More than numbers

Integrated Report 2016-2017

Including the KPMG Accountants N.V.
Transparency Report

Contents

On the cover the portrait of Piet Klijnveld, one of our founding fathers and the 'K' in KPMG. This illustration is an artist impression of an assemblage of salvaged and found wood made by Diederick Kraaijeveld. This artwork was presented by the Board of KPMG Meijburg & Co to the Board of Management of KPMG N.V. and symbolises the close cooperation between both firms over the years.

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KPMG at a glance

The public trusts us

1,140 engagement quality control **reviews** on Audit **engagements**

1,234 in FY2015/16

235 **audit reports** for OOB **statutory** audit clients

269 in FY2015/16

1,721 **audit reports** for other **statutory** audit clients

1,885 in FY2015/16

Quality performance reviews

66% Audit engagements **satisfactory**

77% in FY2015/16

96% Advisory engagements **satisfactory**

93% in FY2015/16

Jan Hommen Scholarship (founded in 2016)

8 students were awarded a EUR 2,500 scholarship for 1 - 4 years

96% of the electricity was used from **renewable sources**

EUR 775,361 **in charitable contributions and donations**

EUR 721,464 in FY2015/16

Our people are extraordinary

KPMG Story sessions with ALL **employees** including NBA oath and KPMG Pledge

38 new talents in **Emerging Leader Programme**
42 in FY2015/16

19 talents in **Young Talent Programme**
23 in FY2015/16

3,015 **FTEs**
2,847 in FY2015/16

33.9%
33.6% in FY2015/16

66.1%
66.4% in FY2015/16

12.1% **partners**
11.2% in FY2015/16

87.9% **partners**
88.8% in FY2015/16

10.5% **directors**
7.4% in FY2015/16

89.5% **directors**
92.6% in FY2015/16

128.54 **hours on** training & development per employee
112.92 in FY2015/16

66% employee engagement index
64% in FY2015/16

79% employee pride in KPMG
80% in FY2015/16

87% **of professionals remained** with KPMG
83.9% in FY2015/16

2.2% **absenteeism**
2.8% in FY2015/16

Our clients see a difference in us

92% **overall** satisfied **clients**
90% in FY2015/16

Relationship	Quality of service	Added value	Passionate
95%	88%	80%	87%
94% in FY2015/16	89% in FY2015/16	79% in FY2015/16	77% in FY2015/16

Innovative	Results driven	Global mindset	Expert
66%	77%	65%	76%
60% in FY2015/16	65% in FY2015/16	67% in FY2015/16	72% in FY2015/16

43.4 **net promotor score (NPS)**
41.2 in FY2015/16

27.5 **NPS** Audit
27.5 in FY2015/16

54.6 **NPS** Advisory
53.4 in FY2015/16

176 **public interest entity audit clients**
151 in FY2015/16

Operational excellence enables us

134.2 mln net engagement revenue from statutory legal audits
143.4 mln in FY2015/16

12 offices in NL
12 in FY2015/16

49,060 m² in use
50,468 in FY2015/16

65,965 m² contracted
67,410 in FY2015/16

60,154 Audit operating result
67,502 in FY2015/16

62,699 Advisory operating result
62,1161 in FY2015/16

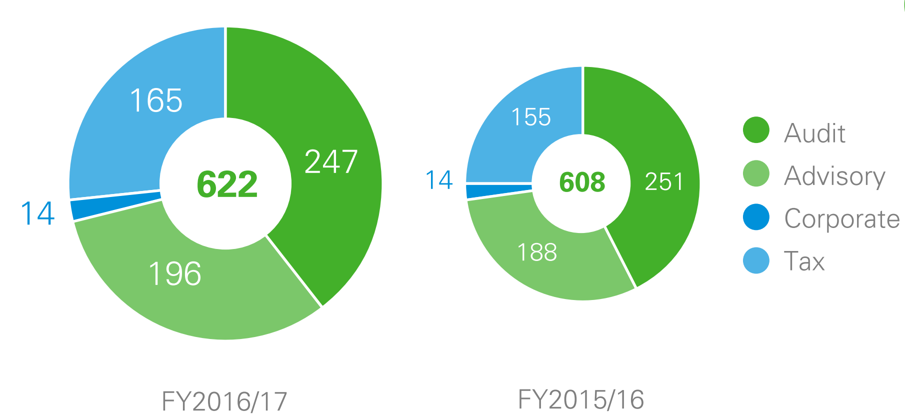
38.1% solvency ratio
30.1% in FY2015/16

461,909 total operating income
479,763 in FY2015/16

169,8 engagement revenue per Audit fte
178,1 in FY2015/16

192,6 engagement revenue per Advisory fte
212,1 in FY2015/16

Revenue
(in EUR million)



2,197 lease cars
2,263 on 1 Jan 2016

90.2% CO_2 <129 gm/km
84% on 1 Jan 2016

129 electric lease cars on 30 Sept 2017
106 on 30 Sept 2016

68 electric charging stations
61 in FY2015/16

Overview and strategy

Introduction

The year provided an excellent opportunity to look back as well as ahead into the future. We celebrated our Centennial in a number of ways during 2017. We are proud of the fact that KPMG in the Netherlands is one of the founding fathers of the global KPMG firm that now boasts 189,000 people working across 152 countries (a historical timeline is available here).

We chose 'True Value' as our Centennial-theme as it underlines our commitment to society through our purpose. It also exemplifies we believe there is more to our work than numbers. In a fast changing world it is important to understand where value is created.

We opened our doors for our clients and the wider community with a conference entitled 'Trust in the Netherlands'. This theme aptly describes the way we view the Netherlands: a great country to live in, important to keep improving and with full trust about our joint ability to meet the challenges ahead. During our anniversary event in June we presented to the President of the Dutch Central Bank (DNB) three publications: sustainable mobility, digital economy and flexible labour market.

Our core purpose is to contribute to a trusted society by inspiring confidence and empowering change. That applies to both audit and advisory services. Audit is a service that remains extremely relevant for healthy functioning financial markets and information decision making. With Advisory services we intend to create and protect value by helping clients through relevant consulting services such as Deals, Risk & Regulatory, Technology, Strategy & Operations and Finance & Business.

Our people

If we want to make a distinctive and meaningful contribution to our ambitions, we need top talents and to empower people to achieve their full potential. We are aware of the technology surge in business and the ever increasing need for and pace of digitisation. Almost half of our new joiners have a background in technology. They join the increasing group of fellow technology specialists in building and maintaining our leading role in data & analytics (D&A) and cyber security, as well as in digitising the future of audit. In addition to hiring specialists, we are also co-creating solutions with start-ups and other partners.

In the end it is people making the difference and the reason we strongly believe that KPMG is #morethannumbers. We are an ‘open university’, an educational institute developing high-grade know-how and expertise used to help solve our clients’ problems. Starters, young and more experienced talents recognise this and choose us in part because of our attention to continuous development.

Being more than numbers also means being diverse and inclusive. We are even more successful for our clients and society when our teams include people from different gender, backgrounds and cultures and with different kinds of creativity, intelligence and talent. Which is why we hosted a Diversity & Innovation meeting in June 2017 to connect and recognize diversity as a driver for innovation.

In November 2017, we announced that Albert Röell, chairman of the Board of Management of KPMG N.V., decided to resign from his position. We have a great deal of respect for Albert's decision, in which he has put the interests of the organisation first. His contribution to regaining public trust and strengthening the connection with customers and employees deserves our appreciation and gratitude. The Board of Management fully supports the Supervisory Board in its process to find a new chairman coming from outside the organisation. Rob Fijneman, member of the Board of Management and Head of Advisory, has assumed the tasks and responsibilities of chairman in the interim period.

Our business

Celebrating a Centennial is not achieved in isolation. We have been given the opportunity to serve tens of thousands of clients during those 100 years. We have audited and advised Dutch icons, including long-standing Dutch family businesses. We are grateful for those opportunities and being present at those moments when history was in the making.

We play a strong and leading role in the Dutch M&A market and we are recognised as market leaders in D&A, cyber security and transaction services. Our advisory services are becoming increasingly data-driven and we expect that trend to continue and accelerate. We have made that subject a high priority across the entire breadth of our business.

We combined our data and analytics (D&A) capabilities in a European KPMG collaboration called 'The Lighthouse'. This KPMG institute provides for the most advanced know-how on D&A. By combining forces with our European counterparts we have improved on service levels as well as our speed of innovation.

Strategy

We operate in a dynamic business environment where change is happening everywhere and any time. Flexibility is the new normal in coping with and responding to change. It is impacting society, our clients and ourselves, as organisational boundaries appear to be less relevant to give way to the network and ecosystem era. Clients join forces, partnerships are established in response to circumstances as they arise and client and stakeholder agendas are volatile.

We want to be 'the clear choice' for clients, employees and society at large when it comes to leading the change or providing the confidence to making the change.

To be better prepared for the future and required changes for our organisation, we have initiated a strategy update, named project Outlook 2025, where we identify developments, opportunities and risks for future success. At this stage, we are nearing completion and we expect to start implementing the main initiatives resulting from this strategy update in 2018.

Our strategy 2025 will be supported by five pillars:

Public trust – high standards in everything we do

Clients – unique service experience

People – best development experience

Technology – 100% digital enabled solutions

Financial strength – long-term growth above average

This is KPMG and this is our story

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

This is why we're here

Inspire Confidence. Empower Change.

This is our Purpose.

This is what we believe in

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

These are our Values.

This is what we want to be

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

This is our Vision.

This is how we'll get there

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

This is our Strategy.

This is how we want the world to see us

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

This is our Promise.

Value creation: we are more than numbers

Using purpose and values we employ human, intellectual, manufactured, social, financial and natural capitals to provide value to society. We refer to the IIRC Framework for further details about these capitals and the framework itself. Manufactured capital is excluded from our value chain, as our work is intangible in nature: we do not produce physical products. We are a people business and without our people there would be no service delivery. Hence, the three most significant capitals we use are human capital, intellectual capital and social or relationship capital.

Our value creation cycle provides an overview of how stakeholder expectations and purpose come together to drive our activities and strategy

Figure 1. Innovation as a process

Looking ahead

We are enthusiastic and optimistic on our journey in the next 100 years. In a challenging and fast changing world we want to play a meaningful role by serving our clients in protecting and creating value. In coming years we intend to accelerate our investments in our people, public trust, technology and our solutions.

Although distant future is full of uncertainty, we have worked on our long-term position and developed a scenario planning which will provide the basis for business planning in coming years.

Whatever the future might bring, it is clear that our success continues to depend on the trust of all our stakeholders and the trust of society as a whole. That is where we will continue to focus our energy on.

Innovating audit through D&A
Our focus for FY 2017/18 will be on increasing the time available to perform high-quality audits, accelerating our development and implementation of technology-enabled and data-driven services and further improving our professionals' knowledge of our audit methodology.

KPMG is rolling out D&A tools to assist engagement teams with identification and evaluation of key audit risks and substantive testing. D&A innovations enable engagement teams, where appropriate, to dig deeper into data and to analyse it in different ways, revealing more about a client's business and its risks, thereby transforming the KPMG audit by helping to deliver high-quality, innovative audits with actionable insights for clients.

Automation, the increase of analytics and the need to be more relevant in financial reporting are driving a transformation at KPMG. We are bringing together our existing powerful D&A capabilities, innovative new technologies, and our proven audit workflow into a new Smart Audit Platform – KPMG Clara, which has been introduced in 2017.

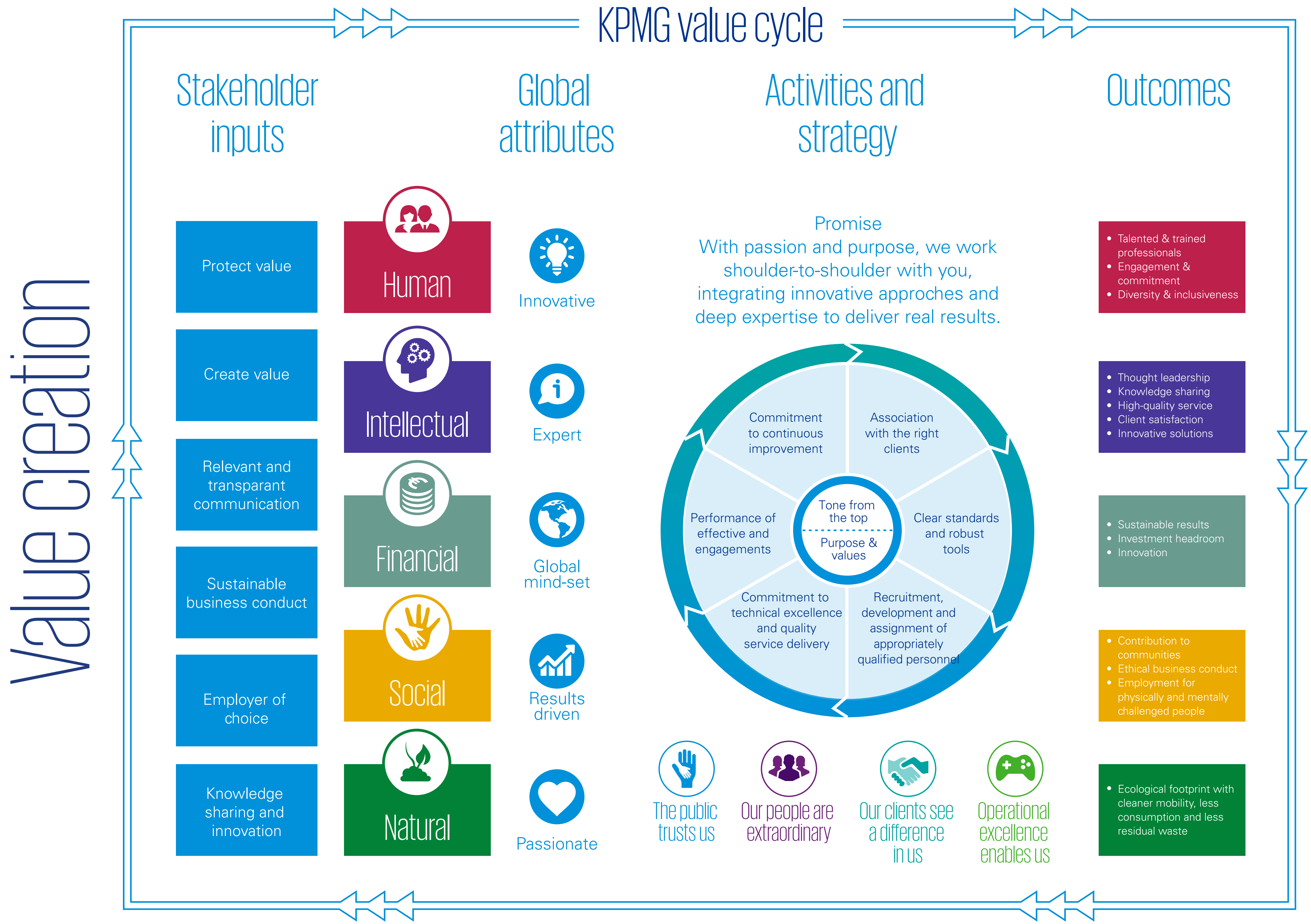


Figure 2. Value creation

Stakeholder dialogue

Sustainable Development Goals

Together with other member firms of the KPMG network, the Dutch firm, in one way or another, contributes to all 17 of the UN global goals for sustainable development (SDG) through our client work. The following goals are of particular interest for the Dutch firm.

SDGs are incorporated into our strategic actions and provide a global context for our value creation cycle as well as the identification of potentially material reportable topics for this integrated report.

Stakeholder management and expectations

We regularly engage with stakeholder groups to discuss our conduct and its consequences using a structured stakeholder dialogue process. During the year 2016/2017 we intensified these efforts with key stakeholders.

We collect stakeholder expectations from both these discussions and other sources of information, including media searches, client feedback and roundtables on stakeholder related topics. Expectations are subsequently grouped according to common topics or themes and also mapped against our business strategy. This enables us to ensure the public's interest is incorporated into our strategy as much as possible.

Stakeholder group	How we engage	Topics	Vision areas
Clients, including those charged with governance	Communicating and engaging with clients is undertaken in many ways, such as during our service delivery, client satisfaction surveys, site visits by Board members and client events (e.g. roundtables), including our Board Programme.	– Bring fresh ideas to clients helping them grow and improve – Help realising business opportunities – Provide data-based relevant insights – Conduct high quality audits – Develop solutions for managing risks	Our clients see a difference in us Operational excellence enables us
Employees and partners of KPMG	We engage with our professionals on a daily (continuous) basis through multiple internal communication channels, employee events, on the job training and through performance management. We hold regular meetings to discuss all aspects of our culture and the impact of our work on society.	– Give employees the opportunity to do their job well – Offer a great place to work – Make employees proud to work for KPMG – Offer personal and professional development	Our people are extraordinary Operational excellence enables us
Citizens, government and politicians	We maintain regular contact with NGOs, experts in the industry, opinion leaders and media to gain and provide insights and enhance our own initiatives to guide organisations in their journey on (sustainable) growth. Most activities are run through our proactive public affairs programme.	– Conduct independent high quality audits – Ensure that stakeholders receive relevant information – Treat information confidentially – Act responsibly and sustainably – Contribute to society	The public trusts us
Regulators	We are under supervision of the AFM and PCAOB regarding statutory audit engagements and subject to governmental inspection agencies for specific types of audit and assurance engagements. We have periodic dialogue with the domestic regulator AFM.	– Conduct high quality audits – Conduct independent audits	The public trusts us
Users of financial statements, including professional bodies representing those users and media	We are present at annual meetings of shareholders in which we present our role as auditors and findings we may have regarding the audit, including (long-form) auditor's reporting. For owner managed businesses our communication is of course directly with owners.	– Identify risks impacting continuity – Provide insights based on data – Timely reporting of relevant information to support investment decisions	The public trusts us Our clients see a difference in us
Professional bodies and academia	We participate in working groups of professional bodies (such as NBA, NOREA, and IIA) contributing to the development of high quality standards and services. We employ professors (full, associate and assistant) and through their academic affiliations teach future generations of professionals. We contribute to fundamental research to advance our understanding in the auditing, tax and advisory domain.	– Work together with third parties and professional bodies – Contribute to society – Develop and innovate professions	The public trusts us

Table 1. Stakeholder management and expectations

Performance and developments

- The public trusts us
- Our people are extraordinary
- Our clients see a difference in us
- Operational excellence enables us

The public trusts us

Introduction

The cornerstone of trust in our type of business is, has been and will always be quality. This holds true for both our Advisory business as well as for Audit. In the public eye, audit has caught most of the attention, but internally we guard and keep developing our quality controls on our Advisory business just as well.

Regarding audit quality we continue digitising our workflow, resulting in the longer term in an audit where human involvement in the process will be focused on the real business issues such as valuations and implementation of specific regulations.

At the same time, society changes rapidly. Although still crucially important, the financial statement audit is not the only area where assurance is increasingly needed. Who understands the complete value chain of a product manufactured by a host of independent suppliers? Who understands how self-learning algorithms operate? Who understands how cyber security systems actually work? Who understands the true value of a business using raw materials and in turn generating waste, depletion and/or renewable solutions? Society requires answers for these questions, and these answers are increasingly complex. They require validation experts – in other words: auditors – and technical specialists from a wide array of professional backgrounds. Together, these professionals provide services to protect businesses against new and unknown dangers resulting from unprecedented technological progress. We have combined part of our specialists in a joint group, named Assurance. By bringing auditors and advisory specialists in a joint team, we are accelerating our investments to bring security and trust to our clients and other stakeholders.

We are well aware of the societal unrest around the issue of fraudulent behaviour in businesses. We believe that this is a very relevant issue and we are increasing our efforts in this area.

As part of our pro bono activities last year we supported Transparency International with a study regarding the early identification of fraud within the Dutch small and medium enterprise market. We are open to support additional projects with the aim of reducing this kind of corruption in the Netherlands.

We endeavour to support the public interest by publishing studies and reports on a wide range of important business and society issues. We published on themes such as robots in health care, the value of European soccer clubs, the impact of Basel-4 for the financial sector, the CEO-barometer and many more. The goal of these publications is to open up our vast knowledge database to help third parties navigate their own course. In practice, this means that in the last financial year we published numerous articles and reports for the general public to use and/or apply.

We are on a journey

We perform our services in a public arena and are subsequently subject to public perception. We operate from a perspective that trust must be earned It is about contribution, value creation and ethical behaviour which is exactly why our purpose focuses on inspiring confidence and empowering change based on 7 core values and a promise to deliver real results and insights to clients and society.

During the year under review our focus has been on engaging and igniting professionals by discussing the KPMG Story and the impact our values have on our day to day behaviour. The collective efforts to build trust and create value are the sum of individual acts of being trustworthy.

The KPMG Story serves as our universal framework. It describes our purpose, values, vision, strategy and promise. We believe in the power of our purpose and our values as the moral and practical compass in our day to day behaviour. In leading by example, as individuals but also as a firm. In working together and respecting the individual. In seeking facts and providing insight. In open and honest communication with our stakeholders and within our organisation. We are dedicated to improve the communities in which we work and live. And above all, we act with integrity. All partners, professionals and support staff have individually signed the KPMG Pledge as a symbol of their commitment to our values. Qualified auditors also took the professional oath as mandated by the Royal Netherlands Institute of Chartered Accountants (*Nederlandse Beroeps-aorganisatie van Accountants*, hereinafter referred to as NBA). Each new joining professional will also be asked to join the movement.

Quality driven culture

That said, changing and improving behaviour is not achieved overnight. It requires dedication, discipline and focus. Embedding fundamental changes in culture and behaviour and translating numerous improvement measures into daily working practices takes time. Positive changes thereto are already visible, but conditioning those changes requires significant and ongoing efforts. Fortunately, the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, hereinafter referred to as the AFM) also recognises our efforts and is positive about the progress made within KPMG regarding the overall change process.

