the sustainable future

At KPMG, we believe that transparent and responsible way of doing business is the only way of doing business. Our commitment and contribution to building ethically, environmentally and socially responsible business environment and sustainable society involves also partnership with the Responsible Business Forum in Estonia (RBF).

In October 2013 we signed an official cooperation agreement with the RBF with an aim to cooperate in promoting responsible and sustainable business behaviour in Estonia. The RBF is an NGO that has also formed a network of member businesses. The aim of the organisation is to support governmental institutions in creating the business environment that would encourage a growing number of companies to consider social and environmental aspects in management decisions; and to develop skills of companies to integrate these measures into their business practice.

As this is aligned with our view of a healthy economy and society, from 2012 already we have helped analyse and assess the sustainability level of companies taking part in the Estonian Sustainable Business Index that is put together by the RBF annually.

We help Responsible Business Forum assess and analyse the sustainability level of Estonian businesses.

In 2013/2014 we organised three training sessions on the responsible business strategy together with the RBF for the members of the American Chamber of Commerce Estonia, Estonian Service Industry Association and Estonian Employers` Confederation.

During FY 2013/2014 five business mornings “Vitamiinihommik” (Vitamin Morning) were held for 119 participants in total.



A photograph of a modern office interior. In the foreground, two men are seated on a blue curved sofa, facing each other. They are at a small white round table with a laptop, a coffee cup, and a box. The man on the left is wearing a light blue shirt and a tie, while the man on the right is wearing a white shirt. In the background, there is a glass staircase with a blue handrail, a reception desk, and other office workers. The office has large windows and modern lighting. A green semi-transparent banner is overlaid on the top left of the image.

Workplace

Our workforce

KPMG employs 105 people in Estonia, including 89 active employees and 16 non-active (13 of them on maternity leave). The average age of our employees is 30.2 years.

Number of employees by career level*			
	No. of men	No. of women	Total
Partners	3	0	3
Directors and senior managers	3	4	7
Managers	3	10	13
Assistant managers and senior advisers	2	14	16
Seniors, advisers, and associates	8	14	22
Senior assistants and junior advisers	5	12	17
Assistants	9	18	27
Total	33	72	105

*Career levels are arranged starting from the highest management level.

In 2013/2014, 31 staff (6 men and 25 women) left KPMG (compared to 20 in 2012/2013). The voluntary turnover rate of 12 months' average headcount was 33%. In 2013/2014, 21 new employees (8 men and 13 women) joined KPMG (excluding interns).

As we employ a lot of people directly from universities we are often their first professional workplace and a springboard for the careers of these young and talented professionals. All our audit assistants go through intensive theoretical and practical training and get a hands-on experience preparing them for work in different finance-related positions. Not all of them find auditing to be their true calling, but we are grateful for the time they contribute to our company.

Our new recruits come often directly from universities; thus, KPMG is their first professional workplace and a springboard for their careers.

After working here for three to five years, some of our employees choose to gain an international experience. They either go to secondment or sign a contract with another company abroad. For example, two of our employees recently decided to start working for KPMG offices abroad permanently.

Another reason for the high turnover is the stressful seasonality of work in Audit and Bookkeeping functions which has an adverse impact on a healthy work-life balance. Therefore, we have taken measures to help the staff cope with the tension. See "*Balanced life*", page 38.

New employee hires and voluntary turnover by age group		
	New employee hires	Voluntary employee turnover
Under 25 years old	11	0
25-34 years old	10	23
35-44 years old	0	8
45-54 years old	0	0
Over 55 years old	0	0
Total	21	31

As the high season in KPMG's Audit and Bookkeeping functions is around the first quarters of the calendar year, the number of total workforce may differ during the months of January through April since temporary workforce (contractors and interns) may be used during the period, which does not impact the number of people working under an employment contract.

14 people out of 105 employees, i.e. 13% of the staff, have been with KPMG for ten years or longer, and six of them have worked at KPMG for 20 or more years.

Recruitment and diversity

Recruitment

Our ambition is to grow in terms of quantity and quality of services. Also, the typical career model in audit and advisory business means rather intense turnover of employees. These are the main reasons why attracting, recruiting, developing and retaining the best people are crucial for us.

We seek for ambition, a cooperative mindset and professionalism in people we plan to invite on board. The focus in attracting and recruiting people is on three main target groups:

- **Interns** who work with us are involved in client engagements in practice, which means that usually we do not offer an observation internship, and students get real and therefore valuable working experience. Internships that are initiated by KPMG are paid ones. Involving students through internships contributes also to our ability to ensure sustainable availability of talented employees. In 2013/2014 we involved 11 interns for periods varying from one to six months. We made a job offer to four, and three out of four accepted.

