KPMG N.V. Integrated report 2021/2022

Including the KPMG Accountants N.V. Transparency report

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Message from our CEO

Message from our CEO

The past year has been challenging for societies across the world. We have seen economies struggling to recover from the Covid-19 pandemic, the consequences of climate change, rapid advances in technology, and war in Europe for the first time in a generation. Heading into 2023, high energy prices and supply shortages are fueling inflation, putting pressure on millions of people – while the geopolitical situation is increasingly part of boardrooms discussions. With so much change in such a short period of time, we are testing society's ability to adapt and reform, while the need for solidarity and collaboration is higher than ever.

Our world is becoming increasingly complex. It is our role, as KPMG, to seek the facts, help people and businesses navigate these transformations, and lead the way to progress – whether that is the digital revolution, the road to a more sustainable future or the need to make our societies fairer and more diverse. With our people and expertise, we have an important role to play. In carrying out this role, we must realize the full potential of our people, strengthen public trust, never compromise on quality, and always perform according to the highest integrity standards.

Our power is our people

And our people are rising to the challenge. I am incredibly proud of the energy, dedication and resilience I see all around. Together we are building a successful, relevant and growing business, underpinned by our values and inspired by our purpose to empower the change required for a better future. Innovation and quality thrive only in an environment where people feel supported and can truly be themselves.

We aim to welcome and inspire everyone to come as they are, bring their individuality to our teams and engage the diversity of talent. Our performance on diversity continues to improve: with well over 25% of female promotions last year, 20% of our partners and directors are female now. Despite the tight labor market our retention rates remained strong in all parts of our organization. During the year, we welcomed over 1,500 new joiners including interns, a remarkable achievement. We invested in a strong sense of belonging and team spirit, took steps to manage work volume and moved to hybrid working.

How to engage the best and brightest talent is a subject that is constantly on the table in both our Board of Management and Supervisory Board meetings. We are working closely with the Young Board Now, the Works Council, and many others to make sure that the promise we make to our people matches the hopes and desires of new generations. In 2021/2022, we improved fixed salaries for all our people, with everyone making a significant step, while keeping partner income within the same bandwidth. We also invested more in our young colleagues to relieve some of the current economic pressures.

What sets us apart as an attractive employer is our culture and our values of *Integrity, Excellence, Courage, Together* and *For Better*. We must demonstrate that we care deeply, that we listen carefully, and that our leaders expect performance and quality, with consideration for people's wellbeing.

Trust & Growth

We are continuing on our journey to implement our *Trust & Growth* strategy, together with the rest of the KPMG global network. We have made progress with our five priorities: *Public trust, Clients, People, Digital & innovation* and *Financial strength*. Further strengthening Audit Quality, underpinning quality with innovation and taking our broader responsibility towards non-financial assurance, have been central to our vision for staying relevant and future focused. In Advisory, clients increased demand for our digital transformation solutions, as well as for strategy and regulatory engagements.

The feedback from our clients is that we stand out as people who roll up their sleeves and offer real solutions. This is how we see ourselves too: insightful, collaborative, and innovative doers. Our deep knowledge positions us as a thought leader on key economic, social and environmental issues. The significant growth in both Assurance and Advisory over the past year is a testimony to our continued relevance to society.

ESG and the ESG Innovation Institute

We are also building on 30 years' experience in Environmental, Social and Governance, or ESG, broadening and expanding the in-depth expertise in areas such as Circularity, Decarbonization and ESG strategy, so we can help clients to transform and adapt their businesses to a low-carbon future.

We can only succeed through collaboration and joint commitment, as businesses and organizations, as individuals and consumers, as a society. This requires change among business leaders: building a true ESG transformation movement. In close collaboration with Nyenrode Business Universiteit, we have launched the ESG Innovation Institute, as a driver of transformational thinking in ESG, an incubator of experience and knowledge. We are also implementing our own Impact Plan, with a focus on specific Sustainable Development Goals, where we can make a difference.

New year, team changes

The Board of Management and the Supervisory Board are very grateful to Rob Kreukniet, for his years of service and commitment in the role of Chief Operating Officer. We are starting 2022/2023 with a renewed team, welcoming Marc Broskij, who with his experience at KPMG and outside will bring both continuity and fresh perspectives.

2023: For better, in a complex world

To be for better in a complex world, that is our ambition for 2023. Our societies are in a period of transformation – these transformations may be challenging, but they are necessary; they also point the way forward. Our knowledge and commitment, our breadth of experience within our multidisciplinary model and international practices across the world make us strongly equipped to deal with the challenges our societies face. New insights also bring opportunities, as we will increasingly work, both internally and with our clients, to advance our business, to grow sustainably, respecting the limits of our planet and ensuring a proper balance between people, planet and profit.

Stephanie Hottenhuis
CEO of KPMG N.V.

Our business

Our business

KPMG N.V. is one of the Netherlands' leading providers of assurance and advisory services. We are part of the global KPMG network, which operates in 144 countries and territories worldwide.

We work with public sector, private sector and not-for-profit clients. Our clients include some of the best-known companies in industries ranging from financial services and consumer retail to energy, infrastructure and healthcare. Through our work, we play an essential role in ensuring public trust in companies, institutions and financial markets.

Our businesses

We have two main businesses: Assurance and Advisory. 56% of our revenue comes from our assurance business. Both Assurance and Advisory are supported by Business Services. KPMG N.V. has twelve offices across the Netherlands, including the firm's headquarters at Amstelveen. Tax advisory services are offered through KPMG Meijburg N.V., also part of the KPMG network [1] .

Assurance	Advisory
Assurance includes both audit and non-financial assurance. We audit financial statements, reports and other regulatory disclosures, both financial and non-financial. Our assurance business comprises five main sectors: Corporate Clients, Financial Services, Public Sector & Healthcare, International Business and Private Enterprises.	Through our advisory business, we help clients manage risk, improve strategy and performance, digitalize their systems and processes, and seize new opportunities for growth. Our advisory business is organized by 'suites': Strategy & Operations, Deals, Finance & Business Services, Risk & Regulatory and Technology.

1 *Please note that KPMG Meijburg N.V., though a member of the KPMG network, is not part of KPMG N.V. and is therefore not covered by this report (unless stated otherwise).*

Our values

Our values guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients and other stakeholders. Our values are:

Integrity	Excellence	Courage	Together	For Better
We do what is right	We never stop learning and improving	We think and act boldly	We respect each other and draw strenght from our differences	We do what matters

Our business model

Business model

In all we do, we are committed to inspire confidence and empower change

Knowledge

To deliver our Assurance and Advisory services, we rely on the knowledge, skills and expertise of our people.

Quality

We have a robust system of quality controls to ensure our services meet the highest possible standards.

Assurance & Advisory

Most of our revenue comes in fees from our two main businesses: Assurance and Advisory

Value creation & profits

From our business activities, we create real value for our clients, employees, and equity partners, as well as for society as a whole.

Thought leadership

At the same time, we are active in public debates in the Netherlands on important, economic, social and environmental issues.

Global network

We are also able to draw on the resources and know-how of KPMG's global network.

Technology

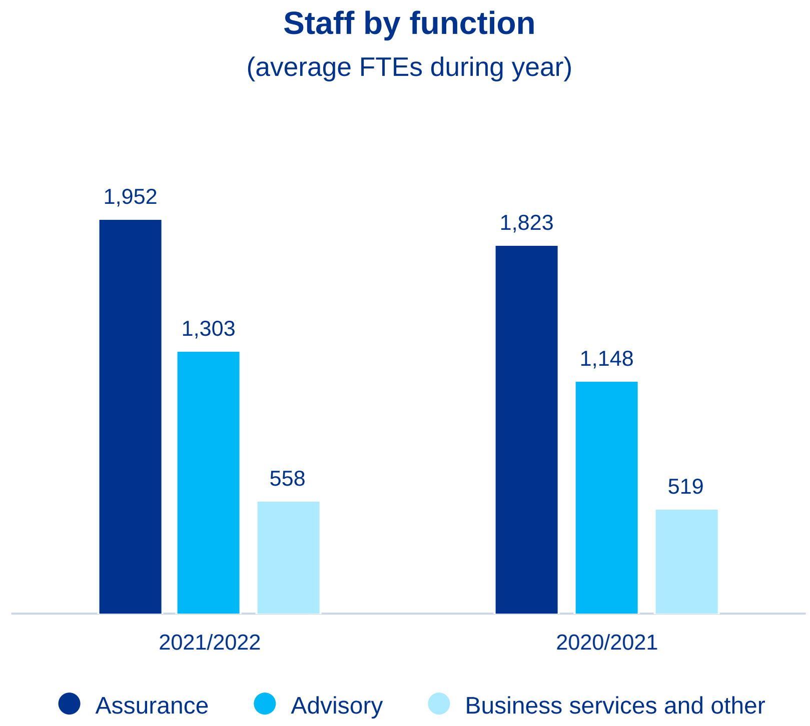
Increasingly, we use data and new digital technologies to support our work.

Operational structure

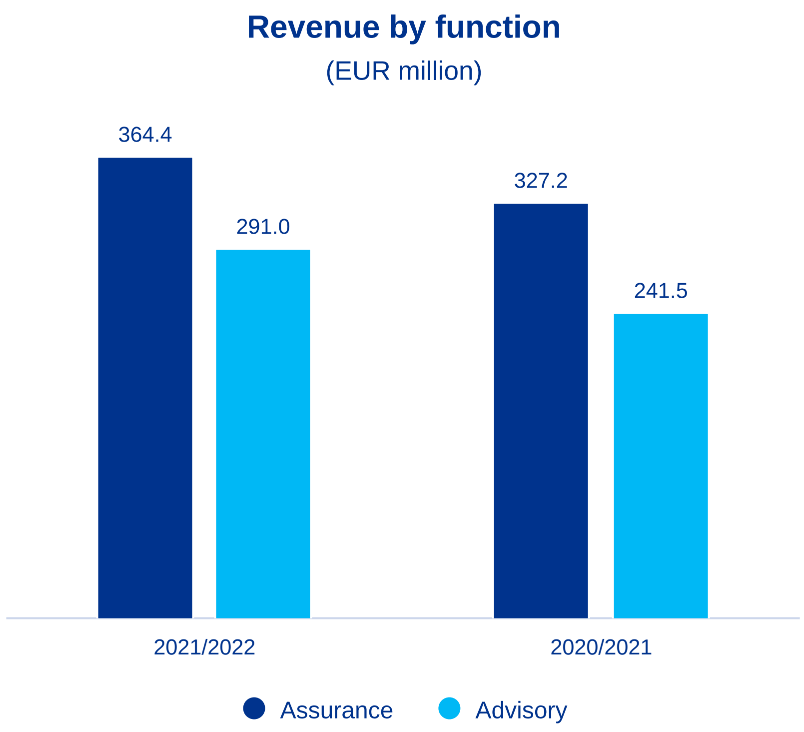
KPMG has offices around the world. KPMG N.V. is an independent member of the international KPMG network, affiliated with KPMG International Limited (KPMG International), a private UK company limited by guarantee. KPMG is the brand under which the member firms of KPMG International Limited ("KPMG International") operate and provide professional services. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG N.V. is responsible for its own obligations and liabilities.

KPMG International Limited and its related entities do not provide services to clients. In many countries, highly-regulated industries, such as audit and assurance, must be locally owned and managed. As a result, KPMG member firms do not – and *cannot* – operate as a typical multinational would. Being a member of KPMG International gives us access to KPMG's worldwide resources and expertise. As a member firm, we also abide by common values, and comply with KPMG International's policies, regulations and standards.

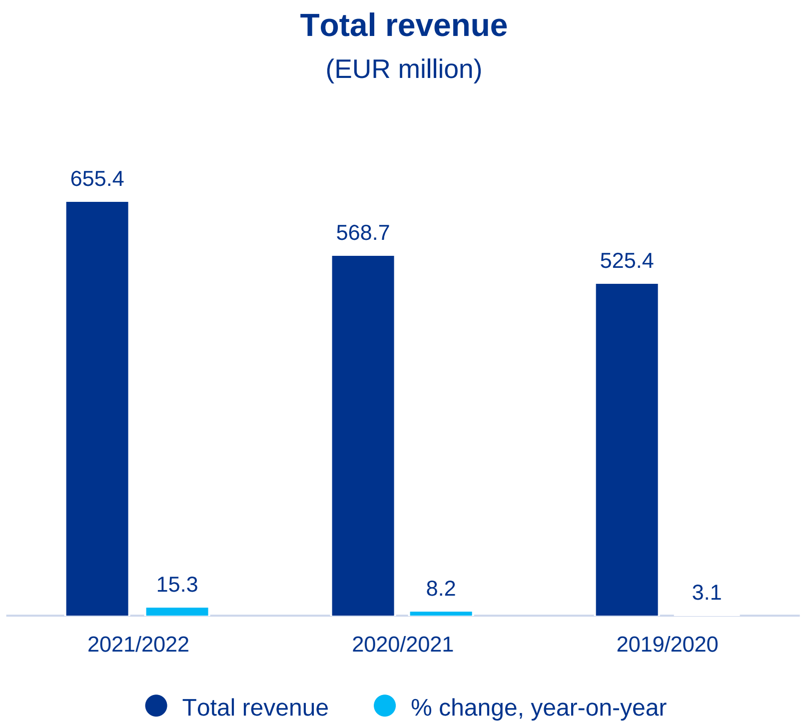
KPMG N.V. includes our Assurance, Advisory and Business Services activities. All shares are held by our equity partners through a cooperative, known as Coöperatie KPMG U.A.. During 2021/2022, we had an average total of 158 FTE equity partners. Equity partners provide the financial capital we need to run our business, as well as management and technical skills. In return, they receive a share of our profits.

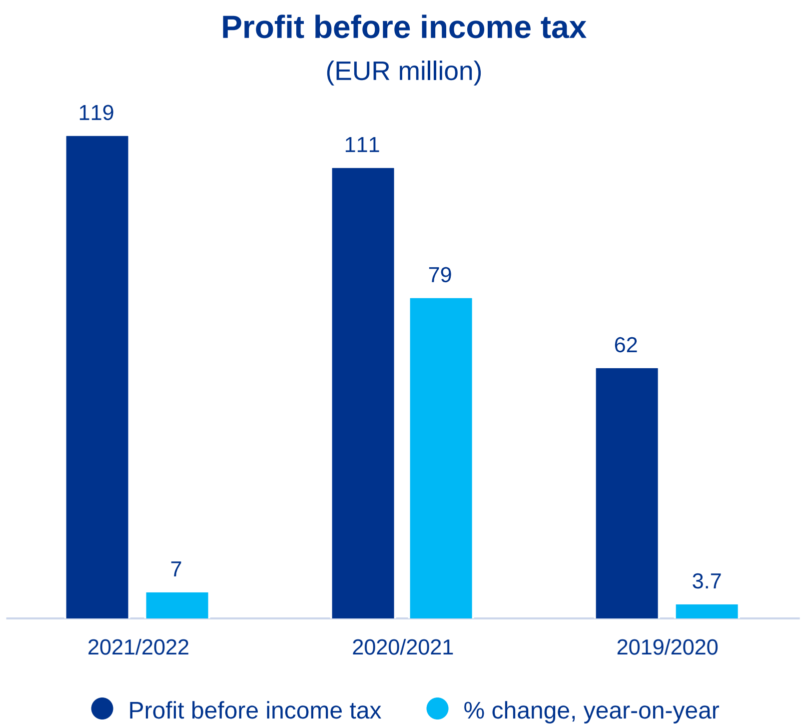


Of total staff, 83% are permanent full-time employees, 17% are part-time employees, 138 are interns and a further 1,088 are subcontractors. Full-time and part-time are entitled to the same benefits, interns and subcontractors have different contracts.


Revenue by function
(EUR million)
364.4
291.0
327.2
241.5
2021/2022
2020/2021
Assurance
Advisory

Performance highlights for 2021/2022





Performance highlights for 2021/2022 (continued)

EUR 39 million

reinvested in our business

3,813

employees (average FTEs)

97%

client statisfaction score

79%

employee engagement score

84%

of assurance engagements rated 'compliant' in internal reviews

82%

retention rate among KPMG professionals

Maintaining quality in our work

Ensuring quality is about more than complying with rules and regulations. It is at the core of everything we do – it is our license to operate.

For us, quality is about doing things right, doing the right things and continuous improvement.

1. *Doing things right*: this is about making sure we have the right culture and the right 'tone at the top'. Also that our teams are focused on the most important risk areas. And that our engagements are carried out consistently and in line with the highest professional standards.
2. *Doing the right things*: this is about concentrating on what is most important to our clients and their ability to create long-term value. Increasingly, that means ESG, climate change, workforce diversity and digitalization – and suggesting to clients ways of strengthening their internal systems and controls.
3. *Continuous improvement*: this is about measuring our own performance and continuing to improve where we can, and deploying new digital technologies so our people can concentrate on what they do best: advising clients and conducting high-quality audits.

KPMG recently adopted a new Global Quality Framework in line with the new International Standard on Quality Management (ISQM 1), which will come into effect in December 2022. This new Framework also meets the requirements of the previous International Standard on Quality Control (ISQC 1), as well as the following standards and regulations:

- The International Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA)
- The Dutch Audit Firms Supervision Act (Wta - wet toezicht accountantsorganisaties)
- The Audit Firms Supervision Decree (Bta - besluit toezicht accountantsorganisaties)
- The Auditors' Profession Act (WAB - wet op het accountantsberoep)
- ViO [1] (the regulations currently in force in the Netherlands governing the independence of accountants taking part in assurance engagements)

The Framework outlines how we ensure quality and accountability throughout the organization and, in line with ISQM 1, puts emphasis on quality management rather than quality controls.

Please note that, in this report, we have chosen to describe our new Global Quality Framework, which came into effect at the beginning of 2022/2023 (given that it meets the requirements of both ISQM 1 and ISQC 1). See our previous integrated report for details of our previous quality control system, in operation during 2021/2022.

1 *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*

Quality management

The importance of quality is embedded in our corporate culture, values and behavior. It is central to our approach to clients, and at the heart of our *Trust & Growth* strategy. Quality is also the main factor for our people when deciding assignments, promotions and remuneration.

Our quality management system ensures compliance with professional standards, laws and regulations. Responsibility for this system extends across the firm:

- Our Board of Management has ultimate responsibility for quality. The Board sets 'tone at the top' and makes sure we have the right skills and knowledge within the organization. Every year, the Board reviews the effectiveness of our System of Quality Management.
- Within the business, the Heads of Assurance and Advisory manage and uphold our System of Quality Management, assisted by the Country Quality & Risk Management Partner, who reports to the CEO and works closely with other member firms across the KPMG network.

  All staff are required to understand and abide by quality management policies and procedures. To ensure this, staff undergo mandatory training and updates.

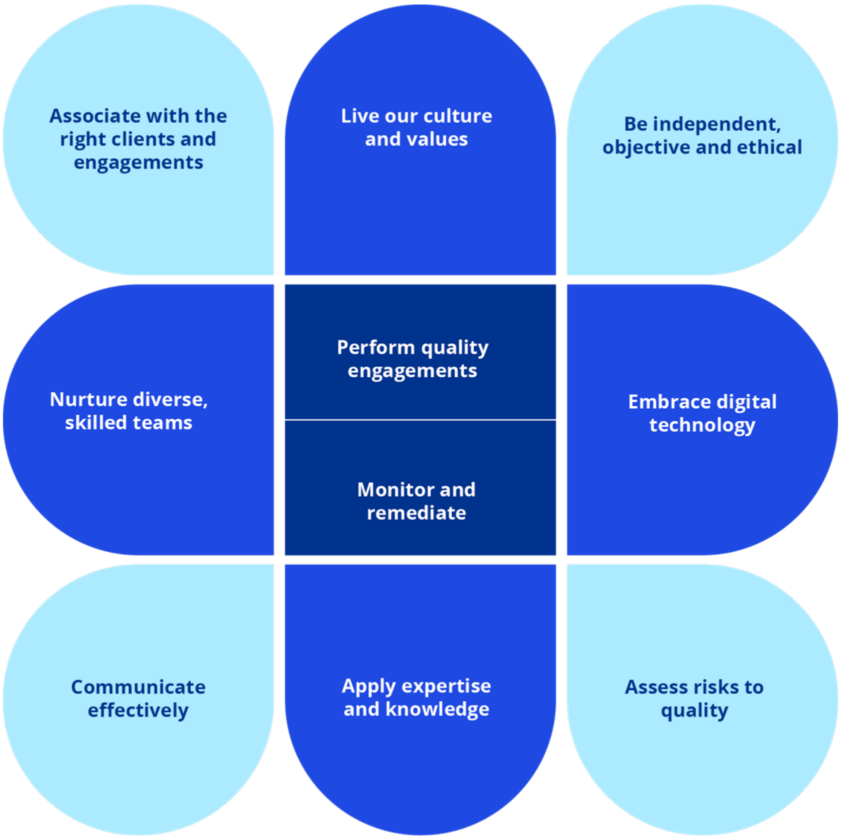
In addition, we have a Head of Audit Quality, whose role is to oversee all quality initiatives within Assurance, ensure we maintain our quality focus and identify possible areas of improvement within the practice. Our quality management policies apply to all KPMG member firms and are included in our Global Quality and Risk Management manual. Our Supervisory Board oversees our approach to quality, partly through the work of the Assurance Quality Committee.

Our Global Quality Framework

Our quality framework is built around ten **quality drivers**, ranging from culture and values to knowledge application, effective communications and nurturing diversity. Formally, this framework applies to Assurance, but where appropriate we use the same basic framework for Advisory and Business Services as well [1] . In Assurance, we are also subject to regular inspections and use extensive Audit Quality Indicators (AQIs) to track our performance [2] .

1 *In Advisory, all projects worth over EUR 1 million are subject to active quality control and monitoring.*

2 *Inspections are carried out by various regulatory authorities, including the Authority for the Financial Markets (AFM), the US Public Company Accounting Oversight Board (PCAOB), the Royal Netherlands Institute of Chartered Accountants (NBA), NOREA (the Dutch professional organization for IT auditors), Financial Supervision Office (BFT) and the central government audit service (Auditdienst Rijk, ADR).*



Core drivers	
Perform quality engagements	We design and perform audits based on our assessment of likely risks. We consider all audit evidence, even if it's contradictory or inconsistent. Each audit team member is required to exercise professional judgement throughout the engagement, and remain alert to possible biases.
Monitor and remediate	Integrated quality monitoring and compliance programs enable us to identify deficiencies, perform root cause analyses and take remedial steps where necessary.
Value drivers	
Live our culture and values	Culture is vital to quality, starting with tone at the top. The other drivers all depend, to one degree or another, on having the right culture throughout the organization. Our values, behaviors and Code of Conduct all support our culture of quality.
Embrace digital technology	Technology helps us focus on the issues that matter. Across KPMG, we are committed to continuous innovation. We are increasingly using data analysis and new technologies to improve the quality of our audits.
Apply expertise and knowledge	We are committed to building on our technical expertise and knowledge – these factors are fundamental to conducting quality audits. We have a clear, consistent audit and assurance methodology, which goes beyond basic international standards, supported by our KPMG Clara smart audit platform.
Nurture diverse, skilled teams	This is about ensuring KPMG professionals have the right skills, experience and diversity. Quality is built into our HR processes from recruitment to reward and promotion.
Supporting drivers	
Be independent, objective and ethical	To ensure quality, our professionals must be independent and objective. They must live up to the highest ethical standards. Independence is built into professional standards and regulations.
Assess risks to quality	We continuously assess risks to audit quality [1] – the issue is built into our approach to risk management. Failure to comply with quality or other professional standards is included as one of our strategic risks.
Communicate effectively	Key to a good audit is open, honest and effective communication – that means obtaining feedback from clients and other stakeholders, and acting on it as promptly as possible.
Associate with the right clients and engagements	When taking on new work, we work with strict acceptance criteria. We don't want to work with clients who pose an unacceptable, financial, operational or ethical risk.

1 We define audit quality as performing audits to high standards and principles, while meeting legitimate stakeholder needs.

Onboarding clients

We conduct thorough assessments before accepting new clients and engagements. These assessments include background checks on management and ownership, possible conflicts of interest, potential issues of independence, any breaches of laws or regulations, including those related to corruption and human rights. If necessary, we ask for additional safeguards, or decline a client if issues can't be resolved or we don't receive sufficient information to carry out our assessment.

Personal independence and rotation

For all our employees, we have clear policies on personal independence and a regular systematic rotation of partners and other senior team members in compliance with the legislation and standards, so that no partner or senior team member remains longer than allowed or appropriate with a single assurance client. In 2021/2022, we carried out 173 personal independence audits (compared with 188 the previous year).

Technical support

All our employees have access to technical support, provided by the Department of Professional Practice (DPP), the Internal Audit & Compliance Office and/or the Quality & Risk Management Group. Auditors can also access support through the KPMG global network. In 2021/2022, there were 774 formal technical consultations with the DPP on difficult or contentious issues (compared with 627 the previous year) [1] . Approximately a third of these consultations were related to 'going concern' issues, or fraud, money laundering and anti-bribery.

Engagement Quality Control Reviews

For many engagements, we appoint independent Engagement Quality Control Reviewers (EQCRs) to oversee decisions made by teams on the ground [2] . In 2021/2022, EQCRs reviewed 30% [3] of all legal audit engagements (compared with 31% the year before). We expect partners to be closely involved in engagements – and measure this as an audit quality indicator (AQI). Partners' involvement helps set the right tone and ensures audit teams get maximum benefit from the partner's skills and experience. Partners and directors must demonstrate their commitment to quality before being promoted to these positions [4] .

1 *We have established protocols governing technical consultations with the DPP, including specific procedures to resolve any differences of opinion between KPMG professionals.*

2 *In Advisory, a second partner fulfils a similar function.*

3 *EQCR assigned engagements including active engagements related to the respective clients as a % of the total legal audit engagements.*

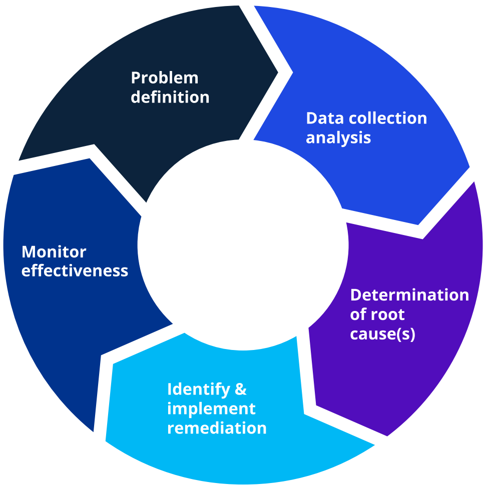
4 *For partners, we have a specific program called Audit Quality Curriculum for Partner Promotion.*

Quality monitoring and compliance

Across KPMG, we have quality monitoring and compliance programs. These include our regular Quality Performance Reviews (QPRs) and our KPMG Quality & Compliance Evaluation (KQCE) program. In addition, to support continuous improvement, we perform root-cause analyses based on five distinct steps (see illustration below). In 2022, we disbanded our Audit Quality Improvement Council (AQIC), previously responsible for root-cause analysis (RCA). Instead, to streamline our processes, all analysis is now performed directly by an RCA team, part of our Audit Quality department. During the year, we carried out a number of root-cause analyses - results showed the importance of the following:

- Culture, behavior and accountability of those involved in each audit
- Communications within KPMG
- Continued efforts to evaluate and improve the quality of our engagements

Five-step process for root-cause analysis



Internal quality reviews

For our **assurance** business, QPRs are conducted by our Internal Audit & Compliance Office, using reviewers at both partner and senior management level. Engagements are rated as follows:

- *Compliant*: all relevant audit, assurance, accounting and other professional standards have been complied with in all significant respects.
- *Compliant – improvement needed*: standards have been complied with in all significant respects, but minor instance(s) of non-compliance were also identified.
- *Not compliant*: standards have not been complied with in significant respects and remediation is required.

In **Advisory**, QPRs are performed by the Functional Quality & Risk Management Partner. Advisory engagements are rated on two criteria: engagement set-up and engagement execution. Ratings are *green*, *amber* or *red;* both *green* and *amber* are considered satisfactory.

Internal reviews are conducted throughout the year to assess quality and identify areas of possible improvement. Findings are communicated to professionals within the firm and benchmarked against KPMG's global quality baselines.

Managing risk

We use an Enterprise Risk Management (ERM) framework to identify risks. Where possible, we take measures to prevent or mitigate these risks. Ultimately, risk management is the responsibility of our Board of Management. Twice a year, as part of our approach, we assess the effectiveness of internal controls and risk-mitigation measures.

Risk philosophy

Our business is based on trust – we realize that any loss of this trust could adversely affect our social and market position. Some risks are inherent to our business: we operate in an increasingly complex and competitive environment. Through risk management, our objective is to ensure the long-term security of our business. We do not engage in business activities that would compromise our quality or ethical standards.

Risk appetite

We will accept some net risk [1] , but will do so only if this risk is:

- In line with our strategic objectives, and contributes responsibly to achieving them
- And does not violate our core values or quality standards

As a matter of principle, we will not take on any net risk that promotes revenue growth at the expense of our sustainability principles or standards. We have a relatively low risk appetite on decisions that may affect public trust (given the importance of trust to our business). For decisions related to growth, our appetite is moderately higher than those potentially affecting trust.

Financial and strategic risks

In the course of our business, we face both financial and strategic risks. Generally, financial risks fall into four main categories: credit risk, liquidity risk, market risk and risk associated with financial instruments. Strategic risks vary from non-compliance with rules and regulations to a loss of public trust or a failure in innovation or talent management. We carry out an annual assessment of strategic risks, based on detailed discussions with the Board of Management and other business leaders. See our Consolidated financial statements for further disclosures on financial risk and Management of our material topics for how we manage risks and opportunities arising from our material topics.

1 *i.e., the risk remaining after mitigation measures have been taken*

Financial risks	Description
Financial instruments	We use financial instruments in the normal course of our business. These instruments include share capital, receivables from and liabilities to (former) equity partners.
Credit risk	This relates to potential losses if a client or counterparty defaults: We constantly monitor our exposure in this area. Clients' creditworthiness is routinely checked for transactions above a certain amount. All cash is deposited at banks with a minimum BBB credit rating. Our risk is also diversified, given the limited number of clients that may owe amounts at any given time.
Liquidity risk	This relates to the firm being unable to meet financial commitments because of a lack of available liquidity: Our aim is to ensure, as far as possible, that there are always liquid funds available. This avoids financial loss and damage to the firm's reputation. Surplus funds are deposited in business savings accounts or held aside for specific periods.
Market risk	This relates to changes in market prices adversely affecting income or asset values: We aim to keep market risks within acceptable limits (while maximizing income). Changes in exchange and interest rates, if persistent, will have an impact on the firm's profits.

Strategic risks	Potential impact	Mitigation measures taken
Failure to comply with quality or professional standards	Loss of audit clients due to reputation damage	Increased 'steering on quality' monitoring by members of Board of Management
	Attracting new talent into the firm becomes harder	Continuous quality improvement programs, based on root cause analysis
	Possible regulatory fine(s) or even temporary or permanent loss of audit license	Maintaining robust quality management system
	Additional litigation or claims by clients	Rigorous client and engagement acceptance procedures
		Implementation of clear standards and robust audit methodology
		Engagement quality control reviews, where appropriate
Unfavorable or hostile media coverage, or incidents damaging firm's business or reputation	Damage to firm's reputation, resulting in loss of major clients or inability to attract talent	Independent Supervisory Board
	Possible regulatory sanctions	Active dialogue with stakeholders
	Loss of public trust and long-term social license to operate	Procedures to ensure effective issue management between Brand & Reputation, Quality & Risk, Management and Legal departments
	Increased risk of litigation	Contingency programs to manage impact of incidents on firm's reputation
Failure to meet regulators' expectations or correct non-compliance with laws or regulations	Loss of public trust and weakening in license to operate	Specific roles with responsibility for maintaining dialogue with regulators
	Reputation damage as a result of negative press publicity	Implementation of clear framework to manage regulatory issues and expectations
	Inability to attract talent and possible loss of major audit clients	'Qualified individuals' appointed to leadership positions
	Possible regulatory sanctions	Regulatory findings shared with senior management
		Policies, procedures and controls in place to reduce risk of non-compliance

Strategic risks	Potential impact	Mitigation measures taken
Failure to create effective corporate culture or unwillingness to improve weak performance in critical areas	Reduced morale among partners and other staff	'Tone at the top', emphasizing importance of quality, ethics and integrity
	Loss of talent leading to service delivery problems and a reduction in quality	Internal controls governing recruitment, personal development and assignments
	Loss of revenue opportunities from engagements	'Closed-loop' approach to address feedback from people surveys
	Loss of reputation in wider industry as an 'employer of choice'	'People' managers embedded in the firm's senior leadership
	Increased risk of quality loss and non-compliance	Regular roadshows to share experience and success stories
	Failure to adhere to Code of Conduct and corporate values	KPMG Story, encompassing the group's purpose, values, vision, strategy and promise
Breaches of privacy, loss of data or other technology risk	Possible loss of service delivery	Robust IT security policies and processes
	Reputation damage and possible loss of clients	ISO 27001 accreditation for cyber security management
	Potential litigation or regulatory sanctions (including fines)	Ongoing training and awareness campaigns
		Business continuity management
Failure to adapt business model to client demand, strategy, ESG or brand positioning	Inability to develop, maintain or monetize high quality assets and services	Clear client and engagement acceptance procedures (including proprietary systems for checking for conflicts of interest)
	Loss of reputation and/or major clients	Detailed policies and procedures governing auditor independence
	Increased risk of litigation	Strict approval process for products and services
		Continuous review of firm's business model (as it relates to strategy)
		Code of Conduct, corporate values, compliance programs and whistle-blower hotline
		Procedures for reporting money laundering
Failure to respond to economic changes or increased competition from new business models	Failure to capitalize on growth opportunities, resulting in loss of revenue	Constant monitoring of resource availability
	Failure to allocate resources to areas of higher demand (leading to rising costs elsewhere in the business)	Clear career paths and development plans for partners
	Inability to allocate human resources effectively, resulting in possible loss of quality	Partner succession planning
	Audit-only firms challenging KPMG's multi-disciplinary business model	Global mobility program (for those employees wishing to work in other countries)
	Further prohibition or restrictions on professional services	Clear client and engagement acceptance procedures
		Centralized innovation program
		Structured dialogue with regulators
		Robust contingency planning
Failure to attract and retain talent because of high work volumes, uncompetitive pay or lack of career opportunities	Disengaged staff, leading to possible problems with service delivery and quality	KPMG Story, encompassing the group's purpose, values, vision, strategy and promise.