Phase 1 of the AFM investigation dealt with design of improvement measures in October 2015, resulting in a 4.6 score on a 5 point scale. In May 2016, the AFM commenced phase two by investigating the implementation of the improvement measures as well. Phase two of the investigation focused on the following three areas:

In control
The AFM evaluated whether the Board of Management is 'in control' in relation to the quality of legal audits and how that is influenced by culture surveys and root cause analyses.

Supervisory Board
The AFM evaluated the way the Supervisory Board applied its responsibilities in relation to the quality of legal audits.

Culture and behaviour
The AFM evaluated how professionals experience the changes in the quality driven culture. The AFM focussed on the tone from the top and exemplary behaviour of the board of management that enables professionals to demonstrate the behaviour expected in a quality driven culture.

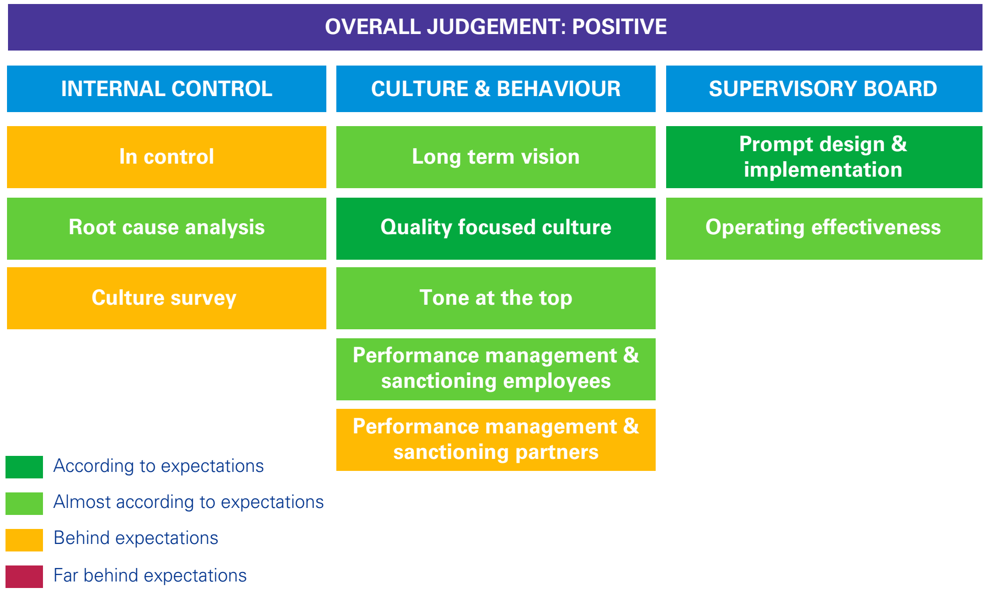


Figure 3. AFM Dashboard 2017

The AFM had observations relating to Culture & Behaviour, especially relating to putting the quality behaviour into practice and the way quality is included in the performance evaluation of partners. These observations corroborated with our analysis of our learning organisation and our emphasis on quality. Findings will be followed up during FY 2017/18.

Figure 4. AFM review on KPMG's implementation of improvement measures

People Surveys

We measure progress on cultural change using a subset of questions from our global people survey (GPS). The last GPS was held in November/December 2016 and is measured once a year. The Employee Engagement Index amounts to 66 which is an increase of 8% compared to 2015 and a 21% increase compared to 2014. Results of the 2017 GPS are not yet available for publication.

We introduced a specific Audit and Audit specialist culture survey in December 2016, which is considered the baseline for future annual culture surveys. The target for FY 2016/17 is that at least 70% of partners, professionals and support staff have a positive view on the Quality Culture within KPMG.

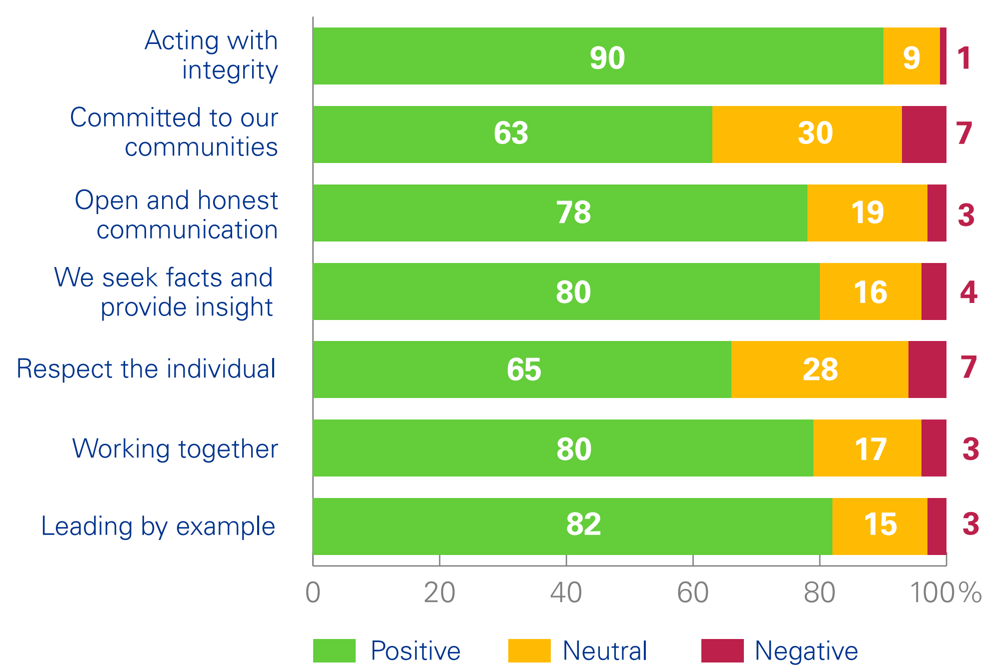


Figure 5. Scores on cultural change

Beyond compliance

Circumstances urged KPMG to increase the compliance workload for audit professionals during recent years. In addition, KPMG invested time and effort to improve its supporting processes and monitoring activities as part of the quality control system. We believe the next step in improving quality and public trust is in enabling our excellent professionals to actually exercise their professional judgment and professional scepticism.

During FY 2016/17 we have improved our supporting processes and scrutinised requirements in policies and procedures in such a way, that we have shifted emphasis from 'general rules for all audits through Directives' towards 'professional judgement for specific scenarios'. This will decrease overall compliance workload and increase time to focus on doing the right things at the right time. The main objective has been to unburden the business without compromising our relentless focus on quality. In addition to less rules and simplified and clarified rules and processes, we have expanded our service portfolio with KPMG Global Support to help outsourcing work.

Requirements and related internal guidance for performing audits are evolving over time. To avoid frequent changes and enhance clarity in professional guidance applying to our professionals, we have released a single and comprehensive set of standards in FY 2016/17 (as in last year) called 'Rules of the Game 2017'. This single set of standards will not be modified or supplemented during the year, unless changes in laws and regulations require so. The Rules of the Game 2017 were released on 1 June 2017 (FY 2015/16: 1 June 2016).

Inspections

Inspections, both internally and by regulators, are carried out to evaluate the work performed against our high standards. Where these inspections reveal deficiencies we analyse these deficiencies and where relevant perform a root cause analysis to learn and improve.

At the same time, we take remedial actions to rectify any findings in our audit work and audit documentation.

Internal

Quality Performance Reviews (QPR)

QPR is performed under the supervision of the Compliance Office with a team of Dutch (local) and non-Dutch (non-local) reviewers at partner and senior-manager level. Engagements are rated against KPMG's quality baseline. These ratings differ between Audit and Advisory. In Audit engagements are rated Satisfactory, Performance Improvement Necessary or Unsatisfactory depending on the nature and severity of findings. In Advisory engagements receive two ratings – one for set up and one for execution. Ratings are Green, Yellow and Red.

Green and Yellow ratings are awarded when engagements are substantially compliant with KPMG's standards. The process is overseen by a non-local lead reviewer. A centrally lead international Quality Performance Review team carries out on a regular basis a number of QPR reviews at various KPMG member firms, especially for audit of listed and related entities.

During the year under review, 52 Audit partners (FY 2015/16: 59) and 72 Advisory partners/directors (FY 2015/16: 73) were subject to internal quality reviews equalling 34% (FY 2015/16: 48%) and 46% (FY 2015/16: 53%) of the respective total eligible population of partners/directors.

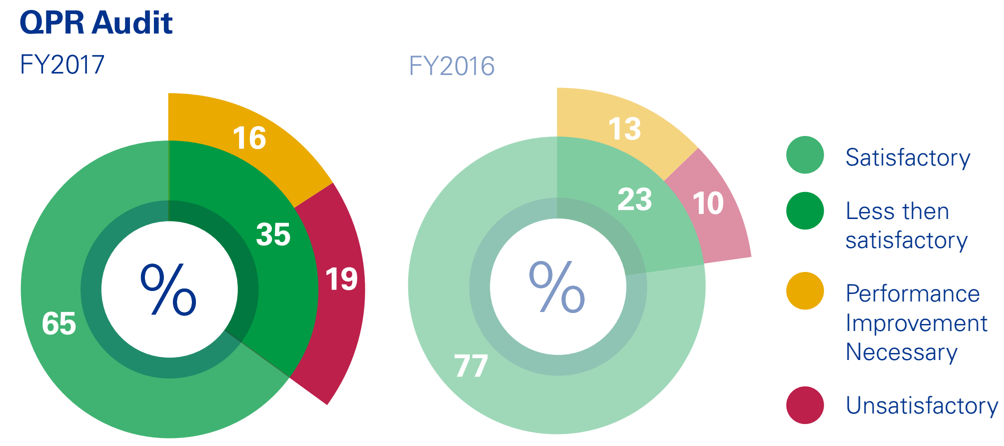


Figure 6. QPR scores Audit partners/directors

Audit

In Audit 65% of the engagements received a Satisfactory rating (FY 2015/16: 77%). Our objective is to reduce the number of engagements with a less than Satisfactory score with 25%, which is yet to be achieved. There are a limited number of Advisory taxonomy engagements which have been performed by Audit partners/directors. As in previous year, the QPR results of these engagements are not reflected in the scores above.

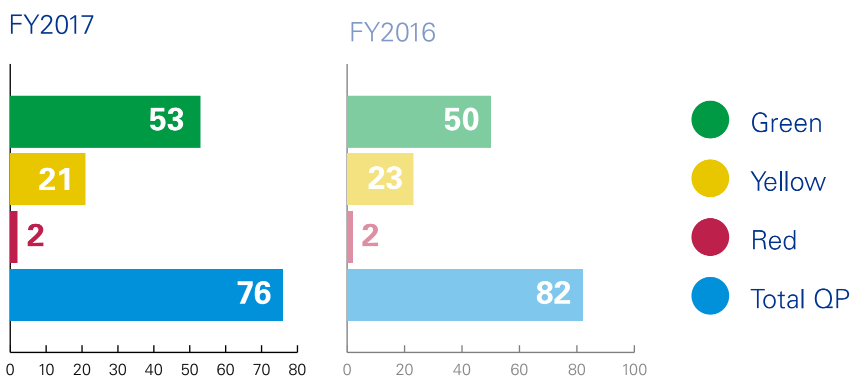
Although less than satisfactory scores increased during the year under review, we see consistent levels of audit quality between FY 2015/16 and FY 2016/17. We did increase our review scrutiny efforts and had more dedicated reviewers spending more time per review (average of 80 as compared to 52 in the previous year), resulting in increased efficiency and consistency in reviews as well as increased findings, particularly regarding revenue related rating drivers. QPR findings resemble those of AFM engagement inspections.

Another rating driver was a more stringent scoring on correct usage of wording in audit reports as mandated per the KPMG International baseline requirements.

QPR findings have been communicated to Audit professionals during KPMG's annual professional update sessions as well as through virtual classrooms. We subsequently performed root cause analyses on QPR findings per engagement to ensure we addressed likely organisational issues too.

Advisory
As said, Advisory follows a slightly different (global) grading system. The results for Advisory engagements are as follows.

Advisory Set-up



Advisory Execution

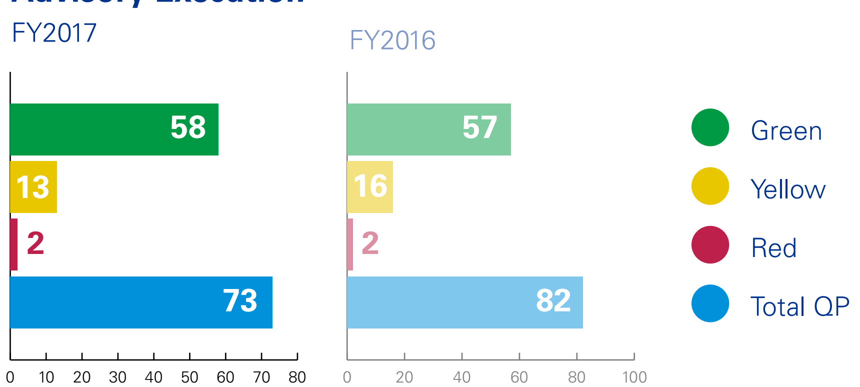


Figure 7. QPR scores Advisory partners/directors

Engagement ratings for Advisory engagements show similar and slightly improved results compared to last year. In set-up, findings show that further improvements can be made in the scoping of engagements and a more concise inclusion of appropriate disclaimers and risk mitigating actions.

In execution, engagement teams can further improve on documenting their final deliverables.

External
AFM

As from November 2015, AFM has carried out inspections of eight audit engagement files in respect of 2014 and 2015. AFM reported findings in respect of a six audit files. We value AFM's observations and conclude that their findings regarding the statutory audits inspected for 2014 and 2015 are generally factually correct. In our own view, in a number of audit files, these could have been weighed differently in the overall judgement. It is important to note that our analyses and our immediate remedial actions indicated that there was no need to adjust the financial statements in question, nor our audit reports thereon.

Our root cause analyses revealed that certain audit files failed to meet all requirements resulting from a number of different (both in nature and weight) reasons and contextual factors. We have a clear picture of those factors and they are being addressed accordingly.

With reference to the in control statement as included on page 106 of this report the Board of Management is of the opinion that the organisation has (again) made significant steps forward related to quality enhancement and improvement. At the same time, we see expectations on quality becoming even more strict leading to additional efforts. During FY 2016/17 we further accelerated our investments in quality.

Other
Audits performed for ISO 9001 (general quality framework), ISO 27001 (data security) and ISO 14001 (environmental management) all resulted in positive evaluations and continuance of our certification in the designated areas. Files investigated by other regulators (e.g. The ministry of Education, Culture and Science (OCW), Auditdienst Rijk and others were found compliant.

Compliance with our quality management system
Personal independence
Professionals who acted in non-compliance with our independence procedures have been reprimanded in accordance with our disciplinary policy for independence. Cases of non-compliance mostly relate to inaccurate or untimely updates of our tracking system for personal investments (KICS).

	FY2016/17	FY2014/15
Prohibited investments	4	1
Updates of KPMG Investment Compliance System (KICS)	12	14
Total	**16**	**15**

Table 2. Violations per type

As in previous years, none of the violations relate to personal loans from (SEC) audit clients, insurance policies with (SEC) audit clients and bank deposits or credit cards from (SEC) audit clients. In addition, no violations related to prohibited services. Furthermore, all violations were remediated.

As part of our regular process, 103 professionals across the firm were subject to personal independence audits (FY 2015/16: 74).

Compliance with internal procedures
We note an overall decrease in the total number of non-compliance quality related incidents as compared to last year. We distinguish between discipline related and quality related non-compliance. We recorded 67 quality related breaches during the reporting year (FY 2014/15: 93). The majority of these quality related non-compliance incidents pertain to quality of engagement performance and initiating audit engagements before completion of acceptance procedures. Although we see an overall decrease of violations we remain committed to further improvement.

We received two notifications in total (FY 2015/16: 6) through our (international) whistleblowing hotline. We followed up on all notifications and identified no issues.

Johan Faber,
head of Quality & Risk Management Group

Audit quality remains a top priority to regain public trust. What have been the most significant initiatives and results last year?

"Under the title Steering on Audit Quality we created a continuous process of quality improvement in policy and implementation. By using, among others, root cause analyses and audit quality indicators. We also further standardised audit processes, established a data & analytics unit to speed up in-depth developments of D&A techniques in audit. On the people side, we changed some rules of the game balancing formal requirements with professional judgement. And last but not least, we made sure the audit teams were staffed accurately to ensure quality of work and an efficient organisation of the workflow."

What are your priorities for the coming period?

"We have to regain the trust of all our stakeholders by organising our work processes well and delivering high quality audits. We will engage actively with our clients in our efforts to continuously improve the quality of our work. We will continue to further integrate D&A in our audits. And again, since we are a people's business we are very keen to realise a healthy work-life balance for our people, stimulate a quality driven culture with ample room for broad and deep learning experiences in the audit profession".

What do you see as the most important priorities for the audit sector as a whole?

"We have to remain an attractive profession for young and ambitious talents who want to contribute to the future of the audit profession. To achieve that, regained public trust and the acknowledgement of our relevance and added value of our work for the society at large are a prerequisite."

Commitment to our communities

We demonstrate our commitment to society by sharing our expertise in specific areas, such as cyber security and D&A. We actively seek to adapt and communicate our knowledge and insights on a broad range of topics to raise awareness and encourage debate among society at large.

Our commitment to society is also expressed through our Corporate Responsibility (CR) strategy in which lifelong learning, inclusiveness and corporate citizenship are key themes.

Foundation for Auditing Research (FAR)
KPMG actively participates in the Foundation for Auditing Research. This independent foundation was established on 20 October 2015 and aims to enhance audit knowledge in various areas including technical or tacit knowledge and process or behavioural knowledge. KPMG, as well as a number of other audit firms, is a member of the FAR board and provides funding and data to enable an independent research programme to be carried out. Independent academics and audit practice leaders work together in FAR to accelerate the assimilation of audit research findings to the Audit practice. FAR is one part of the NBA improvement measures.

UN Global Goals
Quality education - KPMG Jan Hommen Scholarship
The KPMG Jan Hommen Scholarship is one of our community projects with a focus on education and our lifelong learning ambitions. It is an innovative programme created in cooperation with the Stichting StreetPro (which aims to coach youngsters to become socially independent) financially supporting MBO students (Middelbaar Beroepsonderwijs: secondary vocational education) struggling to make ends meet, but also helping them to (re)discovering their talents, their self-confidence and their dreams and ambitions.

In March 2016 KPMG was proud to award eight students a scholarship of EUR 2,500 per annum for periods varying from two to a maximum of four years. In 2017 another eight students were entitled to receive a scholarship of EUR 2,500 per annum for periods varying from one to a maximum of four years. As well as professional coaching from StreetPro, these students, will also be mentored by a KPMG professional who will support them in building up their professional network, improving their communication and presentation skills or learning how to deal with social media.

Ronald Volger
35 years

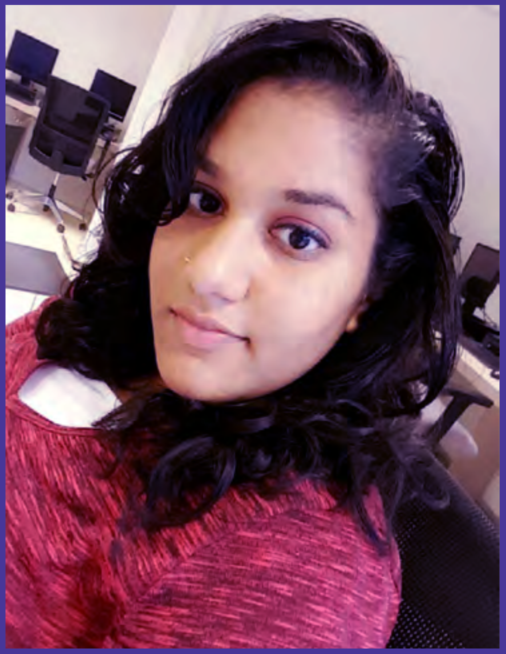
Winner KPMG
Jan Hommen
Scholarship 2016

Youth Coach

Veni, vidi, vici.

I came through the doors of KPMG and demonstrated my qualities, these were seen and heard and now I am working as a coach for youngsters.

I saw opportunities to do a follow-up study and to realise my goals in the area of youth work by receiving the scholarship. I conquered my insecurities and became a better leader, motivator and especially a good teacher by participating in the KPMG Jan Hommen Scholarship boot camp.



Amina Mahamoed
23 years

Winner KPMG
Jan Hommen
Scholarship 2016

MBO 4 student
Legal Education

My dream is to become a lawyer one day. Recently, I graduated and I am a licensed primary school teacher assistant. This year I hope to complete my legal education. Thanks to the scholarship my two children and I look forward to the future with a smile.

George Molenkamp Thesis Award
This year KPMG initiated the George Molenkamp Thesis Award in collaboration with the Amsterdam Business School to stimulate scientific research on sustainability practices and corporate responsibilities in business. In honor of Dr. George Molenkamp, pioneer of sustainability and former partner at KPMG, the prize of EUR 1,000 was awarded for the first time to a recent University of Amsterdam master graduate. The award acknowledges research that combines academic excellence and business relevance related to sustainability.

JINC
JINC ('*Jongeren Incorporated*') gives young people from eight to sixteen years of age the opportunity to experience what the labour market has to offer and what skills one needs for specific jobs. JINC's projects reach more than 40,000 students annually at primary and secondary school levels. The goal is to enable them to make the right choices in terms of their education, to reduce the likelihood of students dropping out and to give them better long-term employment prospects.

