

KPMG U.S. ESG Materiality Assessment 2022

Introduction to our ESG materiality assessment

At KPMG, we believe that prioritizing environmental, social, and governance (ESG) principles makes business better by unlocking new value, building resilience, and driving sustainable growth today and tomorrow. As part of this vision, in early 2022, our U.S. firm completed its first ESG materiality assessment to identify our ESG material topics and understand where we can make the most impact.

We define material topics as areas of focus that have a direct or indirect impact on an organization's ability to create, preserve, or erode environmental, social, and economic value for itself, its stakeholders, and society at large.

Our materiality assessment helped us determine which ESG topics matter most to our business and stakeholders, and improved our understanding of the current ESG risks and opportunities we face. It also helped to validate that we are monitoring, managing, and reporting the ESG topics most relevant to our stakeholders. We prepared this assessment in accordance with the World Economic Forum (WEF) International Business Council (IBC) Stakeholder Capitalism metrics.

Our material topics are aligned with the four WEF pillars of People, Planet, Prosperity, and Principles of Governance.

Our Approach

We conducted our materiality assessment in line with leading practices, using an extensive stakeholder engagement and research process, including the inputs below:

- KPMG internal documentation
- ESG standards and frameworks
- Stakeholder engagement, including interviews and focus groups for internal and external stakeholders
- Research on peer material topics
- Media analysis and external research on NGOs and community partners

Methodology

1) Determined a list of ESG topics relevant to KPMG

A detailed list of ESG topics relevant to KPMG was developed through a review of key internal documentation, an analysis of ESG standards and frameworks, stakeholder interviews, peer benchmarking, a media analysis, and other external research. This list encompassed a broad range of ESG areas that KPMG impacts and, conversely, those that impact KPMG.

2) Prioritized the ESG topics into a matrix

We prioritized the initial list of ESG topics by assessing the inputs from our primary and secondary research to determine the importance of each topic to the business and to stakeholders. The topics were then plotted on a matrix.