Strategic risks	Potential impact	Mitigation measures taken
	Loss of reputation with clients and/or position as employer of choice	‘People’ managers embedded in the firm’s senior leadership
	Loss of talented employees, leading to possible problems with service delivery and quality	Extensive performance, pay, promotions and benchmarking processes
	Lower productivity	Continuous review of global performance management and development programs
	Failure to adhere to Code of Conduct and corporate values	‘Closed-loop’ approach to address feedback from people surveys
	Succession planning ‘fails’	Defined career paths, development framework and health and well-being programs
	Loss of revenue opportunities from engagements	Succession planning for partners and leadership development
		Inclusion, Diversity and Equity program, supported by dedicated task force
Failure to implement Trust & Growth strategy in line with business planning	Loss of reputation as an ‘employer of choice’	Central project management office
	Failure to achieve stated objectives, goals or ambitions	Clear governance procedures and independent Supervisory Board
	Reduced morale among partners and other professionals	Cascading strategic key performance indicators to individual professionals
		Constant monitoring of progress/business planning against strategic priorities

Fraud risk assessment

We estimate our fraud risk as relatively low; this is because preventing and detecting fraud is an inherent part of our business. We also know, from our risk assessment, that fraud risk may be detected because of its potentially significant impact on other strategic and financial risks. Even so, we recognize that fraud risk is structurally present in our business. We implement a range of measures to mitigate this risk. Essentially, these measures include having clear core values, policies, procedures, training, monitoring and reporting. In recent years, we have found these measures to be effective in reducing 'net risk' to an acceptable level.

Engaging with our stakeholders

We maintain constant dialogue with our stakeholders; this helps us understand their needs, build trust and define value creation, as well as identify specific risks and opportunities for our business. We engage with our stakeholders through meetings, conferences, events and surveys. These may take place ad hoc or on a regular basis (i.e., quarterly or annually), and may be at organizational or project level, depending on the purpose. Maintaining engagement with stakeholders is the responsibility of individual business units and teams within KPMG N.V.

Defining our stakeholders

To identify our stakeholders, we use a 360° degree definition – i.e., any individual or group affecting our business, operations or performance or who, in turn, may be affected by our activities or decision-making. Using this definition, we recognize six separate stakeholder groups:

- Clients (public, private and not-for-profit sectors) [1]
- Employees (including professionals, graduates and other jobseekers)
- Equity partners
- Wider society (including Non-Governmental Organizations (NGOs) and local community groups)
- Regulators, policymakers and other standard setters
- Suppliers, business partners and other KPMG member firms

1 *Also including clients' stakeholders*

Stakeholder group /methods of engagement	Principal issues discussed (2021/2022)
Clients:	
Client satisfaction surveys (including client care interviews)	Digital audit (roll-out of KPMG Clara)
Client events	Mandatory Firm Rotation (MFR)
Visits by Board members (as part of ‘client connect’ program)	Advisory work related to ESG
Regular contact during audit/advisory engagements	
Employees:	
Global People Survey (supported by regular ‘pulse’ surveys)	Work volume management
Dialogue with Works’ Council and KPMG Young Board Now	Reward and recognition (including increase in fixed salaries)
Performance reviews, training, education and awareness programs, including our Vitality program	Career paths for digital & technology
Regular internal communications and live events with senior management	Well-being/safety at work
Careers section on website, in-house days and KPMG events for jobseekers and professionals	Strategic workforce management
Partnerships with universities and business schools	Diversity, leadership and unconscious bias
	Psychological safety in the workplace
Equity partners:	
Quarterly partner meetings	Talent management, career development, skills needs and succession planning
General shareholder meetings/meetings with Management Board of Coöperatie KPMG U.A.	Financial performance and performance on quality, people, innovation, market and operations
Performance reviews, training, education and awareness programs, including our Vitality program	Changes to operating model (including digital workplace, more flexible allocation of resources)
Global People Survey and pulse surveys	
Wider society:	
Thought leadership through KPMG Insights, surveys and other publications	KPMG group Impact Plan
Support for community initiatives, including volunteering and pro bono advice	Support for community initiatives
Press releases and engagement with media	Voluntary work (including mentoring and skills training)
	Range of society issues addressed through KPMG Insights (including climate risk, healthcare, data science, innovation, cybersecurity etc.)
Regulators, policymakers and other standard setters:	
Regular inspections by external regulators	Audit quality and introduction of ISQM 1
Participation in public conferences, events etc.	New EU non-financial reporting requirements
Feedback given on proposed legislation and rule changes	Continued public sector investment in infrastructure and healthcare
Quarterly meetings with the Dutch Authority for the Financial Markets (AFM)	
Regular dialogue with Quartermasters and Finance Ministry	
Suppliers, business partners and other KPMG member firms:	
Regular engagement with suppliers and other business partners during projects	Use of global resources (including KPMG Clara)
Regular dialogue with other KPMG member firms	Pricing for goods and services (given recent rise in inflation)
Global projects (including KPMG Clara, and Connected, Powered, Trusted)	
KPMG representation in professional and industry associations	

Strategy, performance and outlook

Our business environment

We operate in a highly complex environment – the world around us is changing, more quickly than at any time in history. New social attitudes are emerging to both work and diversity. Digital technologies have become a constant presence in our lives, and we are seeing increasing skills needs and a worsening climate crisis. We realize these transformations affect not only KPMG, but also our stakeholders – clients, employees and regulators are all having to adapt to rapid economic, social and environmental change.

Economic slowdown

The Dutch economy grew by 2.9% in 2022, but is likely to slow next year to around 1.1% in line with other major European economies – a result of higher energy prices, rising interest rates and the effects of the war in Ukraine. An economic downturn may mean businesses scaling back expansion plans, rising unemployment or a squeeze on consumer spending.

200%
Rise in energy prices for Dutch households in the year to September 2022

Climate change

Around the world, there are growing calls to combat climate change. In Europe, 2022 was the hottest summer on record. For clients with international supply chains in particular, climate change presents a very real physical risk. But it is also driving deeper changes as companies switch to more sustainable business models and regulators extend ESG reporting requirements.

USD 270 billion
Cost of natural disasters worldwide in 2021

Technological advances

Digital technologies are changing the way we work – and the way we live our lives. That has brought definite advantages for business – greater efficiency, lower costs and new insights. But it has also led to concerns over well-being, with a blurring of work and home lives, and a need to fundamentally reskill our workforces.

63%
At the end of 2021, nearly two-thirds of Dutch households preferred to pay contactless, either with their bank cards or mobile phones.

Changing demographics

We are also seeing deeper changes within society. Our populations are ageing. In the Netherlands, we have more single-person households than ever before and more dual-career households. At the same time, there is more awareness of diversity and the need for our societies to be fairer and more balanced.

66%
Since 2000, the number of people over the age of 65 in the Netherlands has risen by nearly 66%.

Sources: CBS (Statistics Netherlands) – Inflation update September, OECD – Economic Outlook, Swiss Re – Natural catastrophes in 2021, World Bank – Population ages 65 and above, and Dutch Central Bank (DNB) – Preference for contactless payment is increasing

Highlights 2021/2022

October 2021

Pride event Ellie Lust

Welcome Back Week

December

Board members surprise colleagues at home in Happy Holidays Show during Covid-19 lockdown

January

KPMG N.V. publishes ESG barometer, assessing Dutch companies' preparedness for new EU sustainability rules

February

KPMG N.V. introduces Hybrid Hero, its new system for hybrid working, post-pandemic

March

KPMG N.V. agrees to set up a new ESG Innovation Institute jointly with Nyenrode Business Universiteit

Kuldip Singh and Linda Hovius are appointed to KPMG N.V.'s Supervisory Board

KPMG N.V. publishes its 2022 State of Quality report as part of engagement with stakeholders on quality

May

KPMG N.V. releases Setting the baseline towards transparency – a report into Dutch companies' compliance with the EU's green taxonomy.

June

Marc Broskij is announced as Chief Operating Officer in the KPMG N.V. Board of Management, succeeding Rob Kreukniet per 1 October 2022.

KPMG Welcome Back Party all staff

July

KPMG N.V. employees receive an additional intermediate salary increase to reflect the firm's recent success.

August

Stephanie Hottenhuis embarks on second four-year mandate as CEO

September

Farewell Rob Kreukniet as COO

Largest onboarding of this financial year (over 300 new colleagues)

Vitality week

Our strategy

We have called our strategy *Trust & Growth*:

- *Trust*, because trust is the foundation of our business.
- *Growth*, because we want to continue investing in both Assurance and Advisory.

Launched in 2018, we have already completed phase I of *Trust & Growth*. Phase II started in 2020/2021 and will run until 2023/2024. Last year, to build on progress already made, our strategy operated under the theme *Driving the momentum together*.

Trust & Growth is based on the idea of our people leading in delivering impact and progress, which is central to our brand. The strategy has five focus areas:

We set annual priorities for each focus area – for further details, see:

Focus area:	Ambition:
Public trust	To be the most trustworthy and trusted professional services firm
Clients	Clients choose us and are loyal
People	We deliver the best human experience and make others succeed
Digital & innovation	We are recognized as a client-centric, technology-driven and innovative company
Financial strength	Long-term profitable growth above the Big 4 average[1]

1 'Big 4' refers to the four leading accountancy firms: Deloitte, EY, PWC and KPMG

By focusing on these priorities, we believe we will continue to strengthen quality, enhance public trust and create growth for the company. Among our priorities are:

- Expanding our *Connected*, *Powered*, *Trusted* services for clients and growing in Deals, Managed Services and ESG Advisory
- Strengthening our operating model, increasing the use of new digital technologies and becoming more flexible in the way we use our resources
- Re-thinking our staffing model to ensure we remain competitive in a very tight labor market, and continue to have access to the talent we need to execute our strategy.

We see culture as a key differentiator. Supporting our strategy are three cultural attributes: *inclusive collaboration*, *high performance* and *fast innovation*. These attributes describe the behavior we see as essential to success and growth.

In 2021/2022, we made very significant progress against our goals. We continued to focus on quality and maintained high retention rates across our businesses. In addition, we pushed ahead with important investments, beginning our implementation of KPMG Clara and laying the groundwork internally for our improved operating model. Both revenue and profit exceeded our targets for the year. At the same time, we recognize there is more to be done: in embedding ESG throughout our services, for example, and in further increasing the diversity and flexibility of our workforce – these have been integrated into our priorities for 2022/2023.

For more information, see our performance chapters (Public trust, People, Clients, Digital & innovation, and Financial strength) or our Outlook.

Our material topics

Every year we carry out an assessment of our operating environment. We use this assessment to identify our 'material topics' for the next 12 months – in other words, those areas where we believe we can create the most value for stakeholders and society. These topics are then mapped to our five focus areas and provide the basis for both our reporting and engagement with stakeholders.

Our latest assessment identified the following material topics:

1. Ongoing focus on audit quality
2. Well-being of our workforce, both mental and physical
3. Growing use of digital technologies throughout the economy
4. Increased focus on ESG issues among both clients and regulators
5. Impact of war in Ukraine on the economic and business environment
6. Skills shortages in the audit sector and wider Dutch economy

Please note, we have included the principal strategic focus areas only – we realize that many of these material topics cut across our five focus areas.

Note on methodology

Our assessment is based on a survey of stakeholders and senior KPMG N.V. management and input used in our regular interactions as described in 'engaging with our stakeholders'. Survey respondents are asked to rank a series of economic, financial, environmental, social and governance issues according to their impact on both KPMG N.V. and its stakeholders. The material topics listed above were those that ranked the highest (among both stakeholders and management [1]). Survey respondents are drawn from our main stakeholder groups and members of KPMG's Board of Management. For further details, see: Materiality assessment and Management of material issues, which provides details of how we manage potential risks and opportunities arising from our material topics.

1 *This provides an 'outside-in/inside-out' view of the company's operating environment. Please note that we are moving to a full 'double materiality' approach from 2022/2023 in line with the EU's adopted Corporate Sustainability Reporting Directive (CSRD).*

Value creation

As a company, our aim is to create value for stakeholders and society. Overall, our work helps build trust in financial markets, supports economic growth, and improves management of important environmental, social and governance issues.

The value we create may be financial, as in the case of salaries for employees, for example. Or it may be social or environmental. Our management approach is based on two principles:

- Maximizing the positive impact of our business, where possible
- And minimizing any unintended adverse effects that may arise from our activities.

The figure below shows our value creation model (VCM) – it consists of three main sections:

1. The inputs and resources we need to implement our strategy successfully (on top)
2. The opportunities that arise from our strategy (in the center)
3. And the benefits that result for society as a whole, including our contribution to the UN Sustainable Development Goals (SDGs) (at the bottom).

Our VCM is built around our five strategic focus areas: Public trust, Clients, People, Digital & innovation and Financial strength [1] .

Management of adverse effects within our value chain

As a services company, we do not have an extensive supply chain or environmental footprint. We realize, however, that adverse effects may arise indirectly through our relations with clients or other business partners:

- We are working to reduce our impact on the environment: through our company-wide Impact Plan, we have set clear targets to reduce our carbon emissions and to make our supply chain more sustainable.
- We are working to improve the well-being of our employees, to reduce stress and ill health by creating a safe and inclusive working environment.
- We have strict rules for taking on new clients so we don't work with companies that may be violating basic human or labor rights, for example.
- Through our ESG & Sustainability practice, we are working with companies to improve their performance on issues such as supply chain management, human rights, circular economy and access to sustainable finance.

Click here for more information on how we manage our financial and strategic risks.

1 *In compiling our value creation model, we have also taken into account the Integrated Reporting <IR> Framework, overseen by the Value Reporting Foundation. This framework is built around six 'capitals': human, financial, manufactured, intellectual, social and natural. See also our note on availability of resources and inputs.*

Value creation

Inputs

Public trust

Relations with key stakeholders in society, including regulators, governments and civil society

Compliance with laws and industry standards

Maintenance of high-quality standards and effective risk management

Ethical and responsible approach to business

People

Time, resources and knowledge of our professionals

Diversity of our people - in terms of background, skills, approach and identity

Investment in training and skills development

Inclusive and supportive working environment

Clients

Quality of our audits, strategic engagement and other products and services

Speed and effectiveness of our processes and systems

Knowledge, expertise and resources from the KPMG global network

Digital & innovation

Investment in IT infrastructure, systems and new business models

Culture that encourages innovation throughout firm

Responsible use of data, and strong data security

Financial strength

Equity, debt and revenue allowing us to invest and grow

Business model

In all we do, we are committed to inspire confidence and empower change

Knowledge

To deliver our Assurance and Advisory services, we rely on the knowledge, skills and expertise of our people.

Quality

We have a robust system of quality controls to ensure our services meet the highest possible standards.

Assurance & Advisory

Most of our revenue comes in fees from our two main businesses: Assurance and Advisory

Value creation & profits

From our business activities, we create real value for our clients, employees, and equity partners, as well as for society as a whole.

Thought leadership

At the same time, we are active in public debates in the Netherlands on important, economic, social and environmental issues.

Global network

We are also able to draw on the resources and know-how of KPMG's global network.

Technology

Increasingly, we use data and new digital technologies to support our work.

Outputs

Public trust

Increased public trust and improved relations with key stakeholders

People

Better engaged, safer and more diverse workforce - able to attract and retain key skills

Clients

Higher levels of client satisfaction and continued business growth

Digital & innovation

Becoming a fully digital firm, offering greater efficiency and more insight to clients

Financial strength

Higher operating income and profit

Benefits for society

Public trust

Increased trust in financial markets and corporate reporting

People

Creation of skilled, more employable workforce

Clients

Improved business decision-making among companies

Digital & innovation

Improved efficiency, innovation and secure use of data

Financial strength

Contribution to continued economic grothw

Public trust

Public trust is the first – and most important – pillar of our strategy. Retaining trust depends ultimately on the quality of our assurance and advisory services. Our ambition is to be the most trusted and most *trustworthy* firm in the industry.

In effect, public trust provides our social license to operate – it is also a prerequisite for the growth of our business and vital if we are to attract and retain the talent we need to execute our strategy. At the same time, we want to be recognized as a responsible corporate citizen, reducing our environment footprint, giving back to local communities and building a cultural diverse and inclusive workforce – all issues that we also work on with clients. We believe it is important that we practice what we preach.

Over the past year, we have made important progress in these areas. We have put in place a new Global Quality Framework, maintained our high scores in both internal and external reviews and started to roll out KPMG Clara – a new digital platform that will make our audits even smarter, quicker and more consistent. We have also made significant progress with our Impact Plan, set up a new ESG Innovation Institute with Nyenrode Business Universiteit and continued to support social causes in training and education.

We believe our current multidisciplinary model, combining Assurance and Advisory, is key to continued public trust. With this model, we have a resilient business, able to respond to new challenges and demands, and allowing us to invest, innovate and attract and retain the talent we need to execute our strategy.

PUBLIC TRUST

What were our priorities for 2022?

Continue to improve audit quality – and make progress towards a fully-digital audit

Adopt a new system of quality management and begin our implementation of KPMG Clara

Be a thought leader in both Assurance and Advisory

Integrate ESG fully into our business planning – and step up communications to clients and other stakeholders

Material topics for Public trust

- Ongoing focus on audit quality
- Increased focus on ESG issues among clients and regulators

See Management of our material topics for information on how we manage potential risks and opportunities on this issue.

Material KPIs for Public trust

84%	8%	210
Assurance engagements rated 'compliant' in internal reviews	Partner involvement in engagements with public interest entities (PIEs)	Average number of hours audit professionals spent in training

Assurance engagements rated 'compliant' in internal reviews: based on selected sample of engagements.

Performance on quality

In 2021/2022, we again maintained very high quality standards.

In **Assurance**, 84% of engagements were rated satisfactory in internal reviews, unchanged from the previous year. At the same time, the number of findings went down – i.e. deficiencies in compliance with audit standards. External reviews were also positive:

- The AFM reviewed three engagements, rating them satisfactory – in line with results from our own internal QPRs [1] .
- From its review, the Royal Netherlands Institute of Chartered Accountants concluded that the design, implementation and operating effectiveness of the System of Quality Management complies with the Auditors' Profession Act.
- In the US, we are working with the US Public Company Accounting Oversight Board (PCAOB) to address findings from its 2021 review [2] .

In **Advisory**, 99% of engagements were satisfactory, compared with 98% in 2020/2021. Rates for advisory have been at 97% or above for four successive years now.

Consistently high scores across both assurance and advisory demonstrate KPMG N.V.'s strong internal quality culture and management [3] .

Partner hours

We see partner involvement as a way of further improving quality. Our approach is to deploy partners in often complex areas where they can make a positive difference to audit engagements. In 2021/2022, our partners accounted for 8% of all audit engagement hours with public interest entities (PIEs) [4] – and 7% for non-public interest entities. Both percentages are close to the KPMG-wide benchmarks (10% and 6% respectively). Excluding very large engagements [5] , partner hours would rise to 10% for PIEs and remain at 7% for non-PIEs – very large engagements tend to reduce the percentage of partner hours since a proportionally higher number of engagement hours are accounted for by non-partners.

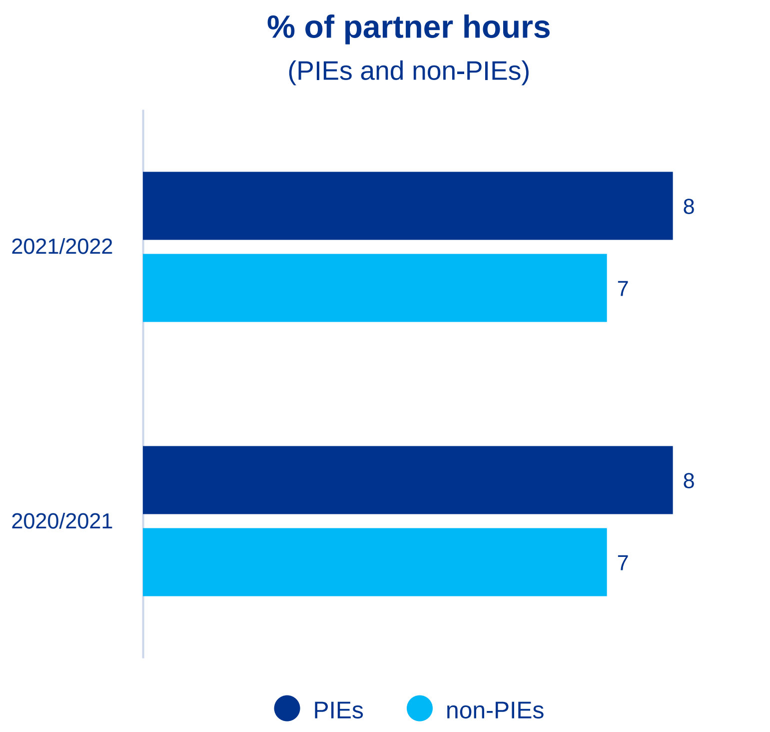
1 *During the year, the AFM also published a report, saying that it was "mainly positive" about insights into quality provided by reviews at Dutch audit firms, including KPMG N.V. The report, published in December 2021, compared audit firms' internal quality reviews with the AFM's own reviews. The AFM report covered not only the reviews' outcomes, but also design and implementation.*

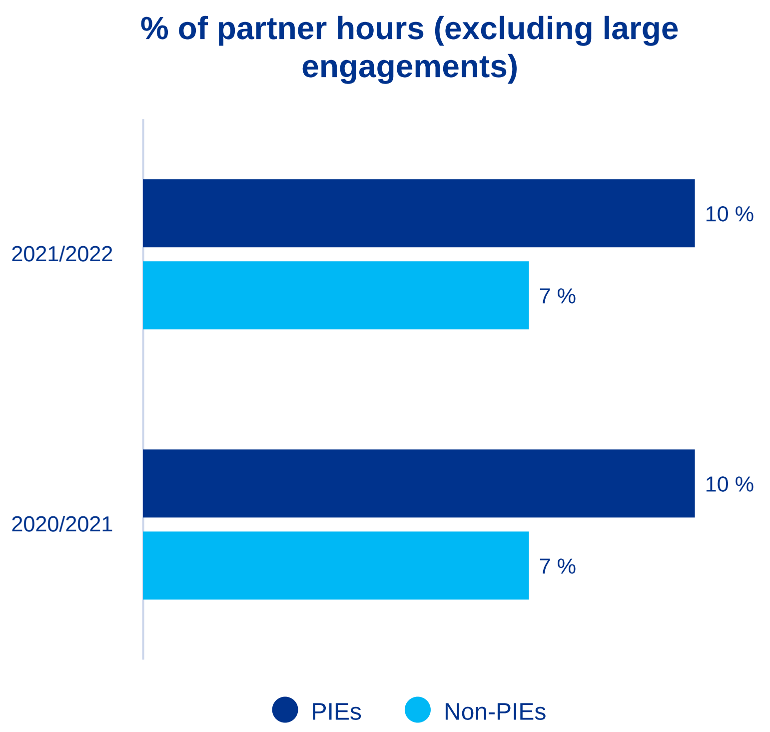
2 *As part of its review, the PCAOB inspected three audit engagements, all carried out in 2020. The PCAOB's findings relate to one of these engagements and aspects of our system of quality management. After studying the findings, we concluded that there was no impact on the audit report issued. The PCAOB's inspection of the system of quality management was carried out separately (covering various aspects, including tone at the top, independence, training and consultation).*

3 *Please note that Assurance and Advisory satisfaction rates are not directly comparable because of fundamental differences in the reviews' approach, methodology and assessment. See also our Global Quality Framework - Internal quality reviews.*

4 *Defined as Organisaties van openbaar belang in Dutch, under the Netherlands' Audit Firms Supervision Act (Wet toezicht accountantsorganisaties, Wta, in Dutch), Article 1.p.*

5 *Very large engagements are those involving significantly more hours than other engagements.*


% of partner hours
(PIEs and non-PIEs)
2021/2022
8
7
2020/2021
8
7
PIEs
non-PIEs


% of partner hours (excluding large engagements)
2021/2022
10 %
7 %
2020/2021
10 %
7 %
PIEs
Non-PIEs

To help improve quality, we also keep a close track of complaints and potential violations. Results from 2021/2022 show:

- We have identified 0 independence violations within the firm (2020/2021: 9). Over these years, none of the violations impaired the independence of the firm.
- We have reported 4 formal incidents to the AFM (2020/2021: 0):
  - Two of these reports were related to certain events at audit clients of which we gained knowledge as auditor.
  - The third incident reported to the AFM related to the fact that on 19 October, the US audit regulator PCAOB announced settled disciplinary orders sanctioning KPMG Accountants N.V. for failing to disclose on PCAOB Form AP the participation of an unregistered firm in the audit of a public company. KPMG Accountants N.V. erroneously disclosed that a registered affiliate had participated in the audit, when in fact a separate, unregistered firm had done the work. In our case, working with an unregistered (member) firm was according to the rules. KPMG Accountants N.V. has corrected the Form AP. This administrative error was highlighted and corrected at our own initiative. This was actioned after the deadline for submission had passed. A settlement of USD 50.000 has been agreed with the PCAOB.
  - The fourth incident reported to the AFM concerns an investigation KPMG initiated into possible irregularities regarding answer sharing in mandatory training tests. The investigation was started after the KPMG Compliance Office was notified. Integrity and excellence are the foundation of our organization and culture. We take notifications like these very seriously. The AFM and PCAOB were notified and are regularly updated on the progress of the investigation.
  - We recorded 82 quality-related matters (2020/2021: 82). The majority were related to QPR ratings, restatements of financial statements and recidivism of the timely completion of mandatory e-learning courses and confirmations. Other Discipline-related exceptions mainly related to late completions of annual compliance affidavits, mandatory e-learning courses and timely updates of our tracking system for personal investments (KICS) during the reporting year.

- We received 11 reports or complaints (2020/2021: 7) through our whistle-blower hotline and all were followed up. At year-end the follow-up of one whistle-blowing report is still in progress. This concerns the investigation initiated into possible irregularities regarding answer sharing in mandatory training tests (see above).

Over the past year, we also started implementation of KPMG Clara following an initial pilot phase and adopted a new Global Quality Framework in line with the ISQM 1, which came into effect in October 2022:

- For us, KPMG Clara is an important step towards a data-driven audit. During the year, we began our roll-out, due for completion by the end of 2022/2023. The new system will make audits even more effective, efficient and consistent. It will also improve communication with clients – and provide more insights, particularly into areas of risk, as we will be able to analyze larger data pools and 'root causes' of outliers and other anomalies, while safeguarding data security. KPMG Clara uses advanced data analytics, AI and cloud technology – the platform will evolve as new technologies become available. Alongside KPMG Clara, we have also moved to a new KPMG Audit Execution Guide, replacing the current KPMG Audit Manual. We expect the roll-out of KPMG Clara to be complete by end 2023.
- Meanwhile, our new Global Quality Framework will bring us into line with ISQM 1. The Framework – adapted from our previous quality framework – is built around our *quality drivers*, which range from culture and values to knowledge, communication and diversity. The new Framework won't change the way we manage audit quality, though it may mean different ways of documenting decision-making.

Audit quality indicators

This table has been prepared in accordance with the guidelines from the NBA, the Royal Netherlands Institute of Chartered Accountants. Figures are rounded to the nearest percentage. Definitions are provided in full below.

Indicator	NBA reference	Performance 2021/2022	Performance 2020/2021
Hours spent by partners on PIE engagements	AQI 1.a	8%	8%
Hours spent by partners on non-PIE engagements	AQI 1.b	7%	7%
Chargeable hours (as % of total hours worked)	AQI 2	63%	64%
Investments in development of new audit technologies and tools	AQI 3	5%	3%
Average training hours for each audit professional	AQI 4	210	214
Retention of audit professionals	AQI 5	83%	87%
GPS and Pulse survey results related to coaching and audit [1]	AQI 6.a	81%	90%
Culture survey	AQI 6.b	75%	65%
Technical resources support (as % of total assurance FTEs)	AQI 7	6%	7%
Technical consultations (as % of all engagements)	AQI 8	20%	15% [2]
Percentage of engagements involving EQCRs [3]	AQI 9	30%	31%
Hours spent on EQCRs (as % of total hours)	AQI 10	1%	1%
Hours spent by IT and other specialists on PIE engagements	AQI 11.a	16%	16%
Hours spent by IT and other specialists on non-PIE engagements	AQI 11.b	5%	5%
Result of external inspections	AQI 12.a	94%	100%
Result of internal inspections (% 'compliant' rating)	AQI 12.b	84%	84%
Independence violations [4]	AQI 13	7%	2% [5]
Number of restatements (as % of auditor's reports issued) [6]	AQI 14	2%	1%

1 The decrease in 2021/2022 is due to changes in methodology and increased focus on work volume and staffing.

2 This figure has been adjusted from 14% for comparison purposes.

3 The number of engagements during the year does not necessarily equate to the number of reports. An engagement may result in multiple reports. Moreover, reports may not be produced for engagements still active at the end of the financial year. EQCR assigned engagements including active engagements related to the respective clients as a % of the total legal audit engagements. See here for more information on our approach to audit quality.

4 The increase in independence violations was due to heightened internal scrutiny. All violations in 2021/2022 related to untimely, incorrect or administrative registrations. None results in an actual breach of independence. In response, we have put in place additional monitoring, training and awareness programs, as well as initiating a root cause analysis. None results in an actual breach of independence. Therefore, the number of independence violations reported in the section 'performance on quality' is 0.

5 Corrected from 1% following unintentional misreporting internally.

6 No errors were detected in financial statements with impact on the issued auditor's report. In 2021/2022, 44 material errors have been adjusted in the subsequent financial statements.

See here for more information on our approach to audit quality.

Abbreviations

EQCR – Engagement Quality Control Review(ers)
FTE – Full-time equivalent
GPS – Global People Survey
NBA – Royal Netherlands Institute of Chartered Accountants
PIE – Public Interest Entity (according to Dutch law)

All abbreviations used in this report may be found in the Appendix.

Note on Quartermasters' Audit Quality Indicators

In 2020, the Dutch government appointed two quartermasters to oversee reform in the audit sector. As part of their work, these quartermasters have drafted common audit quality indicators, applicable across the industry. We support the introduction of common indicators; we believe these will increase transparency and help build public trust. The two quartermasters have a three-and-a-half-year mandate. See KPMG N.V.'s website for further details and our response to public consultations on this matter.

Giving back to society

Part of Public trust is making sure we contribute positively to society. We do this by sharing our knowledge and expertise through our thought leadership and *pro bono* work. We also support good causes and have targets to reduce our impact on the environment.

Across KPMG, we are pursuing our 2022-2025 Impact Plan, which sets out commitments in four areas: Planet, People, Prosperity and Governance. Over the past year, we have translated this plan to KPMG N.V. in the Netherlands, and put clear targets in place, based on an assessment of our impact and contribution to the SDGs:

- On **climate change**, we want to be net-zero by latest 2030 and to halve our CO_2 emissions [1] .To achieve this goal, we will reduce emissions from air travel and set an internal carbon price. We will also phase out petrol and diesel cars by 2025 and embed circular economy principles throughout the company. Compared to 2020/2021, our total CO_2 emissions rose 84% in 2021/2022. This increase was attributable to the end of the Covid-19 pandemic, which had led to a significant reduction in emissions the previous year. Despite the increase, we are still on track to meet our 2030 goal.
- We also want to step up our help for **local communities** – our goal is to empower at least 1,000 disadvantaged young people in the Netherlands by 2025 through education and employment opportunities. To do this, we will continue with the existing KPMG Jan Hommen Scholarship, expand youth programs and increase job opportunities for those from more disadvantaged backgrounds. We will also continue with *pro bono* work – in 2021/2022, KPMG employees volunteered just over 3,200 hours on projects ranging from reviewing company strategies to providing IT solutions. Donations to good causes – including cash, in-kind and volunteer hours – totaled nearly EUR 993,000 in 2021/2022. During the year, we held an appeal for Ukraine, donating EUR 180,000 to the Red Cross from both employees and the firm to help those affected by the war.
- In addition, we are pushing ahead with **inclusion and diversity** initiatives – for example, extending unconscious bias training and upping gender targets for both senior management and our Supervisory Board.
- On Governance, we are further strengthening our reporting, aiming for full compliance in 2023/2024 with the EU's Corporate Sustainability Reporting Directive (CSRD) and taxonomy.

Through our Impact Plan and our work with clients, we also make a positive contribution to the SDGs; this contribution is also incorporated into our value creation model.

1 *From calendar year 2019 baseline*

Our CO_2 emissions (all figures in metric tons of CO_2 equivalent)

	2021/2022	2020/2021
Scope 1		
Natural gas used	113	114
Leased vehicles (diesel)	225	279
Leased vehicles (petrol)	3,573	2,927
Total scope 1	**3.911**	**3,320**
Scope 2		
Purchased electricity (non-renewable)	41	37
Purchased electricity (renewable)	1,321	1,528
Leased vehicles (electric)	174	98
Total scope 2	**1.536**	**1,663**
Scope 3		
Rail travel	38	10
Air travel	2,524	160
Total waste (includes recycled water)	1	1
Percentage waste recycled	87%	86%
Water used	1	3
Total scope 3	**2,564**	**174**
Total gross emissions	**8,011**	**5,157**
Net emissions	**6,690**	**3,629**

Notes

- See Greenhouse Gas Protocol for definitions of scopes 1, 2 and 3.
- Scope 3 emissions are reported on for our business travel and waste streams. We are working on completing our scope 3 reporting.
- Cars owned privately by KPMG employees are not included in the data above.
- Figures for natural gas, purchased electricity (both renewable and non-renewable) and water usage are given for the calendar (rather than the financial) year
- Net emissions are calculated by subtracting consumption of renewable energy from gross emissions

Thought leadership and brand

We believe our knowledge and expertise is valuable to society, which is why we want to be the number one thought leader for both Assurance and Advisory. Over the past year, we published dozens of studies and articles on issues ranging from digital strategy and data security to climate risk, human rights due diligence and supply chain management. We also organized regular webinars, courses and other events, and offered training and development through our KPMG Learning Academy.

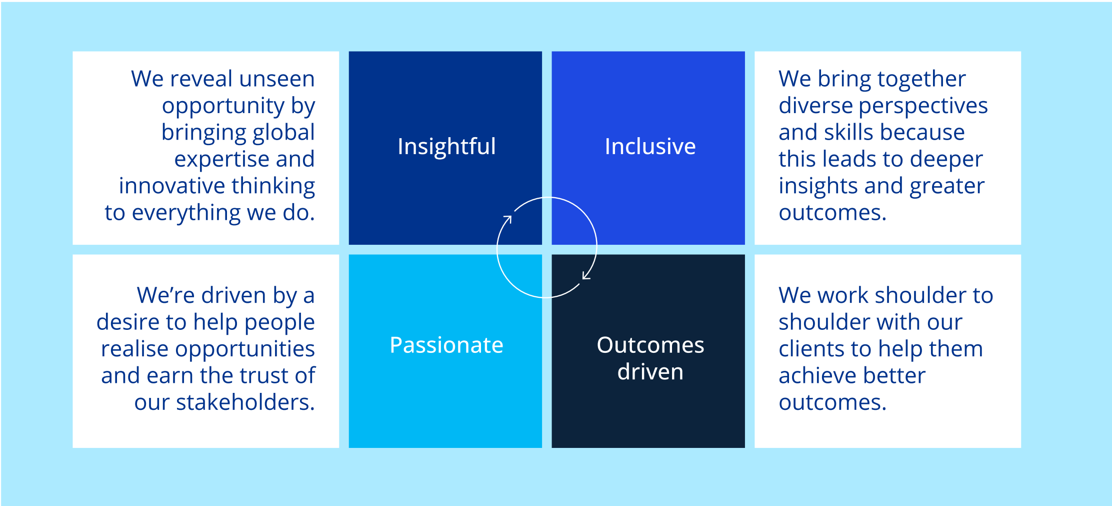
We also want to be a leader in ESG – in 2021/2022, we held roundtables to help clients prepare for new EU reporting requirements. In March, we announced the creation of the ESG Innovation Institute, a partnership between KPMG N.V. and Nyenrode Business Universiteit. Together with the university, we are setting up an ESG Chair, as well as developing an executive program, research and publications. The goal of the Institute is to encourage a more sustainable approach to transforming business and create a genuine movement of sustainability business leaders in the Netherlands.