KPMG is a strong believer that the best way in which we can contribute to society is by performing our services for our clients and at the same time sharing our knowledge to give back to society. Thanks to our cooperation with JINC, KPMG is now active at all levels in the education system. From primary school to secondary education and university, KPMG is active or has developed programmes to support students, in particular from vulnerable groups, to give them the best possible start in the labour market.

In 2017 more than 30 KPMG-professionals were involved in a JINC programme and reached out to 145 young students in the Amsterdam Area, providing 15 workshops how to apply for a job and 9 Language Trips; learning young students from primary level more about the 'difficult' words that are being used in daily life. One of the KPMG-colleagues was nominated for '*Vrijwilliger van het Jaar*'. A great example of the enhanced cooperation between KPMG and JINC.

Climate action
Sustainable procurement | Supplier code | Targets
Clients and prospects increasingly require evidence demonstrating we have a responsible supply chain. A strong commitment and a strategic approach to sustainable development is essential for managing the challenges and opportunities of a rapidly changing global environment. Suppliers are partners and we care about the way they do business. KPMG's, UN-aligned, supplier code of conduct is a result of our ambition to establish a proactive collaboration with our suppliers in the promotion of lawful, professional and fair practices that integrate respect for human rights, business ethics and the environment. Our suppliers' performance and alignment to high standards of business is an important part of KPMG's supply chain. We expect our suppliers to communicate the code to related entities, suppliers and their subcontractors, making them aware of and understanding the standards set within the code.

UN Global Compact
KPMG is a signatory of the United Nations Global Compact (UNGC) through our member firm affiliation with the KPMG International cooperative, signaling our commitment to responsible and ethical business practices in the marketplace. We are committed to maintaining the highest legal, environmental, ethical and professional standards, consistent with the UNGC's ten principles in the areas of human rights, labor, the environment and anti-corruption.

Global Climate Response (GCR)
We believe that material climate change risks will significantly impact the welfare and well-being of people within the societies in which we operate. We view material climate change opportunities as those that will offer significant opportunities to improve our business operations, reduce operating costs and/or offer new services to KPMG member firm clients. Since 2008, our member firm has been part of the KPMG Global Green Initiative (GGI), this year renamed to the Global Climate Response (GCR). Next to our internal programme we are also part of external international climate networks. For example, KPMG International has responded annually to the Carbon Disclosure Project since 2010.

The GCR is focusing on three pillars:
1. To measure, reduce and report on KPMG's global emissions across the KPMG network;
2. To support environmental projects within our wider commitment to our communities, and advance sustainability;
3. To work with our partners, employees, suppliers and clients to help them reduce their climate change impacts.

From the beginning the GCR has a pan-KPMG network ambition to reduce combined greenhouse gas emissions per FTE by 25% by 2010, against a 2007 baseline. We achieved this target. In 2010-2015 the target for reducing CO emissions was set at 15%. KPMG the Netherlands together with Meijburg succeeded to reduce its gross emissions with 21.8% over this period. With 2016 being the beginning of the GCR, a new baseline is set at 10% net emissions reduction per FTE for 2016-2020. Starting 2016, we will separately report our environmental data (excluding Meijburg). Looking at our emissions, also at a global level, our biggest challenges remain in the areas of air and car travel. As a client service business, travel is frequently required to meet client needs. Nonetheless, actions taken in this area include enhanced monitoring of video conferencing usage, promotion of rail over air travel (where possible), expanding e-learning options, and adjusting class of travel policies for flights. Furthermore, an average of 96% of the electricity purchased by KPMG is now procured from renewable energy sources.

The Global Climate Response is the next evolution of the GGI with broader goals and action on climate change with the Paris Agreement goals in mind. KPMG member firms are committed to reducing their impact on the environment, addressing local environmental challenges and working with clients to advance environmental sustainability.

Actions include:
- Achieving ambitious emissions reduction targets.
- Developing new approaches to account for natural and social capital.
- Supporting collaborative projects with partners such as the UN Global Compact and the World Business Council for Sustainable Development (WBCSD).
- Serving as leading providers of climate change and sustainability services for our clients.

Energy Efficiency Directive

The 2012 Energy Efficiency Directive (EED) established a set of binding measures to help the EU reach its 20% energy efficiency improvement target by 2020. Under the directive, all EU countries are required to use energy more efficiently at all stages of the energy chain from its production to its final consumption. The EED is ambitious. It is meant to fill the gap between existing framework directives and national/international measures on energy efficiency and the 2020 EU target for energy savings. KPMG, in cooperation with local authorities and our energy services supplier, drafted initial plans to save energy and propose investment if necessary to reach the set targets. These plans are also reflected in the environmental management system for our main offices in Amstelveen and The Hague, with the other offices to follow.

ISO 14001:2015 certificate

KPMG is ISO 14001:2015 certified for its environmental management system. KPMG was one of first of the Big Four in the Netherlands to gain the 14001 certificate, in 2013. KPMG successfully renewed and updated the certificate to the new ISO 14001:2015 norm in 2017.

Last year we renewed our environmental management systems. Materiality, internal controls, clear target setting and progress reporting against these targets are all topics that are further integrated within our environmental policy. With the idea of 'one KPMG' and an agile business structure we renewed our environmental approach and developed new targets for 2020 and 2025, which will be measured on an annual basis. Besides our CO_2 emissions targets, KPMG focuses on the increased use of renewable energy and continuous reduction of energy usage. Additionally, we offset the remainder of our CO_2 emissions by redeeming Voluntary Emission Reduction certificates (also in part Gold Standard certificates since 2015), which supports us in our goal of being carbon neutral.

Circularity scan to find opportunities

KPMG has the ambition to stimulate circular economy into business and to integrate circularity into our environmental management system (ISO14001:2015). With the circularity scan, we have analysed the material flows (energy usage, mobile phones, waste, etc.) and have conducted several interviews and sessions with internal stakeholders and circular experts. This resulted in an overview of potential circular opportunities for KPMG, with their feasibility and potential financial and environmental impact. The most valuable circular idea (stimulating circular procurement) has been elaborated in an action plan to integrate this further into the procurement process and into the Environmental Management System (ISO14001:2015). With the circularity scan we have identified new circular ideas, business models and activities that help to achieve our ambitions on our way to a circular economy.

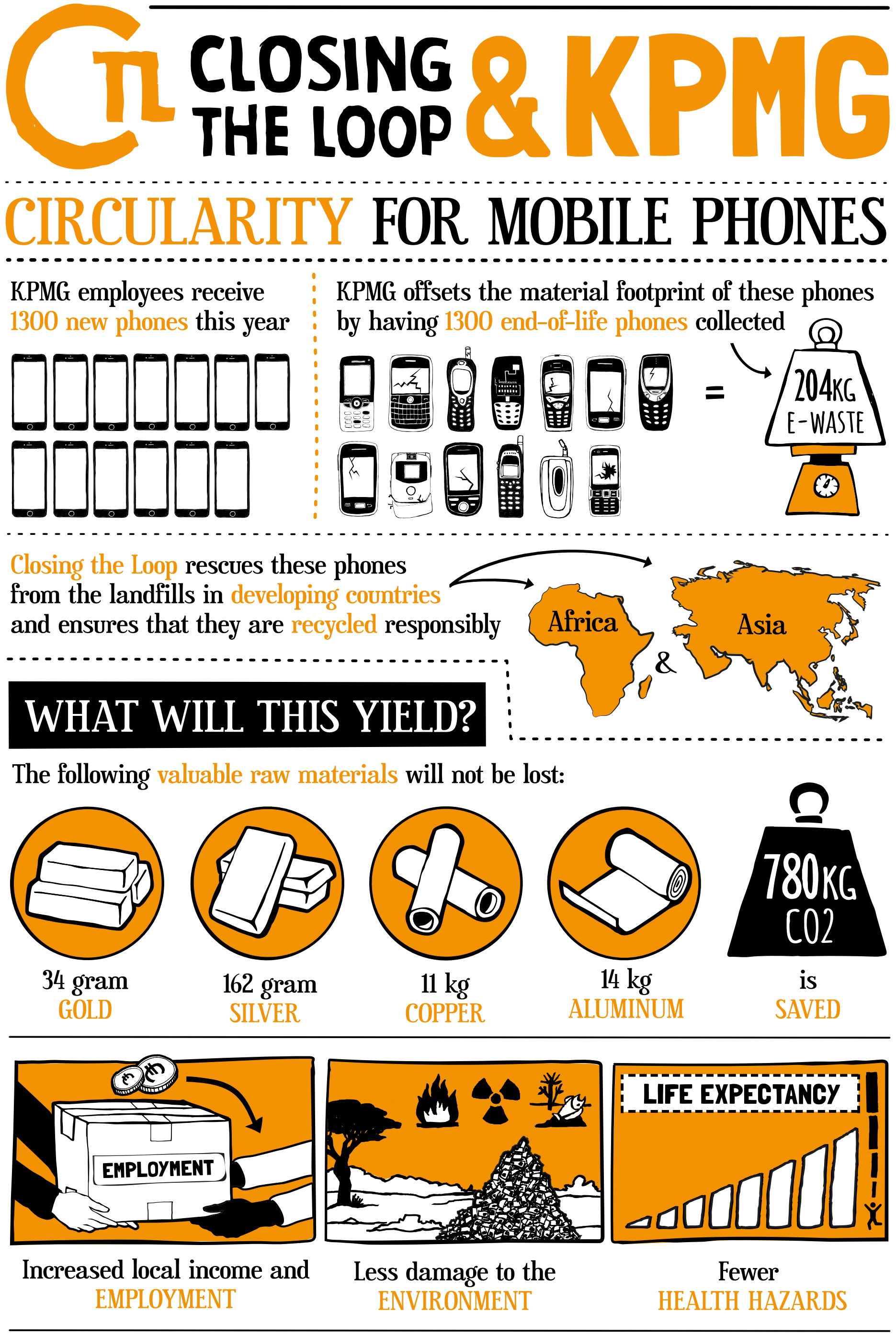
Launch partnership with Closing the Loop

KPMG is committed to reduce its ecological footprint, and to work towards zero waste. However in the field of electronical waste of mobile phones, no steps had been taken yet. Therefore, KPMG recently launched a partnership with Closing the Loop. This organisation developed a waste-free reuse programme in which second-hand mobile phones are being reused and discarded phones from garbage belts in developing countries are being collected and recycled.

This means that for every new mobile phone that we purchase for our employees, Closing the Loop will save one from e-waste dumps. By compensating the raw materials in our mobile phones, we will make our phone usage raw materials neutral, more circular and sustainable. Collecting discarded phones in developing countries will help to transform the negative footprints into positive footprints . The collaboration with Closing the Loop helps KPMG to be a step closer to our goal to become more circular as a firm.

Joost de Kluijver, Director Closing the Loop

> “The key driver for everyone at Closing the Loop is to show that it is possible to make the whole lifecycle of mobile phones more sustainable when it comes to urban mining, waste reduction and recycling awareness, and have everyone benefit from that. In this light, we have also developed a service that offsets the materials needed for mobile phones, making the newly purchased phones ‘impact-free’. As ‘resource-efficiency’ is also one of KPMG's ambitions for procurement, it is great to see how the interaction between our companies delivers on practical and effective circular economy initiatives.”



© Closing the Loop

EcoVadis
EcoVadis operates as a platform that allows companies to assess the environmental and social performance of their global suppliers. KPMG recorded the support we provide to 41 of our clients in the EcoVadis online assessment tool, in order to evaluate our performance in the areas of reducing business risks and driving performance and innovation in our supply chain. This resulted in a continuation of the Silver CSR rating for our Corporate Responsibility programme in September 2017.

Promoting diversity
AGORA
In line with our renewed ambitions for a more inclusive KPMG, we committed ourselves to the Agora Foundation, a network with the ambition to raise more awareness and create more opportunities for people with a multi-cultural background in accessing the labour market, promotion prospects and retention. The network gives its participants the chance to share knowledge and expertise, discuss dilemmas and host empowerment sessions on these topics. In 2016, one of the KPMG colleagues from our Corporate Responsibility team joined the board of the Agora Foundation. In this way we further strengthen our partnership.

Refugee Talent Hub
The Refugee Talent Hub is a digital matching platform for refugee talents. Their goal is to accelerate sustainable integration and economic independence of refugees into the Dutch society. The Refugee Talent Hub provides mentorship, training, talent matching and a network for the refugees.

The collaboration with the Refugee Talent Hub started last year. We anticipate to enlarge our societal impact by improving communities. In addition, several KPMG colleagues will use this collaboration to meet up and coach refugees in a reciprocal relationship. Several refugees are currently working at KPMG and we are exploring how we can increase opportunities of employment for people with a refugee background.

Our people are extraordinary

Introduction

Our people are key to building the next generation business. It is essential that we keep working on the attractiveness of KPMG as a firm to work for and to ensure that our talents enjoy working for KPMG and our clients. This requires top clients and challenging engagements, but also the eagerness of our talents to make KPMG successful.

KPMG is a large development hub for professionals of all kinds. We employ approximately 3,000 people, hiring over 400 new talents per year. Thousands of seasoned professionals in industries across the country have received their initial training and business experience at KPMG. Thousands are further developing themselves within KPMG every year.

The labour market has proven extremely competitive in certain areas where we want to grow. Especially in the technology and Deal Advisory domains this area requires extra efforts.
Our strategy towards our youngsters seems to resonate.
Our attrition levels - the percentage of people leaving our firm every year - has fallen to unprecedented single digit levels. This implies our people are positive about KPMG and are staying longer, probably the best compliment you can receive as an employer. Also sick leave has decreased, indicating a much better work-life balance within the firm.

We work towards an inclusive and diverse organisation. In recent years, we have not yet made sufficient progress with the level of participation of women in the higher levels of management of our firm. This is a high priority on our management agenda.

On inclusiveness we have taken additional steps. Although we cannot administer and trace diversity based on religion, sexual preference or otherwise due to legislation, we are providing all sort of active support to any minority group within the firm.
The positive implication is that working at KPMG provides more personal stories, more amazement and as such more fun for everyone.

In cooperation with several ministries of government KPMG has shown its social responsibility by contributing to achieving governmental goals on social return on investment (SROI).

It's all about talent

Talent development
We believe that it is essential to attract and retain the best people. KPMG professionals distinguish themselves by being forward thinkers, with a global mind set and passionately adding value through their expertise.

We view ourselves as a talent factory, where we attract top students and experienced horizontal hires and develop them to masters of their trade through our service delivery and into future leaders or as ambassadors of KPMG if they decide to part ways. Our three-day on boarding programme reflects this mind-set.

We have opportunities for those who want to make an impact. From financial statements audits to non-financial and sustainability assurance, cyber security to D&A, we are a full range professional services firm. We are incubators of supplying experienced professionals to the market place.

Retention rate – the percentage of professionals remaining with the firm – is 87% (FY 2015/16: 83.9%). Overall absenteeism remained relatively low at 2.3% (FY 2015/16: 2.8%).

	Audit	Advisory	Corporate	Total
FY2016/17				
Equity partners*	75	57	5	**137**
Professionals	1,238	1,092	-	**2,330**
Support staff	103	59	386	**548**
Total	**1,416**	**1,208**	**391**	**3,015**
FY2015/16				
Equity partners*	73	51	6	**130**
Professionals	1,183	957	-	**2,140**
Support staff	104	59	414	**577**
Total	**1,360**	**1,067**	**420**	**2,847**

** Salary partners and directors are included in professionals. Average number of salary partners and directors: 170 in FY2016/17 and 157 in FY2015/16.*

Table 3. FTEs per function (average)

People vision

Our people are extraordinary

Live our values

We lead by example
We work together
We respect the individual

And above all we act with integrity

We seek the facts and provide insight
We are open and honest
We are committed to our communities

HR strategy

Attract the right people (We are a magnet for talent)	Grow our people and value true expertise (We have a recognised world-class learning environment)	Steer and recognise high performance (We are a relevant, mobile, agile workforce)	Work together for client centricity (We outperform the competition)	Future leaders (We outperform the competition)
Communicate, attract and select based on our values and the nature of our core businesses	Identify and develop key talents to ensure a highly professional and diverse workforce capable of meeting future challenges for clients and general public	Explicitly recognise skills, capabilities and behaviour when evaluating performance and act consistently and transparently on good and bad performance	Actively encourage internal collaboration, knowledge-sharing and anti-silo behaviour	Ingrain role model leadership by leading by example, leading others and leading the business

HR base

HR capabilities
Constantly upgrade HR function to provide transformational skills, countervailing power and strategic value

HR infrastructure
Provide effective metrics, systems, processes and frameworks while ensuring discretionary power of (functional) leadership

Figure 8. Our people vision

Of course, professional talents are not created overnight. Professionals are never left on their own. KPMG values continuous education and development for both starters and seasoned professionals. We provide the best individual learning experience by mixing national and international, and internal and external trainings. This includes development and education at top universities. A Learning & Development Council with representatives from HR and business functions monitors quality and effectiveness of training and education. The Council also leads innovations in learning and development as newer generations of professionals have different learning needs and abilities, including a mix of offline and online instruments.

We transformed the performance management cycle into a development management cycle with designated development managers for each professional. In addition, we implemented micro-learnings as a new and easy way to gain specific knowledge on selected topics.

Florien de Nijs, director Human Resources

As the leader of the HR team you have focused on important improvements in the area of learning and development. What do you have achieved?

"Development of our people is key in our organisation: we make the difference for our clients via our professionals. We believe that development starts when joining our organisation until the moment people leave. Our OnBoarding programme helps new colleagues to build a network and learn about the values and structure of KPMG. Within three days newcomers become 'KPMG proof'.

Once on board, we offer our employees a development experience which will fit with their personal needs, as all people are different. We put the individual needs and aspiration at the centre of our learning offering. We have developed a new curriculum based on today's needs in realising our business plan, our future strategy and the cultural change that we want to achieve. Each employee has the possibility to choose his or her own career path and we fully support that."

You work with an internal council. How does that work and how do you ensure an outside view?

"We use the council to determine our development focus. It is the business that determines its need for content of learning activities. The members of the council are represented per business line. Their goal is to assess their current curricula, identify possible gaps or overlaps and address the desired skillset to reach their future ambition. The council also reflects on the way in which we offer our learning programmes, for example physically in a class room or as an e-learning. It consists of senior business professionals from various units within KPMG in order to ensure a balanced learning and development offering."

What do you see as the most important priorities for HR in the coming period?

"To be best in class and have full focus on embracing a new generation of workers, new technologies, and new business models and focus on innovation, digitisation and personalisation."

A Global Mobility programme is available for professionals seeking an opportunity working abroad with KPMG.
In FY 2016/17 we sent 22 professionals on assignment and welcomed 89 professionals on assignment in the Netherlands. International experience is key in dealing with international clients. It broadens personal perspectives and develops a better global mind set in our professionals.

	FY2015/16	FY2014/15
Audit	204	161
Advisory	85	82
Business Support	16	17
Total	**129**	**113**

Table 4. Average training hours [AQI 4] per function per FY*
(internal and external training)
* *restated for comparison purposes*

Learning is not confined to the classroom — rich learning experiences are available at the moment of need through coaching and just-in-time learning, at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist professionals on the job.

We support a coaching culture throughout KPMG's global network as part of enabling personnel to achieve their full potential, where every team member is responsible for building the capacity of the team, coaching and sharing experiences.

Coaching guides are available on judgmental audit topics – these are used by audit teams and are embedded within audit learning solutions.

Training on the job (TOJ) ensures professionals performing the right activities. This means that professionals have sufficient knowledge, understanding and can demonstrate the right expertise in practice. The goal of TOJ is to facilitate and structure the training of professionals during their activities and thus further improve the knowledge and skills of those professionals.

What is True Value?

We have developed our True Value methodology because we want to provide companies also insight into the non-financial value they add to people, society and environment.

True Value can be applied to an organisation as a whole, as well as to specific divisions or separate projects. With True Value we are able, for example, to calculate a company's (negative) value of CO_2-emissions during a production process, or its value by providing jobs and training to its employees.

With the outcome of our True Value analysis we provide new insights to our clients. It helps them in their dialogue with stakeholders, in making better investment decisions and innovating and improving their products and services.

The True Value of KPMG as development organisation

At KPMG, our approach to corporate responsibility and people development starts with leadership. KPMG has a role to play in society. We aim to ensure that our people, clients, and communities achieve their full potential. When we combine our skills, experience and valuable insights with our sense of purpose and values in solving societal issues, we believe we can realise our full potential.

For years, KPMG has been working with clients in multiple sectors with our True Value methodology. Even our Centennial programme had this common theme, with amongst others a collaboration with TNO and several clients in order to retrieve quantitative insights into the True Value of investing in 'human capital' and employee development.

Human capital is a key factor for all organisations, and this is especially true for a professional services firm like KPMG. Human Capital ensures we can create value for our clients, and the development of our employees results in growth for our organisation. People choose KPMG as an employer because of its strong focus on employee development. We invest heavily in employee development, which benefits the services we deliver, our people, and society at large through a better educated workforce.

This is why, as a first True Value pilot for KPMG, we have explored KPMG's contribution to employee development. For the financial year 2016-2017, this contribution is valued at EUR 34 million in societal value through employee development compared to annual development cost of EUR 11 million. This figure reflects the market value of the increase in skills and capabilities (or 'human capital'), with the assumption that learned skills will remain relevant for the coming 5 years[1].

To build the workforce of the future, we have to continuously innovate all steps of the employee journey. This growth in skills and capabilities is driven by investments in training, feedback and learning on the job. For instance, all employees are linked to a 'Development Manager' who they meet frequently in order to discuss learning on the job, give and receive feedback and discuss their personalised career track.