In 2013/2014 we involved 11 interns for periods varying from one to six months.

- **Recent graduates** who we recruit are provided a comprehensive training programme (including international training courses) which ensures quality in client work and gives young talents an opportunity for a rapid increase in their professional value and development in their career path. Global mobility opportunities and lively, youthful, and sporty team of professionals are also keywords that have been attractive for recent graduates. In 2013/2014 we recruited 21 new people; 52% of them were under the age of 25.
- **Experienced professionals** who have already excelled in their field of expertise find flexible working conditions, a supporting platform to boost the application of their skills in the beloved field, and numerous opportunities for global networking and cooperation with the leading businesses in Estonia, the Baltics and Belarus and globally.

We post job advertisements to our website, job portals and on our Facebook page; we also send e-mails to university career

lists and professional unions. We also use referral recruitment, participating in career fairs and introducing who we are and what we do during lecture visits. Experienced professionals are often recruited through headhunting.

All candidates applying for a job at KPMG have to pass a number of stages in the selection process, which may include application screening, competency-based interviews, group-works, and psychometric and ability tests.

It is essential for us to ensure the confidentiality of all candidates and information gained during the process. KPMG Global Code of Conduct prescribes that we respect the individual, and resist from discrimination and harassment – it also applies to the recruitment process. We do not follow gender quotas, but keep an eye on the number of female and male staff to ensure that healthy gender balance is tracked.

Within at least two weeks as from the end of the recruitment process we give written feedback to all applicants about their performance in the process and talk to all candidates who have made it to the interview stage.

Internally, we analyse the success of our recruitment activities based on the percentage of quality applicants, efficiency and thoroughness of the process, and the turnover among first-year employees.

Diversity and equal opportunities

Diversity enhances any team. We believe that project teams or whole organisations that involve people with different skillsets, experiences, perspectives and personal background are able to tackle challenges in a comprehensive manner, see things from different angles and therefore, achieve better results.

That is the reason why at KPMG we always welcome people with diverse background. KPMG values and Code of Conduct that we follow in all our actions describe the way we act. We respect people for who they are, act in an objective and ethical way, maintain a just and fair approach to remuneration, have an inclusive and collaborative organisational culture that is free from bullying, discrimination, and harassment, and where everyone is treated with respect and dignity.

Although diversity is not a separate issue for us to be managed, the reality proves that we are doing rather well in that area:

KPMG has a good reputation among business students. According to the World's Most Attractive Employers studies carried out by global employer branding expert Universum³, KPMG held 8th place in 2013 and ranked 4th in 2014.

³ See more: <http://universumglobal.com/rankings/world/>



Photo: Merje, Ada and Kaili have been working for us for more than 10 years (Year End Party 2014).

- We tend to be a firm who offers the first real work experience to young people – a group that is considered one of the risk groups in the labour market. 26% of all our active employees are under 25 years of age. Managing the so-called “generation Y” requires adapting our workplace policies to people who, by their nature are global citizens, demand freedom and flexibility, desire to have a meaningful job, and are highly skilled in technology.
- Our interns and newly hired employees include a balanced number of men and women (36% of interns are male and 64% female; 38% of new recruits are male and 62% female).
- 69% of all our employees are female. Remuneration of our people depends on their experience and personal performance; there is no gender-based pay gap.
- A number of our professionals, also in managerial positions, speak in mother tongue other than Estonian (e.g. Russian).
- We have created sufficient technical solutions and all our teams have accepted the practice of distance working which, among other things, is necessary for parents with small children (three of our employees also use the opportunity of part-time working).
- Last but not least, no incidents of any kind of discrimination have occurred or been recorded.

Staff retention and commitment

Engagement

It is obvious that higher commitment means better business results. Therefore, it is important for us to be aware of how willing our people are to contribute to the success of KPMG.

We measure employee engagement through the Global People Survey (GPS) that is conducted once in two years and consists of the Employee Engagement Index (EEI) and the Performance Engagement Index (PEI).

The results enable us to define both we are good at and improvement actions for next year.

The EEI measures employee motivation to contribute to organisational success and willingness to apply discretionary effort toward achievement of individual tasks as well as organisational goals. Our EEI has been increasing during last years and reached as high as 70% in 2014 which is considered a good result.