Thought leadership in practice: ESG risk for banks

In July, we published a study into Dutch banks and their management of ESG risks, timed to coincide with similar reviews by the European and Dutch central banks. The study confirmed that banks are making progress – more than 80% of Dutch banks, for example, expect to comply with most of the central banks' ESG requirements by 2025. Even so, there is more work to be done, particularly when it comes to using data to quantify risk.

Through our regular client satisfaction surveys, we also measure brand attributes, particularly whether clients recognize these attributes in their work with us. In the latest survey – for the first half of 2022 – 99% of clients said our five brand attributes either 'fitted well' or 'mostly fitted' their experience of KPMG.

KPMG brand attributes



People

Ultimately, our success depends on attracting and retaining the right people to work for KPMG N.V. Currently, the professional services sector is facing serious skills shortages. Over the past year, we have stepped up recruitment, created career paths for those in technology and continued to invest in learning & development – a reflection of our 'love for talent'. We are also working to ensure a safe, healthy and inclusive work environment to aid recruitment and retention, support growth and improve decision-making. We have increased gender diversity targets for senior management and our Supervisory Board – and introduced a Workforce Shaping initiative to increase flexibility and skills development.

PEOPLE
What were our priorities for 2022?
Continue to engage and develop our workforce
Enhance leadership capabilities within the firm
Improve strategic workforce planning, and make it more flexible
Harness the distinctiveness of our culture and inclusion

Material topics for People

- Well-being of our workforce, both mental and physical
- Skills shortages in the audit sector and wider Dutch economy

See Management of our material topics for information on how we manage potential risks and opportunities on this issue.

Material KPIs for People

79%

Employee engagement score (2021 Global People Survey)

82%

Retention rate among KPMG professionals

20%

Percentage of women at partner/director level

Retention rate among KPMG professionals: including Advisory, Assurance and Shared Services. Based on percentage of staff still in employment at end of financial year 2021/2022.

Our culture

At the heart of our approach is our company culture. We are working to make culture our 'differentiator' – it underpins both our *Trust & Growth* strategy and our employee value proposition (our *People promise*).

Alongside our values, we have identified three cultural attributes, vital to our success:
- Inclusive collaboration
- High performance
- Fast innovation

These attributes are built into our People processes, including performance reviews and decisions on promotions and variable pay. While values determine our behavior, these attributes define the way we behave and interact with each other. It is imperative that all partners and directors reflect and 'live' these attributes in their daily management.

To support our cultural attributes, we have defined a series of desired 'behaviors'. In 2021/2022, we focused on two of these behaviors:
- Embracing an entrepreneurial, growth mindset that seeks opportunities – important if we are to continue to expand and innovate our business.
- Creating a safe work environment in which all our employees feel included – we believe this will improve well-being, and drive performance and innovation.

These two behaviors formed the basis for our cultural program over the past year, most notably with our new Psychological Safety initiative.

Inclusion, diversity and equity

In recent years, we have seen more focus in society on issues of equity and diversity. We are committed to showing leadership on these issues and adopting best practice.

We believe that building an inclusive work environment gives us access to the best talent and development opportunities, makes for better decision-making, and supports growth. At KPMG N.V., we see inclusion, diversity and equity (ID&E) as a business priority – that means we set clear targets and hold our leadership to account for performance.

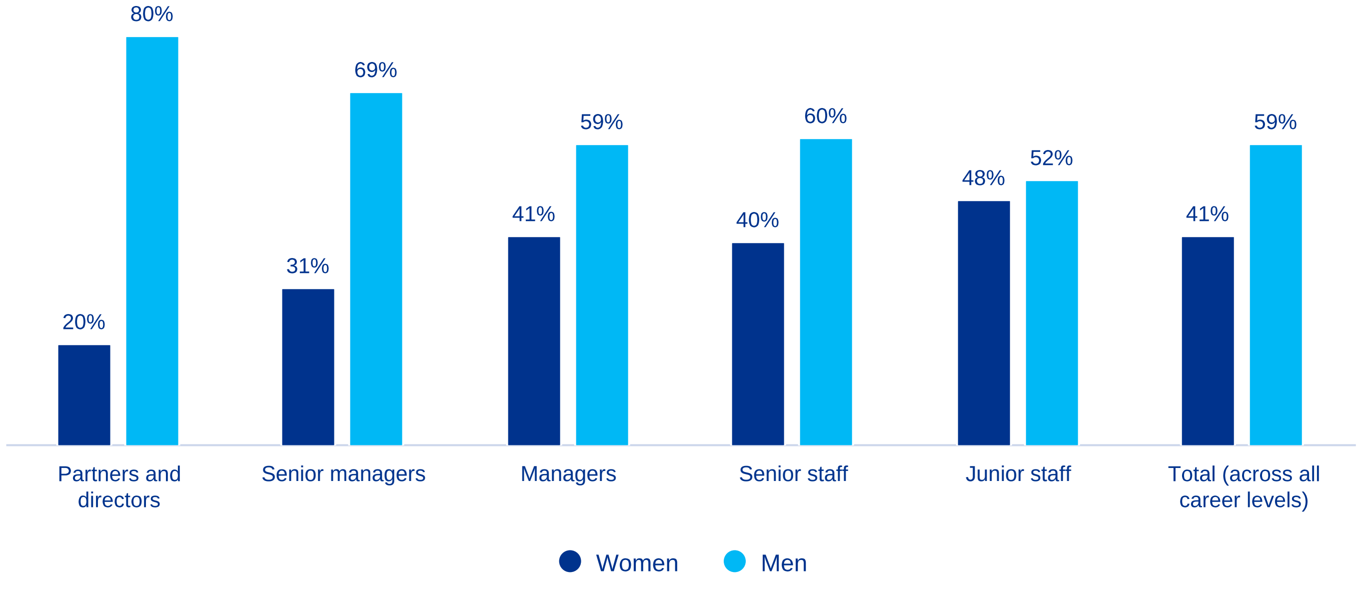
Within KPMG N.V., inclusion and diversity has become inclusion, diversity *& equity*. We added *equity* because we recognize that, to create a more diverse and inclusive work environment, we also need to tackle systemic barriers – the unconscious biases that hold back certain groups professionally. Our approach is based on three 'pillars':

- **Inclusion** is about our culture – we are committed to creating a safe work environment in which employees can be themselves and feel valued for their individual qualities.
- **Diversity** is about our people – we respect the unique experiences, cultures and qualities our professionals bring to KPMG N.V.
- **Equity** is about access to opportunities – we acknowledge systemic barriers must be addressed to create a level playing field where all employees can succeed, regardless of their background.

Over the past year, we have pushed ahead with our inclusion, diversity and equity programs. We have made inclusive leadership and unconscious bias training mandatory for all partners and directors, and increased gender targets for our Supervisory Board and senior management. We also launched a Psychological Safety initiative to ensure employees feel included, and able to ask questions, make mistakes and challenge without fear of being marginalized or punished. In 2021/2022, 1 incident of discrimination was reported, compared with 0 the year before. The incident has been investigated and action was taken where appropriate.

During the year, we also put further emphasis on employees' health and well-being, creating an online platform that gives employees direct access to well-being coaches and a range of health, vitality and welfare programs. During the year, our absentee rate increased to 3.0%, up from 2.1% the year before, possibly a result of the continued effects of the Covid-19 pandemic [1] .

Gender diversity by career level



Figures show % of men/women by headcount at 1 October 2022. Because promotions become effective as of 1 October, gender diversity is disclosed as of 1 October 2022.

1 *Please note legislation and GDPR precludes us from collecting data on the causes of absences or personal illness.*

On gender diversity, we are continuing to make progress. In 2021/2022, women accounted for 44% of our intake, up from 42% the previous year. It is clear, however, that too many talented women leave as they advance in the organization. At the end of the year, women accounted for 20% of partners and directors, an improvement on the previous year, but still short of our 22% target. Unbiasing our processes will help us address this – as part of our overall ID&E program, we are also actively sponsoring women approaching promotion and endeavoring to increase the percentage of women candidates at intake. We also measure our gender pay gap: results from our latest assessment show that there is no significant pay gap. Women are, on average, slightly better paid than men within both partner/director and junior groups.

Gender pay gap

Partners and directors	+6% (in favor of women)
Senior managers	+2% (in favor of men)
Managers	0% (equal pay)
Senior staff	0% (equal pay)
Junior staff	+1% (in favor of women)

Workforce planning and development

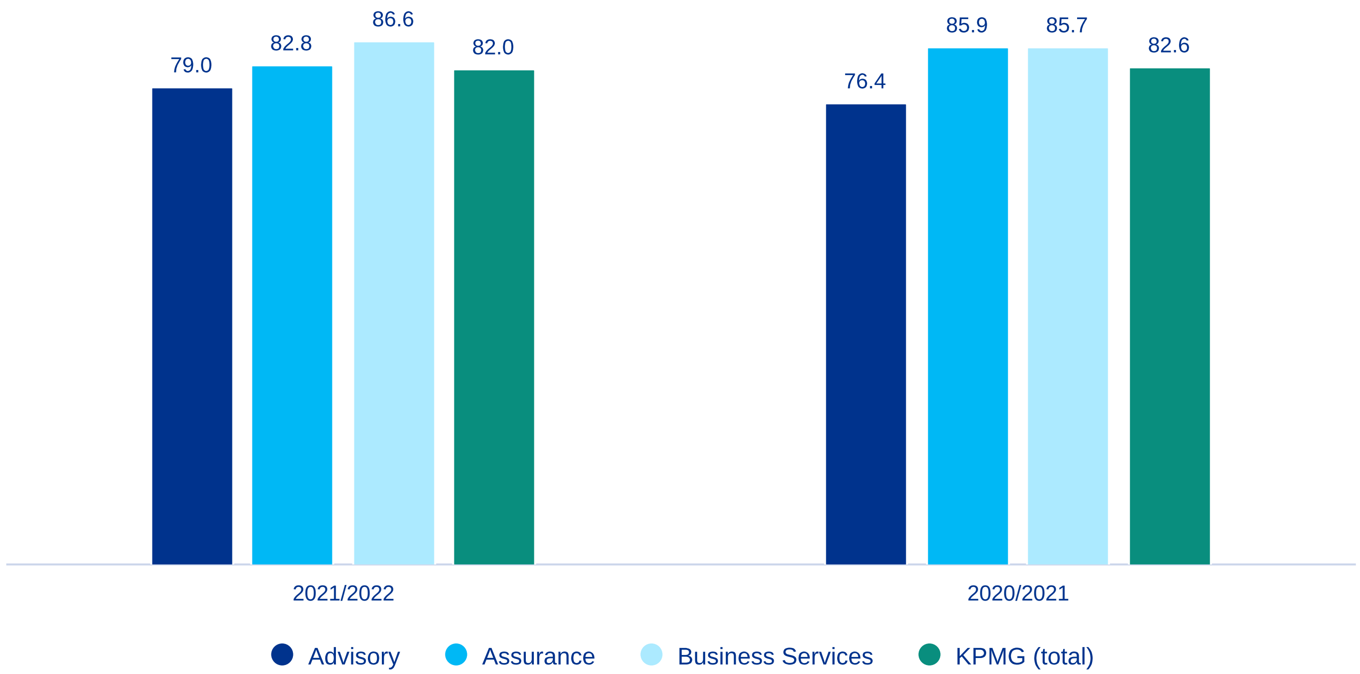
During 2021/2022, we experienced continued skills shortages across a number of areas, including technology services, ESG and assurance. In response, we have stepped up recruitment. Last year, we hired just over 1,500 new employees (including nearly 400 interns). This step-up in recruitment was achieved mainly thanks to KPMG's strong employer brand, our personalized approach and targeted hiring campaigns.

Annual retention rates, meanwhile, remained high – testimony to continued career development opportunities, success-sharing incentives and other benefits for employees. Across the company, our retention rate for 2021/2022 was higher, at 82%, only slightly short of our target to limit annual departures to 16%, but ahead of the industry average (see table below).

Over the past year, we worked to strengthen our workforce planning, part of our broader Workforce of the Future project. As part of our Workforce Shaping initiative, we are starting to map out the resources and skills that we'll need to meet future client demands:

- In **Advisory**, we are introducing flexforce, which gives us more flexibility in resourcing and staffing, particularly important as we phase in our new operating models. As part of this initiative, we will be near-/off-shoring activities to KPMG Global Services and KPMG Delivery Network.
- In **Assurance**, our focus is on developing skills we will need for the future. We have put in place new career tracks in ESG, IT and digital & innovation.
- In **Business Services**, we have launched a Business Services Academy for skills training in areas such as project management and consulting.

Retention rates across our businesses



Figures show % of employees in each business unit remaining with the company during the course of the financial year.

Learning, development and succession planning

In 2021/2022, we invested EUR 11.4 million in training and development, an increase of more than 36% compared with the previous year. We view KPMG as a 'knowledge campus'. *Learn for a Lifetime* is one of our five Employee Value Proposition promises. We have detailed training programs, covering five areas: leadership development, professional development, business development, personal development, and ESG & digital. Over the past year, we redesigned our 100-day onboarding program for all new employees, including directors and partners, and extended access to our Digital MBA. We have also developed a new ESG curriculum – one of the first in the KPMG network. In addition, we have clear succession planning, and are continuing to develop what we call our 'spike leadership' approach.

	2021/2022	2020/2021
Total spending on learning and development (EUR million)	11.40	8.38
Average spending per employee (EUR)	2,980	2,402
Average annual training hours per employee	124	116

Success-sharing

Financially, this has been a successful year for KPMG N.V. We have seen growth in both revenue and profits. During 2021/2022, we took initiatives to share this success and increase benefits for employees:

- We introduced an intermediate salary increase for all employees [1] in July, raising our entire reward structure at the same time. This intermediate increase was in addition to annual salary reviews for employees, which brought the total individual increase to an average for the year of approximately 12%.
- We also paid a series of one-off bonuses to all staff and provided additional, non-financial benefits, including remote working from abroad, introduced in September.

These initiatives were decided after consultation with employees to make sure we are meeting their preferences and needs in the current environment.

Parental leave

In August, we updated our parental leave policy – all staff members are now entitled to nine working weeks of partly paid leave for children under the age of 1. Figures show that 73 employees – men and women – took parental leave in 2021/2022:

	Men	Women
Employees entitled to parental leave	89	74
Employees taking parental leave	30	43
Employees returning to work after parental leave	9	15

Please note that figures for employees returning to work include only those who returned during the reporting year. Other may still have been on leave on 30 September at the end of 2021/2022. We qualified those employees who did not register paid parental leave on or after 1 October 2022 as returned to work. From 2022/2023, we will also report on the number of employees still in employment at KPMG twelve months after their return to work in line with requirements under the Global Reporting Initiative (GRI).

1 *Not including equity partners*

Employee engagement

Across KPMG, we conduct an annual Global People Survey (GPS). This survey measures employee engagement, as well as our performance in other areas from career growth and collaboration to innovation, clients, leadership and work environment. Our annual survey is supported by regular pulse surveys to ensure we can take quick action, if required, throughout the year.
Our last annual GPS took place in October 2021 – before the war in Ukraine and the sharp rise in energy prices. Results for the Netherlands showed an overall engagement rate of 79%, broadly in line with 2020 [1] . Audit quality, career growth and learning all scored particularly well – above group and external benchmarks. There were lower scores for well-being, reward & recognition and corporate citizenship. Employees also voiced concern about work volumes – a finding borne out by a separate culture survey carried out for the first time this year [2] .

Based on these results, we set four priorities for the Board of Management:

- Work volume management (with attention to individuals' work-life balance and well-being as part of culture of inclusion)
- Leadership behaviors (based on company's vision, values and strategy)
- Innovation and delivering excellence to clients
- Reward and recognition

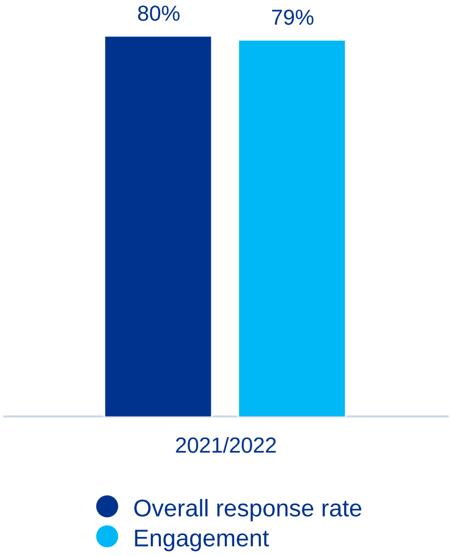
These priorities were integrated into our 2022 Engagement Plan and measures taken to further strengthen employee engagement, including the launch of our Psychological Safety initiative and a significant investment in rewards and benefits. Our 2022 survey went live in October – we will publish the results in our 2022/2023 Annual Integrated Report. This was the first survey since the end of the Covid-19 pandemic and the switch to our hybrid working program, with employees dividing their time between home, office and client visits [3] .

1 *Please note we introduced a new methodology for the 2021 survey, which means the scores are not directly comparable with the previous year. For reference, our engagement score for 2020 was 83%. On a like-for-like basis, our score for 2021 would have been 84%.*

2 *Carried out in cooperation with Barrett CVA. The survey measures the degree of alignment between employees' personal values and the firm's current and target cultural values.*

3 *As part of this, we have issued a 'Five-point promise of hybrid working' and introduced a new mechanism to allow remote working from outside the Netherlands.*

Global People Survey
(results for the Netherlands)



Clients

The past year has been difficult for many businesses. Covid-19 appears to be largely behind us, but war in Ukraine has brought rising costs and fears of an economic slowdown. At the same time, many of our clients are having to adjust to changing social attitudes and the reality of climate change, switching to new, more sustainable business models. KPMG is well-positioned to support client needs in these areas, particularly in sectors such as financial services and infrastructure, government & healthcare, where we have acknowledged expertise. Over the past year, we worked with clients on big issues: we continued to position ourselves as *the* digital auditor, invested more in ESG and managed services, and extended our *Connected, Powered, Trusted* offering.

	CLIENTS
	What were our priorities for 2022?
	Focus on priority sectors and markets
	Offer a unique and consistent client experience
	Take a more joined-up Audit-Advisory approach to mandatory audit rotations

Material topics for clients

- Growing use of digital technologies throughout the economy
- Increased focus on ESG issues among clients and regulators
- Impact of the war in Ukraine on the economic and business environment

See Management of our material topics for information on how we manage potential risks and opportunities on this issue.

Material KPIs for clients

97%

Client satisfaction for KPMG N.V.

46%

Net Promoter Score for KPMG N.V.

7 out of 10

Audit contracts won in Mandatory Firm Rotations since 2020

Business growth and approach

As part of our strategy, we focus on sectors where we have recognized expertise, can bring added value to clients and support change and growth:

- Financial Services
- Infrastructure, Government and Healthcare (IG&H)
- Consumer & Retail
- Energy & Natural Resources
- Technology, Media & Telecommunications (TMT)

In addition, we work with family businesses and emerging giants – the next generation of leading companies in the Netherlands.

During the past year, we adopted an increasingly strategic approach to client management, building trust by increasing our understanding of each sector and what drives clients' individual businesses. Since 2020, we have won 7 of our ten mandatory firm rotations (MFR) until 30 September 2022 – testimony to confidence in our services. In our Advisory business, we focused on digitalization and ESG – two key areas where we see strong client demand. Across the board, we take a practical, 'hands-on' approach, focused on finding solutions for our clients.

Development in our priority sectors in 2021/2022

- Financial services: Client demand remained strong throughout the year, mainly from increased regulation – including ESG reporting – and changes to business models as banks increasingly digitize their client relations.
- Energy & Natural Resources: In the wake of the war in Ukraine, high prices are benefiting energy producers, but squeezing intermediaries. At the same time, the energy transition and the switch to more renewable sources is driving demand across the sector.
- Consumer & Retail: Rising prices are already beginning to weaken consumer spending, though we see significant client demand in the sector, particularly from increased digitalization and supply chain pressures.
- IG&H: We see continued client demand in this sector, particularly given the government's focus in the wake of the pandemic on infrastructure, healthcare, defense, housing and the energy transition.
- TMT: During the year, the sector continued to invest in digitalization and related payment services. We recognize, however, that a slowdown in 2023 could lead to companies putting expansion plans and new investments on hold.

Over the past year, we have also made progress with other key initiatives to further improve service and quality for clients. We have continued to invest in digital, moving towards a fully digital audit with the introduction of KPMG Clara. At the same time, we are looking to increase services in new areas: in Deals, for example, we are making new strategic hires. We have also expanded Managed Services to meet client demand in areas such as internal audit and cybersecurity. Finally, we are embedding ESG in all our Advisory services, developing 'ESG transformation visions' for all priority sectors and stepping up training for assurance teams to prepare for the EU's new CSRD, which comes into effect from 2024.

Connected, Powered, Trusted

During the past year, we continued to roll out our *Connected, Powered, Trusted* offering. We are seeing increased demand as many clients move to more sustainable strategies and digital business models. Our offering includes a range of advisory services for clients, built around creating an organization that is:

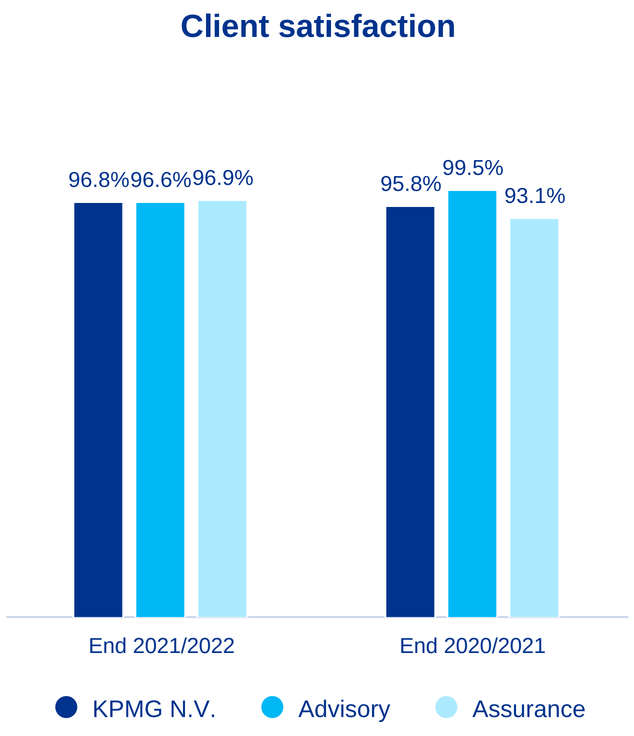
- *Connected* – i.e., efficient, connected to its customers, with no internal silos
- *Powered* – i.e., uses the latest technologies and has standardized its internal processes and systems
- *Trusted* – i.e., can manage change successfully because it has the confidence of its stakeholders.

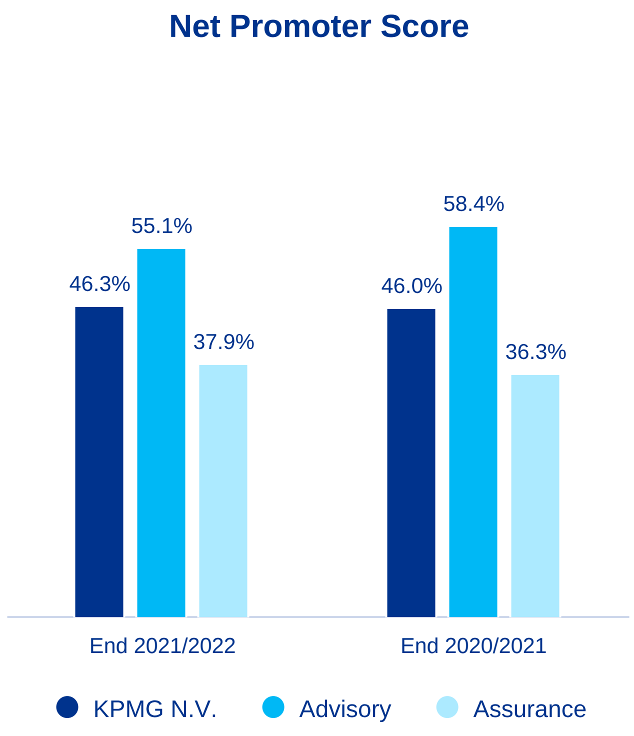
Client satisfaction and loyalty

We carry out regular client surveys, covering both our Assurance and Advisory businesses. These surveys allow us to gauge client satisfaction and identify possible areas of improvement. Our surveys are backed up by extensive, face-to-face client care interviews. We measure both:

- Client satisfaction – the degree to which clients are satisfied with our services
- Net Promoter Score (NPS), which measures customer loyalty, based on whether clients would recommend our services to others.

By the end of 2021/2022, we had exceeded our 90% target for client satisfaction. NPS showed an increase to 46.3%.





NPS scores show percentage of promoters – i.e., those clients ‘very likely’ to recommend KPMG. By measuring loyalty rather than satisfaction, NPS is believed to be a better measure of future sales.

Digital & innovation

In recent years, our business has become increasingly driven by data and digital technology. We are digitizing many of our processes and systems as part of our target operating model initiative, as well as investing more in our cyber defenses and looking to expand our digital offering to clients. With the introduction of KPMG Clara, we are moving closer to a data-driven audit. New technology can help our business by increasing efficiency, speeding up 'time to market' and generating new insights for clients. Most importantly, it frees up our professionals to focus on what matters most: using their knowledge and expertise to support clients – a combination of data technology and human analysis, skepticism and communication. In 2022, we also put in place a technology roadmap, focused on three main objectives: building a truly digital workplace, strengthening our cybersecurity and making use of new, emerging technologies.

DIGITAL & INNOVATION

What were our priorities for 2022?

- Design and build an effective 'digital backbone' for the business
- Enhance our digital offering to clients, working closely with other KPMG member firms
- Strengthen digital skills among employees and support a culture of innovation

Material topic for Digital & Innovation

- Growing use of digital technologies throughout the economy

See Management of our material topics for information on how we manage potential risks and opportunities on this issue.

Material topics for Digitial & Innovation

EUR 14 million

Investment in digital & innovation

EUR 77.9 million

Revenue from our Technology practice

130

Projects in our Innoway innovation pipeline

Building a digital company

Assurance

In 2022, we made progress towards what we call our North Star objective: to carry out a fully digital audit. We started our introduction of KPMG Clara – our new smart, audit platform, which will enhance quality, create meaningful insights for clients and make the experience more efficient for employees. KPMG Clara will be used in all audits from 2022/2023. At the same time, we have embedded data analytics in our processes and pushed ahead with pilot projects on the concept of a *continuous audit*. As part of this, we are working with academics to increase use of AI in substantive testing procedures [1] .

Advisory

Among Advisory clients, we saw continued demand for our digital services in 2022 through our *Connected, Powered, Trusted* program. Revenue from our technology practice has increased by more than 16% over the past two years. Across sectors, clients are digitizing their processes and workflows, particularly in financial services, consumer & retail, TMT and IG&H – all priority sectors for KPMG N.V. At the same time, digital technologies are enabling our Advisory business to improve customer journeys, identify areas of need for skills development and support increased cross-selling. We are also working to expand use of Sofy, our digital risk software that underwent a major upgrade in 2021, and started to offer clients 'Analytics as a Service', with our Data & Analytics department working closely with engagement teams.

Digital workplace

Part of our technology roadmap is building a truly digital workplace. We want our staff to be able to work anywhere, at any time, safely and effectively – an objective that has become more important with the switch to 'hybrid' working following the Covid-19 pandemic.

Over the past year, we have made important progress in several areas: we have completed our Cloud migration, and established a Digital Excellence Hub to coordinate our programs and initiatives. We also introduced new programs, including Enterprise Service Management, a workflow system that went live in July. In September, we brought in remote working from abroad.

Next year, work will begin on a KPMG N.V. cross-functional data strategy. To support our digital workplace objective, we are also offering more training and education to employees, and creating a new career framework for technology services staff. Read our People chapter for more details on how we are working to develop new data and digital skills within KPMG N.V.

It is important that we also strengthen our cyber defenses to protect our data and IT infrastructure, given the recent increase in cyberattacks across the economy. During 2022, we kicked off our Shield initiative, which will address key areas of risk and raise the overall maturity of our cyber defenses. We also conducted a simulation of a ransomware attack and updated our crisis management procedure. We have managed now to significantly reduce our average response time to cyber incidents.

1 *Substantive testing is an audit procedure that is used in examining a company's financial statements and supporting documentation to determine if they contain errors.*

Working with other KPMG member firms allows us to share development costs - KPMG Clara, for example, is a global project. We also work on digital & innovation with KPMG's Global Risk department and Global Innovators' Network. In 2021/2022, our investments in digital & innovation totaled EUR 14 million, down slightly from EUR 15 million the year before [1] .

Encouraging innovation

Over the past three years, we have invested more than EUR 47 million in innovation. *Fast innovation* is one of our three *Trust & Growth* cultural attributes. We have created innovation communities in each of our three main businesses: Assurance, Advisory and Business Services. In 2021/2022, we also introduced new ideation software, available to all employees and ready for use by clients. Through Innoway, our innovation platform, we now have a pipeline of 130 projects. Going into 2023, we will focus on implementation – bringing new, innovative ideas in Assurance, Advisory and Business Services into practice. Innoway enables employees to share and assess new ideas, and win support for them – we are also continuing with our Trust By Design approach, which incorporates controls and security as ideas develop, reducing lead-times by an estimated 20%.

1 *Figure for 2020/2021 excludes impaired assets.*

Financial strength

We have set ourselves a clear objective for financial performance: to continue sustainable growth from both our Assurance and Advisory businesses. To do so, we are focusing on the company's long-term profitability – that means balancing short-term considerations with the need for future growth.

We also believe firmly in investing in our business. Over the past few years, we have been steadily increasing our investments across our five strategic focus areas, further enhancing audit quality, strengthening our cybersecurity, reinventing many of our internal operating models and improving our workforce management.

For 2021/2022, we again reported an increase in revenue and operating profit from both Assurance and Advisory despite continued economic uncertainty and concerns over rising prices and the destabilizing effects of the current war in Ukraine.

	FINANCIAL STRENGTH
	What were our priorities for 2022?
	Continue to pursue sustainable growth, increasing revenue while maintaining profitability
	Re-invent internal operating models across our business
	Increase cross-border collaboration with the KPMG global network

Material topic for Financial strength

- Impact of the war in Ukraine on the economic and business environment

See Management of our material topics for information on how we manage potential risks and opportunities on this issue.

Material KPIs for Financial strength

+15.3%

Revenue growth

EUR 119.5 million

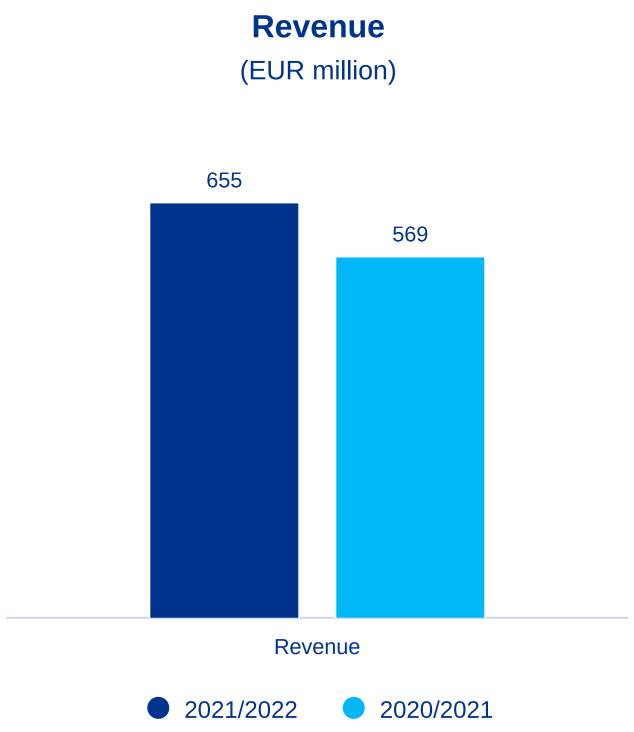
Profit before income tax

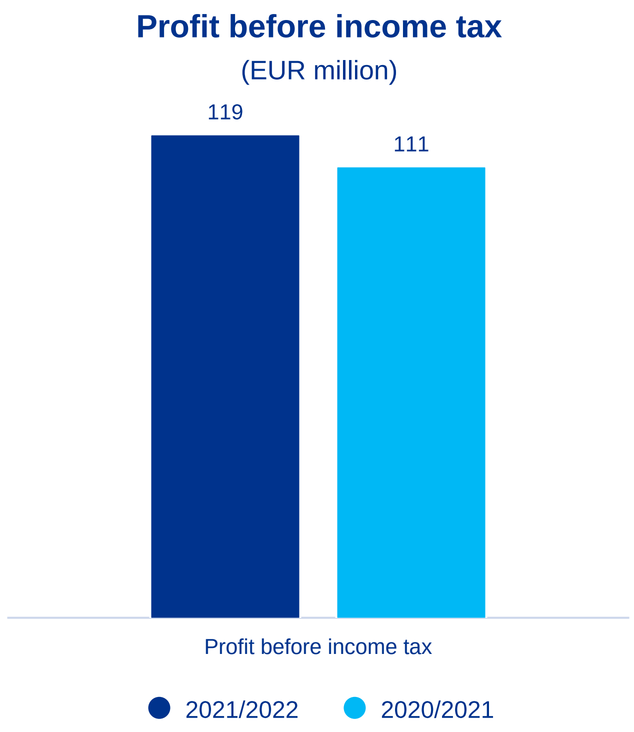
EUR 39 million

Total strategic investments

Financial results and strategic investments

For 2021/2022, we reported a significant growth in both revenues and pre-tax profit. During the year, we also stepped up our strategic investments and committed to additional increases in both fixed salaries and incentive payments for employees.





In **Assurance**, profits were helped by continued client demand – we also had fewer non-chargeable hours spent on KPMG Clara than initially expected [1] and continued our Accelerate for Audit program to further strengthen the overall financial performance of our engagement portfolio.