Internally, we are working together to better combine True Value and HR data analytics in the future, in order to create valuable insights in improvement of employee development and our employee experience. For example, our HR department is currently working on improved insights in the effectiveness of training – considering impact on both KPMG and individual employees.

Bianca Even,
manager Events

How was the Centennial celebrated?
"How should we celebrate our 100th anniversary with clients, society and employees, in such a way that it will make you proud to work for KPMG? That was the question we asked to all of our colleagues in the summer of 2016. We received many inspiring ideas of which we selected those that would not only enlarge the pride in KPMG, but also contribute to the central theme of our Centennial celebration: True Value.

We organised several events during the year. 17 March 2017 was a special day: on our actual birthday a festive breakfast was served in our offices and BNR broadcasted a live radio programme from our Amstelveen office. In spring, more than 500 KPMG colleagues participated in the Amstelveen Marathon of which we were naming sponsor as well. In June, the conference 'Trust in the Netherlands' was attended by politicians, our business relationships and executives from trade and industry and organisations of public interest. On 9 September we celebrated our Centennial with the festival Night of the Blue Stars with ánd by employees together with their partners. We also involved our employees' children with a special Bring-your-kids-to-the-office event. In addition, hundreds of employees, clients and relations successfully escaped from our specially designed Centennial escape room being the original office of our founding father Piet Klijnveld. In co-creation with our clients and relations we issued publications on the True Value of sustainable mobility, digital economy and flexible labour market. We also organised a seminar for funding agencies about their True Value and measuring impact."

Why True Value as central theme?
"True Value is the methodology that measures the true non-financial value for society that is created or reduced. We wanted to show our stakeholders that we find it important to create value this way. We incorporated this among others in the publications that I just mentioned. We received many positive reactions on these publications, not in the least from the Dutch Central Bank's president Klaas Knot, to whom we handed over the first copies." ▶

What do you find the most important results of all the activities?
"First of all, they definitely strengthened our employees' feeling of pride. This is also reflected in the results of the people survey which showed an 'all time high' score on this particular aspect. In addition, we showed to our clients and society that not only we are a hundred years old, but also firmly looking ahead to the future. And that we really want to contribute to shaping the future of the Netherlands."

Which initiatives are being followed up in the next period?
"One of them is the KPMG Vitality project. We will continue promoting a healthier lifestyle among all KPMG employees. They have busy professional lives with long working days, they sit a lot behind their laptops and often have to perform under pressure. KPMG Vitality offers various workshops, like how to eat healthy or find the proper work-life balance. Also, the running clinics for the next Amstelveen Marathon (25 March 2018) have already started. A lot of colleagues have already signed up, some of them together with their clients! ❞

Bring your kids to the office

Festival Night of the Blue Stars

Amstelveen Marathon

Diversity in our work force

We acknowledge that diversity and inclusiveness are vital for achieving our purpose. We gradually and increasingly see improvements following from our diversity targets and programmes, but overall we do not meet the requirement of 15% as formalised by signing the Dutch Charter Talent to the Top yet. At the moment, we are at 14.3%. We challenge ourselves to achieve 17.5% in FY2018.

We have increased our ambitions regarding gender diversity and implemented specific targets for recruitment, promotion and account team design. We continue Two Way Career Mentoring where female professionals are coached by senior male partners – and vice versa. These male partners are given specific targets for retaining female professionals. We also reinstalled our (International) Women's Network to foster discussion and debate on the subject of gender diversity as well as remaining committed to diversity networks such as ECHO and AGORA. We will introduce a Young Partners Programme addressing dilemmas in building family life in combination with highly demanding jobs.

Awareness sessions are organised to increase awareness for cultural and gender diversity. Divergence is fostered as we strive for balanced teams in all aspects of diversity and inclusiveness.

Future leaders

Top talented professionals are selected for the Emerging Leader (EML) Programme or Young Talent Programme (YTP). EML professionals provides opportunities for talents to develop their business acumen as they work on actual challenges for clients or KPMG itself. Presentations to senior Board members and leadership partners from other member firms are part of the EML curriculum to also develop even better stage presence and impact. YTP participants enjoy cross functional traineeships to broaden their horizon beyond strictly Audit or Advisory. We believe future leaders should be able to see both sides of the professional story thus better services clients and making a lasting impact for society.

During FY 2016/17 80 professionals participated as EML (FY 2015/16: 42) and 23 professionals took part in the YTP traineeships (FY 2015/16: 23). Of these professionals, 22 and 6 were female professionals for EML and YTP respectively (FY2015/16: 9 and 7 respectively).

Work-life balance

Parts of our business have highly volatile working hours with usually tight deadlines. And we have a rather young workforce, in the bloom of both their careers and their personal life. Balancing both can be a challenge as results from our internal People Survey show. Absence at 2.3% is slightly below our benchmark of 2.5%. Sickness statistics show particularly younger generations have trouble in maintaining health and balance. Work-life balance and more broadly speaking vitality is a key topic in our strategy.

We have piloted with KPMG Vitality, an awareness programme designed to assist professionals in taking care of their body, diet, sleep and time management enabling peak performance. Over 70% of KPMG professionals now use Fitbits to monitor and improve their health.

Workload for audit professionals has increased significantly during recent years, due to a combination of the increased workload efforts in the period of mandatory firm rotation and the efforts to implement audit quality initiatives. Over the past year, we have implemented nearly all of the sector improvement measures included in the report 'In the public interest' as well as implementing other improvement points following the results of our internal and external inspections.

We increased our professional Audit staff by 56 FTE compared to FY 2015/16 to help manage and reduce workload. Overtime amounted to 7.8% of contractual hours (FY 2015/16: 8.3%)*. Overall employee retention is higher than expected. Our recruitment targets for the upcoming years will be higher than usual ensuring we continue to have sufficient professionals to do the work.

* Adjusted for comparison purposes from 7.4% to 8.3%.

Svenja Koot
Senior Consultant at Finance & Business Services and specialises in Financial Transformation projects

"The need to change"

"In this centennial year KPMG organised all kinds of fun activities. The mood in our office is positive and joyful. I start every day with a smile as I drive up to the office and I see the giant Centennial banners hanging outside, and when I'm greeted by all the smaller Centennial flags inside. We can say with pride: I work at KPMG!

Sadly, this was not always the case. When I started at KPMG in 2014, we were going through a very difficult time. There was a lot of negativity in the press and you felt the effect of that all around you. There was a need for change, but change is not something that happens from one day to the next.

Thanks to the True Blue programme, the leadership of Jan Hommen and Albert Röell, plus the efforts of so many, we have now emerged from those dark times.

Would we have felt the need to change without the various scandals and affairs? Probably not, or less so. Sometimes you need something or somebody to show you that change is really needed. Unfortunately, in our case, in 2014 that was the media.

As for me, I've undergone a major (physical) change over the past few months. My triggers included the vitality programme and the Fitbit. These showed me that I wasn't living healthily and I wasn't taking good enough care of my body. I already knew this of course, but I still found it difficult to admit this to myself. I took on a personal trainer, and I've started to exercise a lot more and eat much healthier. And that is paying off: I feel better and I've lost quite a few kilos. This change takes a lot of time, too, but with the right insight, motivation and tools, you will get there in the end.

At Finance & Business Services, we specialise in change projects aimed at the finance function. Our clients are also not always aware of the changes they need to make to become and remain future proof. Our purpose is to help our clients to identify that need for change and provide them with support and advice during their transformation. We aim to be 'the Fitbit and personal trainer' for our clients."

A culture of collaboration for service quality

Engagement and pride in KPMG
When we come together we create extraordinary solutions for clients and stakeholders at large. Employee engagement is measured through the Employee Engagement Index (EEI) is high, mainly as a result of clear communication on purpose, vision and values as well as reinforcing leading by example by partners and directors.

Encouraging employee mobility
An internal vacancy and rotational database was launched to better facilitate business and support professionals in switching careers or looking for other learning opportunities. Professionals working for other functions bring new and fresh perspectives resulting in enriched working environments where we collaborate in making an impact.

Purpose-driven culture
Continuing driving core values, purpose and collaboration we also organised cross functional dialogue sessions to discuss dilemmas and challenges in every day work and how to deal with pressures. Sessions ended in celebrating KPMG's core values by taking the KPMG Oath in which all employees acknowledge core values and promise to take these values into consideration in all decisions and interactions with relevant stakeholders.

Audit team involvement [AQI 1]
We monitor senior staff involvement throughout the year. The actual involvement of senior staff ((senior) manager and partner) on OOB engagements is 27% (FY 2015/16: 35%) of all engagement hours which is lower than the target of 30%. For non-OOB engagement the involvement is 22% (FY 2015/16: 27%) which is higher than the target of 20%.

We also monitor the relation between experienced and unexperienced staff by benchmarking actual numbers against. Negative scores indicate a higher number of unexperienced staff. FY 2016/17 scores -10% (FY 2015/16: -3.7%) which is above target and a result of successfully recruiting junior staff as we increased junior staff recruitment targets to balance individual workload for Audit professionals.

In addition to increased recruitment we have also implemented a more advanced resource planning system providing more clarity about planning, vacancies and allocation of resources. This will further assist us in balancing workload by bringing resources to where they are needed (most).

Numbers of hours on audit engagements	FY2016/17		FY2015/16	
Legal audits				
(Equity) partner, director	126,033	7%	144,176	8%
(Senior) manager	322,244	17%	377,273	21%
Other	1,409,414	76%	1,303,296	71%
Total	**1,857,691**	**100%**	**1,824,745**	**100%**
Non-legal audits				
(Equity) partner, director	11,686	6%	12,569	7%
(Senior) manager	39,857	19%	39,932	23%
Other	159,650	46%	124,573	70%
Total	**211,193**	**100%**	**177,073**	**100%**
PIE/OOB audit clients				
(Equity) partner, director	29,076	7%	32,464	9%
(Senior) manager	78,701	20%	90,683	26%
Other	287,046	73%	219,060	64%
Total	**394,823**	**100%**	**342,206**	**100%**
Non-PIE/OOB audit clients				
(Equity) partner, director	96,957	6%	111,712	8%
(Senior) manager	243,543	16%	286,590	19%
Other	1,183,614	78%	1,084,236	73%
Total	**1,524,114**	**100%**	**1,482,538**	**100%**

Table 5. Team involvement in hours and percentage of hours

Numbers of hours (specialists)	FY2016/17		FY2015/16	
Legal audits	152,557	8%	152,638	8%
Non-legal audits	41,250	20%	30,241	17%
PIE/OOB audit clients	65,598	17%	65,744	19%
Non-PIE/OOB audit clients	86,959	6%	86,894	6%

Table 6. Team involvement in hours and percentage of hours (specialists)

The way forward

As part of our Strategy 2025, investments in talent development will be accelerated. In our view these investments are key in realising our ambition for an even more innovative culture.

We also focus on retaining top talented professionals to meet client expectations and demand for the best insights, the best tools and impact on growth and results. This includes efforts to implement a more formal succession management process and continued efforts for an inclusive and diverse culture.

KPMG Vitality will remain an important programme KPMG professionals can participate in to ensure they are balanced both at work and at home.

Finally, we will expand activities regarding alumni networks as we value continued relations with them and contribute to their development beyond their tenure at KPMG.

Our clients see a difference in us

Introduction

The world remains a complex and unpredictable place where global economy and direction of geopolitics look remarkably different from just 12 months ago with technology driving the speed of change and growth even further. 'Business as usual' certainly no longer applies.

In this context, we have explored the many challenges our clients face as they disrupt and grow in a changing landscape. The complexity of the issues and need for rapid responses puts significant pressure on leadership of our clients. Based on our 2017 CEO survey, we have identified three major areas of concern to CEOs: Transformation, Technology and Talent. Success is often not defined by the ability to displace rivals and claim market share. Our clients want to improve trust in business, build cultures based on clear ethical values and create a more sustainable future for their organisations. And disruption is often looked at as an entirely positive goal.

Helping our clients meet these business challenges begins with an in-depth understanding of the sectors in which they work and a client-centric approach. Taking this approach, we provide an informed perspective on the issues and complex market challenges our clients face. In addition, it enables us to identify and respond to key business and performance issues and provide the Audit, Tax and Advisory services that take into account their unique industry-specific processes, risks, and accounting and reporting practices.

During the last two years, top priority has been given to the successful rotation to the large audit accounts that we won in the mandatory audit rotation. For large audit clients, we have successfully finalised the audit transition year and steps are taken to further improve the effectiveness and efficiency on these large audit accounts.

Audit is more than audit-only. Our mission is to provide assurance on and disclosures of information that matters to stakeholders. Technology acts as a catalyst as clients seek more assurance on non-financial information such as digital solutions, cybersecurity, data privacy, calculation models and internal controls on business and IT processes. At the same time, audits of financial statements are becoming more IT driven and clients expect us to deliver integrated solutions.

We will continue to work as OneKPMG. The OneKPMG philosophy will be made very visible in the Assurance domain (Digital Assurance, Sustainability Assurance, etc.) where Audit and Advisory will work together more closely.

The market remains highly competitive, putting pressure on the way we deliver our engagements. There is increased urgency to become more flexible and integrate technology in our engagements. Digitalisation of our engagement delivery is key.

In addition, the need to pro-actively manage our flexible workforce, partnerships and alliance is increasing.

We are investing in new delivery models, as the need to develop new delivery models and integrate technology in our solutions is growing. Technology enablement and bringing assets (Smart Tech Solutions) to our clients are becoming more important. We invest in growth in a coordinated way: we invest directly in the development of client relationships, our Strategic Growth Initiatives and in Innovation.

From a markets perspective we see significant growth opportunities in the MidMarket.

Mark Kemper,
partner Digital Assurance & Innovation

You are leading the Assurance group. What have been the most significant initiatives and results last year?

“The Assurance group is a real answer to market changes and demand from our clients. Organisations are becoming more efficient and effective by applying technology, robotics and cognitive machine learning. This increases the need for organisations to proof the (ethical) working of these processes and report to society accordingly. Bridging this trust gap and providing (digital) assurance is a key focus of our teams in the market. Together with our big data team we are currently working on an assurance frame work for a financial services and retail client (auditing the 'black box', source data and algorithms). We see this as ground breaking assurance work that will shape our solutions going forward.”

“The Daní project manages the digital business transformation process for the Dutch KPMG audit practice. We focus on (predictive) data & analytics, automation/robotisation of audit procedures and cognitive machine learning. Technological disruption and continued change in business processes have driven KPMG to solidly anchor this audit business transformation process at the heart of the organisation. I am excited that the we launched ‘The audit team of the future’ concept in the Netherlands. A combination of data scientists, IT professionals, industry experts, core auditors and other experts make the team. In close interaction with our clients, they develop and implement (in ‘sprints’), tailor made automated audit solutions that provide new insights for our clients.”

What do you see as the most important priorities for the next year?

“Taking a leap! In an industry that is as rapidly changing as ours, there are many priorities in relation to how we perform our work and interact with our clients and society as a whole. Next year’s focus will be on an accelerated deployment of our digital business transformation programme across all our solutions. One priority that I would like to mention is the digital skill-set programme for our professionals. Next to the deployment of digital tooling, the development of our professionals remains a key instrument in bridging the trust gap. ”

Service portfolio

We provide Audit, Assurance and Advisory Services to a variety of clients. Audit is focused on auditing information used by investors and the capital markets – a responsibility to the public interest which KPMG's Audit professionals are taking very seriously, applying powerful D&A routines to create better audit evidence and gain deeper insights, and exploring the role auditors can and should play by engaging stakeholders to better understand their views through KPMG's 'Value of Audit' forum. KPMG professionals are innovating to better serve the capital markets and society as a whole.

When organisations think about assurance, they often focus on assurance over the financial statements alone. However, assurance can be applied to all of the information that is used to manage, govern, transact with and invest in an organisation. The market is demanding more accountability and transparency from companies in all aspects of their business. Assurance on non-financial information can help instil confidence in the important decisions that management makes on behalf of an organisation.

Our Advisory professionals are trusted advisors of leading organisations focused on creating and sustaining value for our clients. Our professionals work with senior leadership across functional areas, applying our expertise and deep industry knowledge to develop innovative, technology-driven solutions to solve our clients' business challenges and help them grow and achieve financial results.

Advisory structure

We redesigned our Advisory structure during FY 2016/17. We believe in-depth expertise is our differentiator supported by market insights and technology. Our new solutions structure mirrors relevant client issues.

** In this domain, Audit and Advisory will work closely together*

Figure 9. New Advisory structure as of 1 October 2017

Hanneke van Daelen,
director
Customer Strategy

Heleen Hoynck Van Papendrecht,
senior manager
Forensic

Supporting project 'Shift'

A new Advisory structure as of 1 October 2017

"Over the last period we have been working intensively with a small team on project 'Shift' to improve the Advisory organisation with the overall goal to offer better solutions to our clients. An inspiring objective! And an even more interesting journey: Firstly to develop 'what the new model should look like' and, secondly, to realise once more that getting to actual implementation is where the key challenges arise but also true impact becomes visible. All in all a very rewarding experience."

What are the key changes?

"In the new Advisory model, we have simplified our solutions and bundled them as logical groups of solutions for client issues, which we call 'Suites'. We combined the various existing capabilities in these suites, to facilitate collaboration and to ensure we can keep up with current demand from our clients. One of those suites is geared to develop new assurance services in addition to the financial statement audit. This cooperation between advisors and auditors underlines the 'OneFirm' concept.

In addition to the suites, the new model contains 'Horizontals'. The horizontals comprise expertise that will be used across all suites. Horizontals ensure that the suites are innovative ▶

KPMG

and technology-driven. This means that the horizontals have the latest innovations and technology know-how at their disposal, and specific expertise (such as People & Change capabilities) will be more readily available in large-scale client projects."

Why was this change necessary?
"The new structure increases our ability to approach clients with integrated solutions. As we are organised along the lines of client issues, clients recognise our propositions more easily and increasingly acquire these as a single package. This makes it possible for us to advise on major engagements, from strategy right through to implementation. The message to our clients is that we have end-to-end solutions available for every problem and every issue. And that is how we will make a difference and book real results. As such, this new Solutions structure enables us to strengthen our competitive position and make our portfolio more market-centric.

By structuring Advisory into 'suites' and 'horizontals', we create more focus and clarity in our service portfolio.

In addition, the new model offers more and broader development opportunities for our people through increased collaboration and multi-disciplinary engagements.

Last but not least, the new model facilitates realising a more effective and efficient internal organisation, for example through increased transparency and central resource planning. ”

“ Supporting project 'Shift' ”

We operate from a number of segments, being:
- Public Sector
- Financial Services
- Mid Markets
- Corporate Clients

Advisory
We have realised a top-line growth rate of nearly 5%. We see many disruptive changes in Advisory services and our clients and therefore ongoing evaluation of the performance of our solutions and products has become better practice.

Our services are increasingly moving to larger engagements and Asset-Based Consulting. It is therefore crucial to maintain our high level of quality and to adhere to strict risk management procedures.

A distinct client experience

The KPMG Story is what we want to be known for in a crowded and commoditised market. We are intentional and deliberate about the delivery of our promise at all touch points on the client's journey with us. We strive for a distinctive client experience, every time, everywhere. This can only be achieved if it is hardwired in our processes, systems and behaviours.

The KPMG Way, which was developed as a global framework for business development has been further rolled out in 2017 helping build a consistent business development mind set, skill set and discipline in our people so they can better engage with our clients in understanding their issues and help them achieve their business objectives. The KPMG Way framework is supported by methodologies, tools and resources to help our people create a common, consistent and client-centric approach to every client across every country.

The feedback that we receive through our Client Satisfaction Programme is reviewed firm wide as well as by individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions suggested in the client feedback are immediately followed up by the engagement partner to ensure that concerns about quality or service are dealt with on a timely basis. Our client care programme consists of meetings with our top clients and the use of online technology. This is not limited to the Netherlands, but is also used to collect input from client stakeholders outside the Netherlands.

In FY 2016/17 the key outcome was that 92% of our clients were satisfied with the overall quality of our work performed. We can surmise that there is a high likelihood that we are being considered or recommended for follow-up programmes and activities. We can still improve in terms of proactive knowledge sharing and sharing our points of view based on both sector expertise and solution developments. Therefore we have strengthened our markets and clients organisation through our rigorous focus on these value adding components. The voice of the customer is focusing our efforts daily.

Our net promoter score (NPS) was 43.4 (FY 2015/16: 41.2) in FY 2016/17 for the firm as a whole, with scores of 27.5 for Audit (FY 2015/16: 27.5) and 54.6 for Advisory (FY 2015/16: 53.4).