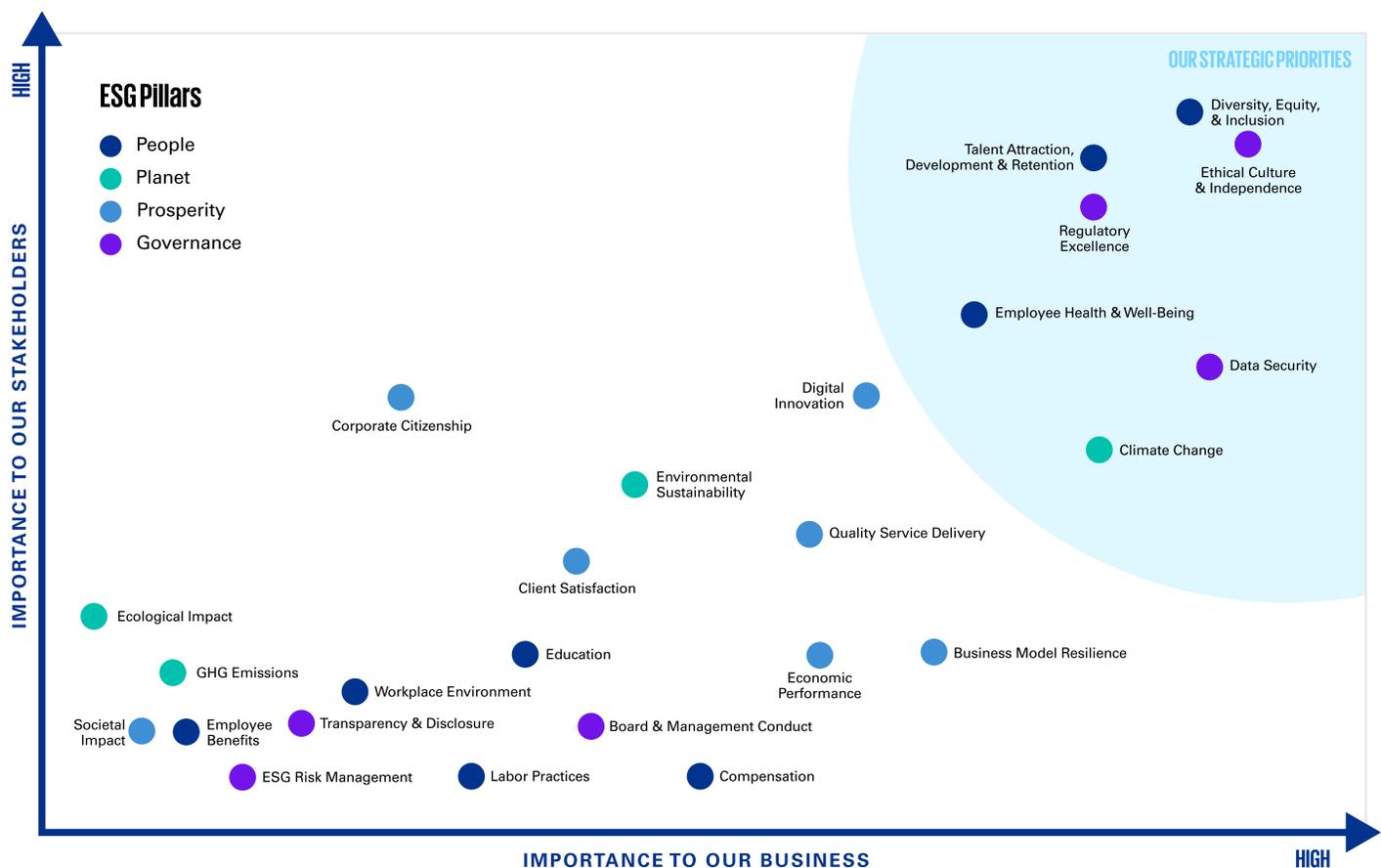
3) Validated the matrix with leadership

We reviewed the initial matrix with firm leadership to validate the relative placement of the topics. Upon completion of this exercise, we determined seven strategic material ESG topics for KPMG, as seen on the matrix on the next page.

Our material ESG topics

The matrix below illustrates KPMG’s material ESG topics identified in our materiality assessment. The seven topics in the top right corner of the matrix were identified as our strategic priorities for ESG and are discussed in more detail below, grouped by the WEF pillars.

KPMG material ESG topics



We believe that developing our ESG strategy around the results of our materiality assessment enables us to better serve the needs of our stakeholders and society at large. As such, our identified material topics have been used to inform and evolve KPMG’s ESG strategy.

KPMG has already begun contributing to many of these topics through firm initiatives and investments, as described below. You can also find more detailed information on the progress of our ESG journey in the [KPMG U.S. Impact Plan](#).

People

We recognize that a diverse, inclusive, and supportive working environment is critical to helping our people thrive and deliver high-quality work to our clients. Accelerate 2025 is the firm's collective long-term strategy and commitment to advance **diversity, equity, and inclusion** and support our people throughout their journey at KPMG. This includes bolstering our recruiting process to

increase the diversity of our applicant pool to **attract, develop, and retain the best talent**. As our people begin their careers, we are committed to helping them succeed both professionally and personally. KPMG has invested in numerous programs to promote **employee health & well-being**, offering physical, mental, and financial support for our people and their families.

Planet

We recognize the important role we have in addressing **climate change**. KPMG has pledged to achieve net-zero carbon emissions by 2030 while also reaching a 50% reduction of direct and indirect greenhouse gas emissions. In alignment with these goals, KPMG will continue to source 100% renewable energy for all operations. In addition to these commitments, our firm has established an internal price on carbon to

account for the impact of our emissions and to fund green projects. We have also developed tools to provide our people insight into their individual emissions. Finally, in partnership with other environmental leaders, we continue to develop robust climate service offerings to help our clients along their sustainability journeys.

Prosperity

At KPMG, we believe in purposeful business practices and good corporate citizenship for a better world. Through our firm and the KPMG U.S. Foundation, we are committing \$125 million over five years to support organizations, programs, and initiatives that advance equity and access among underrepresented groups who have historically faced systemic barriers in our

communities. In FY21, we made \$47 million of cash contributions to community investments, and our professionals contributed 82,000 hours of service to their communities. This year, we will celebrate our firm's 125th anniversary by providing our people with the opportunity to serve our communities.

Principles of Governance

Maintaining a robust governance model across our firm is critical to managing and monitoring the progress of our ESG efforts. We leverage a Five Lines of Responsibility risk framework, which involves all our professionals in our commitment to **regulatory excellence** and compliance. This starts with cultivating an **ethical and independent culture** by empowering our people to speak up in difficult situations and hold others accountable to our firm's values, as well as developing an ethics training

curriculum and resources that support our people's decision-making. As remote work has increased, we have continued to enhance our firmwide cybersecurity, privacy, and confidentiality protections and management. KPMG's **data security** and compliance has remained consistent with professional standards set by the AICPA and other authoritative bodies. This robust framework protects the valuable and confidential information entrusted to us by our clients.

Looking ahead

As our ESG commitments and reporting evolve, we will appropriately expand our disclosures to evidence our progress. We are in the early stages of our ESG journey, and we are laying the foundation upon which we will accomplish our ESG ambitions today, tomorrow, and in the future.