According to the results our people most frequently agree that they are encouraged to come up with new ideas and their suggestions count, they can make good use of their skills and abilities, KPMG acts responsibly, the work they do has a real impact, the management is trusted and available, and people around them support their personal growth and career development.

Breakdown of employees by gender and age

	Male		Female	
	All	Including governance	All	Including governance
Under 30 years old	21	0	41	0
30-50 years old	11	2	29	0
Over 50 years old	1	1	2	0

KPMG is an employer of choice for two reasons. First, at KPMG you can work together with the most motivated people in Estonia which is a highly educating and developing experience. Second, KPMG cares of its people, makes every effort to improve their welfare and fosters sustainable development of the staff.

The professional attitude characteristic of KPMG is instrumental in furthering my personal "brand". I find it highly important to be able not to lose face in front of a client, and working for KPMG makes it possible not only by relying on its good reputation, but also by acquiring a huge range of professional skills.

Alexey Volkov
Assistant, Audit



The PEI focuses on the commitment to high levels of client service and service delivery excellence. Also, our PEI has increased and was as high as 85% in 2014. The results show that our people consider their working environment and colleagues collaborative, committed to providing excellent service, with clear performance standards, sufficient training and development, and they believe that client problems are dealt with quickly.

Strategic decisions taken by top management are discussed during the staff days that take place at least twice a year. That is an extra opportunity for every employee to raise questions that are critical for them.

Minimum notice periods regarding operational changes are followed in line with the Estonian law and the common sense, i.e. the period we find it reasonable and possible to inform our people in advance. In personal matters the notice period also depends on the length of the working experience with KPMG.

Employee Engagement Index 70%
Performance Engagement Index 85%

Staff are free to raise issues that they think need improving. Accordingly, based on the results of the previous GPS in 2012 we created a strategy to tackle the most fundamental and important issues. We are proud that our constant work on better management of workload, feedback and recognition system, and performance management and evaluation has brought better results and that we have become a better employer to work for and a better firm for our clients to do business with.

Involvement and communication

KPMG in Estonia is a relatively small organisation with a staff of around 100 employees. We implement an open-door policy which means that in addition to the GPS employees are welcome to express their concerns whenever a problem may emerge. Concerns and developments are also discussed and reflected during the meetings of each function. An internal newsletter "Insider" is issued every second week. It gives a brief overview of proposals, sales wins, losses and new clients, and other relevant information (e.g. upcoming events, training opportunities, interviews with employees, etc.). In the case of extensive changes, the office managing partner sends an explanatory e-mail to all employees. We have formed an initiative group that consists of seven people from different service lines and career levels that represent employees' views and provide input to management (e.g. about motivation package, GPS results, etc.).

Balanced life

As KPMG wants to be a responsible employer who also cares for the well-being and health of its people besides professional aspects we have taken a number of measures. Taking good care of our people's health and balanced life is essential for us. This is the minimum responsibility that we as an employer could take. Balanced life and healthcare are important for our people and give another reason to stay with us.

Health-oriented workplace. As we are proud of our sporty employees and want to contribute even more to their physical well-being and healthy lifestyle, we support different kinds of workout and participation in sport events, and our Staff Day in summer offers opportunities for physical activities. We have agreed discounts in many restaurants nearby, fill a snack bar in the office with healthy options, organise a full health check in every two years, provide compensation for eyeglasses, flu vaccine, and for travel, accident and life insurance.

We have an appropriate system in place for managing health and safety issues at workplace: an environment specialist, two work environment specialists representing employees' interests, and two first-aid specialists. All our people are trained accordingly and informed about the risks related to

Our snack bar received the Best Initiative Award from employees.

During winter months KPMG provides its employees with lemon and honey to support their health. During FY2013/2014 we consumed 25 kg of honey and 24 kg of lemon.



Zinaida Tšukrejeva
Manager, Management
Consulting

KPMG is a great place to get as extensive experience in various business sectors as your personal capabilities to develop allow you. Indeed, during the years at KPMG I have had an opportunity to collaborate with lots of CEOs in Estonia, helping them to find approaches to deal with difficulties of all kinds. My sincere belief is that here you can learn faster than in any other place. I enjoy the variety of tasks and never get bored at work.

On the other hand, being a mother of an infant, I appreciate the way my company treats my needs in this field. It allows me reasonable flexibility in managing my job.

working at the office and sedentary work. There are also posters in the office providing basic tips about maintaining healthy posture or resting eyes, etc. We organise training courses focusing on health and work-life balance, and we instruct our staff about how to act in cases of fire or crisis situations.