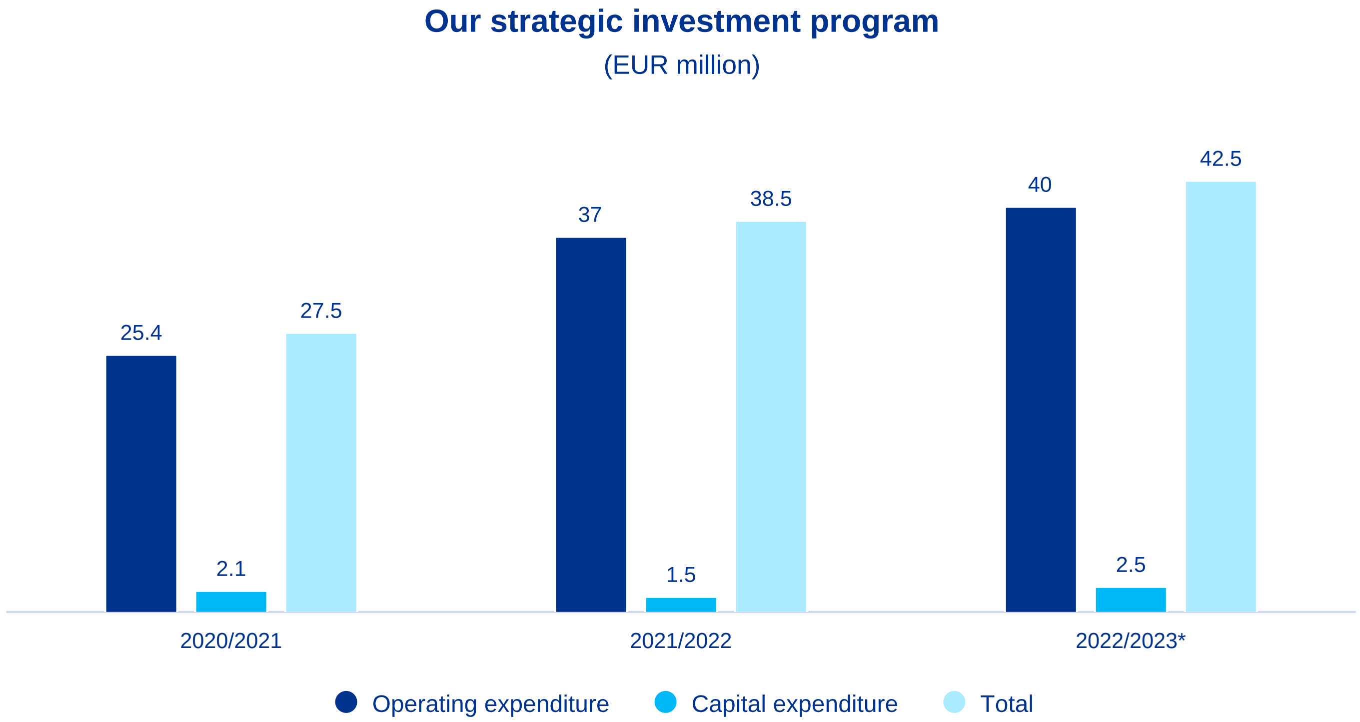
In **Advisory**, we saw strong demand from clients, particularly from the financial services and IG&H sectors, and a further increase in utilization rates. Our ESG and digitalization services were also in demand, underpinned by *Connected, Powered, Trusted*.

Strategic investments and our target operating model

We continued with our high level of strategic investment. In 2021/2022, these investments totaled EUR 39 million, up from EUR 27 million the year before. Significant investments were made in digitization, IT and innovation, in workforce management, the introduction of KPMG Clara, and Sofy – software that helps clients manage and analyze data in areas like governance, risk, compliance and tax management.

1 *Many of these non-chargeable hours are expected to be spent in 2022/2023.*

In 2022/2023, we expect strategic investments to exceed EUR 40 million. As part of our investment program, we will be putting in place a new target operating model, starting in 2023. Blueprints will be developed for both our Assurance and Advisory businesses. The aim is to ‘future-proof’ KPMG N.V., enable it to respond rapidly to changes in its market and operating environment, supporting long-term growth in the business. Many of the building blocks are already, or will soon be, in place, including KPMG Clara and Workforce Shaping. We are also setting up new Centers of Excellence in Assurance to help standardize good practice – and we will be working on embedding innovation throughout the organization.



*According to current projections

Capital position and funding from equity partners

Our policy is to maintain a strong capital position, so that we retain the confidence of the firm’s clients and creditors and can continue to invest in business growth. Most financing comes from mandatory contributions from our equity partners (in the form of equity and mandatory loans). Partners may also provide additional financing through voluntary loans. In 2021/2022, our total funding rose by 13% – a result of both an increase in long-term and short-term funding, including profits that are not distributed until the end of the calendar year.

Note on tax

Our total profit before tax is subject to standard corporate income tax at the same rate as Coöperatie KPMG U.A., KPMG N.V. and the individual equity partners’ practice companies. Only a limited part of our total income tax expense is included in KPMG’s profit & loss account as the majority of our tax is paid via the equity partners’ practice companies. Our income tax expense includes temporary differences for which a deferred tax asset or liability has been accounted. KPMG N.V., Coöperatie KPMG U.A. and the individual equity partners pay their taxes in the Netherlands.

Outlook

Going into 2023, the Dutch economy is expected to slow down; the OECD is projecting growth of just 1.1%. Inevitably, some sectors will perform better than others. We expect continued demand from financial services and the public sector, for example – though we recognize that a slowdown may also prompt companies across the economy to postpone investment decisions. Rising prices may also put a brake on a consumer spending; inflation is forecast at 4.8% in 2023, due mainly to high energy prices and continued supply chain pressures. We anticipate that current skills shortages will continue in the coming years, as will the increased emphasis, in both government and private sector, on social and environmental issues. We have set clear priorities for 2022/2023, across our five strategic focus areas. As part of this, we will continue to concentrate on our growth drivers – that includes *Connected, Powered, Trusted*, our Deals and Managed Services business and building on our progress in ESG.

Our focus for 2022/2023: For better in a complex world

Focus area:	Ambition:
Public trust	Continue to improve audit quality, finalize deployment of KPMG Clara, and become an ESG leader among professional services firms
Clients	Build unique and consistent client experience, and further strengthen growth in priority sectors
People	Focus on well-being and inclusion, advance Workforce Shaping strategy, invest in ESG and digital expertise, and continue to strengthen talent attraction and retention
Digital & innovation	Build fully digital workplace, strengthen cyber resilience and enhance digital offering to clients
Financial strength	Pursue sustainable financial growth and implement target operating model

Governance

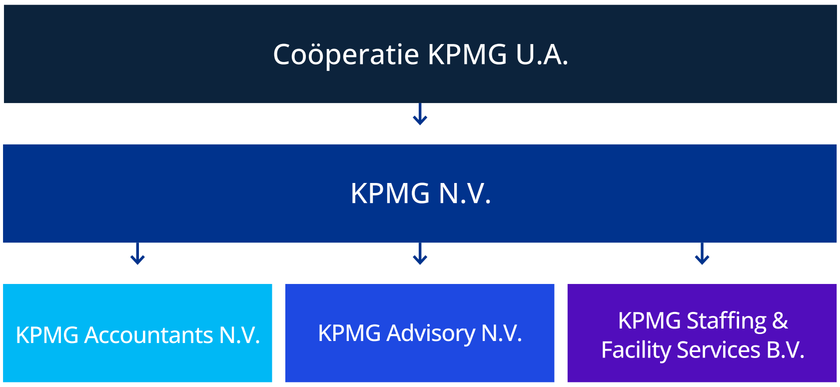
Governance

Our system of governance is based on checks and balances. These help ensure we take the best possible decisions. We have a formal governance structure, including a Supervisory Board and a Board of Management. This structure is supported by internal policies, controls and a Code of Conduct, which sets out our values and commitment to responsible business.

Our legal structure

KPMG N.V. is, in effect, a holding company for our assurance, advisory and business services activities [1] . All shares in KPMG N.V. are held by Coöperatie KPMG U.A. Our equity partners are members of this cooperative through their professional companies. These partners provide services to KPMG clients under a management agreement with the cooperative. Under Dutch law, Coöperatie KPMG U.A. Board members are considered co-policymakers, which means they must comply with the 'fit-and-proper' rule for Management or Supervisory Board members [2] .

Legal structure



Note: KPMG Accountants N.V.'s Board of Management acts as the formal policymaker under the terms of the Audit Firms Supervision Act in the Netherlands. The Board of Management of KPMG N.V. acts as co-policymaker. Our Assurance leadership team is responsible for the operational management of KPMG Accountants N.V. Members of this leadership team are also qualified co-policymakers under the Act.

External regulation

The Authority for the Financial Markets (AFM) is responsible for overseeing audit firms in the Netherlands. This oversight is based on two Acts:

- The Audit Firms Supervision Act
- The Auditors' Profession Act

To operate, all audit firms must have a license from the AFM. KPMG N.V. maintains an active, two-way communication with the AFM, which conducts regular inspections of KPMG N.V., as do the PCAOB and the NBA. Please see Performance on quality for more information on recent inspections.

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1 *Please note that the contents of this Governance chapter relate to KPMG N.V., but also apply equally to KPMG Accountants N.V. (our Assurance business), as well as KPMG Advisory N.V. and KPMG Staffing & Facility Services B.V.*

2 *To qualify, Board members must demonstrate their fitness in several areas, including governance, organization, business conduct, and balanced and consistent decision-making, as defined under the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties) and the Audit Firms Supervision Decree (Besluit toezicht accountantsorganisaties).*

In the Netherlands, audit clients – if they are classified as 'public interest entities (PIEs)', according to Dutch law – must change their audit firm at least once every ten years (or two terms of five years each). In addition, there is a four-year cooling-off period before a former auditor may be re-hired. We also endorse the principles and best practices in the Dutch Corporate Governance Code; we are committed to adhering to these principles and practices to the extent they may be reasonably applied to an unlisted firm such as KPMG.

At international level, KPMG regularly discusses industry matters with the International Forum of Independent Audit Regulators (IFIAR) and representatives from the Committee of European Auditing Oversight Bodies (CEAOB).

See Maintaining quality in our work for more information on our compliance with industry policies and procedures.

Code of Conduct and other internal controls

Our formal system of governance is supported by a Code of Conduct; this Code applies to all KPMG member firms. All employees are required to abide by the Code's provisions. In addition to KPMG's values, the Code also sets out the firm's commitments in areas ranging from compliance with laws, regulations and standards, to maintaining quality, fair competition and independence. The Code also details employees' responsibilities – the conduct and behavior we expect of the people working for us. To support this Code, we have processes that allow personnel to report suspected violations without fear of retaliation. These include a dedicated whistle-blower hotline, open to third parties as well as KPMG employees, who are protected by using this channel. Aside from the Code, we have extensive internal policies and controls, covering areas such as quality, risk management, remuneration, document retention, data privacy, a Supplier Code of Conduct, and a disciplinary policy that addresses potential breaches of rules, regulations or standards. Largely through mandatory training, we make sure partners and employees are fully informed of internal controls. In 2021/2022, 80% of our Board members, partners and employees, for example, completed training on the firm's anti-corruption policies and procedures.

Role of Board of Management and Supervisory Board

We have a two-tier management structure:

- Our Board of Management manages the firm. It is responsible for strategy, performance and value creation.
- The work of the Board of Management is overseen by our Supervisory Board, which operates in part through three committees: Assurance Quality, Audit & Risk and Remuneration & Appointment.

Our Supervisory Board comprises six members. These members are all external and independent of the firm's management. All Supervisory Board members are appointed by the shareholder, Coöperatie KPMG U.A. In 2022, two new members were appointed to our Supervisory Board: Linda Hovius and Kuldip Singh. Our Board of Management is made up of four members: our CEO, Chief Operating Officer and Heads of our Advisory and Assurance businesses. At the beginning of 2022/2023, Marc Broskij joined the Board of Management as Chief Operating Officer, succeeding Rob Kreukniet.

Supervisory Board members are elected for terms of up to four years, and may serve no more than two terms. Our Supervisory Board members are also considered co-policymakers under the Dutch Audit Firms Supervision Act. Board of Management members are appointed by our Supervisory Board, following approval by shareholders. Members may serve up to a maximum of eight consecutive years.

We aim for diversity among members of both our Board of Management and Supervisory Board. We believe this diversity makes for better long-term decision-making. Diversity is built into the rules of procedure and profile descriptions for both the Board of Management and Supervisory Board. Under the rules, our aim is to have a minimum of 40% women (or, if applicable, 40% men) on the Board of Management. We increased this target in 2022 from 30% previously [1] . Steps to achieve this are included in our broader Inclusion, Diversity and Equity program. For the Supervisory Board, we have achieved our new target (of 50% women/men) – our aim is to maintain this balance in future.

For more information, see our Supervisory Board Report. Our Supervisory Board and Board of Management Rules may also be found online on the KPMG N.V. website.

1 *At the end of 2021/2022, women made up 25% of KPMG N.V.'s Board of Management.*

Members of our Board of Management

Stephanie Hottenhuis
CEO and Chair of the Board of Management
Dutch, female, born 1965

Stephanie has been CEO and Chair of KPMG N.V.'s Board of Management since August 2018. She has over 20 years' experience in professional services. Prior to joining KPMG, Stephanie served on the Executive Board of Arcadis. She was also formerly Director for Arcadis' European operations and the company's CEO in Germany. When appointed, Stephanie became the first woman to serve as CEO of one of the 'big four' accountancy firms in the Netherlands.

Marc Broskij
Chief Operating Officer
Dutch, male, born 1976

Marc first joined KPMG in 1999 as an audit professional, working with international companies. After four years at Blokker Holding, he returned to KPMG, and became Head of Finance and Chief Operating Officer for Assurance in 2019. Two years later, Marc was named Chief Financial Officer before being appointed Chief Operating Officer at the beginning of 2022/2023.

Edwin Herrie
Head of Advisory
Dutch, male, born 1970

Edwin started his career at NIBC Bank before going on to manage the Structured Finance Fund at APG. He joined KPMG in 2000, establishing the firm's debt advisory team. In 2016, Edwin was named Head of Markets. He has been Head of Advisory since July 2020, and is Chair of the Leadership Team for Advisory.

Marc Hogeboom
Head of Assurance
Dutch, male, born 1967

Marc has been with KPMG for more than thirty years. He became a partner in 2001, working with the firm's leading financial services clients. Marc first served as a member of the Board of Management between 2012 and 2015, spearheading the firm's new quality management program. At the beginning of 2020, Marc was named Head of Assurance and Chair of the Leadership Team for Assurance, and again appointed to the Board of Management.

Supervisory Board Report

Letter from the Supervisory Board Chairman

We are living in extraordinarily uncertain times. When I joined KPMG N.V's Supervisory Board, in June 2021, we were still in the midst of the Covid-19 pandemic. At the time, we had high hopes that the pandemic would soon be over and that we would be heading for calmer waters.

Instead, earlier this year, came Russia's invasion of Ukraine. First and foremost, of course, the war is a tragedy for the people of Ukraine. But it also poses a very real risk to our society. Individuals and businesses must deal with the economic consequences of the war, not least sharply rising energy prices.

The war has also added to a feeling of insecurity, made worse by climate change, and political tensions between the US and China. This feeling of insecurity is evident across our society – it is not just households struggling with the rising cost of living, it is also companies unsure about the future of their businesses.

It is at times like this that KPMG is most needed. There is an opportunity to lead change, not just react to it. Society needs the assurance auditors provide; businesses need advice to help them manage uncertainty, to adapt to higher energy prices or transition to new, more sustainable business models. This applies not just to large multinationals, but also to small and medium-sized companies that make up the backbone of the Dutch economy.

Over the past year, KPMG N.V. has continued to grow, in both Assurance and Advisory, despite economic uncertainty. In Assurance, the firm has won impressive new contracts. Audit quality continues to improve – absolutely vital because it relates to public trust and goes to the heart of the company's purpose. In Advisory, KPMG N.V. continues to lead the debate in ESG and sustainability.

All this is a testimony to the hard work and dedication of our Board of Management, led by Stephanie Hottenhuis as she embarks on a new, four-year mandate as CEO. It is also evident that KPMG has the right model, combining audit and advisory. As the Supervisory Board, we support management's determination to retain this multidisciplinary model.

Arguably, the most pressing issue facing the company is *talent*. It is an issue that is constantly on the agenda of the Supervisory Board. There are skills shortages across the Dutch economy – companies are often competing for the same skills in data analytics, IT and audit. To attract people to work for KPMG N.V., particularly younger people, we need to create the right work environment. That means jobs with a real purpose, a safe and inclusive environment, with a healthy work-life balance and opportunities for development. Over the past year, we have made definite progress in this area – as the Supervisory Board, we welcome that. Retention rates in both Assurance and Advisory remained remarkably high, and last year we took on over 1,500 new recruits including interns, no mean achievement in the current market.

It is one of KPMG's great strengths that our younger professionals are already able to influence our work. Throughout the company, I often see younger employees eagerly discussing social or environmental issues, looking for ways to change the world for the better. This is a people business – and it is people who will drive KPMG N.V.'s work and the successful execution of its *Trust & Growth* strategy.

My predecessor, Bernard Wientjes was Chairman for more than six years and was one of the reasons why KPMG has had so much recent success. Over the past twelve months, I and my colleagues on the Supervisory Board have done our best to continue his good work. During the year, we made two appointments to the Board: Linda Hovius and Kuldip Singh will bring experience of leadership, HR and digital, providing an expert view of both the risks and opportunities. Importantly, they will also bring new and different perspectives to our work with management. Finally, I want to express my gratitude to Rob Kreukniet, who stepped down from the Board of Management after seven years, and wish every success to Marc Broskij, his successor as Chief Operating Officer.

Next year will again bring challenges. We will still be living with the appalling effects of Russia's war in Ukraine, including considerable economic uncertainty. Given that, it is reassuring to see KPMG N.V. enter 2022/2023 in a strong position in both Assurance and Advisory, and with a clear plan as part of *Trust & Growth* for the coming year. I am confident that all at KPMG N.V. will meet these challenges as they have met the challenges of the past twelve months: with energy, professionalism, commitment and according to the highest standards of integrity.

Roger van Boxtel
Chairman of the KPMG N.V. Supervisory Board

Functioning of the Supervisory Board

The Supervisory Board is responsible for overseeing and advising the Board of Management, with a view to protecting public interest and creating long-term value for the firm's stakeholders. This includes advising on Assurance and Advisory businesses (as well as the challenges and opportunities that arise from KPMG being present in both businesses).

The Supervisory Board also advises the Board of Management on KPMG N.V.'s supporting organization, including the internal risk controls in place as part of our ERM Framework. The Supervisory Board's responsibilities are set out in KPMG N.V.'s Articles of Association and the Board's own rules of procedures, available online [1] .

Consultation with internal and external stakeholders

Members of the Supervisory Board regularly meet other internal stakeholders. These stakeholders include Board members at Coöperatie KPMG U.A., equity partners, employees, Young Board Now and representatives from the firm's Works' Council. The Board also maintains regular contact with KPMG International, clients, regulators and other external stakeholders. These conversations keep the Supervisory Board informed of developments, and help it constantly assess and review its role within KPMG N.V.

Current Board composition and membership of committees

At the end of 2021/2022, our Supervisory Board comprised six members. These members complied with the profile description set out in the Supervisory Board Rules. Taken together, the Board has considerable expertise in management, finance, IT, risk and compliance, sustainability, government and human resources. On 1 December 2021, Roger van Boxtel took over as Supervisory Board Chairman, succeeding Bernard Wientjes who stepped down after six-and-a-half years as Chairman. Two new members were also appointed to the Board in 2022: Linda Hovius and Kuldip Singh. These appointments will further strengthen the Board's diversity and expertise, particularly in leadership, HR and digital technologies.

1 *These rules of procedure are compliant with the Audit Firms Supervision Act and measures introduced by the Royal Netherlands Institute of Chartered Accountants as part of its 2014 Public Interest Report. For more information, click here.*

Details of Board members, their appointments and committee membership may be found in the table below:

Member	Date first appointed	First term	Second term	Committee memberships
Roger van Boxtel (chair)	1 June 2021	2021-2025		Assurance Quality Remuneration & Appointment
Jolande Sap (vice-chair) [1]	19 August 2015	2015-2019	2019-2023	Assurance Quality Remuneration & Appointment
Gosse Boon	1 August 2016	2016-2020	2020-2024	Assurance Quality Audit & Risk
Claartje Bulten	1 September 2020	2020-2024		Assurance Quality Audit & Risk
Linda Hovius	8 March 2022	2022-2026		Assurance Quality Remuneration & Appointment
Kuldip Singh	1 March 2022	2022-2026		Assurance Quality Audit & Risk

1 Supervisory Board members appointed on the recommendation of the Works' Council are, by law, members of the Board's Remuneration & Appointment Committee. Of the Committee's current members, this provision applies to Jolande Sap and Linda Hovius only.

Board independence

All Supervisory Board members qualify as independent under the terms of the Dutch Corporate Governance Code and Audit Firms Supervision Act (as well as KPMG N.V.'s own Supervisory Board Rules). Members' independence is monitored by the Ethics & Independence unit, part of our Quality and Risk Management function. Supervisory Board members are obliged to notify KPMG N.V.'s Ethics & Independence Director of any material change in their positions. Members' continued independent status is verified at all meetings of the Supervisory Board, and members must inform the Chair of potential conflicts of interest.

Training and education

For all Supervisory Board members, there is a training curriculum, comprising:
- Board program training modules and meetings
- Internal KPMG and other e-learning courses (covering subjects such as data privacy, Board independence and information protection).

There is also an extensive induction program for new Supervisory Board members. During the past year, the Supervisory Board focused its training program on ESG, digital and inclusion, diversity and equity. Members also had the opportunity to take part in the Digital MBA.

Board evaluation

Our Supervisory Board undergoes an annual assessment; in 2021/2022, this assessment was carried out by an external party. The assessment covered the following:

- Functioning of the Supervisory Board, committees and members
- Interaction between members and with the Board of Management
- Composition, profile and any need for additional training
- Lessons to be learnt from events over the past financial year.

In addition, the Board also conducted:

- A separate assessment of the Board of Management (against agreed targets)
- A joint session with members of the Board Management to assess cooperation between the Supervisory Board and Board of Management.

Members of the Supervisory Board

Roger van Boxtel

Chair of the Supervisory Board

Member of the Remuneration & Appointment and Assurance Quality Committees

Dutch, male, born 1954

After studying law, Roger began his career with VNG, the Dutch local government association. He later worked as a consultant and was elected as an MP before serving as the Netherlands' Minister for Urban Policy and Integration. Roger was also party leader of D66 and a member of the Dutch Senate. He served as Chair of health insurer Menzis and president of the Dutch Railways before his appointment to KPMG N.V.'s Supervisory Board in June 2021. Roger became Chair of the Supervisory Board in December 2021.

Jolande Sap

Vice-Chair of the Supervisory Board

Chair of the Assurance Quality Committee and member of Remuneration & Appointment Committee

Dutch, female, born 1963

In addition to her position at KPMG N.V., Jolande is also Chair of the Societal Impact Team and Chair of the Supervisory Board at both Fairfood and SAAT Triodos. She is also a Board member at the Dutch Emissions Authority, a non-executive director at Renewi plc and member of the Supervisory Board at KPN N.V. Previously, Jolande served for four years as GroenLinks member of the Dutch House of Representatives. She was also party leader between 2010 and 2012. Since leaving politics, she has remained involved in social issues, including healthcare, food supply and the clothing industry. Jolande joined the Supervisory Board in August 2015.

Gosse Boon

Chair of the Audit & Risk Committee and member of the Assurance Quality Committee

Dutch, male, born 1959

Gosse was first appointed to the Supervisory Board in 2016. He is also Chair of the Supervisory Board at Albron and Vice-Chair of Royal BAM Group's Supervisory Board. In addition, Gosse acts as an expert member – or lay judge – at the Enterprise Chamber, part of the Dutch Court of Appeal. Gosse was previously CFO and member of the Executive Board at Nutreco and, prior to that, at Van Gansewinkel Group. He also worked at Unilever for 20 years in various senior general management, supply chain, finance and IT positions.

Claartje Bulten

Member of the Audit & Risk and Assurance Quality Committees

Dutch, female, born 1975

Claartje works as a professor of company law at Radboud University in Nijmegen. She has been a member of the Supervisory Board since 2020. She is also Chair of the Van der Heijden Institute, which specializes in business law, and Chair of the Dutch Ministry of Justice & Security's Committee on Company Law. Previously, Claartje served as a crown member of the Netherlands' Social and Economic Council and clerk of the Enterprise Chamber of the Dutch Court of Appeal.

Linda Hovius

Chair of the Remuneration & Appointment Committee and member of the Assurance Quality Committee

Dutch, female, born 1961

Linda was appointed to the Supervisory Board in March 2022 after being a boardroom consultant for many years. She was formerly founder and managing partner at Aberkyn and Director of Consulting Staff at McKinsey & Co. in Amsterdam. In addition to her position at KPMG N.V., Linda is also a non-executive board member at Flow Traders, Royal FloraHolland and Triple Jump Impact Investment, as well as a member of the Advisory Board at Vereniging Rembrandt and Vice-Chair of the Royal Holland Society of Science and Humanities.

Kuldip Singh

Member of the Audit & Risk and Assurance Quality Committees

Dutch, male, born 1973

Kuldip has been a member of the Supervisory Board since March 2022. He is a business economist by profession, has two post-graduate degrees and attended Harvard Business School. Previously, he worked for Innogy Retail International in digital and digital business transformation. He was also Global Head of Digital Transformation Customer Solutions at E.ON Group, Chief Operating Officer at Sanoma Digital, and CEO and CFO of Gruner + Jahr in India. Kuldip is also a member of the Supervisory Board at De KinderTelefoon.

Supervisory Board activities in 2021/2022

During the past year, the Supervisory Board worked closely with the Board of Management in several important areas:

- Strategy and value creation (implementation of the firm's long-term vision and strategy, digital & innovation; business growth; regulatory developments; new business models and services; and the firm's brand image)
- Quality and independence (implementation of a vision and strategy for quality; policies, controls and measures to further improve quality; protecting independence and supporting a broader culture of quality within the firm)
- Culture (helping the Board of Management create a culture that encourages high performance, innovation and integrity; supporting greater openness, diversity and inclusion; encouraging employees to show accountability and leadership)

During the year, the Supervisory Board held nine meetings, each beginning with a closed preparatory session. Attendance at all meetings was 100%. The meetings addressed a number of topics – some part of the Board's annual planning, others relating to events or developments during the year. Principal topics discussed in 2021/2022 were:

- Recent social, political and economic developments, including the current war in Ukraine, rising prices, the economic outlook and continued impact of the Covid-19 pandemic
- Public trust, particularly as this may affect our business, operations, strategy and markets
- *Trust & Growth*, with the Board regularly reviewing progress with the firm's strategy, focusing on quality, sustainability and digital & innovation
- Integrated annual report, with the Board discussing the external auditor's report prior to publication (in the presence of both the auditor and the Board of Management).

Supervisory Board committees

The Supervisory Board operates through three committees: Assurance Quality, Audit & Risk and Remuneration & Appointment. The terms of reference for these committees may be found online. Committee meetings may be attended by subject matter specialists, where necessary.

Assurance Quality Committee (AQC)

Responsibilities	Overseeing the firm's system of controls affecting audit quality, independence, integrity and stakeholder/public interest
	Advising the Board of Management on quality performance
	Approving the long-term vision and strategy to further improve the approach to quality
	All Supervisory Board members are also members of the AQC. Supervisory Board meetings are held in the presence of members of the Board of Management.
2021/2022 meetings and other activities	*The AQC held five meetings during the year. The main topics of discussion were:*
	Recent policy developments in the Dutch accountancy sector, including proposed standards issued by the Quartermasters
	KPMG's North Star project to digitalize audit processes
	Outcomes of Quality Performance and Engagement Quality Control Reviews
	Annual ratings for the firm's equity partners with respect to quality
	(Results from) inspections conducted by the AFM and PCAOB
	Implementation of KPMG Clara and the switch to ISQM1

"KPMG N.V.'s stated ambition is to be a leader in assurance. Part of this is taking an active role in the public debate in the Netherlands over audit quality. During the past year, the AQC has provided regular feedback on developments in the sector and the government's reform proposals. Being a leader is also about maintaining the highest possible quality standards. As the AQC, we were very glad to see encouraging improvements in both internal and external quality measures. This is a reflection, partly, of quality coaching and the hard work of the firm's EQCR teams. During the past year, we also oversaw progress with the North Star project for digitizing audit, and discussed international developments with the global head of audit. We were pleased to see new contracts won as part of mandatory firm rotations, and the continued roll-out of the KPMG Clara. We realize the transition to KPMG Clara puts further pressure on work volumes in the short run – an issue we are monitoring closely, particularly with regard to its possible impact on employee well-being and audit quality. We appreciate the measures management have taken on work volume management and rewards, and are happy to see emerging evidence that KPMG Clara leads to higher audit quality in practice."

Jolande Sap, Chair of the AQC

Audit Risk Committee (ARC)

Responsibilities	Monitoring the functioning of the firm's ERM framework, as well as compliance with laws and regulations, including the EU's General Data Protection Regulation (GDPR)
	Overseeing financing of operations, financial reporting, the firm's tax position and use of IT
	Advising on accounts, budgets and investments, and monitoring delivery of the Trust & Growth strategy
	Nominating, selecting, assessing and maintaining regular dialogue with the firm's external auditor [1]
2021/2022 meetings and other activities	The ARC met eight times in 2021/2022 in the presence of the Chief Operating Officer, Chief Financial Officer and Head of the Internal Audit & Compliance Office. Representatives from the external auditor were also present at several meetings. During the year, one closed meeting took place involving the ARC and the external auditor. The main topics of discussion were:
	Business plan, financial and business performance, tax, insurance, ERM reporting and 'soft controls'
	External audit scope, approach and fees, and annual management letter
	Selection of new external auditor to start work in 2022/2023
	Cybersecurity as part of the firm's overall digital strategy
	Internal audit & compliance plan and Annual Report, M&A strategy and IT general controls
	Findings from internal and external audits and follow-up actions
	Annual accounts and Annual Integrated Report for 2021/2022
	GDPR compliance

1 The external auditor is assessed annually, using the following criteria: professional performance, communications, independence and professional criticism, and expertise/composition of the audit team. The auditor's independence is also (re-) confirmed every year. In its latest assessment, the ARC concluded that BDO Audit & Assurance B.V., the external auditor, met the standards required.

> "In the past year, KPMG sustained its profitable growth trajectory, and continued its robust investment program. Regarding the appointment of the Chief Operating Officer and the external auditor, we organized and successfully completed a comprehensive and thorough selection and nomination process, leading to appointments of Marc Broskij and PwC respectively. Cyber security was further enhanced during the year. And, finally, the journey toward reasonable assurance for the Integrated Annual Report was concluded successfully."

Gosse Boon, Chair of the ARC

Remuneration & Appointment Committee (RAC)

Responsibilities	Overseeing remuneration, selections and (re-) appointments Monitoring compliance with policies related to remuneration and appointments Reviewing performance of Board of Management members
2021/2022 meetings and other activities	The RAC held six meetings during the year, with the CEO and Chief HR Officer presents for most agenda items. At these meetings, the main topics of discussion were: Results of the annual Global People Survey (and follow-up actions) Overview of the firm's People Agenda, including talent management, culture, inclusion & diversity and psychological safety Appointment of two new Supervisory Board members and new Chief Operating Officer Remuneration policy with regard to both members of the Board of Management and Supervisory Board Overseeing the firm's policies and procedures for the appointment of partners and directors Setting of key performance indicators and performance assessment for member of the Board of Management

"As incoming Chair of the RAC, I have been impressed with KPMG N.V.'s professionalism and focus on talent. The people agenda is core to the business and I see KPMG's values reflected in all the interactions we have had so far as a Supervisory Board. During RAC meetings, we regularly discuss topics like culture, psychological safety, diversity and inclusion, talent development, reward and recognition, retention and attraction, particularly in light of the current scarcity of talent in the market. It is the human touch that really distinguishes KPMG and explains why we're successful in attracting different talent to the firm. We regularly invite the Young Board Now to RAC meetings to share their views – a highly-valuable dialogue with the next generation and important input to our people agenda."

Linda Hovius, Chair of the RAC

Remuneration report

Across KPMG N.V., we have a clear, consistent approach to remuneration. Professionals are entitled to both a fixed salary and performance-related or variable, pay. In determining variable pay, we consider several criteria. The most important is quality. As a matter of policy, we won't reward employees who underperform on quality. On the other hand, employees *are* rewarded if they go beyond the original scope of their roles and/or if they have a positive impact on their team and the company as a whole.

For all professionals, performance is assessed against pre-agreed annual goals – these goals are linked to KPMG's culture, business plan, values and global behaviors. Performance is graded; these grades then determine both the growth path for individuals and subsequently their remuneration. As a company, we regularly benchmark our remuneration to ensure we remain competitive. In July 2022, we implemented an intermediate salary increase for staff, in addition to the regular annual pay review, to share our recent financial success with employees.

For engagement leaders – i.e., those leading audits or advisory projects with clients – the performance review process is based partly on standardized quality and risk metrics (including the results of external reviews and internal monitoring programs, 'leading by example', and timely completion of training).

Partners

Our equity partners have a different remuneration structure. Each year, they receive a share of profits, also adjusted for performance (starting with audit quality). In 2021/2022, partners received an average profit-share of EUR 752,000, an increase of 2% compared with the previous year (EUR 735,000). Pay for partners is determined by two factors: the company's profit for the year and personal performance. Management monitors closely any partners scoring 4 or 5 (the two lowest grades). Where necessary, individual improvement plans are put in place. The process is overseen by the Supervisory Board. Certain partners – in both Assurance and Advisory – are subject to clawbacks; this allows the firm to recover part of their annual management fees in the case of "demonstrably culpable conduct". A deferred profit-sharing scheme is also in place for assurance partners (in line with measure 3.5, published by the Royal Netherlands Institute for Chartered Accountants).

Board of Management

Members of the Board of Management receive fixed compensation. They are not eligible for variable pay or fixed salary increases. Equity partners serving as members of the Board of Management are also excluded from profit sharing. Instead, remuneration for Board of Management members is based on past levels of partner pay, market trends and professional responsibility. In 2021/2022, we introduced a new rolling mechanism in the remuneration policy of the Board of Management to make our approach more sustainable and better focused on long-term value creation [1] . When evaluating the performance of members of the Board of Management, the Supervisory Board takes into account personal performance, as well as members' approach to quality, public interest, client satisfaction, people management and sustainable business growth. Please refer to our Financial Statements for details of the Board of Management's annual remuneration.

Supervisory Board

Members of the Supervisory Board receive fixed annual fees. In 2021/2022, the Chair received EUR 69,000, all other members between EUR 55,000-57,500.