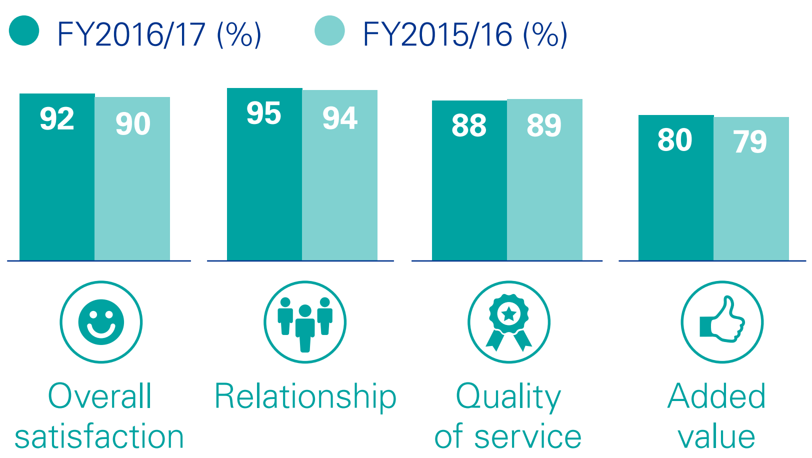


Figure 10. Client satisfaction scores

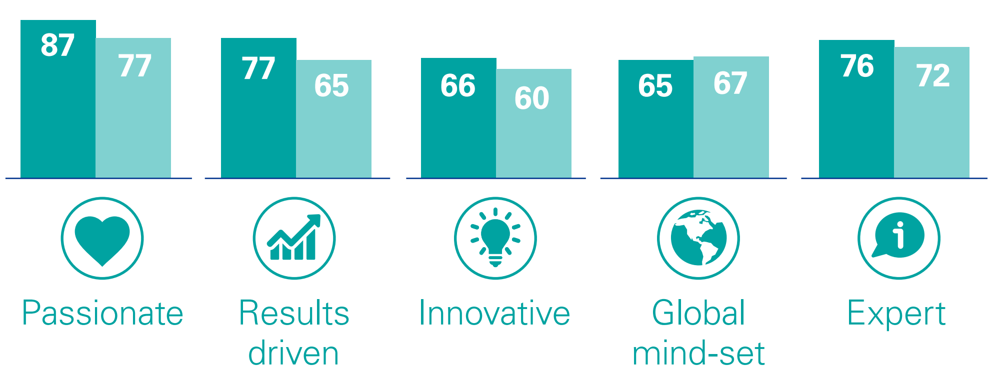


Figure 11. Brand attributes scores

Audit versus Advisory fees

Table 7 on the next page provides the breakdown of the revenue of the firm for FY 2016/17 (table 8 contains FY 2015/16) segmented by service type. All amounts are based on our taxonomy of services and are per legal client entity. Statutory legal audits are those where there is a legal obligation to have the financial statements audited by an independent auditor. These come in two forms: audits for PIE/OOB clients and for non-PIE/OOB clients. We used the Dutch OOB definition as per NBA practice guideline 1138 to arrive at the segregation of revenue as per the tables on the next page. Other audit reports and assurance (-related) reports include other financial statement audits, attestation reports, sustainability assurance, ISAE 3402 certification, IT audits, etc. Advisory engagements consist of all engagements that have no elements of certification or audit. Other income mainly relates to recharges for housing and IT to KPMG International and KPMG Meijburg.

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 accordance with IFAC thresholds, not one audit client accounted for more than 15% of the total fees received by the firm in FY 2016/17.

FY2016/17 EUR million	Statutory legal audits		Other statutory audits		Other auditor reports and assurance (related) reports		Total Assurance services		Advisory services		Other services		Total	
Statutory legal audits – OOB clients	45.0	76%	4.0	7%	10.1	17%	**59.1**	**100%**	-	0%	-	0%	**59.1**	**100%**
Statutory legal audits – other clients	89.2	76%	13.5	11%	5.7	5%	**108.3**	**92%**	9.4	8%	-	0%	**117.7**	**100%**
Statutory audits – other clients	-	0%	52.0	78%	5.3	8%	**57.4**	**86%**	9.6	14%	-	0%	**66.9**	**100%**
Other auditor reports and assurance (related) reports – other clients	-	0%	-	0%	9.0	19%	**9.0**	**19%**	38.7	81%	-	0%	**47.7**	**100%**
Other clients	-	0%	-	0%	-	0%	**-**	**0%**	148.2	89%	17.8	11%	**166.0**	**100%**
Total	**134.2**	**29%**	**69.5**	**15%**	**30.1**	**7%**	**233.8**	**51%**	**205.9**	**45%**	**17.8**	**4%**	**457.5**	**100%**

Table 7. Segmentation of revenue per type of service in EUR million (FY2016/17).

FY2015/16 EUR million	Statutory legal audits		Other statutory audits		Other auditor reports and assurance (related) reports		Total Assurance services		Advisory services		Other services		Total	
Statutory legal audits – OOB clients	44.1	82%	3.2	6%	5.9	11%	**53.3**	**99%**	0.5	1%	-	0%	**53.7**	**100%**
Statutory legal audits – other clients	99.3	75%	12.9	10%	5.6	4%	**117.7**	**89%**	15.2	11%	-	0%	**132.9**	**100%**
Statutory audits – other clients	-	0%	53.4	74%	7.5	10%	**60.9**	**84%**	11.6	16%	-	0%	**72.4**	**100%**
Other auditor reports and assurance (related) reports – other clients	-	0%	-	0%	7.2	22%	**7.2**	**22%**	25.0	78%	-	0%	**32.2**	**100%**
Other clients	-	0%	-	0%	-	0%	**-**	**0%**	145.6	90%	16.3	10%	**161.9**	**100%**
Total	**143.4**	**32%**	**69.5**	**15%**	**26.1**	**6%**	**239.0**	**53%**	**197.8**	**44%**	**16.3**	**4%**	**453.2**	**100%**

Table 8. Segmentation of revenue per type of service in EUR million (FY2015/16). Restated for comparison purposes,

Innovation, all day every day

We have to reinvent ourselves and our solutions constantly from a position of strength and continue to be innovative and collaborative. We have aligned innovation initiatives with client issues in order to create competitive advantage in the marketplace. Only then will we be capable of operationalising and achieving our goals and ambitions. Asset-based solutions and other innovation-related initiatives have been fully integrated into our portfolio.

Ank van Wylick,
partner Innovation

What do you see as the most important challenges that your clients are facing?
"Clients need to work on continuous improvement of the current business while simultaneously working on development of new business models. It can be challenging to deploy resources to both ends of the spectrum. Organisations have started working on proof on concepts for innovation. Scaling up to production is the real topic now."

What do you regard as the defining competences of KPMG in this domain?
"KPMG is well positioned in scaling up. In this phase different capabilities ranging from innovation, digital transformation, regulation and more need to be aligned. Clients value to have access to all these capabilities to drive execution of innovation. Realising innovation at larger scales is important these days. An example is our work with AkzoNobel. They were already working on Open Innovation. They felt however the need to accelerate open innovation with start-ups. We have started to work in full partnership with them on an initiative "Imagine Chemistry" where we invited start-ups, students and scientists to help us solve real-life chemistry challenges from AkzoNobel's business. From over 200 submissions, 20 teams were invited to the finals at the Deventer Research Center in the Netherlands to further develop and assess their ideas. AkzoNobel is now working with some of them to bring these ideas to market. In this case we blended our capabilities of working with start-ups and running innovation Challenges with theirs- and that on a global scale. We are proud that this collaboration is allowed to branded as 'powered by KPMG'."

In which sector do you see the most urgent need for innovation and what can your team contribute to that need?
"Most sectors are innovating. It's now time to scale up and speed up. Innovation is especially needed where there are unmet needs. In the health sector we see a lot of health tech initiatives. But I don't experience this well enough while walking through an average hospital.

The same goes for the financial services sector where the FinTech sector is booming. Banks have changed quite substantially already, but there is still a lot to do - also in keeping up to the growing expectations of mobile customers. Our team helps to accelerate innovation by using lean start-up and agile approaches. We support our clients in such a way that their innovation capabilities improve. We don't take over. We run projects together. In this fast changing world innovation needs to become a core capability for most organisations if they want to stay relevant."

Build on trust

In today's digital world, decision-makers can't afford to be held back by cyber risks. They need to make bold decisions and feel confident that their cyber strategy, defences and recovery capabilities will protect their business and support their growth strategies.

In connection to cyber risks, trusted analytics is a board room priority as well. Making decisions or targeting consumers based on inaccurate predictions will quickly erode, if not extinguish, consumer trust and shake the confidence of those executives who rely on these predictions to make informed decisions. With so much riding on the output of data and analytics, significant questions are now emerging about the trust placed in the data, the analytics and the controls that underwrite a new way of making decisions.

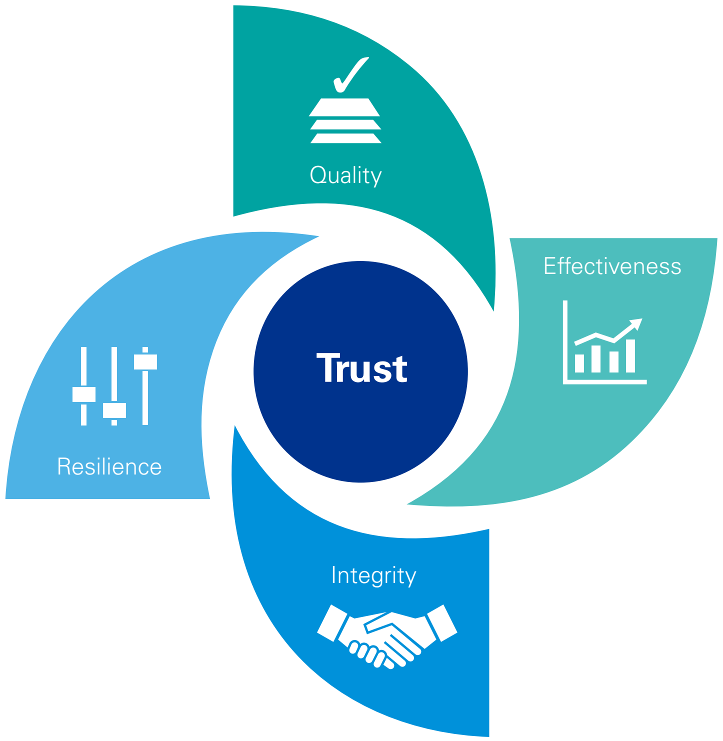


Figure 12. Anchors of trust

How do we know a result is right or that automated decisions are doing the right thing? What does 'right' really mean and to what extent does it matter? And who should be the judge? As analytics goes mainstream, questions surrounding trust will continue to evolve – not only across most sectors, but also for regulators, policymakers and those who safeguard consumer rights.

We believe that organisations must think about trusted analytics as a strategic way to bridge the gap between decision-makers, data scientists and customers, and deliver sustainable business results.

We define four 'anchors of trust' (quality, effectiveness, integrity and resilience) which underpin trusted analytics. We believe that strengthening the anchors of trust means identifying and closing the gaps in D&A and managing it across the organisation. It is not a one-time communication exercise or a compliance tick-box. It is a continuous endeavour that should span the D&A lifecycle from data.

Operational excellence enables us

Introduction

Regarding audit quality an enhanced programme is in place to further improve the quality of the audits. The root causes of insufficient scores on audit files have been carefully analysed and additional measures have been taken.

Developments in recent years urged us to increase our compliance focus for Audit. We therefore invested significant time and effort improving supporting processes and monitoring activities as part of our quality control system.

As we want to increase professional scepticism on our audits even further we have sought ways to decrease some of these rules and free up time to focus on our core audit. Changing emphasis from 'general rules for all audits through Directives' toward 'professional judgement for specific scenarios' will diminish the overall compliance workload and increase our time to focus on doing the right things at the right time ('Audit execution'). Simplification and clarification of existing rules and processes will contribute to these advantages as well.

Within Advisory, our clients are asking for end-to-end solutions. To better serve our clients, the current structure of the organisation is revisited. Per 1 October 2017 the Advisory capabilities will work in more cohesion in our newly designed 'solution suites'. By reducing the complexity in our capability structure we will create a clear picture of who we are, both for our clients and for our people. This results in the implementation of six different groups (suites), which include: Strategy & Operations, Deals, Finance & Business Services, Risk & Regulation, Technology and Assurance. Driver behind this new structure is to build a more simplified, integrated and controlled organisation with focus on innovation and technology.

Furthermore, within our Advisory business priority has been given to enhance our pipeline management, operations and performance management, improved account management and the interaction between our client and solution teams.

During the financial year steps have been taken to further improve the quality and effectiveness of our back office processes, including the initiation of 'one business support', a programme focused on enhancing cooperation between our back office departments.

The financial figures for the firm are presented in the financial statements section of this report from page 128 onwards. 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.

Results for the year

Revenue slightly increased by EUR 4.4 million. In the Audit segment, revenue decreased by 1.4% in FY 2016/17 mainly as a result of the mandatory firm rotation and consequently, first year's audits whereas in the Advisory segment revenue increased by 4.9%. Other income declined due to full realisation of the Grant from KPMG International in the course of FY2016/17.

Employee expenses increased by 6.8%, as a result of an increase of professional staff FTEs of 8.9%, mainly due to an increase in FTEs within both Audit and Advisory. FTEs within Business Support decreased by 5.0% as a result of a further restructuring of the business support activities. The average number of equity partners increased by 7 FTEs to 137 FTEs.

Profit before income tax decreased by 13.4% to EUR 57.7 million in FY 2016/17 which was primarily driven by a decline in audit results due to the impact from first year's audit following the mandatory firm rotation and significant investments in the improvement of audit quality. Also going forward, we will continue with significant investments in the improvement of our quality.

Only a limited part of income tax expense is accounted for in the profit or loss account of KPMG because of an agreement with the tax authorities 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. The income tax expense takes into account temporary differences for which a deferred tax asset or liability has been accounted for as well as previous year's adjustments.

Contractual fees payable to Coöperatie KPMG U.A. amounted to EUR 56.6 million, a decrease of EUR 6.7 million (10.6%) compared to the previous year.

Investment programme

In FY 2014/15, KPMG launched a EUR 54 million investment programme to accelerate the execution of our FY2016 - FY2018 business plan. KPMG International is contributing to this three-year programme via a grant of EUR 30 million which is recognised in other income. As per 30 September 2017 the investment programme has been successfully realised and the indicated amounts have been spend. A new investment programme will be initiated as part of our Strategy 2025 (Outlook).

We have been improving our systems and processes to ensure we move forward in improving our levels of quality and efficiency.

Furthermore, we adapted our shared services (housing, IT, etc.) to the changing market demands. This meant reducing office space and redesigning most of our Business Support departments which led to reductions of FTEs in those departments. In addition, we evaluated the standards and criteria in relation to the performance of equity partners, resulting in a number of equity partners leaving the firm.

In addition, we have been investing and will further invest in the growth of our business through the expansion and renewal of our portfolio of services, in line with the joint, international KPMG vision and with a focus on technology-based consultancy such as cyber security and D&A, including research and development of relevant assets.

Capital expenditure in property, plant and equipment remained limited and were mainly made to replace computer and communication equipment. The main capital expenditure was spend in the development of our service portfolio (including asset based services), the education of our people and investments in audit quality.

During FY 2016/17 we further accelerated our investments in quality and growth.

Strengthening our capital position

The Board of Management's policy is to maintain a strong capital position 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 140,000 per partner to the group's equity, a mandatory loan programme and partly in the form of voluntary loans. Total funding by the Cooperation as at 30 September 2017 amounted to EUR 73.8 million (30 September 2016: EUR 70.8 million), an increase as a result of a higher number of partners compared to FY 2015/16 and an increased financing per partner.

In addition, KPMG N.V. renewed its credit facility with the bank in FY 2015/16 for an amount of EUR 50 million; an additional EUR 20 million can be used as a guarantee facility. As per June 2017 the credit facility has contractually been lowered to EUR 40 million. Although the amount of funding decreased slightly compared to previous year, the solvency ratio (taking into account equity and partner financing) improved to 38.1% (30 September 2016: 30.1%). In addition, the duration of the funding by partners changed to more long-term funding (long-term funding at 30 September 2017 amounted to EUR 48.5 million (30 September 2016: EUR 43.5 million). The long-term funding also includes deferred payments as required by the NBA. In FY2017/18 these deferred payments will be transferred to an independent foundation.

The Board of Management considers the capital position of the group as healthy; it can withstand volatility and incidents within operations. Our capital position will be strengthened further in the coming few years by further increased partner funding.

Legacy issues

We are looking firmly to the future with an absolute focus on the quality of our work. We are convinced that delivering sustainable and improving quality, together with a modest, positive and constructive attitude in society will enable us to regain public trust. We are also fully aware that the past, sometimes the distant past, still affects public perception of KPMG today.

It is against this background that various legal matters are being worked on and concluded where possible. For more details we refer to the 'Financials Statements' section in chapter 5.

In that respect, a transaction was agreed with the Public Prosecutor's Office during the summer of 2017. The transaction relates to the development and construction of our head office in the period 2004-2010 by a separate development entity in which KPMG participated. KPMG regrets any doubts that may have risen due to the actions of the development entity. The development entity accepted the transaction in order for itself and the KPMG organisation to be able to move forward and focus on the future.

Business Support

Throughout FY 2016/17, we have worked hard on the further professionalisation of our Business Support departments with a focus on further improving the quality, service and cost effectiveness. Priority has been given to the integration of business services; bringing shared services together, implementing one Business Support and improving collaboration. Initiatives have also been taken to unburden the organisation. Where necessary, we have improved the efficiency of our processes and strengthened our internal controls. During FY 2017/18 we will continue to work on the implementation of one integrated Business Support.

Footprint

KPMG is committed to further reducing its CO_2 emissions. In FY 2016/17 we successfully reduced our footprint. Following the global ambition set by KPMG International, KPMG aimed to contribute to a 15% reduction in net greenhouse gas emissions per FTE by 2015 (from 2010 baseline). We were able to improve collection of the data on our gross usage as well as arriving at more accurate conversion factors. Sustainability performance is measured per calendar year (CY) and consequently the reporting of our progress lags a year behind our financial year. With 2016 being the beginning of a new reporting period, named the Global Climate Response, a new baseline is set at 10% net emissions reduction per FTE for 2016-2020.

To reduce our carbon footprint further, the Board of Management supports collaborative action by the HR, facilities, mobility, CR and finance departments by encouraging the use of economical (hybrid) cars, electric cars, use of electric taxis and company bicycles, and promoting fuel-efficient driving, video conferencing, virtual classrooms, increase the number of e-learnings and web meetings.

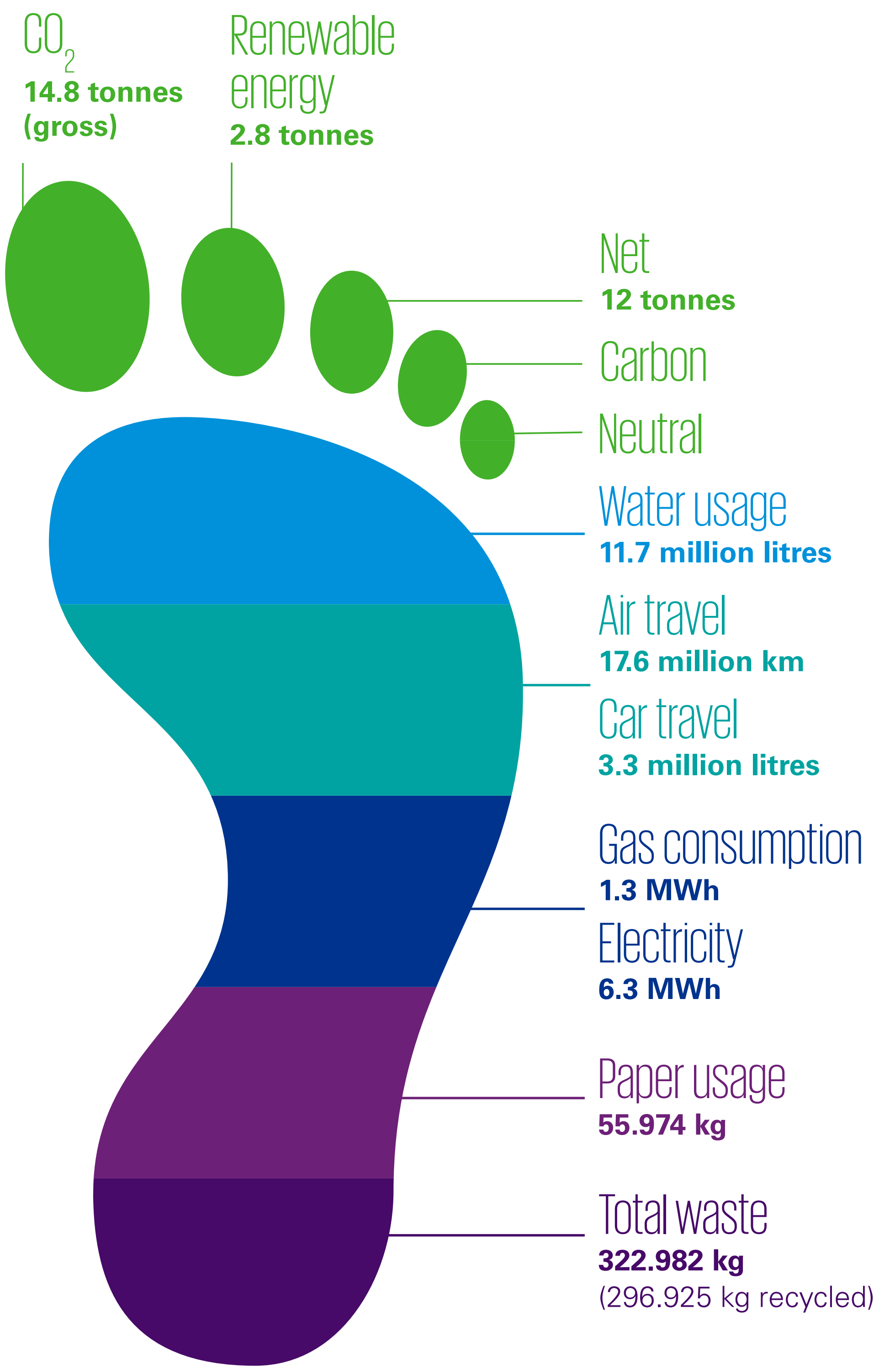


Figure 13. Carbon footprint

Category	CY 2016	CY 2015
Gas	0.1837	0.1841
Electricity	0.4680	0.4680
Petrol	2.2917	2.2917
Diesel	2.6546	2.6546
Other	1.5023	1.5059
Rail	0.0280	0.0280
Air flights (average)	0.2718	0.1483

Table 9. Conversion factors KPMG International

The CO_2 conversion factors used by KPMG International are based on generally accepted conversion protocols such as DEFRA. For air flights detailed factors are available per type (economy class, business class, etc.). Conversion for car travel is done per litre.