In 2013/2014 we calculated 187 absent workdays which accounts for approximately nine months of full-time work in total (2012/2013: 212 workdays, i.e. around 10 months in total). The overall absentee rate was 0.9%. There have been no injuries or occupational diseases and therefore also no lost days because of that.

Work-life balance. Working in our field is intense and therefore, while we encourage the staff to take responsibility for their work-life balance, to aid this we have come up with some measures to maintain a healthy work-life balance, including the following:

- Flexible working hours
- Part-time work
- Working from home office
- Free paid days during the Christmas period
- Short Fridays in summer
- Health days additional to those required by law
- Additional extra vacation from certain career level up
- Playroom for small children
- Pets allowed in the office

Compensations. We provide financial bonuses based on performance and give financial support and/or free paid days in the case of important personal matters (child birth,

adoption, marriage, death of a family member). We cover costs of mobile phone communication and provide free parking places in our building that is located in the very centre of the city.

Volunteering. To help our people follow a KPMG value according to which "we are committed to our communities" all our people can use three paid days for charity or voluntary work each year.

Annual events. Each year we celebrate the end of the financial year, organise corporate Christmas parties and Summer Days. Every function has a budget for function events (e.g. team building, strategy days).

All full-time and part-time employees can equally benefit from the motivation system we provide while interns and people working under contractor agreements can use only some of the benefits.

Training and supporting lifelong learning

We invest in our employees' development through appropriate learning and development activities which will enable our teams to achieve their business goals in a challenging environment. Career development is also highly valued by our people and is a great driver for staff engagement and retention.

Performance development

All employees are involved in My Personal Development (MyPD) process. MyPD is KPMG's performance development tool that runs all year around and gives each employee an opportunity to monitor their professional development and obtain regular feedback. Each employee has a performance



Photo: Joel and Einar collecting style points at the Summer Days 2014 sports competition

manager (a representative of a higher career level in the function) and MyPD includes annually three official meetings of the performance manager and the performee: an initial meeting for goal setting, an interim for review and adjustments, and a final meeting for annual performance analysis.

MyPD is KPMG's performance development tool that enables each employee to monitor their professional development and receive regular feedback throughout the year.

In the final performance evaluation the personal performance is benchmarked with the performance of other employees at the same career level in each function.

In the MyPD process the performance manager has the responsibility to ensure that personal goals of each employee were aligned with the goals of the function and the whole company, and contributed to fulfilling the strategic goals of KPMG.

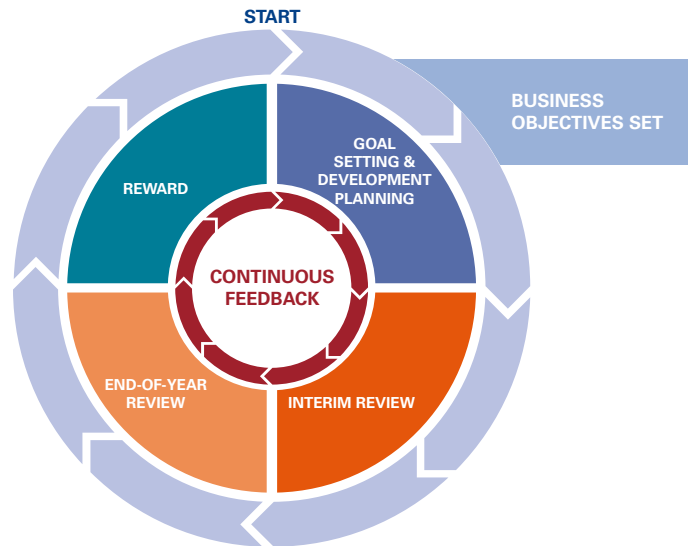
In addition to supporting professional and career development of our people, MyPD gives a valuable input for mapping training needs.

Training

Training plays a vital role in KPMG's personnel development programme. A staff member's training needs are determined by the staff member and their performance manager or head of function and are in line with our business strategy and ambition to find better ways to meet our clients' changing needs.

Our training opportunities can be divided into classroom and online training courses, on-the-job learning and support during the on-boarding process, and in-house and external programmes. All KPMG training courses are divided into three main categories of skills: technical, business and leadership.