1 *This renewed policy has been approved by the Board of Coöperatie KPMG U.A.*

In Control Statement

The measures and procedures that serve as the basis for the system of quality controls for KPMG Accountants N.V., as outlined in this report, aim to provide a reasonable degree of assurance that the statutory audits carried out by the firm comply with relevant laws and regulations.

Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected. The Board of Management has considered:

- The design and operation of the system of quality controls, as described in this report;
- The findings from the various compliance programs operated by the firm (including the KPMG International compliance programs and local compliance monitoring programs);
- Findings from regulatory and internal inspections;
- Subsequent follow-up and/or remedial actions, in particular those relating to quality improvement, as also explained in this report.

Taking this into account, the Board of Management confirms with a reasonable level of assurance that the system of quality controls within the firm operates effectively, and a structured process is in place to ensure that our professionals maintain their level of knowledge and skills, including continuous professional education. Further, the Board of Management confirms that an internal review of independence compliance within the firm has been conducted.

Amstelveen, 15 December 2022
Stephanie Hottenhuis, Marc Broskij, Edwin Herrie, Marc Hogeboom

Financial statements & notes

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 September 2022

EUR 000		2021/2022	2020/2021*
Revenue	*5*	655,446	568,672
Other income	*6*	31,193	23,292
Total operating income		**686,639**	**591,964**
Costs of outsourced work and other external charges	*7*	63,938	49,277
Employee benefits expenses	*8*	352,829	301,397
Depreciation and amortization	*5, 14, 15*	35,582	36,162
Net impairment loss	*14*	528	–
(Reversal of) impairment on trade receivables	*17*	181	-365
Other expenses	*9*	106,659	85,474
Operating expenses		**559,717**	**471,945**
Operating result		**126,922**	**120,019**
Finance income	*10*	188	158
Finance expenses	*11*	-7,629	-8,687
Profit before income tax		**119,481**	**111,490**
Income tax expense	*12*	2,066	1,275
Fees payable to Coöperatie KPMG U.A.	*13*	117,415	110,215
Profit and total comprehensive income for the year		**–**	**–**
Profit and total comprehensive income attributable to:			
Owners of the Company		–	–
Non-controlling interest		–	–

* The presentation of the 2020/2021 numbers has been adjusted for comparison purposes, reflecting the inclusion of finance income related to a financial lease contract that was included in Other income in prior year.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 September 2022

EUR 000		30 September 2022		30 September 2021*	
Assets					
Non-current assets					
Intangible assets and goodwill	*14*	13,554		14,246	
Property, plant and equipment	*15*	135,081		142,230	
Other financial assets	*16*	6,302		6,735	
Deferred tax assets	*12*	2,340		2,801	
Total non-current assets			**157,277**		**166,012**
Current assets					
Contract assets	*5*	34,142		32,257	
Receivables	*17*	122,991		97,469	
Cash and cash equivalents	*18*	179,267		164,594	
Assets held for sale	*19*	–		256	
Total current assets			**336,400**		**294,576**
Total assets			**493,677**		**460,588**
Equity and liabilities					
Equity	*20*				
Share capital		5,500		5,500	
Share premium		16,970		15,800	
Reserves		6,396		6,396	
Profit for the year		–		–	
Total equity			**28,866**		**27,696**
Non-current liabilities					
Loans and borrowings	*21*	154,816		155,099	
Employee benefits	*22*	1,910		2,500	
Total non-current liabilities			**156,726**		**157,599**
Current liabilities					
Loans and borrowings	*21*	135,074		122,549	
Trade and other payables	*24*	58,459		51,816	
Employee benefits	*22*	51,335		44,878	
Provisions	*23*	200		813	
Contract liabilities	*5*	63,017		55,237	
Total current liabilities			**308,085**		**275,293**
Total liabilities			**464,811**		**432,892**
Total equity and liabilities			**493,677**		**460,588**

* The presentation of the 2021 numbers has been adjusted for comparison purposes, reflecting the inclusion of a financial lease contract in other financial assets that was included in property, plant and equipment in prior year.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year

ended 30 September 2022

EUR 000		2021/2022	2020/2021*
Profit for the year		-	-
Adjustments for:			
Income tax expense	*12*	2,066	1,275
Impairment trade receivables and contract assets		181	–
Depreciation and amortization	*14, 15*	35,469	35,992
Net impairment loss	*14*	528	–
Finance income	*10*	-188	-158
Finance expenses	*11*	7,629	8,687
Gain on sale of shares in KPMG Investments Malta Ltd.		-4,634	–
Cash flows before movements in working capital and provisions		**41,051**	**45,796**
Change in contract assets	*5*	-1,885	-4,264
Change in receivables	*17*	-25,447	-685
Change in other assets		482	-16
Change in contract liabilities	*5*	7,780	11,190
Change in trade and other payables	*24*	6,720	-210
Change in provisions	*23*	-613	299
Change in employee benefits	*22*	5,867	21,314
Cash flows from operating activities		**33,954**	**73,424**
Income tax paid		-1,681	-906
Net cash from operating activities		**32,273**	**72,518**
Acquisition of property, plant and equipment	*15*	-6,685	-3,474
Investment in software	*14*	-1,574	-1,134
Net proceeds of sale of shares in KPMG Investments Malta Ltd.		4,634	–
Net cash used in investing activities		**-3,625**	**-4,608**
Addition to share premium by partners		2,160	2,230
Net proceeds/(repayment) of loans and borrowings from partners	*21*	20,277	53,422
Net proceeds/(repayment) of loans and borrowings from former partners	*21*	532	-5,700
Interest paid to Coöperatie KPMG U.A. re partners and former partners	*11*	-4,530	-4,324
Repayment of share premium to Coöperatie KPMG U.A.		-990	-1,510
Interest and bank charges paid		-3,126	-4,412
Interest received	*10*	188	158
Payment of lease liabilities		-29,830	-29,005
Proceeds of employee bonds	*21*	1,977	1,243
Repayment of employee bonds	*21*	-632	-599
Net cash (used in)/from financing activities		**-13,974**	**11,503**
Net change in cash and cash equivalents		14,673	79,413
Cash and cash equivalents at 1 October		164,594	85,181
Cash and cash equivalents at 30 September	*18*	**179,267**	164,594

* The presentation of the 2020/2021 numbers has been adjusted for comparison purposes, reflecting the change in finance income related to a financial lease contract in cash from financing activities, that was included in cash flow from operating activities in prior year.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Transactions attributable to owners of the Company

EUR 000	Share capital	Share premium	Reserves	Profit for the year	Total equity
Balance at 1 October 2020	**5,500**	**15,080**	**6,396**	**–**	**26,976**
2019/2020 Result appropriation	–	–	–	–	–
Total comprehensive income for the year					
Profit/(loss) for 2020/2021	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–
Transactions with owners of the Company recognized directly in equity	–	–	–	–	–
Contributions and distributions					
Repayment	–	-1,510	–	–	-1,510
Additions by partners	–	2,230	–	–	2,230
Balance at 30 September 2021	**5,500**	**15,800**	**6,396**	**–**	**27,696**
Balance at 1 October 2021	**5,500**	**15,800**	**6,396**	**–**	**27,696**
2020/2021 Result appropriation	–	–	–	–	–
Total comprehensive income for the year					
Profit/(loss) for 2021/2022	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–
Transactions with owners of the Company recognized directly in equity	–	–	–	–	–
Contributions and distributions					
Repayment	–	-990	–	–	-990
Additions by partners	–	2,160	–	–	2,160
Balance at 30 September 2022	**5,500**	**16,970**	**6,396**	**–**	**28,866**

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

1 General

1.1 Reporting entity

KPMG N.V. (the Company) is the holding company of companies that operate in the Assurance or Advisory business segments. Coöperatie KPMG U.A. (the Cooperative) holds the shares in KPMG N.V. The only members of the Cooperative are the practice companies of the partners. On the basis of a management agreement the services of the partners are made available to the Cooperative. The Cooperative subsequently makes the services of the partners available to KPMG N.V. and its subsidiaries.

Coöperatie KPMG U.A. is the ultimate parent company of KPMG N.V. KPMG N.V. is registered with the Dutch Chamber of Commerce, and is a member firm of the KPMG network of independent member firms affiliated with KPMG International limited (KPMG International), a private English company limited by garantee.

KPMG N.V.'s registered office in the Netherlands is at Laan van Langerhuize 1-11, 1186 DS Amstelveen. The Company's consolidated financial statements for the year include the financial statements of the Company and its subsidiaries and the Group's investments in associates. The Company and its subsidiaries are jointly referred to as 'KPMG' or 'the Group'.

1.2 Reporting period

The Company's financial year runs from 1 October to 30 September of the following calendar year.

The financial statements for 2021/2022 were approved for issue by the Board of Management on 7 December 2022.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS) and with Section 2:362(9) of the Dutch Civil Code. The consolidated financial statements have also been prepared on a historical cost basis, unless otherwise stated in the respective note or Note 3 Significant accounting policies.

2.2 Functional currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All tables and amounts are in thousands of euros unless otherwise stated. In addition, all amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3 Use of estimates and judgements

The preparation of financial statements in conformity with EU IFRS requires the Board of Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported values of assets and liabilities, income and expenses. The estimates and associated assumptions are based on past expe-rience and various other factors considered reasonable in the circumstances.

The estimates and underlying assumptions are assessed periodically. Any revised estimates are accounted for in the period in which they are revised, if such revision only affects that period, or the period in which the revision is made and future periods, if the revision has implications for both the period under consideration and future periods.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 30 September 2022 that has significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 5 and 17 Measurement of unbilled services and trade receivables: in the measurement of ECL allowance for trade receivables and contract assets, key assumptions relate to the determination of the weighted-average loss rate.

Other areas that require management to make judgements, estimates and assumptions relate to deferred tax assets (assumptions include the availability of future taxable profit against which deductible temporary difference and tax losses carried forward can be utilized), intangible assets (in the impairment test of intangible assets and goodwill, key assumptions are included relating to underlying recoverable amounts, including the recoverability of development costs), provision for claims/legal proceedings (in the recognition and measurement of provisions and contingencies, key assumptions relate to the likelihood and magnitude of an outflow of resources) and financial instruments (key assumptions relate to the measurement of fair values as described below).

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Management regularly reviews the Group's significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, management uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Management recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 25 Financial instruments and associated risks.

2.4 Going concern

The financial statements have been prepared on a going concern basis.

2.5 Changes in IFRS and other accounting policies/ Accounting policies adopted for the preparation of the consolidated financial statements

The Group has adopted the following new standards, interpretations and/or amendments to a standard with a date of initial application of 1 October 2021 unless otherwise stated:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase 2;
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021.

The implementation of the above-mentioned amendments did not have an effect on profit or equity. A number of other changes to IFRSs are not applicable to the Group.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all companies included in the consolidation, except those explained in Note 2.5, which address changes in accounting policies.

3.1 New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are effec-tive for annual periods beginning after 1 January 2022, and have not been applied in preparing these consolidated financial statements. They will be applied as of 1 October 2022 or later:

- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements 2018-2020. The amendments in IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The amendments clarify how the classifi¬cation of liabilities as current or non-current should be determined;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies. The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions for which equal amounts of deductible and taxable temporary differences arise on initial recognition;
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease provided that the transaction satisfies the requirements in IFRS 15 to be accounted for as a sale.

Except for the changes in IAS 37, these amendments are not expected to have a material impact on profit or equity. Management is currently investigating the impact of the changes in IAS 37.

A number of other changes to IFRSs are not applicable to the Group.

3.2 Consolidation principles

3.2.1 Business combinations

All business combinations are accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, as a minimum, an input and a substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets constitutes a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is in general measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is immediately recognized in profit or loss. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are in general recognized in profit or loss.

Any consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured, and settlement is accounted for within equity. If not, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

3.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

A list of significant subsidiaries is included in Note 27 List of subsidiaries.

3.2.4 Loss of control of subsidiaries

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of other comprehensive income. Any resulting gain or loss is recognized in the statement of profit or loss.

3.2.5 Transactions eliminated on consolidation

Intra-group balances, intra-group transactions and any unrealized gains or losses on transactions within the Group are eliminated in preparing the consolidated financial statements.

Unrealized gains on transactions with equity accounted investees and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.2.6 Investments in equity accounted investees (associates)

The Group's investments in equity accounted investees comprise investments in associates.

Associates are those entities in which the Group has significant influence - as opposed to control or joint control - over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power in another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Group's investment includes goodwill identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and other comprehensive income of equity accounted investees, after adjustment to align the accounting policies with those of the Group, from the date significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term loans, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

The result on a sale of equity accounted investees is separately presented in the consolidated statement of profit or loss and comprehensive income.

3.3 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the exchange rate as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate as at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of profit or loss and other comprehensive income.

3.4 Hedge accounting

When derivative financial instruments are used to hedge exposure to foreign exchange risks of recognized monetary assets or liabilities, hedge accounting is not applied. A gain or loss on the hedging instrument is recognized in the statement of profit or loss.

3.5 Financial instruments

3.5.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.5.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets. In this case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model, the objective of which is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis. The Group has not elected to present subsequent changes in the investment's fair value in OCI for any equity investments.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group has not designated any financial asset to be measured at FVTPL.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way in which the busi-ness is managed and information is provided to management.

For the purposes of assessing whether the contractual cash flows are solely payments of principal and interest, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

After initial recognition, financial instruments are valued in the manner described below.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Group has the following other non-derivative financial liabilities: loans and borrowings, and trade and other payables.

3.5.3 Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3.5.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.5.5 Derivative financial instruments

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are in general recognized in profit or loss.

3.6 Property, plant and equipment

3.6.1 Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where property, plant and equipment consist of significant parts that have different useful lives, they are accounted for as separate items under property, plant and equipment.

3.6.2 Right-of-use assets

For information regarding right-of-use assets, see Note 3.7 Leases.

3.6.3 Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and the cost of the asset can be measured reliably. All other costs are recognized as expenses in the statement of profit or loss and other comprehensive income when they are incurred.

3.6.4 Depreciation

Depreciation is recognized in the statement of profit or loss and other comprehensive income in accordance with the straight-line method over the estimated useful life of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Fittings, fixtures and alterations: up to ten years;
- Computers and communications equipment: five to eight years;
- Office furniture and equipment: five to eight years depending on the lease term;
- Buildings: up to fifteen years depending on the lease term;
- Lease cars: four to five years depending on the lease term.

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Leases

The Group has long-term property leases, leases for cars and leases for printers and photocopiers.

Lessee accounting

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of either the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements or modifications of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. In general, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured if there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of cars that have a lease term of 12 months or less. The Group recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

- For disclosure on right-of-use assets, please see Note 26;
- For disclosures regarding interest expenses on lease liabilities, please see Note 11;
- For disclosure on leasing related cash outflows and the split between interest and principal payments, refer to the consolidated statement of cash flows;
- For disclosures on lease liabilities and maturity analysis, please see Note 21;
- For future lease obligations, please see Note 25.3.

Lessor accounting

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is considered an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group acts as an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’.

3.8 Intangible assets and goodwill

3.8.1 Goodwill

Goodwill is stated at cost less accumulated impairment losses, if any. An impairment loss is recognized if the recoverable amount of the cash generating unit to which the goodwill pertains, is lower than its carrying value.

3.8.2 Intangible assets

Purchased software and licenses are stated at cost. Software development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. If not, the costs of software development are recognized in profit or loss as incurred. Subsequent to initial recognition, software is measured at cost less accumulated amortization and any accumulated impairment losses. Expenditure on research activities is recognized in profit or loss as incurred.

Each category is amortized over its estimated useful life, except for licenses with an indefinite useful life, as follows:

- Software five to eight years;
- Software under construction is not amortized until ready for use or sale.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if necessary.

The useful life of an intangible asset that is not being amortized is reviewed in each annual reporting period to determine whether events and circumstances continue to support an indefinite useful life for that asset.

3.9 Unbilled services

Unbilled services represent the gross unbilled amount expected to be collected from customers for rendering services performed to date. It is measured at cost plus profit recognized to date, in proportion to the progress of the project, less progress billings and recognized losses.

Unbilled services are presented as part of contract assets for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as part of contract liabilities.

3.10 Impairment

3.10.1 Intangible and tangible assets

The carrying amount of the Group's tangible and intangible assets with a definite useful life is reviewed in case there is an objective indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. In the event that the recoverable amount is lower than the carrying amount an impairment loss is recognized in the consolidated statement of profit or loss. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, irrespective of indications that they are impaired.

The recoverable amount of an asset represents the greater of the fair value less cost to sell and the value in use. In determining the value in use, the present value of the estimated future cash flows is calculated on the basis of a discount factor before tax that reflects the current market estimates of the time value of money and the specific risk to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

Impairment losses in respect of goodwill cannot be reversed. An impairment loss related to other assets is reversed if and to the extent there has been a change in the estimates used to determine the recoverable amount, and only to the extent that the asset's carrying amount on the reporting date does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.10.2 Financial assets measured at amortized cost

The Group recognizes loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortized cost; and
- Contract assets.

The Group currently does not own any debt investments measured at FVOCI.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities and bank deposits that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience, together with informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days overdue.

The Group considers a financial asset to be in default if:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days overdue.

The Group considers a debt security to have low credit risk if its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher based on the rating scale employed by credit rating agency Moody's Investor Services, or BBB- or higher as per S&P Global Ratings or Fitch Ratings.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI, if any, are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty experienced by the borrower or issuer;
- A breach of contract such as a default or being more than 90 days overdue;
- The restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security due to financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Group measures ECLs on a collective basis. Financial assets are grouped on the basis of shared credit risk characteristics, where the main driver is instrument type. In addition, credit-impaired or defaulted loans are assessed individually.

3.11 Employee benefits

3.11.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and if the obligation can be estimated reliably.

3.11.2 Pension schemes

The Group has an individual defined contribution pension plan (het.kpmg.pensioen) for all employees which is administered by an insurance company.

3.11.3 Long-term employee benefits

The net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method, and is discounted to determine its present value. The discount rate is the yield at the reporting sheet date on AA credit-rated corporate bonds that have maturity dates approximating the term of the obligations.

These employee benefits relate primarily to supplementary WIA (Occupational Disability Insurance Act) benefits and a provision for long-service benefits.

3.12 Provisions

A provision is recognized in the statement of financial position when, as a result of a past event, the Group has a legal or constructive obligation that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

3.13 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group has determined that for assurance and advisory services, the Group recognizes revenue when (or as) it satisfies a performance obligation by transferring services (or a good) to a customer. The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.

The Group has elected to apply the practical expedient of IFRS 15.63. That means it does not adjust the promised amount of the consideration for the effects of a significant financing component if the Group expects, at the inception of a contract, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies, is described below.

Assurance and advisory services

Nature and timing of satisfaction of performance obligations, including significant payment terms

The Group has determined that for assurance and advisory services, the customer controls all of the work in progress as the services are being provided. Furthermore, under such contracts services provided do not create an asset with an alternative use to the Group as they relate to facts and circumstances that are specific to the customer and, in the event that a contract is terminated by the customer, the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

Invoices are issued according to contractual terms and are usually payable within 15 days. Amounts not yet invoiced are presented as unbilled services, as part of contract assets or contract liabilities.

Revenue recognition

Revenue is recognized over time by measuring the proportion of costs incurred to date compared with the estimated total costs of the service.

For those contracts with a constrained variable consideration that is highly susceptible to factors outside the Group's influence (e.g. success fees), the constrained amount is not included in the transaction price until the uncertainty associated with the variable consideration is resolved.

In contracts with multiple performance obligations, the stand-alone selling price of assurance and advisory services is estimated based on the cost-plus margin approach.

Software as a Service (SaaS) licenses

Nature and timing of satisfaction of performance obligations, including significant payment terms

Customers obtain control of the SaaS over time, during the period that the customer has the ability to consume and receive benefit from its access to the SaaS. Invoices are issued according to contractual terms and are usually payable within 15 days. Amounts not yet invoiced are presented as unbilled services.

Revenue recognition

Revenue is recognized over time using a time basis as a measure of progress after the go-live date of the SaaS.

In contracts with multiple performance obligations, the stand-alone selling price of SaaS is based on the list prices at which the Group sells the SaaS licenses. In the event that discounts are given in those contracts, and there is no observable evidence that the discount corresponds completely to a single performance obligation, the discount is allocated proportionally to all performance obligations of the contract.

3.14 Other income

Included in other income are amounts billed to third parties for services other than assurance and advisory services. This relates to housing expenses and IT services charged externally, primarily Meijburg & Co and KPMG International, which occupy buildings leased by the Group. Furthermore, the Group employs personnel working for KPMG International at KPMG Staffing & Facility Services B.V. These costs are rebilled in full to KPMG International.

Grant amounts and comparable items of income are recognized in the same period as relevant expenses. Grants are recognized as receivable upon the actual occurrence of, or an earlier obligation to incur, the related investment or expense. Grants are recognized in other income in the same period as the relevant expenses. To the extent that grants recognized relate to depreciable assets, grant amounts are recognized in other income over the periods and in the proportions in which depreciation expense on those assets is recognized.

3.15 Finance expenses

Finance expenses comprise interest payable on borrowings, which is calculated using the effective interest method, interest on leases, which is calculated using the incre-mental borrowing rate, and foreign exchange gains and losses.

3.16 Finance income

Interest income is recognized as it accrues in the statement of profit or loss and other comprehensive income using the effective interest method.

3.17 Fees payable to Coöperatie KPMG U.A.

In accordance with KPMG regulations and management agreements, partners are entitled to a variable contractual fee as compensation for services performed. This variable fee is equal to the profit after tax of KPMG N.V. before deducting the variable fee and excluding the amount the Board of Management proposes to add to the reserves.

These contractual fees payable are recognized as expenses in the statement of profit or loss and comprehensive income.

3.18 Income taxes

Under management agreements, all earnings of KPMG N.V. are distributed to the partners, through Coöperatie KPMG U.A., who pay tax on these earnings. The Group has a ruling for corporate income tax purposes, under which the total net income before tax is subject to corporate income tax at the level of Coöperatie KPMG U.A., KPMG N.V. and the practice companies of the individual equity partners respectively. For this reason, the income tax payable by the Group itself is limited.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. For the financial year 2021/2022 the tax rate applied was 25% for 2022 and 25.8% for 2023 and later years (2020/2021: 25% for 2021 and 25% for 2022 and later years).

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only in the event that certain criteria are met.

3.19 Principles for presentation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments.

Considering the nature of the Group's operations, the share in the results of equity accounted investees and dividends received is regarded as part of cash flows from operating activities.

Cash flows in foreign currencies are translated at the rate at the date of the cash flow. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Corporate income taxes and dividends received are presented under the cash flow from operating activities. Dividends paid, issuance of share capital, interest received, interest paid and payments of lease liabilities are presented under the cash flow from financing activities.

4 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. The Group has the following primary operating segments, which have been identified based on the way operations and financial information are organized and financial information is reported to the Board of Management:

- Assurance;
- Advisory.

The operating results of all operating segments for which discrete financial information is available is reviewed regularly by the Board of Management so that it can make decisions about resources to be allocated to the segment and to assess the segment's performance.

As the Group operates in the Netherlands, there is only one geographic segment.

The pricing of intersegment transactions is determined in accordance with the applicable internal policies.

The Group’s operating segments are its reportable segments.

Information about reportable segments

Information related to each reportable segment is set out below. Net sales, Income and Operational results are used to measure performance as management believes this information to be the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries. In addition, average FTEs per segment are closely monitored.

Segmentation 2021/2022	Assurance	Advisory	Total reportable segments	Other segments and intersegment eliminations	Total
EUR 000					
Net sales	342,005	250,765	592,770	-2	592,768
Income	330,189	261,640	591,829	-351	591,478
Operational result	94,025	91,121	185,146	-100,454	84,692
	Assurance	**Advisory**	**Total reportable segments**	**Other segments**	**Total**
Average FTEs					
Partners	90	62	152	6	158
Other professionals	1,710	1,171	2,881	-	2,881
Support staff	152	70	222	552	774
Total FTEs	**1,952**	**1,303**	**3,255**	**558**	**3,813**

Segmentation 2020/2021	Assurance	Advisory	Total reportable segments	Other segments and intersegment eliminations	Total
EUR 000					
Net sales	309,840	210,538	520,378	-	520,378
Income	298,530	221,822	520,352	-975	519,377
Operational result	93,188	76,336	169,524	-84,929	84,595
	Assurance	**Advisory**	**Total reportable segments**	**Other segments**	**Total**
Average FTEs					
Partners	86	53	139	6	145
Other professionals	1,590	1,036	2,626	-	2,626
Support staff	147	59	206	513	719
Total FTEs	**1,823**	**1,148**	**2,971**	**519**	**3,490**

Reconciliation of information on reportable segments to the amounts reported in the financial statements

EUR 000	2021/2022	2020/2021
Net sales and income		
Net sales	592,768	520,378
Adjustment internal revenue	-1,290	-1,001
Income	**591,478**	**519,377**
Client related expenses	63,968	49,295
Consolidated revenue	**655,446**	**568,672**
Operational result		
Operational result	84,692	84,595
Advanced fees paid to the Cooperative	37,606	34,824
IFRS 16 adjustments	1,976	2,112
Extraordinary results	2,648	-1,512
Consolidated Operating result	**126,922**	**120,019**

Work performed by employees for internal purposes (adjustments internal revenue) is included in net sales for internal reporting purposes. This is excluded from income or consolidated revenue.

Income for internal reporting purposes is exclusive of client-related expenses, such as travel expenses, expense declarations or external client-related invoices. When these expenses are invoiced to the client, they are included in consolidated revenue.

Operational result for internal reporting purposes is exclusive of advanced fees paid to the Cooperative, the effects of IFRS 16 and extraordinary results such as the book gain on the sale of the KPMG Investments Malta Ltd., which are included in consolidated operating result.

5 Revenue

Revenue streams

The Group generates revenue primarily from single or multiple performance obligations to deliver assurance and advisory services. The main component of these contracts is labor.

EUR 000	2021/2022	2020/2021
Revenue from contracts with customers	655,446	568,672

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary service lines.

EUR million	Wet toezicht Accountantsorganisaties (Wta) audits	Other financial statements audits	Other assurance services	Total assurance services	Advisory services	Total
FY 2021/2022						
OOB clients (Wta)	70.1	4.9	9.4	84.4	–	**84.4**
Non-OOB clients (Wta)	136.1	18.6	11.4	166.1	9.9	**176.0**
Other audit clients	–	49.4	7.0	56.4	4.3	**60.7**
Other clients	–	–	12.9	12.9	321.4	**334.3**
Total	**206.2**	**72.9**	**40.7**	**319.8**	**335.6**	**655.4**
Of which revenue is related to:						
Assurance	206.2	72.9	40.2	319.3	45.1	**364.4**
Advisory	–	–	0.5	0.5	290.5	**291.0**
Total	**206.2**	**72.9**	**40.7**	**319.8**	**335.6**	**655.4**
FY 2020/2021						
OOB clients (Wta)	67.0	4.5	7.4	78.9	–	**78.9**
Non-OOB clients (Wta)	117.2	15.0	10.5	142.7	11.5	**154.2**
Other audit clients	–	51.1	6.6	57.7	9.3	**67.0**
Other clients	–	–	12.5	12.5	256.1	**268.6**
Total	**184.2**	**70.6**	**37.0**	**291.8**	**276.9**	**568.7**
Of which revenue is related to:						
Assurance	184.2	70.6	36.4	291.2	36.0	**327.2**
Advisory	–	–	0.6	0.6	240.9	**241.5**
Total	**184.2**	**70.6**	**37.0**	**291.8**	**276.9**	**568.7**

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

EUR 000		2021/2022	2020/2021
Trade Receivables which are included in 'Receivables'	*17*	107,887	88,084
Contract assets		34,142	32,257
Assets held for sale	*19*	–	256
Contract Liabilities		-63,017	-55,237

The contract assets primarily relate to unbilled services in relation to contracts with customers, amounting to EUR 34,142 as at 30 September 2022 (30 September 2021: EUR 32,257). Unbilled services are subject to a first pledge in favor of Coöperatie KPMG U.A. as security for loans advanced.

The remainder of the contract assets are related to costs to fulfil contracts where the Group performs set-up activities to deliver Software as a Service (SaaS licenses). These costs were determined based on the cost price of consulting hours related to the set up activities performed before the go-live date of the SaaS licenses. These contract assets are amortized over the period that the SaaS license is provided to the customer.

The amount of amortization of contract assets during the period ended 30 September 2022 was EUR 113 (30 September 2021: EUR 170). The amortization expenses relate partly to contract assets formed during the financial year and partly to existing contract assets as at the start of the financial year.

The contract liabilities primarily relate to advance billings for various activities in line with KPMG's services to be provided. Contract liabilities also include setup activities that do not transfer a service to the customer on their own, but are necessary for the use of the SaaS licenses to be provided to the customer.

No amount has been recognized as revenue for the period ended 30 September 2022 (EUR 1 for the period ended 30 September 2021), which partly relates to contract liabilities formed during the year and partly to contract liabilities recognized at the beginning of the period.

Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

6 Other income

Other sources of income include amounts billed to third parties for services other than assurance and advisory services. This relates to housing expenses and IT services charged externally, primarily to Meijburg & Co and KPMG international, which occupy buildings leased by the Group. Furthermore, the Group employs personnel working for KPMG International at KPMG Staffing & Facility Services B.V. These costs are rebilled in full to KPMG international. In 2021/2022, the Group's 15% interest in KPMG Investments Malta Ltd. was sold to KPMG UK for a total consideration of EUR 4.6 million, which has been included in other income.

7 Cost of outsourced work and other external charges

Costs of outsourced work and other external charges relate to third-party services, including those from other members of the KPMG network, and expenses directly attributable to engagements.

8 Employee benefits expenses

EUR 000	2021/2022	2020/2021
Salaries and other employee benefit expenses	299,411	252,353
Social security costs	34,589	31,302
Pension costs	18,247	15,753
Long-term employee benefits	15	768
Severance expenses	567	1,221
	352,829	**301,397**

In line with 2020/2021 KPMG has further increased the various components of salaries and other employee benefits (mainly fixed and variable pay and additional one-time payments) during 2022 in reflection of the firm's higher profits. The average salary per KPMG employed FTE increased by 3.3% (2020/2021: increase 13.4%), which growth is a decrease year on year in comparison with 2020/2021 due to the FTE increase of 9.3% (in accordance with last year's outlook) of mainly starter functions.

Total employee expenses increased by 16.6% (2020/2021: increased by 10.4%).

Number of staff and partners

Average FTE	2021/2022	2020/2021
Professional staff	2,881	2,626
Support staff	652	604
Support staff for KPMG International	122	115
	3,655	**3,345**
Partners	158	145
	3,813	**3,490**

9 Other expenses

EUR 000	2021/2022	2020/2021
Other employee expenses	35,292	24,464
Travelling and representation expenses	14,344	10,150
Housing expenses	7,905	5,889
Office and IT expenses	17,438	13,947
Other expenses	31,680	31,024
	106,659	**85,474**

Other employee expenses increased as a result of higher recruitment, entertainment and study costs, which reflects the increase in activities following the relaxation of Covid-19 measures. Travel and representation expenses increased as a result of higher lease expenses and increased travel compared with the first year of Covid-19. Housing expenses increased due to higher energy, catering and rental costs. Office and IT expenses increased due to higher software and general IT expenses.

Other expenses included in Other expenses mainly relate to contributions to KPMG International, insurance expenses, AFM fees and advertising and marketing expenses. Total litigation expenses (including related legal expenses and movements in provisions) included in other expenses amount to EUR 0.3 million (2020/2021: EUR 1.1 million).

An amount of EUR 7.8 million is recognized in the other expenses (employee expenses and IT expenses) related to research and development costs (2020/2021: EUR 5.6 million).

10 Finance income

EUR 000	2021/2022	2020/2021
Interest on lease receivables	120	128
Foreign exchange results	68	28
Other finance income	–	2
	188	**158**

11 Finance expenses

EUR 000	2021/2022	2020/2021
Interest expense on employee bonds	254	105
Interest expense due to Coöperatie KPMG U.A.	4,530	4,324
Foreign exchange results	102	375
Adding of interest and change in discount rate	-535	584
Interest on lease liabilities	1,976	2,112
Interest and bank charges	1,302	1,187
	7,629	**8,687**

12 Income taxes

Under management agreements, all earnings of KPMG N.V. are distributed to the partners, through Coöperatie KPMG U.A., who pay tax on these earnings. The Group has a ruling for corporate income tax purposes, under which total net income before tax is subject to corporate income tax at the level of Coöperatie KPMG U.A., KPMG N.V. and the practice companies of the individual equity partners respectively. For this reason, income tax payable by the Group itself is limited.

Tax on the profit share of KPMG N.V. is calculated using the average tax rate applicable for the year. For 2021/2022, the average tax rate was 25.0% (2020/2021: 24.7%).

The table below provides a reconciliation between accounting profit and taxable profit.

EUR 000	2021/2022	2020/2021
Profit before tax	119,480	111,490
Expenses related to early retired partners	-274	-1,436
Tax-exempt income	-3,331	-197
Non-deductible expenses	1,356	1,433
Temporary differences	-2,130	-412
Taxable profit	**115,101**	**110,878**
Of which taxable by:		
KPMG N.V.	6,419	6,217
Coöperatie KPMG U.A.	1,076	1,016
Practice companies of the individual equity partners	107,606	103,645

12.1 Amounts recognized in profit or loss

EUR 000	2021/2022	2020/2021
Current tax expense		
Current year	1,605	1,532
Adjustments for prior years	-	2
	1,605	**1,534**
Deferred tax expense/(income)		
Recognized deductible temporary differences	461	-259
Tax expense on continuing operations	**2,066**	**1,275**

12.2 Movement in deferred tax balances

EUR 000	Net balance at 1 October	Recognized in profit or loss (see 12.1)	Net balance at 30 September	Deferred tax asset	Deferred tax liability
2020/2021					
Property plant and equipment	2,310	-333	1,977	1,977	–
Jubilee benefits	210	35	245	245	–
Lease liabilities	22	557	579	579	–
Deferred tax balance	**2,542**	**259**	**2,801**	**2,801**	**–**
2021/2022					
Property plant and equipment	1,977	-617	1,360	1,360	–
Jubilee benefits	245	-80	165	165	–
Lease liabilities	579	236	815	815	–
Deferred tax balance	**2,801**	**-461**	**2,340**	**2,340**	**–**

The key factors that determine the valuation of deferred tax assets are the probability of future taxable profits, the tax rates that are expected to be applied to temporary differences when they reverse and the assumption that it is expected that the carrying amount can be recovered. An increase of EUR 89 of the amount recognized in profit or loss relates to changes in enacted or substantially enacted tax rates (2020/2021: an increase of EUR 362).

12.3 Current tax balances

Coöperatie KPMG U.A. is head of the fiscal unity for income tax purposes. For this reason, current tax balances are included in the current account with Coöperatie KPMG U.A.