Environmental data	CY 2016	CY 2015)*	CY 2015
Natural gas consumption (in 1,000 kWh)	1,315	2,014	2,512
Electricity consumption (in 1,000 kWh)	6,304	8,895	11,817
Renewable electricity consumption	96%	96%	97%
Paper usage (in kg)	55,974	66,085	66,085
Total waste (in kg)	322,982	376,964	444,265
Recycled waste (in kg)	296,925	324,758	386,709
Water usage (in 1,000 litres)	11,698	16,822	16,822
Air travel (in 1,000 km)	17,572	19,955	23,274
Car travel (in 1,000 litres)	3,292	3,700	4,268
CO_2 emissions (in tonnes)	**CY 2016**	**CY 2015)***	**CY 2015**
Electricity, heating & cooling	3,192	4,534	5,993
Car travel	8,209	9,257	10,644
Air travel (average)	3,369	2,117	2,516
Train travel	57	30	75
Gross CO_2 emission	14,827	15,937	19,228
Emission reductions (renewable energy and VER)	-14,827	-15,937	-19,228

)* CY 2015 originally included KPMG Meijburg & Co numbers. Commencing CY 2016 we are better able to disseminate usage between the two member firms. CY 2016 therefore represent solely KPMG NL figures and comparative figures have been adjusted for comparison purposes.

Table 10. Environmental data

Early in 2015, KPMG adopted a communication tool that displays our environmental ambitions and results in the form of understandable and transparent data on narrowcasting screens and intranet at our offices. In addition, energy saving tips are shared, recycling and videoconferencing are promoted, as is the use of bicycles to visit local clients. This project, initiated by KPMG Facilities and in line with the ISO 14001:2015 guidelines, creates awareness amongst our employees about our environmental goals and what they can do to contribute to realising our ambitions in this area.

External codes of conduct

Most external codes of conduct we adhere to are mandatory in nature and reflect either currently applicable laws and regulations, or policies and procedures issued by the Dutch Professional Association of Accountants. We monitor compliance with these codes of conduct and follow up on incidents of non-compliances as part of regular oversight and compliance procedures. As such, any non-compliances are included in the reports of our Compliance Office. We refer to the paragraph on 'Compliance with our system of quality controls' for further details.

Governance and compliance

Report of the Supervisory Board

Year overview

KPMG's centennial year was an eventful one. Under the motto 'True Value' there was room to look back with undiluted pride at KPMG's many achievements over the past 100 years. Celebrating a 100th anniversary is something a company is only able to do with the support and trust of all its stakeholders. By constantly improving, renewing and adapting, together with clients and employees. By using opportunities in the market, by providing true value to stakeholders, by standing tall in times of adversity and by demonstrating the strength and energy needed to overcome setbacks. That is what makes KPMG in the Netherlands a very proud centenarian.

In November 2017, we announced that Albert Röell, chairman of the Board of Management of KPMG N.V., decided to resign from his position. Albert reached the decision in consultation with the Supervisory Board and the Board of Management. Under his leadership KPMG achieved a great deal in the past two years. Several issues from the past were solved and KPMG is back on the path to growth. In spite these good results, we have jointly concluded that the cooperation was not optimal. As a consequence, Albert accepted his responsibility by making room for a successor.

We have a great deal of respect for Albert's decision, in which he has put the interests of the organisation first. His contribution to regaining public trust and strengthening the connection with customers and employees deserves our appreciation and gratitude.

The Supervisory Board will now initiate a process to find a successor for Albert Röell, on the basis that the new chairman of the Board of Management will come from outside the organisation.

Rob Fijneman, member of the Board of Management and Head of Advisory, has assumed the tasks and responsibilities of chairman in the interim period.

Following a number of years of stagnation, the business once again recorded growth in revenues. The net results for the year were satisfactory. This was the result of strong growth in Advisory and better than expected results in Audit, where we were able to counter the decline in revenues in the national practice. More than ever before, the emphasis on the Audit front was on raising quality levels in every single aspect of the organisation and the execution of the work. Something which has been recognised and appreciated by the market.

In line with our expectations, the mandatory firm rotation for audit clients resulted in a market share of around 25% among the AEX funds, resulting from KPMG's strong historical position and a market share of more than 30%. The firm's forced farewell to audit clients that had been with KPMG for many years was partly offset by the acquisition of new clients. In addition, many of these audit clients remained with KPMG for advisory services.

During 2017, KPMG welcomed more than 400 young, eager talents. The quality of this new generation is high and the fact that we are able to recruit them in such large numbers proofs that KPMG is a popular employer. The highly diverse composition of this new group gives us confidence for the future.

As in any sector of society, auditing and advisory professionals will also have to consider their future. The activities KPMG undertakes for its clients and the composition of its client portfolio will undergo fundamental and at times disruptive changes. The Board of Management is heading a strategic process in which the entire firm is looking at the future market in which KPMG will operate, the role and contribution that market demands and the role KPMG can and wants to play. The Supervisory Board is closely involved in this strategy development process. The Supervisory Board members stimulate and advise on the process and content based on their individual expertise and experience.

Two new members have joined the Supervisory Board in the past year. Harry van Dorenmalen and René Steenvoorden bring outstanding skills and expertise to the Supervisory Board supportive of the forward looking strategic challenges of the sector in which KPMG operates.

The year under review was the second year in which KPMG had an independent Supervisory Board in place. The Supervisory Board has advised the Board of Management in its search for a new growth path, together with increased quality awareness. In alignment with its focus as 'Public Interest Committee', the Supervisory Board has supported the efforts of the company and all its employees to restore the impaired trust in the auditor's profession in general and KPMG in particular. As part of this effort, the chairman and members of the Supervisory Board also met with key stakeholders within and outside the sector.

The Supervisory Board closely monitored the company's strategy and has not hesitated to raise a critical voice whenever this proved necessary. Priority remains the change towards a quality oriented culture and the further increase of quality of the statutory audits. In addition, diversity is and remains a topic that requires attention. The Supervisory Board has encouraged the Board of Management to increase the priority of the diversity policy. KPMG has some urgent catching up to do on that front, as we are convinced that KPMG's success now and in the future will require an organisation and culture based firmly on diversity and inclusiveness.

The Supervisory Board wishes to express its gratitude to the Board of Management, partners and all staff for their continued efforts to strengthen the trust of our stakeholders in KPMG.

The following sections will give you a detailed and comprehensive overview of the tasks and responsibilities of the Supervisory Board and its committees, the composition of the committees, the induction and education programme, its ongoing assessment of its roles and its meetings and activities in the financial year 2016/2017.

2016/2017 Report

Supervisory Board, also Public Interest Committee

Tasks and responsibilities

The Supervisory Board is chaired by Bernard Wientjes. The Supervisory Board fully consists of external members and operates independently, which is also reflected by its mandate in accordance with the applicable legal regime for a large Dutch corporate (*'structuurvennootschap'*). The members of the Supervisory Board are listed in the paragraph Composition - Overview of members of the Supervisory Board and its committees.

Its roles and responsibilities are laid down in the Articles of Association and in the 'Rules of Procedure of the Supervisory Board' as published on the KPMG website. The rules of procedure are compliant with the Code for Audit Firms and the NBA measures following from the report '*In het publiek belang. Maatregelen ter verbetering van de kwaliteit en onafhankelijk-heid van de accountantscontrole'* (hereafter referred to as Public Interest Report). The Supervisory Board endorses the general principles of the (revised) Dutch Corporate Governance Code and is committed to adhering to said principles insofar reasonably suitable for a (non-listed) organisation as KPMG.

The Supervisory Board is responsible for supervising and advising the Board of Management of KPMG and overseeing the general course of affairs of KPMG and its businesses.

In accordance with the Public Interest Report, the Supervisory Board operates from the level of KPMG N.V., wherefrom it supervises and advises on the Audit and Advisory practices and the synergies and challenges of the co-existence of these practices within KPMG. It also supervises and advises on the supporting organisation of KPMG, that implements, facilitates and monitors the internal risk and control measures and the enterprise risk management system.

In the execution of its tasks, the Supervisory Board takes into account the interests of KPMG and safeguards the interests of KPMG's stakeholders. One of the primary responsibilities of the Supervisory Board is to safeguard the public interest by ensuring KPMG's independence, quality and integrity. The Supervisory Board strongly believes that a focus on public interest will lead to creating and protecting value for all of KPMG's stakeholders.

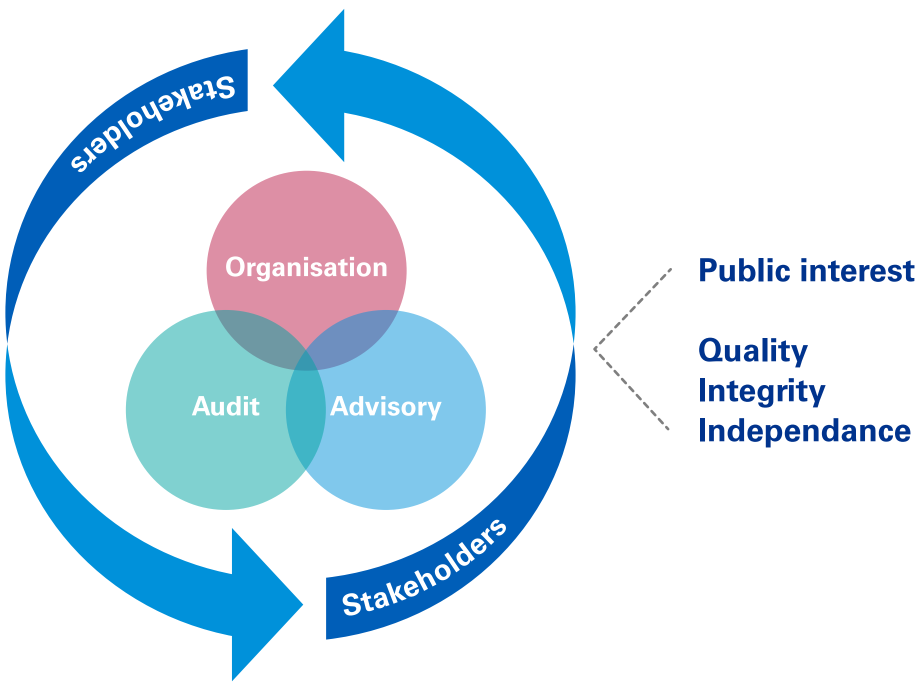


Figure 14. Supervisory Board tasks and responsibilities

Public Interest Committee

The Public Interest Committee was set up in accordance with the Code for Audit Firms.

KPMG endorses the values and principles set out in the Code for Audit Firms. KPMG signed the covenant of the code for Audit Firms on 28 June 2012. This Code was issued by the NBA and sets out principles for the way Public Interest Entity license holders should handle matters such as dealing with governance and decision-making, quality and risk management, internal oversight, independence and remuneration.

The Public Interest Committee is a committee of the Supervisory Board. As it is one of the primary responsibilities of the Supervisory Board to safeguard the public interest, the role and purpose of the Public Interest Committee have been fully incorporated in the tasks and responsibilities of the Supervisory Board. All members of the Supervisory Board are also members of the Public Interest Committee and the Supervisory Board also acts and operates as the Public Interest Committee. This follows from measure 2.5 of the Public Interest report.

As the Public Interest Committee, the Supervisory Board has specific and additional responsibilities in safeguarding the public interest of the audit report and in supervising the remuneration of the external auditors, other partners and the board members of the audit organisation.

Key instruments

Key instrument for the Supervisory Board to safeguard the public interest and the interests of other KPMG's stakeholders, is the monitoring of the organisation's strategy, quality, culture and behaviour and independence.

The Supervisory Board challenges and provides the Board of Management with constructive advice with regard to the aforementioned topics, as well as on other topics. The main topics that have been on the agenda of the Supervisory Board and its committees during the financial year, are listed below in the paragraphs '2016/2017 meetings'.

As to the aforementioned key instruments, the Supervisory Board focusses in particular on:

- **Strategy and long term value creation.** The Supervisory Board challenges and advises the Board of Management on the long term vision and strategy of the organisation (Outlook 2025);
- **Quality.** The Supervisory Board exerts its responsibilities to enhance the quality of the organisation. During the financial year the Supervisory Board has intensified its focus on challenging and advising the Board of Management on quality steering policies and measures. Also in performing its responsibilities towards partner appointment and remuneration, the Supervisory Board finds quality a crucial factor;
- **Culture and behaviour.** Integrity of the organisation is an important element of its culture. A variety of activities are undertaken to further improve the culture in this respect; from the KPMG Story to systems of reporting irregularities. The Supervisory Board has in-depth discussions with the Board of Management on these activities and continuously encourages the Board of Management on improving the effectiveness of these activities. The Supervisory Board also considers showing exemplary behaviour and challenging the Board of Management, partners and staff members on behaviour as an important element for enhancing the culture of the organisation. Furthermore, the Supervisory Board is fully convinced of the positive impact of employee diversity (not only on gender, but also (e.g.) on background, expertise and experience) on the organisation's culture and is adamant in continuing to initiate and support diversity improving measures, such as the introduction of a task force to stimulate gender diversity within KPMG. The Supervisory

Board is aware of the importance of gender diversity within the organisation and the Board of Management and shall take this into account for future appointments;

– **Independence.** The Supervisory Board reviews and advises on the policies implementing independence requirements for the organisation and monitors the practice thereof.

Another important focus of the Supervisory Board is to ensure the correct implementation of the NBA measures as indicated in the Public Interest Report. The design of our quality improvement measures was monitored by the AFM via the '*AFM Dashboard 2015 Toekomstgerichte Verbetermaatregelen*'. The AFM subsequently monitored the implementation of the improvement measures via the '*AFM Dashboard 2016 Implementatie en borging van het verandertraject*', published in May 2017. The AFM clustered this review around the themes 'in control', 'behaviour and culture' and 'internal supervision'. As to the latter, the AFM particularly focussed on how the Supervisory Board applies its responsibilities in practice. The AFM rated KPMG with a positive view on overall progress in its change programme. Regarding 'internal supervision' the AFM recognised the Supervisory Board's efforts on safeguarding quality and the public interest.

Stakeholders

The Supervisory Board regularly meets with the Board of Coöperatie KPMG U.A. to monitor developments within the partner group. The Supervisory Board holds conversations and meetings with partners, employees and the Works Council. Input from these conversations facilitates the Supervisory Board in constantly assessing and evaluating its role within the firm.

The Supervisory Board, and the chairman of the Supervisory Board in particular, keep in regular contact with KPMG International, as the Dutch firm plays an important role in the international KPMG network.

The Supervisory Board closely follows developments of the audit profession by taking part in the Big Four regular consultations with the NBA and AFM. The input from these sessions is used to advise the Board of Management on quality policies and programmes emphasising the public interest.

2016/2017 meetings

The agenda of the Supervisory Board and its committees is primarily governed by the topics and timing as laid down in the Supervisory Board's year plan, as well as by ad hoc topics. The year plan is based on the Supervisory Board's tasks and responsibilities, regulatory and social developments and specific focus areas relevant for the organisation.

The Supervisory Board and the Public Interest Committee held eight meetings and various conference calls during the financial year. The Supervisory Board and the Public Interest Committee started the meetings with a closed session.

Except on one occasion all Supervisory Board members attended all Supervisory Board and Public Interest Committee meetings this financial year. Several Board of Management members attended the meetings as well and other senior management members were present if the agenda items dictated such participation. The external auditor attended one meeting.

The Supervisory Board members also had regularly meetings with the Board of Management members offsite and informally.

A recurring item on the agenda of the Supervisory Board is 'Public interest' as part of which the Supervisory Board monitors and discusses legislative changes that impact (primarily) the audit function, as well as inspection reports and dashboard reports from the regulator and the report of the Monitoring Committee Accountancy. Twice a year a 'Deep Dive Audit' (as well as a 'Deep Dive Advisory') is on the agenda to focus on the audit quality controls at KPMG. During the financial year specific attention was given to reviewing the long term strategy ('Outlook 2025') as presented by the Board of Management. The Supervisory Board in particular focussed on the clear strategic direction and creating a competitive advantage and societal value.

Other main topics for the Supervisory Board meetings this financial year included:

- Remuneration Board of Management
- Approval partner selection process
- Monitoring compliance with partner selection, appointment, performance evaluation and remuneration policies
- Monitoring compliance with senior management selection and appointment policy and employee remuneration policy
- Diversity and Inclusion policy of the organisation
- Evaluation Supervisory Board, its members and its committees
- Selection and nomination of Harry van Dorenmalen and René Steenvoorden as new members of the Supervisory Board as of 1 September 2017
- Evaluation Board of Management and its members
- Public Trust
  - Monitoring and advice on audit quality policies, programmes and results
  - Monitoring audit independence
  - Relationship stakeholders, including AFM
- Monitoring Compliance Office year plan & reports, results Quality Performance Reviews
- Business updates, consisting of markets and business development, organisational developments and financial performance
- Monitoring (legacy) claims and incident handling and related policies
- Review and signing of the Annual Report 2015/2016 of KPMG N.V.
- Review and approval of three-year business plan FY 2018/20
- Review installation internal audit function proposal

Audit & Risk Committee

Tasks and responsibilities

The Audit & Risk Committee is chaired by Gosse Boon. The committee has substantial expertise on finance and risk management systems. The members of the Audit & Risk Committee are listed in the paragraph '*Composition - Overview of members of the Supervisory Board and its committees*'.

The responsibilities of the Audit & Risk Committee are stipulated in the '*Reglement van de Audit & Risk Commissie van de Raad van Commissarissen*', as published on the KPMG website. Its primary responsibilities concern monitoring compliance with internal risk management systems, relevant laws and regulations and monitoring financing of operations and financial reporting. The committee monitors the tax planning policy and application of information- and communication technology. It also had a substantial role in the preparation of the selection and nomination of the external auditors and it keeps in close contact with the external auditors. It reviews and advises on the annual accounts and the short and longer term budget.

2016-2017 meetings

The Audit & Risk Committee held five meetings in the financial year. The COO and the CFO attended all meetings on behalf of the Board of Management. The Head of Audit and/or the Country Quality & Risk Management Partner attended some of the meetings. The external auditor attended four meetings.

A recurring item on the agenda of the Audit & Risk Committee is the review of operational and financial performance and developments. The Audit & Risk Committee also reviewed the business plan FY 2018/20. During the financial year the Audit & Risk Committee has reviewed the proposal of the organisation for a separate internal audit function. The Audit & Risk Committee thereto advised the Supervisory Board to support the proposal. This has led to the implementation of an internal audit function as per 1 October 2017.

Other main topics for the Audit & Risk Committee meetings this financial year included:

- Update ERM
- Review Compliance Office report
- Advise on internal audit function proposal
- Evaluation audit findings prior year
- Review foundation Partner Mentoring Committee
- Update ICT policy
- Review tax policies
- Review insurance programme
- Review amendments to deferred payment policy and incorporation foundation for management of deferred payments
- Review adjustments voluntary loans and interest rates

Remuneration & Appointment Committee

Tasks and responsibilities

The Remuneration & Appointment Committee is chaired by Laetitia Griffith. The committee has substantial expertise on human resources related topics. The members of this committee are listed in the paragraph Composition - Overview of members of the Supervisory Board and its committees.

The responsibilities of the Remuneration & Appointment Committee of the Supervisory Board are stipulated by the *'Reglement van de Remuneratie- en Benoemingscommissie van de Raad van Commissarissen'*, as published on the KPMG website. Its primary responsibilities are advising the Supervisory Board on remuneration, selection and appointment policies and monitoring compliance thereof and submitting proposals on remuneration and (re)appointments. The committee also reviews the performance of the members of the Board of Management and the Supervisory Board.

2016-2017 meetings

The Remuneration & Appointment Committee held seven meetings in the financial year. The CHRO attended all meetings on behalf of the Board of Management.

One of the recurring items on the agenda of the Remuneration & Appointment Committee is 'Diversity and Inclusion' as part of which the committee monitors and challenges (the progress of) diversity initiatives and programmes at KPMG, and it also reviews the equity partner selection process from this perspective. Specific for this financial year was the selection and nomination of Harry van Dorenmalen and René Steenvoorden as new members of the Supervisory Board as of 1 September 2017.

Other main topics for the Remuneration & Appointment Committee meetings this financial year included:

- Review performance targets Board of Management members
- Evaluation functioning Board of Management members
- Evaluation remuneration Board of Management members
- Review performance rating 2017 and plotting 2018 equity partners
- Review causes equity partner exits
- Review selection, appointments and exits employees
- Monitor succession planning and talent retention
- Assessment and composition Supervisory Board and its Committees
- Evaluation selection criteria and advise on approval appointment process equity partners 2017/2018

Reference is also made to this year's remuneration report for a further elaboration of abovementioned remuneration topics.

Composition

The required areas of expertise and competences of the Supervisory Board members are included in the Supervisory Board profile description as published on the KPMG website. Each of the Supervisory Board members has been vetted against the requirements of the Supervisory Board profile description and a capability matrix, both based on the expected suitability testing of (co)policy makers of the accountancy organisation. With the appointment of Harry van Dorenmalen and René Steenvoorden important (international) management experience as well as additional expertise on IT (strategy), business development and diversity has been brought to the Supervisory Board.