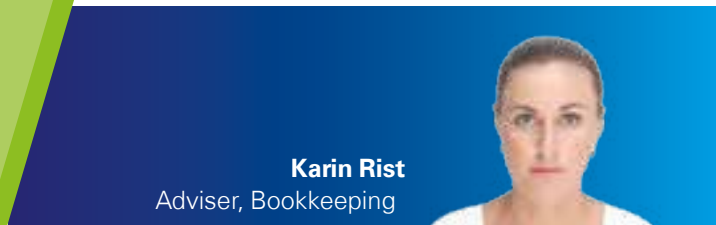
Figure 4: Annual my Personal Development process



- **Technical skills:** function-specific and risk compliance curriculum that helps an employee become a technical expert and able to deliver and support the needs of KPMG's Audit, Tax and Advisory practices.
- **Business skills:** underpinned by the relationship building skills employees need to develop for current and future client relationships. These skills are complemented by the business skills and industry knowledge to hold effective client meetings and develop further business for KPMG.
- **Leadership skills:** include all aspects of leading people and organisations, self-management and professional skills such as interviewing, writing, presenting and the IT skills our people require to be effective.

Most of KPMG training courses are dedicated to technical skills in order to best support our technical capacities which are important to provide high-quality support to our clients. However, we also make great effort to support the development of our employees' soft skills by working out additional training programmes which would support their business and leadership skills.

I have been with KPMG for more than seven years by now. Throughout these years one of the key issues for me has been an opportunity to develop. My career at KPMG started at the position of a secretary. I moved on to become a technical secretary at the Audit function where my tasks involved those related to risk management, proposals, archiving, etc. After a year and a half of maternity leave at home with a baby I returned to KPMG and as a kind of surprise for even myself I became a member of our Bookkeeping Services team. While performing all those different tasks I have acquired lots of knowledge in various areas. New knowledge, positive experience and acknowledgement are the factors that have inspired and motivated me to work at KPMG. For me, KPMG is remarkable for its diversity – various functions, projects and people – and the way how those different skills, experiences and areas of know-how are combined.



Karin Rist
Adviser, Bookkeeping



We follow KPMG training policy which describes training implementation process at KPMG (pre-activities, on-the-spot organisation and follow-up activities) and sets high quality standards for KPMG training which is essential for KPMG.

Our training programmes and materials are developed globally by KPMG professionals and external and in-house instructors and are available for each KPMG office. In-house instructors receive special training so that they could familiarise themselves with the training materials, get accredited and facilitate courses in their local offices or across the sub-regions.

Each training course is evaluated separately by the participants and instructors. The results will be summarised at the end of each training course. A general report on the results is prepared at the end of each training season and the results are taken into consideration when reviewing the training programmes for the next season or developing completely new training programmes.

All KPMG employees are required to keep educating themselves and training hours are monitored by the training co-ordinator. For KPMG professional staff (client facing personnel) the minimum of training hours has been set on 120 hours per three years (i.e. at least 30 hours of training required

each year). During 2013/2014 our people (all active employees) spent an average of 4.9% of their available hours on training. The average of hours spent on training is more than two times higher than required. A uniform training policy is applied to men and women in the same function and at the same career level.

Our employees attend twice as many training sessions as required by KPMG internal regulations.

Average training hours per active employee

	FY 2013/2014	FY 2012/2013
Audit	101	98
Advisory	72	53
Bookkeeping	125	89
Tax	45	36
Infrastructure	61	49
Total	86	75

79% of all training hours account for technical, 9% for leadership and 12% for business training.

For me, KPMG means the best colleagues in the world and great opportunities to test myself and develop. Working with people I look up to who treat me as an equal and believe in me is highly motivating and mobilising. I'm also involved in challenging unique projects, and for a person like me getting bored quite easily this is a perfect opportunity to make the most of my current knowledge and gain new skills.

But first of all, KPMG means a lot for me for its people who are not just colleagues, but more like friends and fellows.



Mikko Tereping
Adviser, Tax Services



External and global learning

Besides KPMG in-house training, we use also external resources, for example enable our employees to attend conferences or organise training programmes with the help of external training companies or instructors. KPMG actively supports staff obtaining a professional qualification (e.g. taking examinations in professional competence, such as CISA, CIA, certified public accountant, etc.).

We also promote and provide opportunities to participate in a global mobility programme that gives an experience of living and working in some of the more than 155 KPMG network countries. In 2013/2014 two of our people used that opportunity.