13 Fees payable to Coöperatie KPMG U.A.

The management fee payable to the partners, through Coöperatie KPMG U.A., is remuneration for professional services performed and entrepreneurial risk. Partners must make their own pension arrangements and pay social security costs from this fee.

The level of the management fees payable to individual partners reflects their roles and specific responsibilities as well as corresponding levels of performance and to a certain extent, reflects growth based on seniority in their initial years as partners.

In addition to their management fee, the practice companies of the partners also received expense allowances amounting to a total of EUR 104 (2020/2021: EUR 96), car allowances amounting to EUR 2,328 (2020/2021: EUR 2,059) and interest on financing totaling EUR 4,530 (2020/2021: EUR 4,324). These costs are shown in the statement of profit or loss and other comprehensive income under other expenses and finance expenses, respectively.

14 Intangible assets and goodwill

EUR 000	Goodwill	Software	Internally developed software	Licences	Total
Balance at 1 October 2020:					
Cost	6,395	17,639	5,283	544	29,861
Accumulated amortization and impairment	–	11,360	2,751	16	14,127
Carrying amount	**6,395**	**6,279**	**2,532**	**528**	**15,734**
Movements during 2020/2021:					
Additions	–	461	673	–	1,134
Amortization	–	-1,624	-998	–	-2,622
Disposals cost	–	-335	-1,985	–	-2,320
Disposals accumulated amortization	–	335	1,985	–	2,320
Balance at 30 September 2021	**6,395**	**5,116**	**2,207**	**528**	**14,246**
Cost	6,395	17,765	3,971	544	28,675
Accumulated amortization and impairment	–	12,649	1,764	16	14,429
Balance at 30 September 2021	**6,395**	**5,116**	**2,207**	**528**	**14,246**
Movements during 2021/2022:					
Additions	–	1,428	146	–	1,574
Amortization	–	-962	-776	–	-1,738
Impairment		–	–	-528	-528
Disposals cost	–	-10,839	-62	-544	-11,445
Disposals accumulated amortization and impairment	–	10,839	62	544	11,445
Balance at 30 September 2022	**6,395**	**5,582**	**1,577**	**–**	**13,554**
Cost	6,395	8,354	4,055	–	18,804
Accumulated amortization and impairment	–	2,772	2,478	–	5,250
Balance at 30 September 2022	**6,395**	**5,582**	**1,577**	**–**	**13,554**

Software

Software mainly relates to back-office systems. The remaining period of amortization as at 30 September 2022 is two to eight years (30 September 2021: two to eight years).

Internally developed software

Internally developed software mainly relates to digital risk software. During 2021/2022 an amount of EUR 146 was capitalized (2020/2021: EUR 673).

Impairment loss

In 2021/2022, an impairment loss of EUR 528 was recognized with respect to intangible fixed assets (2020/2021: no impairment loss). This impairment relates to a perpetual license in respect of cultural software, that became economically obsolete and is no longer in use. For this reason, the license was impaired to nil.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units (CGUs). The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

EUR 000	30 September 2022	30 September 2021
KPMG Advisory	6,395	6,395

On an annual basis, the Group carries out impairment tests on capitalized goodwill, which are based on the estimated cash flows of the related CGU. The CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segment as reported in Note 4 Segment reporting. The recoverable amount of the relevant CGU is determined on the basis of its value in use. Determination of the value in use is performed by using estimated future cash flows, based on the 2022/2023 business plan approved by the Board of Management and further financial projections for the financial years through 2024/2025. Cash flows after this period are extrapolated by using a growth rate to calculate the terminal value.

The key assumptions in the cash flow projections are:

- Total revenue growth and result development: which is based on historical performance, expected future market developments, and the 2022/2023 business plan. For the period 2022/2023, a real revenue growth of 12.0% is included. For the period thereafter KPMG has used a real growth of 0%, in addition to an inflation component based on inflation forecasts derived from the Economist Intelligence Group (IEU);
- A discount rate of 8.1% (2020/2021: 8.3%) to calculate the present value of the estimated future cash flows, to which pre-tax discount rates have been applied. The pre-tax discount rates are determined on the basis of the individual post-tax weighted average cost of capital calculated;
- An indefinite growth rate, including an inflation correction, based on the lowest of the risk-free rate assumed in the weighted average cost of capital and the long-term inflation forecasts derived from IEU: 2% (2020/2021: 0%).

The values assigned to the key assumptions represent management's assessment of future trends in the respective markets, and are based on both external and internal sources (historical and forward-looking data).

A sensitivity analysis has been performed, taking a change in the pre-tax weighted average cost of capital and the revenue growth expectations into consideration. An increase of 5 percentage points confirms sufficient headroom in the cash-generating unit.

Based on the outcome of the impairment tests, no impairments have been recorded.

15 Property, plant and equipment

	Fixtures fittings and alterations	Computers and communication equipment	Office furniture and equipment		Lease cars	Buildings	Total		
EUR 000	Owned	Owned	Owned	Right of use	Right of use	Right of use	Owned	Right of use	Total
Balance at 1 October 2020									
Cost	12,938	7,231	6,913	537	54,099	116,528	27,082	171,164	198,246
Accumulated depreciation and impairments	8,496	3,463	3,353	128	16,723	13,874	15,312	30,725	46,037
Carrying amount	**4,442**	**3,768**	**3,560**	**409**	**37,376**	**102,654**	**11,770**	**140,439**	**152,209**
Movements during 2020/2021:									
Additions	985	480	2,009	–	20,255	1,829	3,474	22,084	25,558
Depreciation	-948	-1,584	-791	-91	-16,625	-13,331	-3,323	-30,047	-33,370
Remeasurement	–	–	–	–	-2,093	–	–	-2,093	-2,093
Modification	–	–	–	–	-74	–	–	-74	-74
Disposals cost	-2,076	-1,327	-1,529	–	–	–	-4,932	–	-4,932
Disposals accumulated depreciation	2,076	1,327	1,529	–	–	–	4,932	–	4,932
Balance at 30 September 2021	**4,479**	**2,664**	**4,778**	**318**	**38,839**	**91,152**	**11,921**	**130,309**	**142,230**
Cost	11,847	6,384	7,393	537	72,187	118,357	25,624	191,081	216,705
Accumulated depreciation and impairments	7,368	3,720	2,615	219	33,348	27,205	13,703	60,772	75,475
Balance at 30 September 2021	**4,479**	**2,664**	**4,778**	**318**	**38,839**	**91,152**	**11,921**	**130,309**	**142,230**
Movements during 2021/2022:									
Additions	1,133	3,856	1,877	–	17,842	1,975	6,866	19,817	26,683
Depreciation	-866	-2,047	-1,082	-90	-17,772	-11,874	-3,995	-29,736	-33,731
Remeasurement	–	–	–	–	1,223	-180	–	1,043	1,043
Modification	–	–	–	–	3	–	–	3	3
Disposals cost	-4,459	-3,414	-571	–	-1,601	–	-8,444	-1,601	-10,045
Disposals accumulated depreciation	4,459	3,414	571	–	454	–	8,444	454	8,898
Balance at 30 September 2022	**4,746**	**4,473**	**5,573**	**228**	**38,988**	**81,073**	**14,792**	**120,289**	**135,081**
Cost	8,521	6,826	8,699	537	89,654	120,152	24,046	210,343	234,389
Accumulated depreciation and impairments	3,775	2,353	3,126	309	50,666	39,079	9,254	90,054	99,308
Balance at 30 September 2022	**4,746**	**4,473**	**5,573**	**228**	**38,988**	**81,073**	**14,792**	**120,289**	**135,081**

Pledges

Property, plant and equipment, with the exception of assets under construction, are subject to a first pledge in favor of Coöperatie KPMG U.A. as security for loans advanced.

16 Other financial assets

EUR 000	30 September 2022	30 September 2021
Profit share derivative of the employee bonds	64	77
Lease receivables	6,238	6,658
	6,302	6,735

Information about the Group’s exposure to credit and market risks, and fair value measurement, is included in Note 25 Financial instruments and associated risks.

Further information on lease receivables is included in Note 26 Leases.

17 Receivables

EUR 000	30 September 2022	30 September 2021
Trade receivables	110,444	89,140
Other receivables	5,045	3,147
Prepayments	7,502	5,182
	122,991	**97,469**

The recoverable amounts of trade receivables are estimated every quarter. The important factors to be considered when estimating trade receivables are historical performance, the terms and conditions of contracts, and progress on and results of work performed. Both expected macro-economic factors and the financial position of the debtor are important when assessing the loss allowance.

Unbilled services on contracts with customers are presented as contract assets in Note 5.

17.1 Trade receivables

All trade receivables are due within one year. They are subject to a first pledge in favor of the bank in connection with the credit facility provided, and a second pledge in favor of Coöperatie KPMG U.A. as security for loans advanced.

Trade receivables are shown net of expected credit losses of EUR 1,033 (2020/2021: net of expected credit losses of EUR 711). In the statement of profit or loss and other comprehensive income a loss of EUR 181 (2020/2021: profit of EUR 365) has been recognized under impairment on trade receivables (2020/2021: under impairment on trade receivables).

17.2 Other

All other receivables are due within one year. The prepayments mainly consist of prepaid insurance premiums.

18 Cash and cash equivalents

Bank balances, including business savings accounts, are subject to a first pledge in favor of the bank in connection with the credit facility provided. In addition, they are subject to a second pledge in favor of Coöperatie KPMG U.A. as security for loans advanced.

19 Assets held for sale

On 29 November 2021, the Group's 15% interest in KPMG Investments Malta Ltd. was sold to KPMG UK for a total consideration of EUR 4.6 million. As part of the external sale, certain non-compete warranties have been provided by the Company. During 2020/2021 the investment was classified as held for sale and had a value of nil.

As at 30 September 2022, no trade receivables were due from KPMG Investments Malta Ltd (30 September 2021: EUR 256).

20 Equity

20.1 Share capital

The Company has an authorized capital of EUR 20,000 (2020/2021: EUR 20,000), which is divided into 800 shares of EUR 25 each (2020/2021: 800 shares of EUR 25 each). The issued share capital consists of 220 (2020/2021: 220) shares at a nominal value of EUR 25 each (2020/2021: EUR 25 each), representing a total nominal value of EUR 5,500 (2020/2021: EUR 5,500). All of the shares are fully paid up.

KPMG N.V. is obliged to distribute all earnings that constitute profits as contractual fees to Coöperatie KPMG U.A. or as dividend, except for the amount the Board of Management proposes to add to the reserves.

20.2 Reserves

The reserves contain the profits of previous years.

20.3 Appropriation of profit

As the Group's profit totals EUR nil, there is no proposal for profit appropriation.

21 Loans and borrowings

EUR 000	30 September 2022	30 September 2021
Non-current loans and borrowings		
Loans payable to Coöperatie KPMG U.A. (partners)	52,289	42,185
Loans payable to Coöperatie KPMG U.A. (former partners)	1,321	1,568
Lease liability	101,206	111,346
Total non-current loans and borrowings	**154,816**	**155,099**
Current loans and borrowings		
Employee Bonds	3,903	2,531
Loans payable to Coöperatie KPMG U.A. (partners)	103,967	93,794
Loans payable to Coöperatie KPMG U.A. (former partners)	4,830	4,051
Lease liability	22,374	22,173
Total current loans and borrowings	**135,074**	**122,549**
	289,890	**277,648**

21.1 Employee Bonds

Employees have had the opportunity to participate in short term employee bonds with a maturity of one year, a one-year EURIBOR + 3% base rate interest and a variable surplus based on the realized profit before tax of KPMG N.V. In 2022, 3,922 bonds with a nominal value of EUR 1 were issued, of which 91 bonds were redeemed early (2021: 2,568 bonds with a nominal value of EUR 1, of which 86 bonds were redeemed early). The balance includes an interest accrual for the expected payout of EUR 72 (2021: EUR 49).

21.2 Loans payable to Coöperatie KPMG U.A. relating to partners

The interest charged on current accounts included in loans is 0.9% (2020/2021: 1.2%). Partners participate in a mandatory loan program totaling EUR 25.9 million as at 30 September 2022 (30 September 2021: EUR 23.9 million), bearing an interest of 8.0% (2020/2021: 8.0%). Partners also have the opportunity to subscribe to deposits with a duration varying between one and five years. The total amount subscribed as at 30 September 2022 was EUR 36.6 million with an interest rate of 2.5% to 6.3% depending on the duration of the loan (30 September 2021: EUR 37.6 million with an interest rate of 4.5% to 7.0%).

Movements in financing by partners:

EUR 000	2021/2022	2020/2021
Balance at 1 October	135,979	82,557
Fees to partners under management agreements	117,415	110,215
Interest due to Coöperatie KPMG U.A. relating to partners	4,260	4,127
Other movements (net withdrawal)	-101,398	-60,920
Balance at 30 September	**156,256**	**135,979**

Other movements refer mainly to amounts withdrawn by partners.

21.3 Loans payable to Coöperatie KPMG U.A. relating to former partners

Non-current loans payable to Coöperatie KPMG U.A. relating to former partners comprise early retirement liabilities to former partners and have an average term of 2.1 years (2020/2021: 3.3 years). These liabilities are not interest bearing. The average interest on current loans payable to former partners is 0.8% (2020/2021: 0.9%).

21.4 Lease liability

Lease liabilities are payable as follows:

EUR 000	30 September 2022			30 September 2021		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	24,526	2,152	22,374	24,460	2,287	22,173
Between one and five years	60,629	4,251	56,378	64,407	4,873	59,534
More than five years	48,208	3,380	44,828	56,052	4,241	51,811
	133,363	**9,783**	**123,580**	**144,919**	**11,401**	**133,518**

22 Employee benefits

EUR 000	30 September 2022			30 September 2021		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Long-term employee benefit obligations	255	1,910	2,165	215	2,500	2,715
Short-term employee benefit obligations	51,080	–	51,080	44,663	–	44,663
	51,335	**1,910**	**53,245**	**44,878**	**2,500**	**47,378**

Long-term employee benefits consist of long-term pension plans that supplement WIA (Occupational Disability Insurance Act) benefits, provisions for long-service entitlements, and a number of special schemes and current employee benefit obligations that relate to accrued holiday allowances, bonuses and overtime as well as holiday entitlements.

Short-term employee benefit obligations mainly relate to accruals for variable pay, one-time payments, profit shares of the employee bonds and holiday allowances.

Movements in long-term employee benefits:

EUR 000	2021/2022	2020/2021
Balance at 1 October	2,715	2,899
Utilized	-205	-263
(Release)/Addition	190	-505
Adding of interest and change in discount rate	-535	584
Balance at 30 September	**2,165**	**2,715**

23 Provisions

Movements in provisions in 2021/2022:

EUR 000	Claims and legal proceedings
Balance at 1 October	**813**
Utilized	-438
Released	-175
Balance at 30 September	**200**

The provision relates to claims and proceedings against the Group on the grounds of alleged failure to perform professional duties and other legal matters. The Group carries professional indemnity insurance. The provision for claims and/or legal proceedings is determined following an evaluation of the matters that resulted in the Group being held liable by third parties, or the matters in which the relevant circumstances are such that it is reasonable to assume that they will result in the Group being held liable on the grounds of alleged failure to perform professional duties.

An assessment has been made on a case-by-case basis as to whether it is probable that the case will involve an outflow of resources from the Group. The estimates of both the probability of an outflow of resources and the amounts required involves a degree of uncertainty due to the nature of making such estimations. In general, such proceedings are long-term in nature and estimates are therefore revised from time to time. The amounts provided for include legal expenses and are presented net of expected reimbursements from the insurance company where appropriate.

The periods during which provision is expected to be utilized are as follows:

	30 September 2022			30 September 2021		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Claims and legal proceedings	200	–	200	813	–	813

24 Trade and other payables

EUR 000	30 September 2022	30 September 2021
Trade payables	7,201	7,732
Tax and social insurance contributions	35,997	29,459
Other current liabilities	4,576	5,918
Accruals	10,685	8,707
	58,459	**51,816**

The Group's liquidity risk relating to trade and other payables is disclosed in Note 25.3 Liquidity risk.

Advance billings are presented under contract balances in Note 5.

Trade payables decreased mainly due to cash management decisions to pay trade payables early. Other current liabilities are at a normal level. Accruals were primarily made to cover housing expenses, charges for third-party services still to be paid, and insurance premiums; the increase of which mainly relates to third-party services. Increase in tax and social insurance contributions are related to VAT payables in line with our increase in invoicing.

25 Financial instruments and associated risks

25.1 General

25.1.1 Background and policies

Financial instruments that are used by KPMG N.V. arise directly from normal business operations. During the financial year it was KPMG N.V.'s policy not to trade in financial instruments.

The Group is exposed to credit, interest, liquidity and foreign exchange risks as part of its normal business operations. The Group does not trade in financial derivatives, and has procedures and policies in place to limit the credit risk relating to counterparty default or market risk.

If a counterparty defaults in its payments due to the Group, any resulting losses will be limited to the fair value of the instruments concerned. The contract values or notional principals of the financial instruments are only an indication of the extent to which such financial instruments are used, and do not reflect credit or market risks.

These notes provide information about the extent to which the Group is exposed to the specified risks, together with the objectives, policies and processes relating to the measurement and management of these risks, as well as management of capital by the Group.

The Board of Management evaluates and confirms the policy for mitigating each of these risks as summarized below. There were no changes to the policy during the period under consideration.

The Board of Management has general responsibility for establishing and supervising risk management. The Group's risk management policy is used to identify and analyze the risks to which the Group is exposed, to set risk limits and controls and to monitor and minimize risks. The risk management policy and the relevant systems are tested on a regular basis against changes in market conditions and the Group's business activities.

25.1.2 Concentrations of risks

The operational activities of the Group relate to a diversity of clients and suppliers predominantly in the Netherlands. As a result, the concentration of risks for the operations of the Group is limited, except for the geographic risk. Funding of operations is arranged by a diversity of partners through Coöperatie KPMG U.A. and an additional bank's credit facility. The Group has current accounts of over EUR 39 million at the same bank (2020/2021: over EUR 63 million), and it notes that this results in a concentration of risks associated with this bank. The bank is also one of the Group's clients for professional non-audit services. The Group has confirmed that from an independence perspective this is allowed, as all transactions with the bank are at arm's length. The Group closely monitors the credit rating of the bank (A+ according to S&P Global). In addition, the Group has divided its cash and cash equivalents over multiple banks in order to mitigate risks related to high cash levels at one bank.

25.2 Credit risk

It is inherent in the nature of the activities of the organization that it is exposed to credit risk. This risk relates to the loss that may be incurred if a counterparty defaults. It is limited mainly by depositing cash with banks rated BBB+ or higher, and by the large number and diversity of clients that owe amounts to the organization for unbilled services and trade and other receivables. The carrying amount of each financial asset represents the maximum credit exposure.

25.2.1 Trade and other receivables and contract assets

The exposure to credit risks is monitored continuously, and the creditworthiness of all clients is checked for transactions exceeding a certain amount. The Group does not require protection in respect of non-current financial assets.

Credit risk exposure is mitigated by the large number and diversity of clients, and therefore by diversifying risk. Only a limited percentage of revenue is attributable to any single client and, as a result, there is no major concentration of credit risk at the level of individual clients.

The recoverable amount of unbilled services and trade receivables is estimated on an ongoing basis. The important factors to be considered when estimating unbilled services and trade receivables are historical performance, the terms and conditions of the contract and the progress and results of the work performed. Both macro-economic factors and the financial posi¬tion of the debtor are important when assessing the loss allowance.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, with the main driver being the instrument type. In addition, the Group actively monitors the economic environment in the Netherlands.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognized due to collateral.

25.2.2 Exposure to credit risk

Maximum exposure to credit risk as at 30 September was as follows:

EUR 000	30 September 2022	30 September 2021
Unbilled services	34,142	32,157
Trade receivables	110,444	89,140
Lease receivables	6,238	6,658
Other receivables	5,045	3,147
Cash and cash equivalents	179,267	164,594
Assets held for sale	–	256
	335,136	**295,952**

Loss allowance

Debtor and unbilled services ageing analysis:

EUR 000	30 September 2022		30 September 2021	
	Gross	Loss allowance	Gross	Loss allowance
Not yet due: age 0-15 days	95,206	48	79,677	72
Overdue: age 16-180 days	47,266	113	40,409	530
Overdue: age 181-365 days	1,595	35	1,235	70
Overdue: age over 365 days	1,569	854	972	68
	145,636	**1,050**	**122,293**	**740**

Trade receivables due from equity accounted investees are included in the debtor ageing analysis.

The movement in the loss allowance in respect of trade receivables during the year is presented below.

EUR 000	2021/2022	2020/2021
Balance at 1 October	740	819
Added	727	684
Written off	-181	-434
Released	-236	-329
Balance at 30 September	**1,050**	**740**

25.2.3 Cash and cash equivalents

At 30 September 2022, the Group held cash and cash equivalents of EUR 179,267 (30 September 2021: EUR 164,594). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated on average A, based on ratings by Moody's Investor Services, S&P Global Ratings and Fitch Ratings (ranging from A- to AA). Impairment on cash and cash equivalents is measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

25.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as they fall due. The Group's liquidity management policy is to ensure as far as possible that there are sufficient liquid funds available to be able to meet its liabilities when due without incurring unacceptable losses or damaging its reputation.

The aim of the Group's treasury policy is to ensure that there are sufficient funds available to finance day-to-day activities. The Group has a combined credit and guarantee facility of EUR 50,000 (2020/2021: EUR 50,000), of which no drawdown was made (2020/2021: no drawdown) in the form of guarantees. A first right of pledge has been granted to the bank on trade receivables as security. The credit facility is available until 30 June 2024. Interest payable is based on the average one month EURIBOR rate plus a margin of 1.95%.

The Group has to comply to certain covenants in connection with the credit facility made available by the bank. These covenants relate to the maintenance of a certain tangible net worth, EBITDA, asset coverage and sales coverage. During and at the end of the financial year, the Group complied with all covenant requirements.

Summary of financial liabilities:

EUR 000	Carrying amount	Contractual cash flow	Due within 1 year	Due between 1 and 5 years	Due after 5 years
30 September 2022					
Loans and borrowings from partners and former partners	162,407	187,428	113,309	41,719	32,400
Loans and borrowings from employee bonds	3,903	3,903	3,903	–	–
Trade and other payables	121,476	121,476	121,476	–	–
Employee benefits	51,853	51,853	51,265	149	439
Lease liability	123,580	133,363	24,526	60,629	48,208
	463,219	**498,023**	**314,479**	**102,497**	**81,047**
30 September 2021					
Loans and borrowings from partners and former partners	141,598	166,679	102,303	37,441	26,936
Loans and borrowings from employee bonds	2,531	2,531	2,531	–	–
Trade and other payables	107,053	107,053	107,053	–	–
Employee benefits	45,632	45,632	44,820	184	628
Lease liability	133,518	144,919	24,460	64,407	56,052
	430,332	**466,814**	**281,167**	**102,032**	**83,616**

25.4 Market risk

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, will affect the income of the Group or the value of its assets. The aim is to maintain these market risks within acceptable limits, while maximizing income. In the longer term, however, permanent changes in exchange and interest rates will have an impact on consolidated profits.

25.4.1 Interest rate risk

Interest rate risk mainly relates to interest-bearing financial liabilities as a result of the funding positions by former and current partners. Financial assets of the Group consist primarily of investments in non-current assets, trade receivables and cash and cash equivalents. Trade and other receivables do not bear interest.

It is estimated that as at 30 September 2022, a general rise in interest rates by one percentage point would have a negative effect of EUR 0.3 million on the Group's profit before tax (30 September 2021: negative effect of EUR 0.4 million), and no effect on equity (30 September 2020: no effect).

The table below presents the effective interest rates for interest-bearing financial assets and financial liabilities at the reporting date and the contractual maturities for these assets and liabilities (excluding interest receipts and payments):

EUR 000	Effective interest rate	<1 year	>1 year < 2 years	>2 years < 3 years	>3 years < 4 years	>4 years < 5 years	Longer than 5 years	Total carrying amount
2021/2022								
Fixed-rate interest:								
Lease receivable	11.1%	473	473	473	473	473	3,873	**6,238**
Coöperatie KPMG U.A.	0.0%	-994	–	–	–	–	-3,113	**-4,107**
Current account Coöperatie KPMG U.A. relating to partners	0.9%	-88,976	–	–	–	–	–	**-88,976**
Loans payable to partners	6.3%	-15,985	-5,537	-5,207	-9,272	-9,461	-25,926	**-71,388**
Loans payable to former partners	0.5%	-4,830	-502	-193	-120	-43	-462	**-6,150**
Lease liability	7.0%	-22,374	-21,186	-15,745	-11,098	-8,349	-44,828	**-123,580**
Variable rate interest:								
Cash and cash equivalents	0.0%	179,267	–	–	–	–	–	**179,267**
Employee bonds	8.0%	-3,903	–	–	–	–	–	**-3,903**
		42,678	**-26,752**	**-20,672**	**-20,017**	**-17,380**	**-70,456**	**-112,599**
2020/2021								
Fixed-rate interest:								
Lease receivable	11.9%	469	469	469	469	469	4,313	**6,658**
Coöperatie KPMG U.A.	0.0%	-801	–	–	–	–	7,270	**6,469**
Current account Coöperatie KPMG U.A. relating to partners	1.2%	-72,400	–	–	–	–	–	**-72,400**
Loans payable to partners	6.3%	-20,593	-4,290	-6,439	-4,328	-10,487	-23,911	**-70,048**
Loans payable to former partners	0.7%	-4,051	-423	-319	-186	-102	-538	**-5,619**
Lease liability	7.6%	-22,173	-22,162	-17,116	-11,839	-8,417	-51,811	**-133,518**
Variable rate interest:								
Cash and cash equivalents	-0.5%	164,594	–	–	–	–	–	**164,594**
Employee bonds	8.1%	-2,531	–	–	–	–	–	**-2,531**
		42,514	**-26,406**	**-23,405**	**-15,884**	**-18,537**	**-64,677**	**-106,395**

Part of the current account relating to partners is non-interest bearing.

25.4.2 Currency risk

In the normal course of business, foreign currency risks are limited as transactions are carried out in foreign currency on a limited basis, and assets and liabilities are usually denominated in euros.

When derivative financial instruments are used to economically hedge exposure to foreign exchange risks associated with recognized monetary assets or liabilities, hedge accounting is not applied, and any gain or loss on a hedging instrument is recognized in the statement of profit or loss and other comprehensive income.

It is estimated that a general drop in the value of the euro by one percentage point relative to other currencies would have no effect on the Group’s profit before tax for 2021/2022 (2020/2021: no effect), and no effect on equity (30 September 2021: no effect).

25.5 Fair value

The principal methods and assumptions used to estimate the fair values of financial instruments are set out below. For all instruments below, the fair value measurement is based upon level 3, unobservable inputs. There were no transfers of levels during 2021/2022 to other levels of fair value measurement input.

Fair values per class of financial assets and liabilities can be summarized as follows:

	Financial assets at fair value through profit or loss		Financial assets at fair value through OCI		Financial assets at amortized cost		Other financial liabilities	
EUR 000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
2021/2022								
Other financial assets	64	64	–	–	–	–	–	–
Total financial assets	**64**	**64**	**–**	**–**	**–**	**–**	**–**	**–**
Loans payable to (former) partners	–	–	–	–	–	–	162,407	162,407
Employee bonds	–	–	–	–	–	–	3,903	3,903
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**166,310**	**166,310**
2020/2021								
Other financial assets	77	77	–	–	–	–	–	–
Total financial assets	**77**	**77**	**–**	**–**	**–**	**–**	**–**	**–**
Loans payable to (former) partners	–	–	–	–	–	–	141,598	141,598
Employee bonds	–	–	–	–	–	–	2,531	2,531
Total financial liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**144,129**	**144,129**

25.5.1 Cash and cash equivalents

In view of the short maturity of deposits, the fair value of cash and cash equivalents is equal to nominal value.

25.5.2 Interest-bearing loans and borrowings

In determining the value of the obligations to partners and former partners, the present value of future cash flows is calculated using a discount rate before tax that reflects current market assessments of the time value of money and the specific risks relating to the liability. As interest on loans and borrowings is determined based on market rates, fair value is approximately equal to the carrying amount.

Considering that the obligations to employees have a maturity of less than one year, face value is considered to be a reflection of fair value.

25.5.3 Trade and other receivables/trade and other payables

For receivables and payables with a maturity of less than one year, face value is considered to be a reflection of fair value.

25.6 Capital management

The Board of Management's policy is to maintain a strong capital position (equity and partner financing) in order to retain the confidence of clients, creditors and finance providers, and to ensure the future development of business activities. The Group is largely financed by Coöperatie KPMG U.A., partly in the form of a contribution of up to EUR 180 per partner to the Group's equity (30 September 2021: up to EUR 180 per partner), and partly in the form of loans.

Average financing per partner (excluding other reserves) amounted to EUR 1,161 as at 30 September 2022, compared with EUR 1,092 as at 30 September 2021. Total financing by partners as at 30 September 2022 amounted to 37.5% of total assets (30 September 2021: 35.5%).

The Group may repurchase shares from Coöperatie KPMG U.A. and sell them back to Coöperatie KPMG U.A. in connection with partners who are leaving or joining the Group. These transactions are carried out at nominal value plus a share premium.

26 Leases

26.1 Leases as Lessee

The Group leases office buildings, cars and office equipment. The leases typically run for a period of five years for cars, five to fifteen years for buildings and five years for office equipment. Lease payments are indexed depending on the contracts: for cars usually once a year; and for buildings after three years upon contract start date to reflect market rentals. For certain leases, the Group is restricted from entering into sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

26.1.1 Right-of-use-assets

EUR 000	Cars	Buildings	Office equipment	Total
2021/2022				
Balance at 30 September 2021	38,839	91,152	318	130,309
Depreciation charge for the year	-17,772	-11,874	-90	-29,736
Additions to right-of-use assets	17,842	1,975	–	19,817
Remeasurement	1,223	-180	–	1,043
Modification	3	–	–	3
Disposals	-1,147	–	–	-1,147
Balance at 30 September 2022	**38,988**	**81,073**	**228**	**120,289**
2020/2021				
Balance as at 30 September 2020	37,376	102,654	409	140,439
Depreciation charge for the year	-16,625	-13,331	-91	-30,047
Additions to right-of-use assets	20,255	1,829	–	22,084
Remeasurement	-2,093	–	–	-2,093
Modification	-74	–	–	-74
Disposals	–	–	–	–
Balance as at 30 September 2021	**38,839**	**91,152**	**318**	**130,309**

26.1.2 Amounts recognized in profit or loss

EUR 000	2021/2022	2020/2021
Interest on lease liabilities	-1,976	-2,112
Income from sub-leasing right-of-use assets presented in 'Other Income'	1,912	2,218
Interest on lease receivables	120	128

26.1.3 Amounts recognized in the statement of cash flows

EUR 000	2021/2022	2020/2021
Total cash outflow for leases	29,830	29,005

26.1.4 Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

As at 30 September 2022, the Group has determined based on a business decision that one of the extension options will be exercised, which resulted in an increase of lease liabilities of EUR 507 (30 September 2021: one of the extension options, which resulted in an increase of lease liabilities of EUR 1,129).

26.2 Leases as Lessor

The Group leases out some of its leased buildings. The majority of the sub-leases are classified as operating leases from a lessor perspective, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Operational lease income recognized by the Group during 2021/2022 amounted to EUR 1,492 (2020/2021: EUR 1,806).

One of the sub-leases classifies as financial lease and is included in the balance sheet as other financial assets amounting to EUR 6,238 (30 September 2021: EUR 6,658). The annual lease payments amount to EUR 540 for the remainder of the lease term (till 2035).

During 2021/2022, the Group recognized interest income on lease receivables of EUR 120 (2020/2021: EUR 128).

27 List of subsidiaries

Unless otherwise stated, the following subsidiaries are wholly owned by KPMG N.V.

KPMG Accountants N.V. Amstelveen
KPMG Advisory N.V. Amstelveen
KPMG Staffing & Facility Services B.V. Amstelveen

During the reporting period, the Group’s 15% interest in KPMG Investments Malta Ltd. was sold.

There have been no other changes in shareholdings.

28 Liabilities and assets not recognized in the consolidated statement of financial position

28.1 Other commitments

The Group has long-term property leases for which the service costs are excluded from the lease liability and right-of-use asset in the consolidated balance sheet. In addition, the Group has commitments that are exempt from recognition in the balance sheet in accordance with IFRS 16, such as for personal computers and IT services, and commitments under long-term sponsorship agreements. The total of these commitments as at 30 September 2022 amounted to EUR 35,616 (30 September 2021: EUR 29,367).

Non-cancellable commitments:

EUR 000	30 September 2022			30 September 2021		
	Service costs related to property	Other contracts	Total	Service costs related to property	Other contracts	Total
Within 1 year	1,915	13,406	15,321	2,104	7,093	9,197
Between 1-5 years	6,155	7,102	13,257	5,122	6,927	12,049
After 5 years	7,038	–	7,038	8,121	–	8,121
	15,108	**20,508**	**35,616**	**15,347**	**14,020**	**29,367**

The Group has significant long-term commitments that are based on FTE's and/or volume used, such as telecom contracts (the longest of which untill 2024/2025) and subscriptions to certain news/intelligence (the longest of which until 2023/2024).

The future rental income from sub-leases is as follows:

EUR 000	30 September 2022	30 September 2021
Within 1 year	2,063	2,834
Between 1 and 5 years	5,084	5,256
After 5 years	9,125	7,994
	16,272	**16,084**

The following expenses related to other commitments and rental expenses were recognized in the consolidated statement of profit or loss and other comprehensive income:

EUR 000	2021/2022	2020/2021
Properties	2,616	2,126
Cars	317	119
Other contracts	7,093	3,279

28.2 Tax Group

Together with its 100% subsidiaries, including KPMG N.V., Coöperatie KPMG U.A. forms a tax group for corporate income tax purposes. Each of the companies in the tax group is, under the relevant standard tax conditions, jointly and severally liable for the tax payable by all of the companies in the tax group. As the head of the income tax fiscal unity, the Cooperative pays the income tax assessments. It is, however, KPMG N.V. that incurs the total income tax expense of the tax group, except for the amount attributable to the Cooperative under the ruling with the Dutch Tax Authorities.

KPMG N.V. is part of a tax group for value added tax purposes, headed by Coöperatie KPMG U.A. Each of the companies in the tax group is, under the relevant standard tax conditions, jointly and severally liable for the tax payable by all of the companies in the tax group.

28.3 Guarantees

The Group has a combined credit and guarantee facility of EUR 50,000 (2020/2021: EUR 50,000), of which no drawdown was made (2020/2021: no drawdown) in the form of guarantees.

The Company provided Parent Company guarantees related to some of the properties that are leased. The total of those guarantees as at 30 September 2022 amounted to EUR 3,629 (30 September 2021: EUR 3,683).