How we define our material topics

Board & management conduct	The behavior of KPMG's Board as it acts as the governing body, which is also responsible for endorsing and steering KPMG's ESG-related efforts
Business model resilience	KPMG's position to remain resilient in increasingly complex and volatile environments, promoting wider economic growth and prosperity
Client satisfaction	Enhancing customer service through the provision of transparent products and services that anticipate and address customer needs in a timely and responsive manner
Climate change	KPMG's efforts to mitigate its impact on the climate and manage risks and opportunities associated with direct exposure of its owned or controlled assets and operations to actual or potential physical impacts of climate change
Compensation	KPMG's approach to providing employees and executives with fair compensation, which consists of money paid for work or a service and competitive and inclusive benefits, including medical and financial benefits, in order to attract and retain talent
Corporate citizenship	Having a positive impact on communities to produce higher standards of living and quality of life for the communities that surround KPMG while maintaining profitability for stakeholders

How we define our material topics

Data security	Policies, processes, and controls on information security, personal information, and data privacy. Management of risks related to collection, retention, and use of sensitive, confidential, and/or proprietary data with which our clients and stakeholders entrust us
Digital innovation	Continual investment in responsible technology and innovation to keep up with the accelerating pace of technological change
Diversity, equity, & inclusion	Bringing together unique experiences and perspectives to enhance KPMG and help create the drive for a fairer, more equitable society that includes everyone
Ecological impact	Management of KPMG's impacts on ecosystems, biodiversity, and climate. Impacts include biodiversity loss, habitat destruction, and deforestation at all stages
Economic performance	KPMG's economic performance, including the economic value generated and distributed, defined benefit plan obligations, financial assistance received from any government, and financial implications of climate change
Education	KPMG's collaboration along the lifelong learning continuum to support students at each stage of their academic and professional career
Employee benefits	Providing employees and executives with additional advantages for working at the firm, including bonuses and incentives, rewards and recognitions, post-retirement benefits, medical benefits, etc.
Employee health & well-being	All aspects of working life, including and above OSHA standards, that our people need to be at their best, both physically and mentally. Supporting our people through challenges in their personal and professional lives, enabling them to be healthy and secure and to thrive at KPMG
Environmental sustainability	Driving a culture of sustainable practices within our organization, supply chain, and beyond to ensure a healthy planet for future generations. This includes responsibly using and protecting the natural environment through conservation and sustainable practices, mitigating the impact of KPMG's operations on the environment, and complying with rapidly evolving environmental regulations

How we define our material topics

ESG risk management	<p>KPMG’s contribution to or management of ESG risks. The systems, policies, programs, and practices in place to monitor and manage ESG risks, including managerial and board-level oversight</p>
Ethical culture & independence	<p>Ethics, integrity, and independence principles that hold everyone responsible and accountable for their conduct. The highest standards of personal and professional behavior in our business conduct</p>
GHG emissions	<p>Greenhouse gases (GHG) generated directly and indirectly by KPMG, including the seven Kyoto Protocol greenhouse gases. Management of regulatory risk, environmental compliance, and reputational risks and opportunities related to GHGs</p>
Labor practices	<p>KPMG’s ability to create safe, fair, and equitable labor conditions for its employees and uphold commonly accepted labor standards in the workplace, including compliance with labor laws and internationally accepted norms and standards. This also includes areas such as basic human rights related to child labor, forced labor, maximum working hours, and other basic workers’ rights</p>
Quality service delivery	<p>Leading in audit quality, driving responsible tax practices, and advising clients on ways in which they can transform their business to help create sustainable value, embedding ESG into client services. All of the related activities are undertaken in an environment with the utmost level of objectivity, independence, ethics, and integrity</p>
Regulatory excellence	<p>KPMG’s ability to identify and manage regulatory risk through adequate internal controls, including risks associated with environmental compliance</p>
Societal impact	<p>The effect an organization’s actions have on the well-being of a community</p>
Talent attraction, development, & retention	<p>Growing and upskilling our employees with leading technologies and future-proof skills in order to attract and retain talent, reduce turnover, and help our people succeed</p>

How we define our material topics

<p>Transparency & disclosure</p>	<p>Having clear governance and practice management standards to help drive consistency and accountability and demonstrate commitment to service quality expectations. Transparently disclosing information (both mandatory and voluntary) on near-, medium-, and long-term capacity to generate value, including material risks and opportunities related to all capitals: financial, manufactured, intellectual, human, social and relationship, and natural</p>
<p>Workplace environment</p>	<p>The conditions, including physical location, in which KPMG employees conduct their work. Developing a hybrid working model between home and office that prioritizes the well-being of our employees while effectively serving our clients</p>

Areas of Material Impact for KPMG U.S.



People

- Diversity, equity, & inclusion
- Talent attraction, development, & retention
- Employee health & well-being
- Education
- Labor practices
- Workplace environment
- Employee benefits
- Compensation



Prosperity

- Digital innovation
- Business model resilience
- Economic performance
- Societal impact
- Corporate citizenship
- Client satisfaction



Planet

- Climate change
- Environmental sustainability
- Greenhouse gas emissions
- Ecological impact



Principles of Governance

- Ethical culture & independence
- Regulatory excellence
- Data security
- Board & management conduct
- Transparency & disclosure
- ESG risk management
- Quality service delivery