Qualifications

- Certified public accountant license – 11 people
- Accounting qualification certificate (level 1) – 4 people
- Certified Internal Auditor (CIA) – 1 person
- Certified Government Auditing Professional (CGAP)– 2 people
- Certified Information Systems Auditor (CISA)– 1 person
- Attorney at law – 2 people
- Assistant of attorney at law – 1 person



Alumni relations

The aim of KPMG Alumni Club is to keep in touch with our former employees who have made their contribution to the success of KPMG, develop our business relations with them and engage alumni in KPMG events. In our Alumni Club e-newsletter "Hoiame sidet" (Let's Keep in Touch), issued twice a year, we give an overview of the latest KPMG news, surveys and publications, and alumni events. Each newsletter also includes an exciting interview with a former colleague.

To join KPMG Alumni Club, a former staff member has to fill in a registration application and send us their contact data and a consent to receive information.

Club members have an access to social networking tools to build and update relationships with their former colleagues, participate in Alumni Club events, get discounts at KPMG seminars and conferences, read our e-newsletter, and get the latest information about KPMG.

When meeting old acquaintances you never know what new opportunities can crop up or which of the ideas at the back of your mind can realise.

For me KPMG was like an educational institution where I pursued various studies, tested my knowledge, passed exams and practical exercises.

We had great time and lots of fun together. All this united us, and it's a joy to meet again even when you have taken different paths. Such meetings can give rise to exciting cooperation and inspire you to take next significant steps in your life.



Kadri Arula
CEO and Board
Member of FCG Invicta OÜ



Environment

As KPMG International has signed the UN Global Compact and it thereby applies to us, we are committed to operating with care for the environment. Although KPMG is a services firm and we have a limited environmental impact as a whole, we do seek to take measures that reduce our emission caused by consumption of resources. We want our attitude to be an example for our business partners and for the communities we work in.

We also believe that for us the largest possible positive environmental impact could be achieved by supporting our clients' decisions that would also result in better management of their environmental matters. We work intensively with the companies of the energy sector, our clients include several companies with large environmental impact, and we have started to build an advisory practice for business sustainability issues (that includes also the aspect of environmental responsibility).

We have a long way to go in managing our direct environmental impact, but there are positive examples that we are already proud of. Although it became a strategic choice for us not so long ago, we have an ambition and see an opportunity to improve.

Our environmental impact		
	FY 2013/ 2014	FY 2012/ 2013
Electricity consumption (in '000 kWh)	62	62
Water consumption (m3)	470	526
Paper consumption (in '000 sheets)	153	118
Of which ecological paper (incl. EU Ecolabel, Nordic Ecolabel, Blue Angel)	85%	79%
Paper recycled (in '000 litres)	5	7
Air travel (in '000 km)	120	130
Bus travel (in '000 km)	29	27
Car travel (in '000 km)	59	55

* As our turnover and number of employees did not change significantly from 2012 to 2014 the results of financial years can be considered comparable.

We consider travelling, energy consumption (including IT equipment), and paper consumption as the most material aspects of our direct environmental impact. Some of the key measures we have applied to reduce the impact:

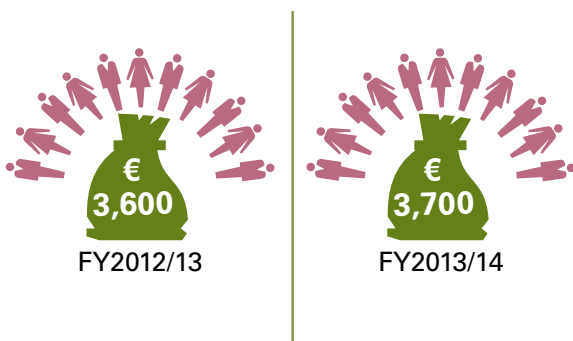
- We promote video-conferences and on-line calls as an alternative for travelling.
- Many of our people prefer bus transport to flights when travelling in the Baltics.
- We have established sufficient and safe solutions for distance working; working from home is allowed when reasonable.
- We prefer PCs, laptops, monitors and printers that consume less energy.
- We replace physical servers with virtual ones that require less power.
- Most of our IT equipment is taken on lease which allows the most efficient use of the equipment.
- We use ecological printing paper for materials intended for internal use; introduction of online e-Audit program has also reduced our paper consumption significantly.
- Heating, cooling and ventilation systems of the building where our office is located are adjusted to day and night modes and outside temperature.

A close-up photograph of a woman and a young girl smiling and talking to each other at a playground. The woman is on the left, wearing a red top, and the girl is on the right, with blonde hair in a ponytail. They are both looking at each other and smiling. A yellow playground bar is visible in the foreground. The background is a blurred green field.