28.4 Legal disputes and other contingencies

Claims have been filed and proceedings have been instituted against the Group on the grounds of alleged failure to perform professional duties. The Group evaluates whether relevant circumstances are such that it is reasonable to assume that they will result in the Group entity being held liable on the grounds of alleged failure to perform professional duties. A decision is taken on a case-by-case basis as to whether it is probable that settlement of the case will involve an outflow of resources from the Group. In such cases, a provision is accounted for. The Group carries professional indemnity insurance.

Investigations by regulators or investigations with a regulatory impact can lead to the imposing of fines. As per 30 September 2022, the status of investigations of this nature are such that either no financial impact is expected or no estimation can be made as to the financial impact. Consequently, in these cases no provision was recognized.

29 Collaboration agreements and related parties

29.1 Collaboration agreements

Meijburg & Co.

In the Netherlands, the Group collaborates with an independent firm of tax consultants, Meijburg & Co. The financial figures of this firm are not included in the consolidated financial statements of KPMG N.V.

KPMG International

KPMG N.V., registered with the Dutch Chamber of Commerce, is a subsidiary of Coöperatie KPMG U.A. and a member firm of the KPMG network of independent member firms affiliated with KPMG International. As a result of this affiliation, the Group collaborates closely with other KPMG member firms.

29.2 Related parties

29.2.1 Parent company

Coöperatie KPMG U.A. holds the shares in KPMG N.V. The members of the Cooperative are the practice companies owned by partners. Under these agreements, the services of the partners are made available to the Cooperative, which in turn makes these services of the partners available to KPMG N.V. and its subsidiaries.

Transactions between the Group and Coöperatie KPMG U.A. during 2021/2022 can be specified as follows:

EUR 000	2021/2022	2020/2021
Management fees	-117,415	-110,215
Interest paid to Coöperatie KPMG U.A.	-4,530	-4,324
Repayment of share premium	-990	-1,510

As at 30 September, the following positions relate to Coöperatie KPMG U.A.:

EUR 000	30 September 2022	30 September 2021
Loans received from Coöperatie KPMG U.A.	162,407	141,598

29.2.2 Key management

Board of Management

As at 30 September 2022, three members of the Board of Management (2020/2021: three members) indirectly hold 2% (2020/2021: 2%) of shares in the Group in aggregate.

Compensation of the Group's key management includes management fees, salaries, non-cash benefits and contributions to a post employment defined contribution plan. Compensation can be specified as follows:

EUR 000 (if applicable)	S. Hottenhuis	R.P. Kreukniet	M. Hogeboom	E. Herrie	Total
2021/2022					
FTEs (pro rata)	1.0	1.0	1.0	1.0	**4.0**
Management fees	–	1,173	1,173	1,173	**3,519**
Short-term employee benefits	1,311	–	–	–	**1,311**
Post-employment benefits	23	–	–	–	**23**
Other short-term benefits	16	27	11	15	**69**
Total	**1,350**	**1,200**	**1,184**	**1,188**	**4,922**
2020/2021					
FTEs (pro rata)	1.0	1.0	1.0	1.0	**4.0**
Management fees	–	719	719	719	**2,157**
Short-term employee benefits	823	–	–	–	**823**
Post-employment benefits	25	–	–	–	**25**
Other short-term benefits	13	14	11	15	**53**
Total	**861**	**733**	**730**	**734**	**3,058**

In 2021/2022, the remuneration policy for the members of the Board of Management has been amended, introducing a rolling mechanism, leading to increased remuneration for the members of the Board of Management. Within the rolling mechanism the remuneration of the members of the Board of Management is based each year on past levels of partner pay to ensure a more sustainable remuneration policy which is better focused on long-term value creation.

In addition, the Group has the following outstanding balances in the form of equity and loans payable to the Board of Management:

EUR 000	S. Hottenhuis	R.P. Kreukniet	M. Hogeboom	E. Herrie	Total
30 September 2022					
Equity contribution in Coöperatie KPMG U.A. by key management	–	180	180	180	540
Loans payable to key management	50*	589	658	705	2,002
Interest on loans	4	33	31	26	94
30 September 2021					
Equity contribution in Coöperatie KPMG U.A. by key management	–	180	180	180	540
Loans payable to key management	50*	740	632	767	2,189
Interest on loans	3	32	38	29	102

** Relates to employee bonds.*

Supervisory Board

Supervisory Board members received a total remuneration of EUR 320 (2020/2021: EUR 364). Remuneration can be specified as follows:

EUR 000 (if applicable)	R.H.L.M. van Boxtel*	G. Boon	C. Bulten	L. Hovius	J.C.M. Sap	K. Singh	B.E.M. Wientjes*	Total
2021/2022								
FTEs (pro rata)	1.0	1.0	1.0	0.6	1.0	0.6	0.2	**5.4**
Short-term benefits	69	58	57	34	58	32	12	**320**

EUR 000 (if applicable)	B.E.M. Wientjes	G. Boon	R.H.L.M. van Boxtel	C. Bulten	H.J. van Doren-malen	J.C.M. Sap	R.A. Steen-voorden	Total
2020/2021								
FTEs (pro rata)	1.0	1.0	0.3	1.0	0.9	1.0	0.9	**6.1**
Short-term benefits	72	58	18	55	53	58	50	**364**

*B.E.M. Wientjes was chair of the Supervisory Board until 30 November 2021, and was succeeded by R.H.L.M. van Boxtel as per 1 December 2021.

29.2.3 Equity accounted investees

The following amounts relate to equity accounted investees:

EUR 000	30 September 2022	30 September 2021
Trade receivables	-	256

During the financial year, the equity accounted investee was sold.

Company statement of financial position

(before appropriation of results)

EUR 000		30 September 2022		30 September 2021	
Assets					
Non-current assets					
Investments in subsidiaries	*31*	27,652		25,264	
Deferred tax assets		2,340		2,801	
Total non-current assets			**29,992**		**28,065**
Current assets					
Amounts due from group companies		59,383		48,877	
Cash and cash equivalents	*32*	176,187		162,969	
Total current assets			**235,570**		**211,846**
Total assets			**265,562**		**239,911**
Equity and liabilities					
Shareholders' equity	*33*				
Share capital		5,500		5,500	
Share premium		16,970		15,800	
Legal reserves		1,577		2,207	
Other reserves		4,819		4,189	
Profit for the year		–		–	
Shareholders' equity			**28,866**		**27,696**
Non-current liabilities					
Loans and borrowings	*34*		53,610		43,753
Current liabilities					
Loans and borrowings	*34*	108,797		97,845	
Amounts owed to group companies		48,065		49,155	
Tax and social insurance contributions		26,224		21,462	
Total current liabilities			**183,086**		**168,462**
Total liabilities			**236,696**		**212,215**
Shareholders' equity and liabilities			**265,562**		**239,911**

The accompanying notes form an integral part of these company financial statements.

Company statement of profit or loss and other comprehensive income

for the year ended 30 September 2022

EUR 000	2021/2022	2020/2021
Share in results from participating interests after tax	17,428	15,040
Other results after tax	99,987	95,175
Contractual fees payable to Coöperatie KPMG U.A.	-117,415	-110,215
Net result after tax	**–**	**–**

The accompanying notes form an integral part of these company financial statements.

Notes to the company financial statements

All tables and amounts are in thousands of euros unless otherwise stated.

30 Basis of preparation

30.1 General

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and are presented together with the financial statements of KPMG N.V. Since the figures of KPMG N.V. are included in the consolidated financial statements that form part of these financial statements, the Company's statement of profit or loss and other comprehensive income has been presented in an abridged form in accordance with Section 402, Part 9, Book 2 of the Dutch Civil Code.

For the valuation of assets and liabilities and in determining the result in its company financial statements, KPMG N.V. has availed itself of the option provided for in Article 362 par. 8, Book 2 of the Dutch Civil Code. This states that policies regarding the valuation of assets and liabilities and the determination of the result of the company financial statements correspond with those applied for the consolidated financial statements, which are prepared in conformity with IFRS as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code. The relevant accounting policies set out in Note 2 Basis of preparation and Note 3 Significant accounting policies to the consolidated financial statements have been applied consistently to all periods accounted for in these company financial statements.

30.2 Accounting policies

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity method. For further information, please see the basis of consolidation accounting policy in the consolidated financial statements.

Results of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

The terms governing profits of group companies are laid down by contract between KPMG N.V. and its operating companies, which specifies that 97.5% of their revenue – less any amount payable by the relevant companies to KPMG Staffing & Facility Services B.V. for services provided by KPMG Staffing & Facility Services B.V. to the companies concerned, and less expenses that they are required to bear themselves – must be paid to KPMG N.V. for the provision of services by partners and for the provision of Group financing.

31 Non-current financial assets

Non-current financial assets represent investments in group companies. Movements in these investments during the 2021/2022 financial year were as follows:

EUR 000	2021/2022	2020/2021
Balance at 1 October	25,264	30,999
Share in results	17,428	15,040
Dividends received	-15,040	-20,775
Balance at 30 September	**27,652**	**25,264**

A summary of the main subsidiaries is provided in Note 27 List of subsidiaries of the notes to the consolidated financial statements. A full list of subsidiaries, joint ventures and associates is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

32 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and bank balances that are freely available. The interest rate applicable in 2021/2022 was 0.0% (2020/2021: 0.5% negative).

33 Shareholders' equity

Movements in equity can be specified as follows:

EUR 000	Share capital	Share premium	Legal reserves	Other reserves	Profit for the year	Total equity attributable to equity holders
Balance at 1 October 2020	**5,500**	**15,080**	**2,533**	**3,863**	**–**	**26,976**
2019/2020 Result appropriation	–	–	–	–	–	–
Release from legal reserves	–	–	-326	326	–	–
Total comprehensive income for the year						
Profit for 2020/2021	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–
Transaction with owners of the Company recognized directly in equity						
Repayment	–	-1,510	–	–	–	-1,510
Additions	–	2,230	–	–	–	2,230
Balance at 30 September 2021	**5,500**	**15,800**	**2,207**	**4,189**	**–**	**27,696**
Balance at 1 October 2021	**5,500**	**15,800**	**2,207**	**4,189**	**–**	**27,696**
2020/2021 Result appropriation	–	–	–	–	–	–
Release from legal reserves	–	–	-630	630	–	–
Total comprehensive income for the year						
Profit for 2021/2022	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–
Transaction with owners of the Company recognized directly in equity						
Repayment	–	-990	–	–	–	-990
Additions	–	2,160	–	–	–	2,160
Balance at 30 September 2022	**5,500**	**16,970**	**1,577**	**4,819**	**–**	**28,866**

Other details of equity are disclosed in Note 20 Group equity to the consolidated financial statements and the consolidated statement of changes in equity.

33.1 Share capital

The Company has an authorized capital of EUR 20,000 (2020/2021: EUR 20,000), which is divided into 800 shares of EUR 25 each (2020/2021: 800 shares of EUR 25 each). The issued share capital consists of 220 (2020/2021: 220) shares at a nominal value of EUR 25 each (2020/2021: EUR 25 each), representing a total nominal value of EUR 5,500 (2020/2021: EUR 5,500). All of the shares are fully paid up.

KPMG N.V. is obliged to distribute all earnings that constitute profits as contractual fees to Coöperatie KPMG U.A. or as dividend, except for the amount the Board of Management proposes to add to the reserves.

33.2 Legal reserves

The legal reserve for participating interests, which amounts to EUR 1,577 (2020/2021: EUR 2,207), pertains to participating interests that are measured at net asset value. The reserve is equal to the share in the results and direct changes in equity (both of which are calculated on the basis of the Company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the Company has been entitled to since the first measurement at net asset value, and less distributions that the Company may affect without restrictions. The latter share takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

33.3 Other reserves

The other reserves contain the profits of previous years.

33.4 Appropriation of profit

As the Company’s profit totals EUR nil, there is no proposal for profit appropriation.

34 Loans and borrowings

EUR 000	30 September 2022	30 September 2021
Partners		
Non-current loans Coöperatie KPMG U.A.	52,289	42,185
Current loans Coöperatie KPMG U.A.	103,967	93,794
	156,256	**135,979**
Former partners		
Non-current loans Coöperatie KPMG U.A.	1,321	1,568
Current loans Coöperatie KPMG U.A.	4,830	4,051
	6,151	**5,619**
Total loans and borrowings	**162,407**	**141,598**

Movements in financing by partners can be specified as follows:

EUR 000	2021/2022	2020/2021
Balance at 1 October	**135,979**	**82,557**
Fees paid to partners under management agreements through Coöperatie KPMG U.A.	117,415	110,215
Interest due to partners	4,260	4,127
Other movements (net withdrawal)	-101,398	-60,920
Balance at 30 September	**156,256**	**135,979**

Other movements refer mainly to amounts withdrawn by partners.

For further explanation on loans and borrowings relating to partners and former partners, please see Note 21.2 Loans payable to Coöperatie KPMG U.A. relating to partners and Note 21.3 Loans payable to Coöperatie KPMG U.A. relating to former partners of the consolidated financial statements.

35 Financial instruments

For general information on financial instruments and associated risks, please see Note 25 Financial instruments and associated risks of the consolidated financial statements.

35.1 Exposure to credit risk

Maximum exposure to credit risk as at 30 September is as follows:

EUR 000	30 September 2022	30 September 2021
Amounts due from group companies	59,383	48,877
Cash and cash equivalents	176,187	162,969
	235,570	**211,846**

35.2 Liquidity risk

Summary of financial liabilities:

EUR 000	Carrying amount	Contractual cash flow	Due within 1 year	Due between 1 and 5 years	Due after 5 years
30 September 2022					
Loans and borrowings	162,407	187,428	113,309	41,719	32,400
Total	**162,407**	**187,428**	**113,309**	**41,719**	**32,400**
30 September 2021					
Loans and borrowings	141,598	166,679	102,302	37,441	26,936
Total	**141,598**	**166,679**	**102,303**	**37,441**	**26,936**

Further details on financial instruments are provided in Note 25 Financial instruments and associated risks to the consolidated financial statements.

36 Related parties

The Company's related parties comprise subsidiaries, Coöperatie KPMG U.A., and key management.

36.1 Parent company

Please see Note 29.2.1 Parent Company of the consolidated financial statements for information with respect to Coöperatie KPMG U.A.

36.2 Subsidiaries

Transactions between the Company and its subsidiaries relate to contractual fees and dividends received, and recharges for insurance premiums and license fee expenses.

The transactions can be specified as follows:

EUR 000	Received contractual fees	Received dividend	Expenses charged
2021/2022			
KPMG Accountants N.V.	50,715	7,917	6,775
KPMG Advisory N.V.	57,997	7,123	6,674
Total	**108,712**	**15,040**	**13,449**
2020/2021			
KPMG Accountants N.V.	55,567	7,436	5,272
KPMG Advisory N.V.	48,641	13,339	4,776
Total	**104,208**	**20,775**	**10,048**

In addition to the above, on behalf of its subsidiary KPMG Staffing & Facility Services B.V., KPMG N.V. pays various expenses, such as employee expenses and other operating expenses. These payments amounted to EUR 374 million in 2021/2022 (2020/2021: EUR 322 million).

Transactions between the Company and its subsidiaries are in general settled through current accounts. The current accounts are not interest-bearing.

As at 30 September, the following payable and receivable positions relate to subsidiaries of the Company:

EUR 000	30 September 2022	30 September 2021
KPMG Accountants N.V	5,525	6,481
KPMG Advisory N.V.	53,858	42,396
KPMG Staffing & Facility Services B.V.	-48,065	-49,155

36.3 Key management

Please see Note 29.2.2 Key management of the consolidated financial statements for related party information with respect to key management.

37 Liabilities not recognized in the company statement of financial position

37.1 Guarantees

The Company has given guarantees that its subsidiaries, the financial figures of which are included in the consolidated financial statements, will comply with certain contractual obligations.

The Company has a combined credit and guarantee facility of EUR 50,000 (2020/2021: EUR 50,000), of which no drawdown was made (2020/2021: no drawdown) in the form of guarantees.

The Company provided Parent Company guarantees related to some of the properties that are leased. The total of those guarantees as at 30 September 2022 amounted to EUR 3,629 (30 September 2021: EUR 3,683).

37.2 Tax group

Together with its 100% subsidiaries, including KPMG N.V., Coöperatie KPMG U.A. forms a tax group for corporate income tax purposes. Each of the companies of the tax group is, under the relevant standard tax conditions, jointly and severally liable for the tax payable by all of the companies in the tax group. As the head of the income tax fiscal unity, the Cooperative pays the income tax assessments. It is, however, KPMG N.V. that incurs the total income tax expense of the tax group, except for the amount attributable to the Cooperative under the ruling with the Dutch Tax Authorities.

KPMG N.V. is part of a tax group for value added tax purposes, headed by Coöperatie KPMG U.A. Each of the companies of the tax group is, under the relevant standard tax conditions, jointly and severally liable for the tax payable by all of the companies in the tax group.

38 Number of partners

On average in 2021/2022, 158 (2020/2021: 145) FTE partners were active for the Company under management agreements.

39 Remuneration of the Board of Management

Details of the remuneration of members of the Board of Management are disclosed in Note 29.2.2 Key management to the consolidated financial statements.

40 Auditor's remuneration

The remuneration of the Company's auditors for the 2021/2022 financial year was EUR 0.4 million (2020/2021: EUR 0.4 million), of which EUR 0.3 million is related to the audit of financial statements of the Company (2020/2021: EUR 0.3 million).

Amstelveen, 15 December 2022

Board of Management:
S. Hottenhuis (chair)
M.A. Broskij
E.G. Herrie
M.A. Hogeboom

Supervisory Board:
R.H.L.M. van Boxtel (chair)
G. Boon
C.D.J. Bulten
A.P.H.M. Hovius
J.C.M. Sap
K. Singh

Other information

Provisions in the Company's Articles of Association governing the appropriation of profit

Article 26 of the Company's Articles of Association reads as follows:

- Distribution of profit pursuant to the provisions of this article shall be made after approval of the financial statements disclosing that such distribution is permitted.
- The profit shall be at the disposal of the General Meeting of Shareholders.
- The Company may make distributions to the shareholders and other persons entitled to distributable profits only to the extent that its capital and reserves exceed the sum of the issued capital and the reserves that must be maintained by law.
- A deficit may only be offset against the statutory reserves to the extent permitted by law.

Independent auditor's report

To: the shareholders and Supervisory Board of KPMG N.V.

A. Report on the audit of the financial statements 2021/2022 included in the annual report

Our opinion

We have audited the financial statements for the year ended 30 September 2022 of KPMG N.V. based in Amstelveen. The financial statements comprise the consolidated financial statements and the company financial statements.

WE HAVE AUDITED	OUR OPINION
The consolidated financial statements comprise: 1. the consolidated statement of financial position as at 30 September 2022; 2. the following statements for 2021/2022: the consolidated statement of profit or loss and other comprehensive income, the consolidated statements of cash flows, the consolidated statement of changes in equity; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of KPMG N.V. as at 30 September 2022 and of its result and its cash flows for 2021/2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
The company financial statements comprise: 1. the company statement of financial position; 2. the company statement of profit or loss and other comprehensive income for the year ended 30 September 2022; and 3. the notes to the company financial statements.	In our opinion, the accompanying company financial statements give a true and fair view of the financial position of KPMG N.V. as at 30 September 2022 and of its result for 2021/2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of KPMG N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Information in respect of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 7,300,000. The materiality has been calculated with reference to a benchmark of a normalised reported profit before income tax and management fee which we consider to be one of the principal considerations for users of the financial statements in assessing the financial performance of the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 365,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

KPMG N.V. is the head of a group of entities. The financial information of this group is included in the consolidated financial statements of KPMG N.V.

Our group audit mainly focused on significant group entities. We consider an entity significant when:

- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extend, for the purpose of the audit of group financial statements, we performed audit procedures to all of the group entities, being;

- KPMG Accountants N.V.;
- KPMG Advisory N.V.;
- KPMG Staffing & Facility Services B.V.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Audit approach going concern

Management assessed the Company's ability to continue as a going concern and to continue its operations for at least 12 months beyond the date when the financial statements are issued. Based on this analysis, management is of the view that this does not result in actually identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Our audit procedures in relation to going concern consists of:

- We discussed and evaluated KPMG's going concerns assessment with management exercising professional judgment and maintaining professional skepticism. We reviewed management's process for preparing their assessment, and in particular management's bias that could represent a risk, and the impact of current events and conditions on the Company's operations and forecasted cash flows. We focused on whether the Company will have sufficient liquidity to continue to meet its obligations as they fall due.
- We considered, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- We inspected minutes of the Supervisory Board, Audit & Risk Committee and Board of Management.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern. Based on the audit evidence obtained up to the date of our auditor's report, we support management's going concern assumption on accounting.

Audit approach fraud risks and non-compliance with laws and regulations

Our risk assessment

As described in section "Managing Risk" of the Integrated Report, KPMG performs an internal risk analyses (including fraud, corruption and compliance) as part of the annual enterprise risk assessment. We analysed KPMG's internal risk analysis to obtain an understanding of KPMG's risk assessment, the processes for identifying and responding to the risks of fraud and the internal controls that management has established to mitigate these risks. We discussed KPMG's risk assessment and challenged these with management and those charged with governance. For this, we also made use of our questionnaire about compliance, as completed by management of KPMG N.V.

Furthermore we have performed our own risk assessment procedures to identify potential risks of material misstatement due to fraud and non-compliance with laws and regulations that are not yet identified by the internal risk analyses performed by KPMG. We also specifically evaluated whether fraud risks factors are present, based on the framework of the fraud triangle during several team discussions. As part of this assessment, we specifically assessed how fraud risks can arise in the revenue recognition as part of the unbilled revenue process and reflected this in our risk assessment and audit approach.
Our audit is not aimed specifically at detecting fraud. In planning our audit procedures, we took into account the risk that the financial statements might contain material misstatements as a result of fraud and error.

Our response to the risk of fraud

We determined an overall audit response to address the assessed fraud risks and risk of non-compliance with laws and regulations. We designed and performed tailor-made audit procedures whose nature, timing and extent are responsive to the assessed risk.

In accordance with the auditing standards we evaluated the following fraud risks are relevant to our audit:

- Fraud risk in relation to revenue recognition and valuation of unbilled services.
- Fraud risk in relation to management override of controls.

We defined the process of revenue recognition and valuation of unbilled services as a key audit matter, so we refer to this part of our opinion for further information regarding this identified risk.

Our audit procedures to respond to the fraud risk of management override of controls included:

- We performed inquiries with management and inspected the minutes of the Supervisory Board, Audit & Risk Committee and Board of Management.
- We performed substantive audit procedures, including detailed testing of journal entries with a risk-based approach.
- We audited significant accounting estimates (such as valuation of unbilled services) for biases and evaluated whether the circumstances producing the bias, represent a risk of material misstatement due to fraud. As part of this we performed a retrospective review and evaluated the judgements and decisions made by management in making the estimates in current year.
- Furthermore we incorporated elements of unpredictability in our audit and we remained alert for indications of fraud. Also we evaluated whether final analytical procedures performed near the end of the audit are consistent with our understanding of the group. We obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Our response to the risk of non-compliance with laws and regulations

Our audit procedures in relation to non-compliance with laws and regulations notably consists of:

- We inquired the procedures for compliance with laws and regulations with relevant personnel (i.e. Supervisory Board, Audit & Risk Committee, Board of Directors, CFO, Quality & Risk Management and Legal) and we also performed inquiries with them as to whether KPMG N.V. is in compliance with such laws and regulations.
- We inspected minutes of meetings of the Supervisory Board, Audit & Risk Committee and Board of Management.
- We inspected correspondence with the relevant regulators which include AFM.
- During the audit, we remained alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations to our attention.

The audit procedures described above have resulted in sufficient and appropriate audit evidence to mitigate or rebut the potential fraud risks and non-compliance risks. For an overview of our responsibilities and those of the management regarding the financial statements and the risks of fraud and non-compliance, we refer to Section E of this auditors report.

Our key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION AND VALUATION OF UNBILLED SERVICES	OUR AUDIT APPROACH AND OBSERVATION
The existence of revenue and valuation of unbilled services (presented as contract assets or contract liabilities in the financial statements) is a key audit matter due to its significance and the fact that revenue recognition and valuation of unbilled services are subject to estimates of individual partners regarding the expected time to finalize fixed price engagements and realization of unbilled services. Because the risk of fraud in revenue recognition is a presumed risk in our audit based on audit requirements, combined with the fact that revenue is a key business driver for KPMG, we consider revenue recognition to be a key audit matter. The disclosure from KPMG N.V. on the revenue recognition and valuation of unbilled services is provided in notes 3.9, 3.13 and 5 to the financial statements.	We evaluated the revenue recognition process to ensure the policy is in accordance with IFRS 15. We also evaluated the internal controls related to revenue recognition and valuation of unbilled services. Our audit procedures included, amongst others, assessing the appropriateness of the company's revenue recognition accounting policies and performing substantive procedures relating to the recognition of revenue, including the timing of revenue recognition, calculation of deferred revenue and valuation of unbilled services. We performed substantive procedures for revenue including reconciliation with authorized engagement letters, substantive procedures with respect to credit notes after balance sheet date and substantive procedures regarding the accuracy of hourly rates. We have performed detailed testing of hours being spend, analysis of realization rates per engagement, analysis whether the balance of the work in progress at year-end is invoiced in the next financial year and tested the unbilled services by performing retrospective testing on the balance as of 30 September 2021. We discussed the findings of these analysis with the responsible management. Our audit procedures resulted in sufficient and appropriate audit evidence to mitigate the risk of material misstatements related to the existence of revenue and/or the valuation of unbilled services.

C. Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report refers to KPMG Netherlands 2021/22 Integrated Report that consists of:

- Message from our CEO
- Our business
- Strategy, performance and outlook
- Governance
- Appendix

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the above mentioned Other information and have viewed the videos as included by links to KPMG's website. We have not read or viewed information as linked/referred to external websites. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

D. Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determine the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

The Hague, 15 December 2022

For and on behalf of BDO Audit & Assurance B.V.,

N.W.A. van Nuland RA

Independent assurance report

To: the shareholders and Supervisory Board of KPMG N.V.

Our opinion

We have audited the sustainability information in the accompanying integrated report for the year 2021/2022 of KPMG N.V. ('the company') at Amstelveen. An audit is aimed at obtaining a reasonable level of assurance.

In our opinion, the sustainability information presents, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 30 September 2022

in accordance with the reporting criteria as included in the section 'reporting criteria'.

The sustainability information consists of the following chapters in the integrated report:

- Message from our CEO
- Our business
- Strategy, performance and outlook
- Appendix:
  - Reporting principles,
  - Management of material topics,
  - Global Reporting Initiative contents table,
  - Definitions of key performance indicators and other metrics.

Basis for our opinion

We have conducted our audit on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports). Our responsibilities under this standard are further described in the section 'Our responsibilities for the audit of the sustainability information' section of our report.

We are independent of KPMG N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of ethics for professional accountants, a regulation with respect to independence). Furthermore we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch code of ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. KPMG N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in appendix ‘Reporting principles’ of the integrated report.

The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Limitations to the scope of our audit

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as audited by us. We therefore do not provide assurance on this information.

Our opinion is not modified in respect to these matters.

Responsibilities of management and the supervisory board for the sustainability information

Management is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in the section ‘reporting criteria’, including the identification of stakeholders and the definition of material matters. The choices made by the management board regarding the scope of the sustainability information and the reporting policy are summarised in Appendix ‘Reporting principles’ of the integrated report.

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the reporting process of KPMG N.V.

Our responsibilities for the audit of the sustainability information

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

We apply the 'Nadere voorschriften kwaliteitssystemen)' (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our audit included among others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by management;
- Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the sustainability information, including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Identifying and assessing the risks if the sustainability information is misleading or unbalanced, or contains material misstatements, whether due to errors or fraud. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the sustainability information is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. These further procedures consisted amongst others of:
  - Interviewing management and relevant staff responsible for the sustainability strategy, policies and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the sustainability information;

- Reconciling the relevant financial information with the financial statements;
- Evaluating the consistency of the sustainability information with the information in the integrated report which is not included in the scope of our audit;
- Evaluating the overall presentation, structure and content of the sustainability information;
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant findings in internal control that we identify during our audit.

The Hague, 15 December 2022

For and on behalf of BDO Audit & assurance B.V.,

N.W.A. van Nuland RA

Appendix

Reporting principles

Purpose

This report provides an overview of KPMG N.V.'s business, strategy and performance. It explains how KPMG N.V., over time, creates value for its stakeholders both as an employer and as a provider of professional services. This report has been written for all KPMG N.V. stakeholders (including employees, the firm's partners, clients, policymakers, regulators, suppliers and other business partners).

Scope

This report covers KPMG N.V. and its subsidiaries. KPMG Meijburg & Co. is a separate KPMG member firm, and is therefore not included in the scope of this report, unless otherwise stated. Contents relate to KPMG N.V.'s 2021/2022 financial year, running from 1 October 2021 to 30 September 2022.

Content

Content is based on extensive internal reporting. Where external sources are used, this is indicated clearly in the text. Content focuses on issues material to KPMG N.V. and its stakeholders, based on the outcome of the firm's annual materiality assessment. Our reporting process is overseen by a project team led by our Finance department. All content is reviewed by the firm's Board of Management and Supervisory Board prior to publication. Except for the Financial Statements, figures used in the report are rounded to the nearest million or billion. In some cases, rounded figures are used to calculate percentages.

Preparation of this report

This Integrated Report, including the annual financial statements, was prepared by KPMG N.V.'s Board of Management. The report also includes the 2021/2022 KPMG Accountants B.V. Transparency Report, compiled in line with 537/2014 EU regulation Article 13 Transparency report. Financial statements were subject to external assurance, as were parts of the Integrated Report (see note below).

Financial information

Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and with Section 2:362(9) of the Dutch Civil Code. All financial performance data is presented in euros (EUR), the firm's functional currency. For more information, see Note 2 to the Consolidated Financial Statements (Basis of Preparation).

Non-financial information

This report is published in accordance with standards issued by the Global Reporting Initiative (GRI). A GRI Contents Index is available here. In compiling this report, KPMG N.V. also takes into account the Integrated Reporting <IR> Framework.

Throughout the report, all numbers per FTE are based on average FTEs for the financial year, unless stated otherwise.

External assurance

External assurance was provided by BDO Audit & Assurance B.V. Please see the independent auditor's report and independent assurance report for details. KPMG N.V. works closely with its external auditor to strengthen its reporting, and improve internal data collection and verification processes. Please note that BDO Audit & Assurance B.V. provided assurance on the PDF version of this report.

Materiality assessment

Our materiality assessment is conducted each year to identify our material topics. Our 2021/2022 assessment identified six material topics:

1. Ongoing focus on audit quality
2. Well-being of our workforce, both mental and physical
3. Growing use of digital technologies throughout the economy
4. Increased focus on ESG issues among both clients and regulators
5. Impact of war in Ukraine on the economic and business environment
6. Skills shortages in the audit sector and wider Dutch economy

We adopted an entirely new methodology for our latest assessment in line with requirements under GRI standards. Therefore, topics from 2021/2022 should not be directly compared with the previous year [1] .

Our 2021/2022 materiality assessment was based on a three-step process:

- First, conduct an extensive review of KPMG N.V.'s operating environment. Use results from this review to compile a long list of potential material topics.
- Second, reduce this long list to a short list, based on an initial assessment of topics' impact and likelihood.
- Third, ask stakeholder representatives and senior management to rank short-listed topics through an independent online survey. A total of 13 topics were short-listed as follows: compliance with GDPR; continuing to strengthen quality safeguards within the audit industry; cybersecurity and data protection; digital technologies; diversity & inclusion; energy transition; ESG compliance; gatekeeper role; greater transparency in audit industry; increased ESG focus among clients and regulators; skills shortages; war in Ukraine; well-being of workforce.

1 *For reference, material topics for 2020/2021 were as follows: integrity & independence, quality & transparency, societal impact, regulatory change, being a good employer, inclusion & diversity, talent development, client satisfaction, vision & thought leadership, innovation, partnerships & alliances, sustainable profit and regulatory changes.*

Notes

Definition of impact:

Throughout the assessment, impact was defined as follows: impact or potential impact over the next twelve months on:

i. KPMG's financial position (including enterprise value, cash flows, revenue and profit), reputation or business operations, or;
ii. Stakeholders' financial position and/or operations and decision-making.

Participants in the online survey were also given the opportunity to identify topics likely to be 'most material' over the next three years.

Survey participants and weighting:

Stakeholder representatives were drawn from KPMG N.V.'s main stakeholder groups (clients; employees; equity partners; regulators, policymakers and other standard setters; suppliers, business partners and KPMG network; wider society, including members of KPMG N.V.'s Supervisory Board, academia, industry associations, peers, local community groups and NGOs). Results were weighted to reflect relative differences in impact and influence between stakeholder groups.

Operating environment review:

This was based on third-party research; media articles; reports and other publications from regulators, peers, industry associations and NGOs.

Review and approval:

Our materiality assessment was carried out by an external consultancy to ensure impartiality. Results were reviewed by an internal project team and senior management prior to publication.

Definitions of short-listed topics:

Compliance with GDPR: *KPMG NL clients' current compliance with GDPR and readiness for possible additional controls and enforcement measures.*

Continuing to strengthen quality safeguards within the audit industry: *Current efforts in the Netherlands to further strengthen quality standards within the audit industry*

Cybersecurity and data protection: *Increasing need among KPMG and its clients to guard against cyber attacks and data breaches through stronger IT systems servers and data management.*

Digital technologies: *Growing use of digital technologies both at KPMG N.V. and throughout the wider economy*

Diversity & inclusion: *Need for greater diversity and inclusion at KPMG NL to create a positive work environment and ensure talent attraction and retention*

Energy transition: *Impact of the current energy transition on KPMG NL's energy and natural resources clients, including increased regulation, increased prices and development of new low-carbon fuels.*

ESG compliance: *Need of KPMG and its clients to comply with new and upcoming EU ESG and non-financial reporting requirements[1] , as well as to develop necessary performance indicators and data management systems.*

1 *Including, where relevant, the Corporate Sustainability Reporting Directive (CSRD), EU taxonomy of sustainable activities and Sustainable Finance Disclosure Regulation (SFDR).*

Gatekeeper role: *Growing importance of KPMG NL's gatekeeper role to help combat fraud, mismanagement and money laundering.*

Greater transparency in audit industry: Pressure on audit companies in the Netherlands to be more transparent about business relations, approach and interests.