The current composition of the Supervisory Board fully complies with the requirements of the Supervisory Board profile description. The Supervisory Board consists of the following members:

	Date of appointment	End date first term	Agreed date of resignation (subject to reappointment)	Audit & Risk Committee	Remuneration and Appointment Committee	Public Interest Committee
Bernard Wientjes, Chairman	01-05-2015	December 2019	December 2019	-	Member until and including 07-09-2017	Chairman
Laetitia Griffith, Vice Chairman	01-05-2015	December 2019	December 2020	-	Chairman	Member
Jan Maarten Slagter	01-05-2015	-	01-01-2017	-	Member until 01-01-2017	Member until 01-01-2017
Jolande Sap	19-08-2015	December 2019	December 2021	Member	-	Member
Gosse Boon	01-08-2016	December 2020	December 2022	Chairman	-	Member
Harry van Dorenmalen	01-09-2017	December 2021	December 2023	-	Member	Member
René Steenvoorden	01-09-2017	December 2021	December 2024	Member	-	Member

Table 11. Composition of the Supervisory Board

From left to right: Gosse Boon, Jolande Sap, Harry van Dorenmalen, Laetitia Griffith, René Steenvoorden, Bernard Wientjes

Diversity

The gender diversity ratio of the Supervisory Board is with the appointment of Harry van Dorenmalen and René Steenvoorden 33.33% female and 66.67% male.

Independence

All Supervisory Board members qualify as independent in accordance with KPMG's policy for Supervisory Board members based on the applicable rules and regulations. Independence is monitored by the Ethics & Independence unit within Quality & Risk Management. Members of the Supervisory Board are to notify the Ethics & Independence Director on any material changes in their positions. KPMG maintains an overview of the other relevant positions on its website. All Supervisory Board members are independent in accordance with the requirements under the Dutch Corporate Governance Code. The members of the Supervisory Board are to notify the Chairman of any potential conflict of interest.

Education programme

Supervisory Board members are welcomed with an extensive induction and education programme in order to prepare themselves for their tasks and responsibilities as a Supervisory Board and committee member in the context of the structure of KPMG, related governance and stakeholders, to become acquainted with the organisation, leadership, senior management and to develop a deeper understanding of the businesses of KPMG and the international network. The programme is supported by an extensive information pack. The Supervisory Board members were educated on KPMG's corporate social responsibility and innovation programmes. Also a meeting with a prominent audit client was attended to provide Supervisory Board members insight into a particular audit.

In addition, the Supervisory Board members are offered an ongoing training curriculum, consisting of the following components: RAAD trainings, Internal KPMG courses and e-learnings.

Specific courses are also offered relating to the suitability testing of (co)policy makers of the audit firm as included in the draft regulations to implement (amongst others) such testing. The requirements of that suitability testing have already been included in the Supervisory Board profile description. The Supervisory Board members were trained on client acceptance, quality framework and findings, accountancy laws and regulations, ISA, COS and eAudit, as well as on Ethics and Independence.

Evaluation Supervisory Board and Board of Management

The Supervisory Boards regularly assesses whether it comprises of the right knowledge, experience and capabilities to properly fulfil its supervisory and advisory tasks, as well as its public interest tasks and responsibilities.

Reference is made to the Supervisory Board's profile description *'Bijlage A Reglement van de Raad van Commissarissen'*, as published on the KPMG website.

The right knowledge and capability mix within the Supervisory Board and the Supervisory Board profile description were leading in the process of selection and appointment of Harry van Dorenmalen and René Steenvoorden. With their appointment the Supervisory Board concluded that it comprises the right knowledge, experience and capabilities to properly fulfil its tasks.

The internal annual evaluation of the functioning of the Supervisory Board, its members and its committees took place in September 2017 (without the Board of Management being present). The Supervisory Board members completed a self-assessment questionnaire and discussed their findings in a meeting. Following such evaluation, the Supervisory Board established that its composition as well as its functioning, is satisfactory and well suited for forward looking strategic challenges of KPMG. The Supervisory Board concluded to remain focussed on the long term strategy of the organisation, as well as on the further improvement of the efficiency and quality of the services provided by the organisation.
The Supervisory Board will also continue to monitor the functioning, diversity and succession planning of the organisation's leadership.

With regard to the performance of the Board of Management and its members, the Supervisory Board concluded its yearly evaluation in the last quarter of the 2017 calendar year (without the presence of the Board of Management members). It held performance evaluation interviews with each of the members of the Board of Management to determine progress against agreed targets. The input collected from partners and employees was included in the discussions. The Supervisory Board concluded that although good results were achieved in dealing with issues from the past and regaining growth, the cooperation was not optimal.

Financial statements and discharge

The 2016/2017 annual report has been prepared by the Board of Management. The financial statements are part of the Integrated Report. The financial statements have been audited by the external auditor. Its findings have been discussed with the Supervisory Board in the presence of the Board of Management. The unqualified opinion expressed by the external auditor on the financial statements is included in this Integrated Report.

The Supervisory Board requests that the Annual General Meeting, in accordance with article 20 of the Articles of Association, discharges the members of the Board of Management for their management in the reporting year and the members of the Supervisory Board for their supervision.

Word of appreciation

The Supervisory Board would like to thank the Board of Management and all employees of KPMG for their continuous efforts and dedication to the organisation. The Supervisory Board would also like to thank Jan Maarten Slagter for his much valued contribution to the Supervisory Board until 1 January 2017.

Amstelveen, 11 December 2017

Bernard Wientjes
Laetitia Griffith
Jolande Sap
Gosse Boon
Harry van Dorenmalen
René Steenvoorden

Supervisory Board

(A complete overview of current tasks and positions is included on our external website).

Bernard Wientjes
(1943, Dutch)
Bernard Wientjes is chairman of the Supervisory Board. He is an entrepreneur who has been in charge of a family-owned business for over three decades. In 2014 he was appointed as professor Business and Leadership at Utrecht University. Prior to that Bernard Wientjes was, among other things, chairman of the employer's association VNO-NCW and a member of the board at Villeroy & Boch.

Laetitia Griffith
(1965, Dutch)
Laetitia Griffith is vice chairman of the Supervisory Board. Laetitia Griffith is Counsellor in the Council of State effective 2012. Prior to that she was, inter alia, a member of the Dutch parliament, a member of the executive board of the municipality of Amsterdam and worked at the Department of Justice. Laetitia Griffith is chairman of the association *Vereniging Nederlandse Veiligheidsbranche* and board member of VNO-NCW.

Jolande Sap
(1963, Dutch)
Jolande Sap is, inter alia, chairman of the Netherlands Public Health Federation NPHF and chairman of Fairfood International since 2013. She is also member of the supervisory board of KPN. Prior to that she was a member of the Dutch parliament (2008-2012) and political leader of the party GroenLinks (2010-2012). She is still closely involved with social topics linked to sustainability, health care, food supply and the clothing industry.

Gosse Boon
(1959, Dutch), as of 1 August 2016
Gosse Boon is chairman of the Supervisory Board of Albron and member of the Supervisory Board of Royal BAM Group and IDH (Sustainable Trade Initiative). Also, he is Lay Judge (expert member) of the Enterprise Chamber, which is part of the Amsterdam Court of Appeal. He was CFO and member of the Executive Board of Nutreco (until mid 2015) and Van Gansewinkel Group (until 2009). Before that, he held various senior finance and general management positions in Unilever over a period of more than 20 years. He graduated in business economics, Dutch law and as a chartered accountant.

Harry van Dorenmalen
(1955, Dutch) as of 1 September 2017
Harry van Dorenmalen had a career of 35 years at IBM during which period he fulfilled various positions, ultimately as general manager of IBM the Netherlands and manager of IBM Benelux until 2017. He is chairman of TopTeam Sport (Sport-innovator), as well as chairman of the ICT committee at VNO and board member at the Amsterdam Economic Board. Harry was awarded Officer in the Order of Orange-Nassau for his contributions to stimulate diversity in the corporate world.

René Steenvoorden
(1967, Dutch) as of 1 September 2017
René Steenvoorden is Global Chief Digital Officer and Chief Information Officer at Randstad. Prior to that, he was CIO at Rabobank and Essent; IT Group Manager at Procter & Gambler and engagement manager at McKinsey & Company. At Randstad he is responsible for global IT-strategy. He was a founding member of the national Cyber Security Council. René is currently a member of the *ECP Adviesraad* and guest lecturer at Nyenrode Business School.

Remuneration Report

The Remuneration & Appointment Committee is a committee of the Supervisory Board and advises the Supervisory Board on approval and adjustment of the remuneration, selection and appointment policies and monitoring compliance thereof and submits proposals on remuneration and (re)appointments for the Supervisory Board and Board of Management members. The committee also reviews the performance of the members of the Board of Management and the Supervisory Board. Remuneration policies are focused on quality, measurable performance, and long term impact on the four strategic vision areas: People, Clients, Public Trust/Quality and Operational Excellence. Underperformance in the area of quality cannot be compensated by high performance in one of the other vision areas.

All employees undergo annual goal-setting and performance reviews where each is evaluated on achieving predetermined agreed-upon goals, demonstrating KPMG global behaviours for their level, and adhering to KPMG's values and attributes. These evaluations are conducted by performance managers and partners who are in a position to assess the professionals' performance.

The performance grades influence next to potential the total amount of remuneration that professionals are paid. Results of annual counselling are also considered when promotion decisions are made. Total remuneration is periodically benchmarked against peer firms to assess market conformity of employee benefits.

Engagement leaders within our firm are issued standardised quality and risk metrics feeding into their annual counselling process (see table X below). Quality and risk metrics include a number of parameters, such as results of external regulatory reviews, timely completion of training, coaching, leading by example and outcomes of internal monitoring programmes. Based on the overall assessment grading is awarded and remuneration determined.

Public Trust/Quality	Clients	People	Operational Excellence
Compliance Letter availability	Client Satisfaction ratings	360-feedback from professionals	Financial performance
CPE Compliance	Client feedback (qualitative)	Personal development	
Non-compliance with internal policies and procedures	Portfolio development	Leading by example	
Regulatory findings and ratings		Upward appraisals	
QPR ratings			
Quality Improvement Activities, including: – Acting as Professional Practice Partner – Acting in a Quality related role		– Acting as EQCR – Acting as trainer at technical training updates – Acting as QP Reviewer	

Table 12. Performance metrics

Both Audit and Advisory partners are subject to a KPMG claw-back policy, under which the firm is be able to recover any damages for demonstrably culpable conduct from individual partners' profit shares. A deferred profit-sharing scheme is applicable for Audit partners. KPMG retains 16.67% annually of total/full profit payment with a projected released after a period of six years, in accordance with the NBA measure 3.5.

Partner remuneration

A management fee is payable to an equity partner as remuneration for professional services performed, pensions, insurances and for entrepreneurial risk. Average profit per equity partner for FY 2016/17 was EUR 431,000 (FY 2015/16: EUR 460,000).

The Board of Management grades each equity partner after consulting Audit and Advisory leadership teams. The partner grade determines the base remuneration for the designated partner. Total remuneration is dependent on individual performance in combination with overall profitability of KPMG N.V. Variable pay bandwidth is maximised at +25% or -25% relative to 'on target' performance as determined during annual goal setting. The Board of Management can discretionarily grant additional variable income depending on (exceptional) performance relative to agreed targets. The Remuneration & Appointment Committee advises the Supervisory Board on monitoring compliance with the remuneration policy for equity partners.

Grading is a 5-part scale: 1 for Outstanding Performance, 2 for Highly Effective Performance, 3 for Effective Performance, 4 for Inconsistent Performance, and 5 for Unsatisfactory Performance. Partners receiving 5 or 4 scores are closely monitored by Audit or Advisory leadership and where appropriate an individual improvement plan is implemented.

Performance management and salary scales for non-equity partners is done by Audit and Advisory leadership. Variable pay is based on past year performance.

Rating	FY2016/17	FY2015/16
1	2	3
2	33	34
3	90	88
4	13	10
5	2	0

Table 13. Performance management scores for equity partners (head count)

Table 14 lists the distribution of partners relative to their performance appraisal. The percentage for on-target remuneration is 56% for FY 2016/17 (FY 2015/16: 55%). Above target and below target performance is 31% and 13% for FY 2016/17 respectively (FY 2015/16: 34% and 10%).

Performance rating		FY2016/17	FY2015/16
Below target	75%-90%	1	1
	90%-95%	7	4
	95%-100%	9	9
On-target	100%	75	75
Above target	100%-105%	20	17
	105%-110%	22	23
	110%-125%	2	6
Total		**140**	**135**

Table 14. Allocation in numbers of equity partner remuneration (head count)

During the year 3 equity partners (2 for Audit and 1 for Advisory) left the firm. Board of Management appointed 6 new equity partners as of 1 October 2017.

Board of Management remuneration

Members of the Board of Management receive a fixed salary. Equity partners residing as Board of Management members are excluded from profit sharing, but can receive a maximum of 10% in variable pay based on actual performance.

Non-equity partner board members receive no variable pay. Their remuneration is determined on the basis of market conformity and their responsibilities.

Equity partners fund their pensions from their remuneration. Non-equity partners take part in KPMG's collective pension scheme.

Upon advice of the Remuneration & Appointment Committee, the Supervisory Board determines the remuneration policy for the members of the Board of Management and the individual remuneration packages of members of the Board of the Management. The Supervisory Board awards variable pay after consultation with the Remuneration & Appointment Committee.

Individual Board of Management members are appraised by the Chairman of the Board of Management first and the Remuneration & Appointment Committee and Supervisory Board second. The Chairman is appraised by the Remuneration

& Appointment Committee and the Supervisory Board. Actual performance is appraised using predetermined performance objectives taking individual and firm performance criteria into consideration. The Supervisory Board, upon advice from the Remuneration & Appointment Committee, is responsible to balance public interest and sustainable business growth when determining the performance objectives and the final performance assessment in the light of the individual remuneration. Performance will be assessed through financial and non-financial indicators, including public trust, client satisfaction, corporate responsibility and social criteria. Performance criteria will be revisited in FY 2016/17 and amended where and if necessary.

Board of Management annual remuneration is disclosed in the Financial Statements section of this Annual Report.

Supervisory Board remuneration

Supervisory Board members receive a fixed remuneration being EUR 60,000 for the Chair of the Supervisory Board and EUR 45,000 for other Supervisory Board members, including the vice-chair. Remuneration is generally expected to cover all cost.

Board Performance Indicators

Figure 15. Board Performance Indicators

Governance

Legal structure and ownership

KPMG N.V. is the holding company of companies operating in Audit and Advisory business segments. Coöperatie KPMG U.A. ('the Cooperative') holds the shares in KPMG N.V. Individual equity partners are members of the Cooperative through their professional companies. Members of the Cooperative Board are appointed by the equity partner meeting. On the basis of a management agreement the services of the partners are made available to the Cooperative. The Cooperative subsequently makes these services available to KPMG N.V. and/or its subsidiaries. The legal structure within the firm in the reporting year is depicted in the figure below. Cooperative Board members are co-policymakers in the context of the Dutch Supervision Act on Audit Firms (*Wet toezicht accountants-organisaties;* hereafter Wta).

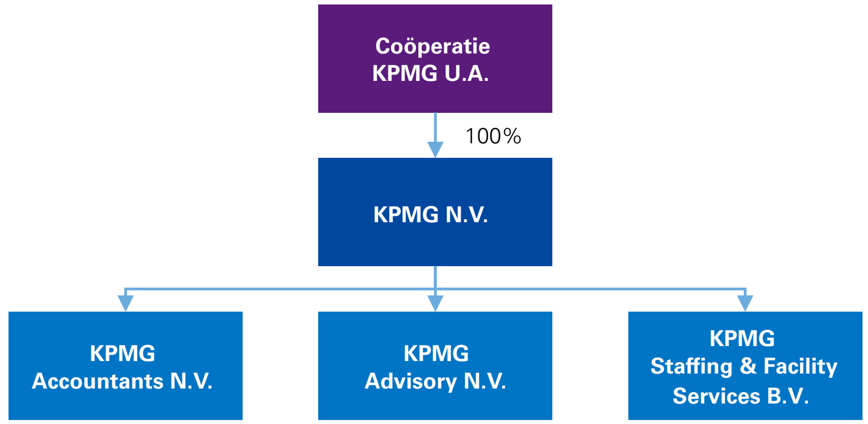


Figure 16. Simplified legal structure of KPMG N.V.

Supervisory Board

KPMG N.V.'s shareholder appoints Supervisory Board members, as nominated by the Supervisory Board, for an initial term of four years. Terms of reference for the Supervisory Board are available from our website as are relevant additional positions individual members may hold. Supervisory Board members are co-policymakers in the context of the Wta.

All members of the Supervisory Board also serve as members of the Public Interest Committee as referred to in the NBA Audit Firm Code. For a more detailed description of the Supervisory Board, its committees and their activities, please be referred to the report from the Supervisory Board and its committees.

From left to right: Rob Fijneman, Egbert Eeftink, Bert Ferwerda, Rob Kreukniet

Board of management

The Supervisory Board appoints the members of the Board of Management after prior approval by KPMG N.V.'s shareholder. All appointments are for an initial term of four years.

All current Board members are male and we therefore do not yet meet the target of 30%. We are fully aware of the need for diversity in the Board and have increased our efforts to ensure a more balanced composition bearing in mind knowledge and experience necessary for Board membership as well as potential independence restrictions which may impair our room to manoeuvre.

The Board of Management of KPMG N.V. bears ultimate responsibility for the organisation and the main pillars of our strategy. The Board of Management acts as formal policy makers (*'beleids-bepalers'*) in the context of the Wta.

Rob Fijneman (1964)
As of 1 December 2017, Rob Fijneman is interim chairman of the Board of Management. He is also Head of Advisory and Chairman of the Management Team Advisory. Rob Fijneman joined KPMG in 1986 and became partner in 1997. From 1999 to 2009 he held various management positions within IT Advisory and Risk Consulting. His main area of focus is corporate clients, both as lead partner and IT sparring partner. He holds a post master's degree in Accountancy and a PhD in IT auditing. Since 2004 Rob Fijneman has been a professor of IT auditing at Tilburg University and TIAS School for Business and Society.

Egbert Eeftink (1962)
Egbert Eeftink is Head of Audit and Chairman of the Management Team Audit effective 1 October 2015. He joined KPMG in 1986 and became partner in 1996. He has extensive experience as external auditor to both listed and non-listed entities, both nationally and internationally. Egbert has held various professional roles, both within KPMG and outside the firm. He served as Head of the Department of Professional Practice and is professor of Financial Reporting at VU University in Amsterdam. Egbert Eeftink is also a special counsel at the Enterprise Chamber of the Amsterdam Court of Appeal.

Bert Ferwerda (1960)
Bert Ferwerda is Chief Human Resources Officer effective 1 November 2014. Bert Ferwerda is a seasoned Human Resources professional with extensive experience gained in senior executive positions at ABN AMRO, IBM and Rabobank, where he served as Global Head of HR. Prior to his responsibilities in HR, he worked in several sales and sales management and business unit management positions at IBM. Bert Ferwerda holds a master's degree in Business Management.

Rob Kreukniet (1962)
Rob Kreukniet is Chief Operating Officer. He joined KPMG in 1988 and became partner in 1996. He worked as partner in the Brazil practice including the agriculture industry, consumer goods and engineering. He is a former member of the Audit Board in which he had the responsibility for the corporate clients portfolio.

KPMG

Our leadership teams

As of 1 October 2017

Board of Management

Chairman	Rob Fijneman (interim, as of 1 December 2017) Albert Röell (until 1 December 2017)
Chief Operating Officer	Rob Kreukniet
Chief Human Resources Officer	Bert Ferwerda
Head of Audit	Egbert Eeftink
Head of Advisory	Rob Fijneman

Management Team Audit

Chairman	Egbert Eeftink
COO & CFO	Lex Gardien
Financial Services & Audit innovation	Peti de Wit
Audit region North & Human Resources	Kees Bakker
National Practice	Mariska van de Luur
Audit Quality	Aad Terlouw

Corporate

Chief Financial Officer	Patrick de Graaf
Corporate Secretary Board of Management	Veroni Feenstra
General Counsel & Corporate Secretary Supervisory Board	Jacqueline Müller
Quality & Risk Management Group and Department of Professional Practice	Johan Faber
Internal Audit & Compliance Office	Marc Thunnissen
Corporate Communication	Eric Bouwmeester
Corporate Responsibility	Jolanda van Schaik

Management Team Advisory

Chairman	Rob Fijneman
Head of Operations & CFO	Patrick de Graaf
COO	Alline van Os
Head of Markets (Chairman Advisory a.i. as of 1 December 2017)	Edwin Herrie
Head of Innovation	Karina Kuperus
Head of Solutions	Peter Paul Brouwers

Members Management Team Audit are co-policymakers

The business unit practice leaders (Financial Services and National Practice), together with the Audit Quality Improvement Partner, the Audit HR partner and the COO/CFO Audit form the Management Team Audit, chaired by the Head of Audit (who in turn is a member of the Board of Management of KPMG N.V.). Collectively, the team is charged with the operational management of the audit organisation. Members of the Management Team Audit are co-policy makers in the context of the Wta.

Organisational structure

In all, the Board of Management distinguishes two main units: Audit and Advisory, which are supported by Business Support. Audit and Advisory are organised around markets or solutions. The main units of Audit are Corporate Clients, Financial Services and National Practice. For Advisory the main units were Management Consulting, Risk Consulting and Deal Advisory. As of 1 October 2017, our Advisory service portfolio is organised along six 'suites' and four 'horizontals' mirroring relevant client issues. The four suites are Strategy & Operations, Deals, Finance & Business Services, Risk & Regulatory, Technology, Assurance and the four horizontals are Smart Tech Solutions, Data & Analytics, Partnerships & alliances and People & Change.

The Office of the Board consists of the Chief Financial Officer, Corporate Secretary Board of Management, General Counsel & Corporate Secretary Supervisory Board, Quality & Risk Management Group and Department of Professional Practice, Internal Audit & Compliance Office, Corporate Communication and Corporate Responsibility. Business Support provides services to both Audit and Advisory.