Community

Commitment to our communities is one of the KPMG values. We have taken the responsibility to make positive contribution to the wellbeing of those in need and to the sustainable future of the community where we operate today and tomorrow.

Figure 5: Our community investments



Supporting education

We are dedicated to supporting youth education – for years, KPMG has awarded scholarships to students of economics at the University of Tartu and Tallinn University of Technology. In 2013/2014 seven people from our various service functions guest-lectured in different universities in Estonia. Our CEO, Andris Jegers is a member of the Council of the University of Tartu Foundation. The objective of the foundation is to support scientific and educational activities and studies of individuals related to the university by creating scholarships and awards.

We also offer internship opportunities each year – students working with us are involved in client engagements in practice, i.e. it is not an observation internship, but the interns get real and therefore valuable working experience. In 2013/2014 we involved 12 interns for periods ranging from one to six months. We keep regular communication with universities to exchange information about internship and job

offers. It is important for us to build strong employer brand among ambitious and talented students.

Encouraging volunteering and active participation

We are always open and eager to share our knowledge and provide pro-bono services to non-profit organisations. All our employees can use three paid days for voluntary work each year. This means that at KPMG we encourage our people to make a positive impact by participating in projects or initiatives selected by themselves or proposed by KPMG.

A good example of that is our relationship with Estonian charity foundation Minu Unistuste Päev (My Dream Day). KPMG is one of the Gold Sponsors of the Foundation, and Indrek Alliksaar, our Audit Director, is a member of the board and our accountants support the organisation by pro bono bookkeeping services.

We are also a regular sponsor of youth tournaments of the Estonian Golf School.

Also, for years our people have volunteered to help Oisu Foster Home for children without parental care. In 2013/2014 we initiated two events where eight of our people spent a day together with the children.

KPMG has been a fruitful source for Junior Chamber International Estonia (JCI) – a global non-profit organisation of young active citizens aged 18 to 40 who are engaged and committed to creating impact in their communities. For several years KPMG employees have taken leading roles in the JCI and its projects that have a positive impact on the society. KPMG's team has regularly participated in a charity event called the Rat Race. We have also sponsored the projects organised by the JCI.



Photo: Our employees participating in JCI Rat Race 2014



KPMG volunteers in Oisu Foster Home

From 2010 our people have volunteered to help Oisu Perekodu, a small foster home for children without parental care providing a shelter to about ten children at ages from 10 to 17. KPMG's initiative is aimed at giving the children an opportunity to get away from their usual environment every now and then, to meet new people and see Tallinn, our capital.

We have a tradition to bring the children to Tallinn for a whole Saturday. Four to five KPMG volunteers meet them in the morning, spend the whole day with the children and see them off in the evening. We have visited Science Centre AHHA, Tallinn TV Tower, the zoo, trampoline centre, Bastion tunnels, etc. We have taken the children to skating, bowling, and almost every time we also go to the cinema.

At the initiative of Helle Jago, the Head of Oisu Perekodu, Lõuna-Järvamaa Lasteabiühing (an association to benefit children) chose KPMG Baltics OÜ as a candidate for Kuldne Kartul (the Golden Potato) award in 2014. It is an award by the Estonian Association of Care Placement Workers, and the nomination was a wonderful acknowledgement for KPMG.

In FY2013/2014 we had two events together with the fantastic Oisu children. In December we first went skating and then to the cinema. Afterwards we took a walk in the Christmas market held on Tallinn main square. In May we raced on a go-karting track in Laagri. An almost a must at each of our meetings is a visit to a burger place and a cinema – the attractions missing at Oisu. The children are great and warm-hearted – although of different ages, and definitely with different life experience and interests, they are all very caring and always hug their KPMG friends when saying their goodbyes.

Ada Bärenklau
Head of
of Marketing and
Communication





Photo: From 2010 our employees have organised events for Oisu Foster Home children.



JCI Christmas Tree

For years, KPMG has participated in the JCI Christmas Tree charity project aimed at least privileged families. Within the project all KPMG employees can make a Christmas present to a child from a large or least privileged family. The initiative is quite popular with our employees – usually more than twenty children get a present from a KPMG employee. All the presents are gathered under the Christmas tree in our office and delivered at the party arranged by the JCI. KPMG has also supported the party by paying for the sweets or covering performers' fee.