Increased focus on ESG issues: *Increased focus on ESG strategy, performance and disclosures among KPMG N.V. clients and regulators*

Skills shortages: *Effects of continued shortages of specific skills in both the audit industry and the wider Dutch economy.*

War in Ukraine: *Direct and indirect effects of the current conflict in Ukraine on the wider Dutch economy and business sector*

Well-being of our workforce: *Growing importance of maintaining the mental and physical well-being of KPMG N.V. employees, particularly post-pandemic*

Note on availability of resources and inputs

Our business relies on certain resources being available – these are detailed in our value creation model. Inevitably, changes to our business environment may affect the future availability of these resources. We see the principal risks in this respect as follows:

- *Skills shortages*: across the profession, we are seeing continued shortages of key skills, mainly in data analysis, digital technologies and audit, putting additional pressure on recruitment and internal training and skills development. We expect these shortages to continue into 2022/2023. (Human capital)
- *Economic slowdown*: economic growth is forecast to slow in 2023, which may lead to clients postponing development projects and pressure on rates, particularly in our advisory business. Rising prices and the continuing war in Ukraine are adding to economic uncertainty. (Financial and social capital)
- *Continued regulatory change*: we are seeing new regulations coming into effect, particularly in ESG reporting, which may increase demand for our assurance services. In addition, within the profession, the quartermasters are expected to report in 2023 on their work developing common audit quality standards. (Intellectual capital)

For further information, see strategic risks & controls. Please note this note has been included in compliance with the <IR> Framework.

UN Sustainable Development Goals

Through our business activities, we contribute to the UN Sustainable Development Goals (SDGs). The table below shows our contribution to the SDGs over the past year by strategic focus area. For ease of reference, we have classified our contributions as either internal (i.e., within our own business operations) or external (i.e., through client engagements and relations with other outside partners):

Where we are contributing internally:

SDG and underlying target	KPMG N.V. contribution	Relevant strategic focus area
SDG3 Good health and well-being: Access to quality, essential healthcare services (3.8)	Initiatives to support health and well-being in the workplace, including our Psychological Safety program	People
SDG5 Gender equality: Ensure equal opportunities for leadership at all levels of decision-making in political, economic and public life (5.5)	Policies, initiatives and targets aimed at eliminating discrimination in the workplace and supporting greater gender diversity	People
SDG7 Affordable and clean energy: Increase share of renewable energy in the global energy mix (7.2)	Increase in use of renewable energy as part of KPMG-wide Impact Plan to reduce environmental footprint.	Public trust

Where we are contributing through our client engagements and other business relations:

SDG and underlying target	KPMG N.V. contribution	Relevant strategic focus area
SDG4 Quality education:	Support for training and education programs, particularly among younger people from disadvantaged backgrounds	Public trust
Increase number of young people and adults with skills for employment, decent jobs and entrepreneurship (4.4)		
SDG8 Decent work and economic growth:	Support and advice to clients to:	Clients
Support economic growth according to national circumstances (8.1)	Expand business operations or develop new growth opportunities	Digital & innovation
Achieve higher economic productivity through diversification, technological upgrading and innovation (8.2)	Digitize systems, processes and introduce new technologies	Financial strength
SDG10 Reduce inequalities:	Support for clients in assurance, company reporting and disclosure, strengthening confidence in financial markets	Clients
Improve regulation and monitoring of global financial markets (10.5)		Public trust
SDG12 Responsible production and consumption:	Advice for clients on sustainability strategies (covering climate risk/transition, responsible supply chain management, sustainable finance, human rights)	Clients
Encourage companies to adopt sustainable practices and integrate sustainability into reporting (12.6)		Public trust
SDG13 Climate action:	Advice for client on strategies to strengthen resilience to climate change and natural disasters	Clients
Strengthen resilience to climate-related hazards and natural disasters (13.1)		Public trust

Please note that, in the table above, we have used shortened versions of the underlying targets. For more information on these targets and the SDGs, see https://sdgs.un.org/goals

Management of material topics

Material topic	Summary of possible impacts	Management of risks and opportunities related to this topic
Ongoing focus on audit quality	Loss of public trust, reputation damage among clients, regulators and jobseekers, possible fines, or additional claims by clients	Extensive quality management system
		Quality embedded in culture, values and behaviors
		Regular internal/external inspections
		System of Engagement Quality Control Reviews
		Extensive training, monitoring and compliance programs
Well-being of our workforce, both mental and physical	Increased absenteeism, failure to attract and retain talent, loss of status as leading employer	Extensive health and well-being program (including new well-being platform and Psychological Safety initiative)
		Manage work volumes better by increasing recruitment and more flexible approach to resourcing and staffing.
Growing use of digital technologies throughout the economy	Opportunity to increase efficiency and lower costs, need for greater investment in new technologies	Investment in new, internal operating models (including KPMG Clara etc.)
		Continued expansion of Connected, Powered, Trusted offering to clients
		Working with clients on digitizing existing business models
Increased focus on ESG issues among both clients and regulators	Increased demand from clients for support in switching to more sustainable business models; increased regulatory requirements for both KPMG N.V. and clients	Advisory work with clients on ESG strategy, sustainable finance, supply chain management, human rights etc.
		Extend assurance to non-financial disclosures (including adoption of EU taxonomy and planned Corporate Sustainability Reporting Directive)
		Development of new ESG curriculum internally
		Continuous engagement with regulators and other standard setters
Impact of war in Ukraine on the economic and business environment	Rising energy prices and higher inflation; slower economic growth and increased emphasis on energy security	Work with clients in both public and private sector on energy transition
		Help clients adapt to rising inflation, supply chain pressures and possible impact on consumer spending
		Closure of KPMG offices in Russia and Belarus; measures to support Russian and Ukrainian employees at KPMG N.V.
Skills shortages in the audit sector and wider Dutch economy	Challenges in both recruitment and retention; increased work volume for existing staff	Comprehensive learning and development program
		More flexible approach to workforce management and outsourcing
		Step-up in recruitment and introduction of new traineeships 'tracks'
		Success-sharing incentive payments and increase in basic salaries
		Enhancing employee value proposition and targeted recruitment campaign aimed at data and digital

Note: management of these material issues is incorporated into our Trust & Growth strategy as well as into our approach to risk management and stakeholder engagement. Please refer to our Governance section for more information about our policies, controls and commitments in these areas. Our value creation model sets out how we seek to create value through our strategy and relations with our main stakeholder groups.

Public Interest Entity clients

The following is a list of 126 Public Interest Entity clients (as at 30 September 2022). These are clients for whom KPMG partners have either signed an audit opinion on behalf of KPMG Accountants N.V., or started work on a legal audit by the date above (in accordance with the Dutch Audit Firms Supervision Act).

ABN AMRO Levensverzekering N.V.
ABN AMRO Schadeverzekering N.V.
Accell Group N.V.
Almunda Professionals N.V. (previously Novisource N.V.)
AMG Advanced Metallurgical Group N.V.
AnderZorg N.V.
ASM International N.V.
ASML Holding N.V.
ASR Aanvullende Ziektekostenverzekeringen N.V.
ASR Basis Ziektekostenverzekeringen N.V.
ASR Levensverzekering N.V.
ASR Nederland N.V.
ASR Schadeverzekering N.V.
AT Securities B.V.
ATF Netherlands B.V.
Atlanteo Capital B.V.
Bank Mendes Gans N.V.
Bank ten Cate & Cie N.V.
Boiro Finance B.V.
Bumper NL 2020-1 B.V.
Centrale Zorgverzekeringen NZV N.V. (previously Centrale Ziektekostenverzekering NZV N.V.)
Cetin Finance B.V.
Cnova NV
Corbion N.V.
Core Laboratories N.V.
Coteq Netbeheer B.V.
Credit Europe Bank N.V.
CTP N.V.
CZ Zorgverzekeringen N.V.
Daimler International Finance B.V.
Digi Communications N.V.
Douro Finance B.V.
E.ON INTERNATIONAL FINANCE B.V.
Enel Finance International N.V.
Enel Insurance N.V.
Energy Transition Partners B.V.
Envipco Holding N.V.
EQUATE Petrochemical B.V.
Eurocommercial Properties N.V.
EXMAR Netherlands B.V.
FBN Finance Company B.V.
ForFarmers N.V.
Goudse Levensverzekeringen N.V.
Goudse Schadeverzekeringen N.V.
Iberdrola International B.V.
Icebear Steenwijk B.V. (previously IJsbeer Energie Europa B.V.)
ING Bank N.V.

ING Groenbank N.V.
ING Groep N.V.
Karlou B.V.
Klaverblad Levensverzekering N.V.
Koninklijke Ahold Delhaize N.V.
Koninklijke Bibliotheek
KONINKLIJKE BOSKALIS WESTMINSTER N.V.
Koninklijke DSM N.V.
LeasePlan Corporation N.V.
Lifetri Verzekeringen N.V.
Madrileña Red de Gas Finance B.V.
Menzis N.V.
Menzis Zorgverzekeraar N.V.
N.V. Levensverzekering-Maatschappij "De Hoop"
Nationale-Nederlanden Bank N.V.
Nationale-Nederlanden Levensverzekering Maatschappij N.V.
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
Naturgy Finance B.V.
Neways Electronics International N.V.
NN Equity Investment Fund N.V.
NN Euro Rente Fonds N.V.
NN Europa Duurzaam Aandelen Fonds N.V.
NN Group N.V.
NN Non-Life Insurance N.V.
NN Paraplufonds 1 N.V.
NN Paraplufonds 2 N.V.
NN Paraplufonds 3 N.V.
NN Paraplufonds 4 N.V.
NN Re (Netherlands) N.V.
NN Wereldwijd Mix Fonds N.V.
OCI N.V.
OHRA Zorgverzekeringen N.V. (previously OHRA Ziektekostenverzekeringen N.V.)
Onderlinge Levensverzekering-Maatschappij 's Gravenhage U.A.
Onderlinge Verzekering Maatschappij Donatus U.A.
Onderlinge Waarborgmaatschappij CZ groep U.A.
Onderlinge Waarborgmaatschappij SAZAS U.A.
Onderlinge Waarborgmaatschappij voor Instellingen in de Gezondheidszorg MediRisk B.A.
Orange Lion 2013-10 RMBS B.V.
Orange Lion 2015-11 RMBS B.V.
Orange Lion XIII RMBS B.V.
Orange Lion XIV RMBS B.V.
Orange Lion XV RMBS B.V.
Orange Lion XVI RMBS B.V.
Postnl N.V.
Qiagen N.V.
R.K. Woningstichting 'Ons Huis'
Robeco Afrika Fonds N.V.
Robeco Customized US Large Cap Equities N.V.
Robeco Sustainable Global Stars Equities Fund N.V.
Robeco Umbrella Fund I N.V.
Robeco US Conservative High Dividend Equities N.V.
Rolinco N.V.
RoodMicrotec N.V.
Royal Schiphol Group N.V.
Stichting Algemeen Pensioenfonds KLM
Stichting de Alliantie

Stichting Domesta
Stichting Groenwest
Stichting Havensteder
Stichting HW Wonen
Stichting Pensioenfonds ABP
Stichting Pensioenfonds PGB
Stichting Pensioenfonds Vliegend Personeel KLM
Stichting Vidomes
Stichting Welbions
Stichting Woningbedrijf Velsen
Stichting Woonbedrijf ieder1
Stichting Woonservice Drenthe
Syngenta Finance N.V.
Unilever Finance Netherlands B.V.
Unilever Insurances N.V.
Vivoryon Therapeutics N.V.
Vonovia Finance B.V.
VVAA Schadeverzekeringen N.V.
Wereldhave N.V.
Woningborg N.V.
Woningstichting Eigen Haard
Woningstichting Wierden en Borgen
Woonstichting Lieven de Key

Other KPMG member firms in EU and/or European Economic Area

With this list of KPMG audit member firms as at 30 September 2022 we comply with EU Regulation 537/2014 article 13, paragraph 2 sub b (ii and iii). Total turnover achieved by EU/EEA audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements amounted to EUR 2.2 billion during 2021/2022.

Location	Firm name
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Linz)
Austria	KPMG Niederösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Belgium	KPMG Bedrijfsrevisoren/KPMG Réviseurs d'Entreprises
Bulgaria	KPMG Audit OOD
Croatia	KPMG Croatia d.o.o. za reviziju
Cyprus	KPMG
Cyprus	KPMG Limited
Czech Republic	KPMG Česká republika Audit, s.r.o.
Denmark	KPMG P/S
Estonia	KPMG Baltics OÜ
Finland	KPMG Oy Ab
Finland	KPMG Julkistarkastus Oy
France	KPMG Associés S.A.
France	KPMG Audit Est S.A.S.
France	KPMG Audit FS I S.A.S.
France	KPMG Audit ID S.A.S.
France	KPMG Audit IS S.A.S.
France	KPMG Audit Nord S.A.S.
France	KPMG Audit Ouest S.A.S.
France	KPMG Audit Paris et Centre S.A.S.
France	KPMG Audit Rhône Alpes Auvergne S.A.S.
France	KPMG Audit Sud-Est S.A.S.
France	KPMG Audit Sud-Ouest S.A.S.
France	KPMG Fiduciaire de France
France	KPMG SA
France	SALUSTRO REYDEL S.A.
Germany	KPMG AG Wirtschaftsprüfungsgesellschaft
Germany	KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Greece	KPMG Certified Auditors S.A.
Greece	KPMG Auditing A.E.
Hungary	KPMG Hungária Kft.
Iceland	KPMG ehf.

Location	Firm name
Ireland	KPMG
Italy	KPMG S.p.A.
Italy	KPMG Audit S.p.A.
Latvia	KPMG Baltics SIA
Liechtenstein	KPMG (Liechtenstein) AG
Lithuania	KPMG Baltics UAB
Luxembourg	KPMG Luxembourg SA
Malta	KPMG
Netherlands	KPMG Accountants N.V.
Norway	KPMG Holding AS
Norway	KPMG AS
Poland	KPMG Audyt Services Spółka z ograniczoną odpowiedzialnością
Poland	KPMG Audyt Spółka z ograniczoną odpowiedzialnością
Poland	KPMG Audyt Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa
Portugal	KPMG & Associados — Sociedade de Revisores Oficiais de Contas, S.A.
Romania	KPMG Audit SRL
Slovakia	KPMG Slovensko spol. s r.o.
Slovenia	KPMG Slovenija, podjetje za revidiranje, d.o.o.
Spain	KPMG Auditores, S.L.
Sweden	KPMG AB

Global Reporting Initiative contents table

Statement of use	KPMG Netherlands has reported in accordance with the GRI Standards for the period 01/10/2021 – 30/09/2022
GRI 1 used	**GRI 1: Foundation 2021**
Applicable GRI Sector Standard(s)	Not applicable

Standard	Disclosure	Included in draft (y/n)	Section(s)	Reason for omission
2-1	Organizational details	Y	Our business	
2-2	Entities included in the organization's sustainability reporting	Y	About this report	
2-3	Reporting period, frequency and contact point	Y	About this report, Contact details	
2-4	Restatements of information	Y	Throughout report, using footnotes	
2-6	External assurance	Y	Independent assurance report	
2-6	Activities, value chain and other business relationships	Y	Value creation	
2-7	Employees	Y	Our business, Operational structure, Our culture - Inclusion, diversity and equity	
2-8	Workers who are not employees	Y	Our business – Operational structure	
2-9	Governance structure and composition	Y	Governance, Members of the Board of Management, Supervisory Board report	
2-10	Nomination and selection of the highest governance body	Y	Governance, Supervisory board report	
2-11	Chair of the highest governance body	Y	Supervisory board report	
2-12	Role of the highest governance body in overseeing the management impacts	Y	Supervisory Board activities in 2021/2022	
2-13	Delegation of responsibility for managing impacts	Y	Functioning of the supervisory board, Supervisory Board activities in 2021/2022	
2-14	Role of the highest governance body in sustainability reporting	Y	Appendix – Reporting principles	
2-15	Conflicts of interest	Y	Functioning of the Supervisory Board – Board independence	

Standard	Disclosure	Included in draft (y/n)	Section(s)	Reason for omission
2-16	Communication of critical concerns	Y	Governance – Code of conduct and other internal controls, Public trust – Performance on quality	
2-17	Collective knowledge of the highest governance body	Y	Supervisory board report	
2-18	Evaluation of the performance of the highest governance body	Y	Functioning of the Supervisory Board - Board evaluation	
2-19	Remuneration policies	Y	Remuneration report	
2-20	Process to determine remuneration	Y	Remuneration report	
2-21	Annual total compensation ratio	N		Not applicable. This metric is not disclosed because the partnership structure of our organization would make any comparison of salaries misleading.
2-22	Statement on sustainable development strategy	Y	Message from our CEO	
2-23	Policy commitments	Y	Maintaining quality in our work, Managing risk, Engaging with our stakeholders, Value creation, Governance – Code of conduct and other internal controls	
2-24	Embedding policy commitments	Y	Maintaining quality in our work, Managing risk, Value creation, Governance – Code of conduct and other internal controls	
2-25	Process to remediate negative impacts	Y	Value creation, Management of material topics	
2-26	Mechanisms for seeking advice and raising concerns	Y	Governance – Code of conduct and other internal controls	
2-27	Compliance with laws and regulations	Y	Performance on quality	
2-28	Membership associations	Y	Our business – Operational structure	
2-29	Approach to stakeholder engagement	Y	Engaging with our stakeholders	
2-30	Collective bargaining agreements	N		Not applicable. KPMG is not subject to collective bargaining agreements.
3-1	Process to determine material topics	Y	Appendix Reporting principles - Materiality assessment	
3-2	List of material topics	Y	Our material topics, Appendix Reporting principles - Materiality assessment	

Standard	Disclosure	Included in draft (y/n)	Section(s)	Reason for omission
3-3	Management of material topics	Y	Appendix Management of material topics	We are compliant with GRI disclosure 3-3 for all of our material topics: Ongoing focus on audit quality; Well-being of our workforce, both mental and physical; Growing use of digital technologies throughout the economy; Increased focus on ESG issues among both clients and regulators; Impact of war in Ukraine on the economic and business environment; and Skills shortages in the audit sector and wider Dutch economy.

Material topic	GRI Disclosure	Included (y/n)	Section(s)	Reason for omission
Impact of war in Ukraine on the economic and business environment	**GRI 201: Economic performance 2016**			
	201-1 Direct economic value generated and distributed	Y	Financial statements	GRI 201-2a iii and v not disclosed due to confidentiality constraints (disclosure would compromise our commercial position)
	201-2 Financial implications and other risks and opportunities due to climate change	Y	Managing risk, Clients – Our performance	
	201-3 Defined benefit plan and other retirement plans	Y	Financial statements	
	201-4 Financial assistance received from government	Y	Financial statements	
Well-being of our workforce, both mental and physical Skills shortages in the audit sector and wider Dutch economy	**GRI 401: Employment 2016**		People	Breakdown by age is not applicable. Age doesn't play a significant role in our approach to hiring and retention. We put greater emphasis on gender diversity, given the current gender imbalance in more senior positions, please refer to the People section for more information.
	401-1 New employee hires and employee turnover	Y		
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Y		
	401-3 Parental leave	Y		
	GRI 404: Training and education 2016			
	404-1 Average hours of training per year per employee	Y	Workforce planning and development – Learning, development and succession planning	Breakdown of training hours by gender and employee category is not yet of adequate quality to report and will be included in our 2022/2023 integrated report.

Material topic	GRI Disclosure	Included (y/n)	Section(s)	Reason for omission
	404-2 Programs for upgrading employee skills and transition assistance programs	Y	Workforce planning and development	
	404-3 Percentage of employees receiving regular performance and career development reviews	N		Not applicable. We do not report specific data on this because annual performance reviews are mandatory for all employees and partners.
	GRI 405: Diversity and equal opportunity 2016			
	405-1 Diversity of governance bodies and employees	Y	Members of our Board of Management, Members of the Supervisory Board, Our culture – Inclusion, diversity and equity	We consider breakdown by age not applicable because KPMG aims to create an inclusive work environment in which age does not play a significant role.
	405-2 Ratio of basic salary and remuneration of women to men	Y	Our culture - Inclusion, diversity and equity	
	GRI 406: Non-discrimination 2016			
	406-1 Incidents of discrimination and corrective actions taken	Y	Our culture – Inclusion, diversity and equity	
Ongoing focus on audit quality	**GRI 3-3: KPMG – AQIs**	Y	Public trust - Audit Quality Indicators	
Growing use of digital technologies throughout the economy	**GRI 3-3: KPMG – Amount of investment in digital & innovation**	Y	Digital & Innovation	
	GRI 3-3: KPMG – Revenue from our Technology practice	Y	Digital & Innovation	
Increased focus on ESG issues among both clients and regulators	**GRI 3-3: KPMG – Total strategic investments**	Y	Financial strength	

Definitions of key performance indicators and other metrics

Below we have included the definitions of the KPIs and other metrics that relate to our material topics, including the sections in which they can be found.

Indicator	Definition	Section
Absenteeism	Absence of all full-time and part-time staff as of % of total staff	People
Amount of investment in digital & innovation	All expenses (both hours and out of pocket expenses) spend on Digital & Innovation	Digital & innovation
Amount re-invested in our business	All expenses (both hours and out of pocket expenses) spend on strategic initiatives	Performance highlights for 2021/2022
Audit contracts won in Mandatory Firm Rotations since 2020	Amount of audit tenders won by KPMG in the Mandatary Firm Rotation (MFR). MFR requires that companies change their auditor after a legally set period of time. The Regulation established a maximum duration of the audit engagement of an auditor or an audit firm in a particular audited company at 10 years. The minimum duration is 1 year.	Clients
Average training hours for each audit professional (AQI 4)	Number of training hours as % of total FTEs in audit	Public trust - Audit quality indicators
Chargeable hours (as % of total hours worked) (AQI 2)	Hours spent on audit engagements as % of hours available	Public trust - Audit quality indicators
Client Satisfaction score	Number of positive responses as % of total client responses. Reflects how satisfied clients are with the services provided by KPMG	Performance highlights for 2021/2022, Clients
Culture survey (AQI 6.b)	Number of positive answers to Culture Survey divided by total answers to Culture Survey	Public trust - Audit quality indicators
Employee engagement score	Number of positive answers to engagement related questions in the Global People Survey as % of total answers	Performance highlights for 2021/2022, People
GPS and Pulse survey results related to coaching and audit quality (AQI 6.a)	Number of positive answers to Global People Survey questions on coaching and audit quality as % of total answers	Public trust - Audit quality indicators
Hours spent by IT and other specialists on PIE engagements (AQI 11.a)	Number of PIE audit engagement hours by IT and other specialists as % of total PIE audit engagement hours	Public trust - Audit quality indicators
Hours spent by IT and other specialists on non-PIE engagements (AQI 11.b)	Number of non-PIE audit engagement hours by IT and other specialists as % of total non-PIE audit engagement hours	Public trust - Audit quality indicators
Hours spent by partners on PIE engagements (AQI 1.a)	Number of partner hours as % of total number of PIE audit engagement hours	Public trust - Audit quality indicators
Hours spent by partners on non-PIE engagements (AQI 1.b)	Number of partner hours as % of total number of non-PIE audit engagement hours	Public trust - Audit quality indicators
Hours spent on EQCRs (as % of total hours) (AQI 10)	Number of EQCR hours as % of hours spent on audit engagements with an EQCR	Public trust - Audit quality indicators

Indicator	Definition	Section
Independence violations (AQI 13)	Number of independence violations as % of total audit headcount	Public trust - Audit quality indicators
Investments in development of new audit technologies and tools (AQI 3)	investments in audit technology and methodology as % of annual revenue from audit business (EUR)	Public trust - Audit quality indicators
Net Promoter Score	Number of clients that would recommend KPMG (promoters) as % of total client responses.	Clients
Number of employees (average FTE)	All full time employees (FTE) employed during 2021/2022. In case of shorter employment period relevant FTEs are only taken in to account for this period	Performance highlights for 2021/2022
Number of projects in our Innoway innovation pipeline	Total number of innovation projects on ideation platform	Digital & innovation
Number of restatements (as % of auditor's reports issued) (AQI 14)	Number of restatements of financial statements audited by KPMG as % of total auditor's reports issued	Public trust - Audit quality indicators
Partner involvement in PIE engagements	Number of partner hours as % of total number of PIE audit engagement hours	Public trust
Percentage of Advisory engagements rated satisfactory in internal reviews	Number of Advisory engagements rated satisfactory as % of total advisory engagements reviewed internally. Reviews are performed by the Functional Quality & Risk Management Partner and are rated on two criteria: engagement set-up and engagement execution. Ratings are *green, amber* or red; both *green* and *amber* are considered satisfactory.	Public trust
Percentage of Assurance engagements rated 'compliant' in internal reviews	Number of Assurance engagements rated 'compliant' as of % of total assurance engagements reviewed internally. Reviews are conducted by our Internal Audit & Compliance Office, using reviewers at both partner and senior management level. Ratings are: *compliant*, *compliant - improvement needed* and *not compliant.*	Performance highlights for 2021/2022, Public trust
Percentage of engagements involving EQCRs (AQI 9)	Number of EQCRs as % of statutory audits. EQCR assigned engagements including active engagements related to the respective clients as a % of the total legal audit engagements.	Public trust - Audit quality indicators
Profit before income tax	Revenues minus all cost equals profit before income tax	Performance highlights for 2021/2022, Financial strength
Result of external inspections (AQI 12.a)	Number of satisfactory external quality reviews as % of total external quality reviews	Public trust - Audit quality indicators
Result of internal inspections (% satisfactory rating) (AQI 12.b)	Number of satisfactory internal quality reviews as % of total internal quality reviews	Public trust - Audit quality indicators
Retention of audit professionals (AQI 5)	100% minus number of FTEs leaving KPMG since start of financial year divided by number of FTEs at start of financial year	Public trust - Audit quality indicators, People
Retention rate among KPMG professionals	100% minus number of KPMG professionals leaving since start of financial year divided by number of KPMG professionals at start of financial year	Performance highlights for 2021/2022, People
Revenue growth	Revenue current year minus revenues previous year as % of previous year	Performance highlights for 2021/2022, Financial strength
Revenue in 2021/2022 from our Technology practice	Revenues of relevant Technology propositions (Digital Advisory, Enterprise Solutions, Cyber & Privacy, Digital & Analytics)	Digital & innovation

Indicator	Definition	Section
Technical consultations (as % of all engagements) (AQI 8)	Nnumber of technical consultations as % of total audit engagements	Public trust - Audit quality indicators
Technical resources support (as % of total assurance FTEs) (AQI 7)	Number of FTEs in technical resources support as % of total audit FTEs	Public trust - Audit quality indicators
Total strategic investments	All expenses (both hours and out of pocket expenses) spend on strategic initiatives	Financial strength

Segmentation of revenue and other income

Audit and advisory fees

The tables below provide a breakdown of KPMG Netherlands' revenue for 2021/2022, segmented by service type. All amounts are based on our taxonomy of services and are provided by clients' legal entity. Statutory legal audits are those where there is a legal obligation to have financial statements audited by an independent auditor. These audits come in two forms: audits for Public Interest Entity (PIE) clients and for non-PIE clients.

We use the definition for PIEs (organisaties van openbaar belang, in Dutch) under the Netherlands' Audit Firms Supervision Act (Wet toezicht accountantsorganisaties, Wta, in Dutch), Article 1.p., to determine the segregation of revenue. Other audit and assurance (-related) reports, referred to in the tables below, include other financial statement audits, attestation reports, sustainability assurance, ISAE 3402 certification, IT audits etc. Advisory engagements are those that have certification or audit elements.

Our clients expect us to deliver advisory services to assist them in resolving their issues and challenges. However, we observe strict compliance with independence standards: we do not offer all services to all clients. In addition, in accordance with International Federation of Accountants (IFAC) thresholds, no one audit client accounted for more than 15% of the total audit feeds received by the firm in 2021/2022.

Article 13(2)(k) of EU Regulation 537/2014:

i. Revenues from the statutory audit of annual and consolidated financial statements of PIEs and entities belonging to a group of undertakings whose parent undertaking is a PIE;
ii. Revenues from the statutory audit of annual and consolidated financial statements of other entities;
iii. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm;
iv. Revenues from non-audit services to other entities.

(in EUR million)		2021/2022		2020/2021	
i	OOB clients (Wta)	**70.1**	**10%**	67.0	11%
ii	Non-OOB clients (Wta)	**136.1**	**20%**	117.2	20%
iii	Other audit clients	**54.3**	**8%**	48.9	8%
iv	Other clients	**426.9**	**62%**	359.0	61%
Total		**687.4**	**100%**	**592.1**	**100%**

Roman numbers indicate the combinations for the summary table

KPMG N.V. 2021/2022		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	70.1	83%	iii	4.9	6%	9.4	11%	84.4	100%	-	0%	-	0%	84.4
Non-OOB clients (Wta)	ii	136.1	77%		18.6	11%	11.4	6%	166.1	94%	9.9	6%	-	0%	176.0
Other audit clients				iv	49.3	81%	7.0	11%	56.3	93%	4.3	7%	-	0%	60.7
Other clients							12.9	4%	12.9	4%	321.4	88%	31.9	9%	366.2
Total		**206.2**	**30%**		**72.8**	**11%**	**40.7**	**6%**	**319.7**	**47%**	**335.6**	**49%**	**31.9**	**5%**	**687.4**

Assurance 2021/2022		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	70.1	83%	iii	4.9	6%	9.4	11%	84.4	100%	-	0%	-	0%	84.4
Non-OOB clients (Wta)	ii	136.1	80%		18.6	11%	11.4	7%	166.1	98%	3.3	2%	-	0%	169.4
Other audit clients				iv	49.4	86%	7.0	12%	56.4	98%	0.9	2%	-	0%	57.3
Other clients							12.4	23%	12.4	23%	40.9	74%	1.6	3%	54.8
Total		**206.2**	**56%**		**72.9**	**20%**	**40.2**	**11%**	**319.3**	**87%**	**45.1**	**12%**	**1.6**	**0%**	**366.0**

Advisory 2021/2022		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	-	0%	-	0%	-	0%	-	0%	-
Non-OOB clients (Wta)	ii	-	0%		-	0%	-	0%	-	0%	6.6	100%	-	0%	6.6
Other audit clients				iv	-	1%	-	0%	-	1%	3.4	99%	-	0%	3.4
Other clients							0.5	0%	0.5	0%	280.6	98%	6.1	2%	287.1
Total		**-**	**0%**		**-**	**0%**	**0.5**	**0%**	**0.5**	**0%**	**290.6**	**98%**	**6.1**	**2%**	**297.2**

Shared Service 2021/2022		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	-	0%	-	0%	-	0%	-	0%	-
Non-OOB clients (Wta)	ii	-	0%		-	0%	-	0%	-	0%	-	0%	-	0%	-
Other audit clients				iv	-	0%	-	0%	-	0%	-	0%	-	0%	-
Other clients							-	0%	-	0%	-	0%	24.2	100%	24.2
Total		**-**	**0%**		**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**24.2**	**100%**	**24.2**

Roman numbers indicate the combinations for the summary table

KPMG N.V. 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	67.0	85%	iii	4.5	6%	7.4	9%	78.9	100%	-	0%	-	0%	78.9
Non-OOB clients (Wta)	ii	117.2	76%		15.0	10%	10.5	7%	142.7	93%	11.5	7%	-	0%	154.2
Other audit clients				iv	51.1	76%	6.6	10%	57.7	86%	9.3	14%	-	0%	67.0
Other clients							12.5	4%	12.5	4%	256.1	88%	23.4	8%	292.0
Total		**184.2**	**31%**		**70.6**	**12%**	**37.0**	**6%**	**291.8**	**49%**	**276.8**	**47%**	**23.4**	**4%**	**592.1**

Assurance 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	67.0	85%	iii	4.5	6%	7.3	9%	78.8	100%	-	0%	-	0%	78.8
Non-OOB clients (Wta)	ii	117.2	81%		15.0	10%	10.5	7%	142.7	98%	2.4	2%	-	0%	145.1
Other audit clients				iv	51.1	86%	6.6	11%	57.7	97%	1.9	3%	-	0%	59.6
Other clients							12.0	27%	12.0	27%	31.8	71%	0.8	2%	44.6
Total		**184.2**	**56%**		**70.6**	**22%**	**36.4**	**11%**	**291.2**	**89%**	**36.1**	**11%**	**0.8**	**0%**	**328.1**

Advisory 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	0.1	100%	0.1	100%	-	0%	-	0%	0.1
Non-OOB clients (Wta)	ii	-	0%		-	0%	-	0%	-	0%	9.1	100%	-	0%	9.1
Other audit clients				iv	0.1	1%	-	0%	0.1	1%	7.4	99%	-	0%	7.5
Other clients							0.5	0%	0.5	0%	224.3	99%	0.8	0%	225.6
Total		**-**	**0%**		**0.1**	**0%**	**0.6**	**0%**	**0.7**	**0%**	**240.8**	**99%**	**0.8**	**0%**	**242.3**

Shared Service 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	-	0%	-	0%	-	0%	-	0%	-
Non-OOB clients (Wta)	ii	-	0%		-	%	-	0%	-	0%	-	0%	-	0%	-
Other audit clients				iv	-	0%	-	0%	-	0%	-	0%	-	0%	-
Other clients							-	0%	-	0%	-	0%	21.7	100%	21.7
Total		**-**	**0%**		**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**21.7**	**100%**	**21.7**

Abbreviations used in this report

AFM	Authority for the Financial Markets
AQC	Assurance Quality Committee tekst
AQI	Audit
AQIC	Audit Quality Improvement Council
ARC	Audit Risk Committee
Bta	Dutch Supervision Accounting Organizations Decree (Besluit toezicht accountantsorganisaties)
DAB	Committee of European Auditing Oversight Bodies
CEO	Chief Executive Officer
CSRD	Corporate Sustainability Reporting Directive
CTA	Commission on the Future of Accountancy
DPP	Department of Professional Practice
EQCR	Engagement Quality Control Reviewers
ERM	Enterprise Risk Management
ESG	Environmental, social and governance
HR	Human resources
IAASB	International Auditing and Assurance Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFIAR	International Forum of Independent Audit Regulators
IG&H	Infrastructure, Government & Healthcare
ISQC	International Standard on Quality Control
ISQM	International Standard on Quality Management
IT	Information technology
KQCE	KPMG Quality & Compliance Evaluation
MCA	Committee on Accountancy Monitoring (MCA)
MFR	Mandatory Firm Rotation
NBA	Royal Netherlands Institute of Chartered Accountants (Koninklijke Nederlandse Beroepsorganisatie van Accountants)
NGO	Non-Governmental Organization
NPS	Net Promoter Score
OECD	Organization for Economic Cooperation and Development
PCAOB	Public Company Accounting Oversight Board
PIE	Public Interest Entity
QPR	Quality Performance Review
SDG	Sustainable Development Goal
SFDR	Sustainable Finance Disclosure Regulation
TCFD	Task Force for Climate-Related Financial Disclosures
VCM	Value creation model
ViO	Regulation on the independence of accountants in assurance engagements (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten)
WAB	Auditors’ Profession Act (Wet op het accountantsberoep)
Wta	Act on Supervision of Accountancy Organizations (Wet toezicht accountantsorganisaties)

Contact details

We welcome feedback on our report. Please send comments and suggestions via the contact form on our website.

Please use the request for proposal (RFP) submission form to provide details of the challenge(s) that you are facing or the service(s) you require from KPMG.

KPMG.nl