The financial contribution by KPMG and the personal good deeds of these young people, but most of all, their willingness to dedicate their scarce free hours to our children, have had a remarkable encouraging effect on the youngsters of our foster home (many of them having experienced the reverse side of life) to pull themselves together and to achieve better results in their studies, for instance. It's good to feel that the interest KPMG's young people take in our foster home children is a genuine feeling – they have made friends with our children, they call us to ask about their progress. Before the events they arrange for children in Tallinn KPMG people discuss all the details with us to make sure that everything has been taken care of. Thus, everything they do comes from their heart and is not just image-building of the company. Our children feel that they are cared of which helps build their self-confidence and provides a great role model.



Helle Jago
Head of Oisu Perekodu

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G4-6	Countries where we operate	9	
G4-7	Nature of ownership and legal form	12	
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G4-9	Scale of organisation	14-15, 19, 35	
G4-10	Employee profile	35-37	Permanent contract Full-time employees: 34 men + 69 women; part-time employees: 2 women We do not have employees with a fixed term or temporary contract. We have two supervised employees (women). Substantial portion of the organisation's work is performed by non-self-employed people.
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Disclosures on management approach and indicators		Page number	Comment
Category: Economic			
Aspect: Economic performance			
G4-DMA	Management approach	19	
G4-EC1	Direct economic value distributed	19	
Category: Environmental			
Aspect: Energy			
G4-DMA	Management approach	45	

G4-EN3	Energy consumption within the organisation	45	We only report total electricity consumption based on the received invoices as this is the only significant form of energy we consume. We do not have data about heating consumption as it is not identifiable from the invoice. We do not sell energy.
Aspect: Water			
G4-DMA	Management approach	45	
G4-EN8	Total water withdrawal by source	45	We only report water consumed through the water utility company based on the received invoices as this is the only significant form of water we use.
Aspect: Emissions			
G4-DMA	Management approach	45	
G4-EN17	Other indirect GHG emissions (scope 3)	45	We do not have a methodology for converting activity data to GHG emissions; therefore, we only report travel kilometres.
Aspect: Effluents and waste			
G4-DMA	Management approach	45	
G4-EN23	Total weight of waste by type and disposal method	45	We do not have any data about the total weight of household waste; it is collected by a waste management company. Obsolete IT equipment is sent to utilisation.
Aspect: Transport			
G4-DMA	Management approach	45	
G4-EN30	Significant environmental impact of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	45	We do not have a methodology for converting activity data to energy use and GHG emissions; therefore, we only report travel kilometres.
Category: Social			
Sub-category: Labour practices and decent work			
Aspect: Employment			
G4-DMA	Management approach	35	
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	35-37	
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation	37-39	
Aspect: Labour/management relations			
G4-DMA	Management approach	37-39	
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and the total number of work related fatalities, by region and by gender	37-39	

Aspect: Training and education				
G4-DMA	Management approach	39-41		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	39-41		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	39-41		
Aspect: Diversity and equal opportunity				
G4-DMA	Management approach	36-37		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	36-37		
Aspect: Non-discrimination				
G4-DMA	Management approach	36-37		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	N/A		No incidents of discrimination have been reported during the reporting period.
Sub-category: Society				
Aspect: Anti-corruption				
G4-DMA	Management approach	27-28		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	25		During the reporting period all of the operations were assessed for risks related to corruption.
G4-SO4	Communication and training on anti-corruption policies and procedures	27-28		
G4-SO5	Confirmed incidents of corruption and actions taken	N/A		We have not had any incidents or public legal cases related to corruption.
Aspect: Anti-competitive behaviour				
G4-DMA	Management approach	28		
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	28		
Aspect: Compliance				
G4-DMA	Management approach	25		
G4-SO8	Monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with laws and regulations	N/A		During the period covered in this report, we were not subject to significant fines or non-monetary sanctions from non-compliance with laws and regulations.

Sub-category: Product responsibility				
Aspect: Product and service labelling				
G4-DMA	Management approach		30	
G4-PR5	Results of surveys measuring client satisfaction		30	
Aspect: Marketing communications				
G4-DMA	Management approach		26	
G4-PR7	The total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	N/A		During the period covered in this report, we did not have any incidents of non-compliance with regulations resulting in a fine or penalty, warning or violation of voluntary codes.
Aspect: Client privacy				
G4-DMA	Management approach		29-30	
G4-PR8	Total number of substantiated complaints regarding breaches of client privacy and losses of client data	N/A		During the period covered in this report we have not received any substantiated complaints concerning breaches of client privacy.
Aspect: Compliance				
G4-DMA	Management approach		25, 29-30	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	N/A		During the period covered in this report we did not receive any substantiated complaints concerning the provision and use of products and services.



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