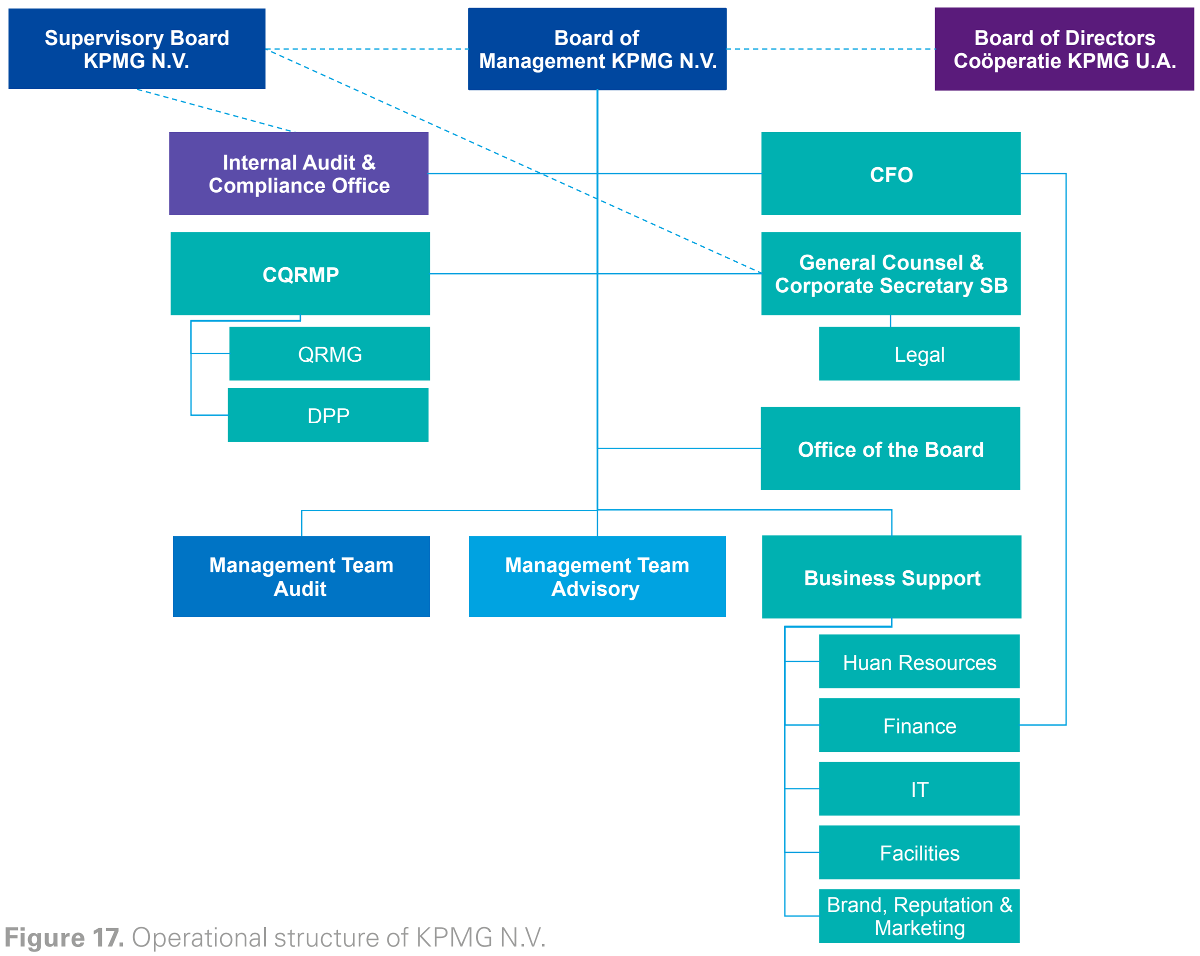


Figure 17. Operational structure of KPMG N.V.

Network arrangements

Legal structure
KPMG International is an entity which is legally separate from KPMG N.V.. KPMG International and the member firms are not a global partnership, joint venture or partnership with each other. No member firm has any authority to oblige or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to oblige or bind any member firm. The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

Responsibilities and obligations of member firms
Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values.

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Details about KPMG International, including the governance arrangements, office locations and network turnover, can found here.

Risk management

Executing our strategy and implementing actions to achieve our objectives also bear risks. Risks are a part of everyday life and in that respect we are no different. KPMG implemented an Enterprise Risk Management Framework to identify and mitigate strategic risks. Identification, evaluation, management and monitoring of the most significant risks are a Board responsibility. Mitigating actions are taken where possible in order to reduce these risks to acceptable levels. The approach to risk management, principal risks and uncertainties facing our firm are set out below. The quality of our internal controls is periodically assessed to ensure that our mitigating measures remain effective.

Risk philosophy

Our brand value is based on our credibility, quality and commerce. Erosion of our brand may adversely affect our position in the market and the trust the general public places upon our services. We face a number of significant risks and inherent complexities in our business, together with a highly regulated and commercially competitive environment. Risk Management is designed and implemented to ensure the security of our business and the delivery and impact of our services. We engage in the delivery of professional services only if these services can be provided in such a way that it contributes to our central mission. We only engage in activities in which we are able to make an impact at our clients and for our professionals without compromising the quality and ethical standards we hold ourselves to. We train and develop our professionals to be leaders of tomorrow to ensure that they not only mitigate risks, but likewise act on potential opportunities for KPMG. We ensure that our activities are sustainable and serve and support society as a whole.

Risk assessment

The following tables provide insight into how we approach the firm's risk assessment in terms of likelihood and impact, both of which are the same as last year.

Classification of risk impact	Non-financial			Financial
	Quality	**Markets**	**People**	**EUR**
Catastrophic	Extensive negative media coverage & enduring disruption of client or industry confidence	Total loss of confidence, breakdown in relationships, leading to loss of majority of clients	Loss of reputation as a good employer, unable to retain or hire effectively	Going concern
Major	Extended negative national or industry wide coverage & some disruption to client confidence	Loss of confidence leading to loss of major clients	Dissatisfied employees, significant loss of key talent	>15m
Moderate	Negative local coverage & short-term disruption to local client confidence	Loss of confidence leading to loss of some local clients	Dissatisfied employees, some loss of key talent	2.5-15m
Minor	Negative coverage barely noticeable	Isolated cases of dissatisfied clients	Small numbers of dissatisfied employees	< 2.5m

Table 15. Determining risk appetite

Classification of likelihood of occurrence	%
Probable	> 60%
Possible	30%-60%
Unlikely	10%-30%
Remote	< 10%

Table 16. Determining risk likelihood

Top strategic risks and related controls

The following table details the top strategic risks, providing context to the risk identified and the related internal controls to mitigate the risk.

Description	Potential impact	Measures
PUBLIC TRUST Failure to ensure that our behaviour including (audit) service delivery acknowledges public trust and public interest.	– Reputational damage in marketplace from press publicity resulting in loss of major clients or inability to attract new talent into our firm – Regulatory sanctions – License to operate in jeopardy	– Independent Supervisory Board and Public Interest Committee – External members within the Board of Management – Active stakeholder dialogue
REGULATORY RELATIONSHIPS Failure to maintain good relationships with audit regulators or deal with any adverse findings from regulatory inspections to the regulator's satisfaction.	– Loss of major audit clients – The inability to attract new talent into our firm – Reputational damage in marketplace from press publicity – Regulatory sanctions	– We nominated specific individuals responsible for interaction with regulatory authorities and a clear framework for understanding local regulatory matters – Majority of our Board are 'Qualified Individuals' with appropriate (audit) experience and background – Relevant leadership have visibility of local regulatory findings
AUDIT FAILURE Major or multiple audit failures (as a consequence of signing an incorrect audit opinion and/or poor quality auditing) resulting in litigation and/or regulatory action.	– The loss of a number of audit clients due to reputational damage – The inability to attract new talent – Regulatory fines and/or temporary or permanent loss of audit licence – Litigation and claims	Audit quality controls include: – A tone from the top which emphasises quality, ethics and integrity – Client and engagement acceptance procedures – Clear standards and robust audit methodology and tools – Controls over recruitment, development and assignment of our professionals – Commitment to technical excellence including performance management – Controls to deliver an effective and efficient audit – Commitment to continuous improvement through monitoring

Table 17. Strategic risks and responses

Description	Potential impact	Measures
MAJOR LITIGATION / REGULATORY INVESTIGATION Major litigation or regulatory investigation arising as a result of actual or suspected failure of our services which we delivered either domestically, in another jurisdiction or jointly together with other firms in the KPMG network.	– Significant defence costs and/or settlement costs incurred/ regulatory sanctions – Reputational damage and resulting regulatory scrutiny – Excessive use of leadership time in resolving issues	– General engagement quality and risk management controls – Default position of engagement contracts being prepared under local law and jurisdiction – Rigorous and robust inter-firm contracting protocols when working with other KPMG member firms
APPROPRIATENESS OF CLIENTS AND SERVICES Acceptance of clients that are inappropriate to our brand and/or delivery of services which are either illegal, unethical, contravene professional standards, or are otherwise perceived by investors, regulators or other stakeholders as inappropriate.	– Reputation in the marketplace impacted by working for the wrong clients or delivering the wrong service – Regulatory sanctions including temporary loss of licence – Loss of major clients – Increased risk of litigation	Our internal quality controls system includes: – Client and engagement acceptance procedures, including proprietary systems for checking for conflicts of interest – Detailed policies and procedures around auditor independence – Strict new products and services approval processes – Routine compliance programmes – Code of Conduct and Values – Whistle-blowing hotlines in operation – Money laundering reporting procedures in place
REGULATORY CHANGE Major change in regulation impacting on our business model from either the European Commission, national legislation, international or national regulators or from clients themselves in anticipation of regulatory changes.	– Audit only firms undermining the multidisciplinary partnership concept – Caps for market share for audit clients – Joint audits – Mandatory rotation or retendering – Further prohibitions on auditors providing non-audit services to their audit clients	– An established plan for regulatory liaison – Robust contingency planning in place for each of the potential likely regulatory outcomes – Board programme for mandatory firm rotation

Table 17. Strategic risks and responses

Description	Potential impact	Measures
DATA LOSS Failure to protect client confidential or personal data.	– Reputational damage – Loss of clients – Potential litigation or regulatory action/ fines	– Robust IT security policies and processes – ISO 27001 accreditation – Ongoing training and awareness campaigns
REACTING TO NEW TRENDS Inability to quickly and effectively match key skills to growth areas due to organisational barriers; skills shortages; slowness in identifying/recruiting appropriate skills; or a lack of staff mobility and/or flexibility.	– Failure to quickly and fully exploit growth opportunities resulting in loss of revenue – Failure to match resource to demand could result in an excessive cost base in areas of reducing demand – Failure to develop future leaders with the right experience and international mind set – Quality implications of having the wrong people deliver services	– Monitoring of resource levels and functional hot spots – Partner career paths and development – Partner succession planning – Global mobility programme in place – Engagement acceptance processes consider skills and competencies of the team – Partner in Charge for Innovation and innovation unit (Digital Assurance & Innovation)
PEOPLE ENGAGEMENT Reduced morale potentially caused by high workloads impacting work life balance; poor internal communications; uncertainty around career development; and reward packages being perceived as uncompetitive.	– Demotivated staff leading to service delivery issues and a reduction in quality – Lower productivity – Loss of key talent – Loss of reputation in marketplace as an 'employer of choice' – Less adherence to our Values & Code of Conduct	– KPMG Story – An embedded group of People Management Leaders – Sophisticated appraisal and reward processes – Ongoing review of global performance management and development programmes – Ongoing initiatives to address feedback from people surveys

Table 17. Strategic risks and responses

Description	Potential impact	Measures
FOCUSED EXECUTION Inability to execute our strategy against our business planning to ensure the future success of our firm.	– Loss of reputation in marketplace as an 'employer of choice' – Not achieving our objectives, goals and ambitions – Reduced morale among partners and professionals	– Central Project Management Office – Board governance and external Supervisory Board – Cascading strategic KPIs to individual professionals
TALENT MANAGEMENT AND DIVERSITY & INCLUSION Inability to recruit and retain sufficiently qualified, motivated and experienced people or to build lead partner capability.	– Loss of talent leading to service delivery issues and a reduction in quality – Loss of reputation in marketplace with clients – Succession planning fails – Loss of opportunities for multi-disciplinary engagement revenue	– Special training programme in place focusing on leaders of the future – Annual promotion process and pay review – Defined partner career paths and development framework – Partner succession planning – Diversity task force and designated programme management

Table 17. Strategic risks and responses

Financial risks

Exposure to financial risks can be segregated into the following types of financial risks. These risks did not yield significant or material effects during the year under review.

Credit risk
This risk relates to the loss that may be incurred if a counterparty defaults. It is limited mainly by depositing cash with rated A or higher banks and by the large number and diversity of parties that owe amounts to the organisation for unbilled services. The carrying amount of each financial asset represents the maximum credit risk.

The exposure to credit risks is monitored continuously, and the creditworthiness of all clients is checked for transactions exceeding a certain amount. KPMG N.V. 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.

Liquidity risk
Liquidity risk is the risk that KPMG N.V. will be unable to meet its financial liabilities as they fall due. KPMG N.V.'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 KPMG N.V.'s treasury policy is to ensure that there are sufficient funds available to finance day-to-day activities. Surplus funds are deposited in business savings accounts or held for specified periods.

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

Further disclosures regarding the abovementioned risks is included in the financial statements section of this report.

Financial instruments
KPMG uses financial instruments in the normal course of its business, including share capital, receivables from and liabilities to (former) equity partners and in mitigating financial risks. Further information is included in the financial statements section of this report.

Effectiveness on mitigating risk actions

We monitor effectiveness of mitigating actions as part of on-going monitoring of internal controls through risk compliance audits and quality performance reviews. The Board evaluates its system of quality controls on a yearly basis.

Opportunities of improvement are reported through processes meant to proactively identify emerging risks and to improve quality and provide insights. We refer to our in control statement for further details.

Our relentless focus on quality

In our industry, reputation and trust are highly interdependent with the quality of our services. And this is also the aspect on which the auditing profession is most under scrutiny by the general public. In this appendix we describe the absolute focus on quality and how this works out for both Audit and Advisory.

Quality, supported by our methodologies and processes, is at the heart of our culture of integrity and our drive for continuous improvement. We are committed to working closely with regulators, audit committees, investors and businesses to meet the expectations of audit quality.

We use The KPMG Story as the framework for all our communications. Our three year business plan describes the communication areas that we will focus on: the quality agenda, the cultural change programme as a key element from the Story and the strategic growth agenda in Advisory.

We demonstrate our commitment to society by sharing our expertise in specific areas, like cyber security and D&A. We actively seek to adapt and communicate our knowledge and insights on a broad range of topics in such a way that it becomes more relevant for society at large.

In control statement

The measures and procedures that serve as the basis for the system of quality controls for KPMG Accountants N.V. outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by the firm comply with the 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 quality control system as described in this report;
- The findings from the various compliance programmes operated by the firm (including the KPMG International compliance programmes and our local compliance monitoring programmes);
- 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 operated effectively and a structured process to ensure that our professionals maintain their level of knowledge and skills, including continuous professional education, is in place.

Further, the Board of Management confirms that an internal review of independence compliance within the firm has been conducted.

Amstelveen, 11 December 2017

Egbert Eeftink
Bert Ferwerda
Rob Fijneman
Rob Kreukniet

System of Quality Controls

Overall system of quality control

A robust and consistent system of quality control is an essential requirement in delivering high quality services. Accordingly, KPMG has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual that all member firms and their personnel must comply with.

How policies are applied

KPMG policies and associated procedures are designed to comply with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

These policies and procedures are based on the ISQC 1 issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of these are relevant to member firms that perform statutory audits and other assurance and related services engagements.

KPMG's policies reflect individual quality control elements to help personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards. Amendments to KPMG risk and quality policies, including ethics and independence policies, are communicated by email alerts.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG personnel. While many of KPMG's quality control processes are cross-functional and apply equally to advisory work, the primary focus of the Transparency Report requirements relates to audit.

Quality framework

At KPMG quality is not just about reaching the right opinion or advice, but how to reach that opinion or advice. It is about the processes, thought and integrity behind our work.

To help all professionals concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, KPMG has developed its Quality

Framework which introduces a common language used by all KPMG member firms to describe what we believe drives quality and to highlight how every professional at KPMG contributes to the delivery of that quality.

The Quality Framework identifies seven drivers of audit quality:

1. tone from the top;
2. association with the right clients;
3. clear standards and robust audit tools;
4. recruitment, development and assignment of appropriately qualified personnel;
5. commitment to technical excellence and quality service delivery;
6. performance of effective and efficient audits; and
7. commitment to continuous improvement.

'Tone from the top' sits at the core of the Quality Framework's seven drivers of quality and helps ensure that the right behaviours permeate across the entire KPMG network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others.

Tone from the top

The culture of KPMG is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviours to permeate throughout the KPMG network, starting from the very top. We promote a culture in which consultation is encouraged and recognised as a strength.

Figure 18. Our system of quality controls

Our values

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Value: "Above all, we act with integrity". Integrity means constantly striving to uphold the highest professional standards, providing sound good-quality advice to clients and rigorously maintaining independence. Our Values, which have been explicitly codified for a number of years, are embedded into working practices at KPMG. For example, they are considered in the performance appraisal process that our people follow and adherence to these Values is also reviewed when our people are considered for more senior promotions, including to partner.

KPMG Values

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

We work together to bring out the best in each other and create strong and successful working relationships.

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

We seek the facts and provide insight by challenging assumptions and pursuing facts to provide insight as trusted and objective business advisers.

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

We are committed to our communities to act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities.

Integrity is a critical characteristic that stakeholders expect and rely on. Therefore, above all **we act with integrity** and are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

Code of Conduct

KPMG Code of Conduct incorporates our Values and defines the standards of ethical conduct that is required from all KPMG people. It sets out KPMG's ethical principles and helps partners and employees to understand and uphold those principles. In addition, the Code of Conduct emphasises that each partner and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility.

It has provisions that require KPMG people to:

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

The commitments in the Code of Conduct underlie our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our Values or professional responsibilities. KPMG has procedures and established channels of communication so that personnel can report ethical and quality issues without fear of retaliation. In addition, the KPMG hotline is a vehicle for KPMG partners, employees, clients and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG itself, its employees or the senior leadership.

Leadership responsibilities for quality and risk management
KPMG leadership and leadership teams demonstrate commitment to quality, ethics and integrity, and communicate their focus on quality to clients, stakeholders and society. It is essential that everyone involved in performing audits recognises that audit quality is his or her responsibility. However, KPMG leadership plays a critical role in setting the right tone and leading by example.

The Board is responsible for quality and for the system of quality control. The Head of Audit and Head of Advisory who have primary responsibility for quality and are assisted by the Country Risk Management Partner in maintaining the KPMG's system of quality control. Part of the selection criteria for these individuals is that they have sufficient and appropriate experience and ability and have the necessary authority to properly discharge their roles. Their responsibilities includes:

– setting the right 'tone at the top' by demonstrating an unwavering commitment to KPMG's highest standards of professional excellence, including skepticism, objectivity, and independence;

– developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities;

– working with the Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

The Country Risk Management Partner who is an experienced partner with primary responsibility for the direction and execution of risk compliance and monitoring of quality control in the member firm, who reports to member firm senior leadership and consults with Area Quality and Risk Management Leaders. However, we stress that risk management and quality matters are not solely the responsibility of leadership or specialist groups but a fundamental responsibility of all KPMG people.

The Audit Quality Issues Council (AQIC) is responsible for considering audit quality trends (including issues arising through quality performance and regulatory reviews). It evaluate quality issues by performing root cause analysis and makes recommendations to leadership on (policy) changes related to audit quality issues.

Association with the right clients

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG's reputation, support our brand and are an important part of our ability to provide quality professional services. Accordingly, KPMG has established policies and procedures in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client. An annual re-evaluation of all audit clients is undertaken. In addition, clients are re-evaluated if there is an indication that there may be a change in their risk profile. Recurring or long running non-audit engagements are also subject to annual re-evaluation.

Before accepting a client, KPMG undertakes an evaluation of a prospective client. This involves an assessment of the prospective client's principals, its business and other service-related matters. This also involves background checks on the prospective client, its key management and significant beneficial owners. A key focus is on the integrity of management at a prospective client, and the evaluation considers breaches of law and regulation, anti-bribery and corruption, and human rights among the factors to consider.

The prospective engagement partner evaluates each prospective engagement. The evaluation identifies potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's global conflicts and independence checking system) as well as factors specific to the type of engagement, including for audit services, the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

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

Where a member firm obtains information that indicates that it should withdraw from an engagement or from a client relationship, it consults internally and identifies any required legal and regulatory steps. It also communicates as required with those charged with governance and any other appropriate authority.

The main reason for not accepting clients is an unbalance in risks and rewards, especially as audit appointments were proposed after the client's fiscal year-end. The main reasons for the terminations can be found in bankruptcy of clients and clients that are not able and/or willing to provide KPMG with sufficient underlying quality information that is required to finalise the audit (in most cases earlier years).

	FY 2016/17	Target	FY 2015/16
Number of new audit clients/ engagements not accepted	2.5%	<1%	1.3%
Number of discontinued (legal) audit engagements during the audit process	21	<5	13
Number of incidents reported to regulators	2	0	3

Table 18. CEAC acceptance rates

Clear standards and robust tools

All KPMG professionals are expected to adhere to KPMG's policies and procedures (including ethics and independence policies) and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations.

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

This global audit methodology is supported by eAudIT, KPMG International's electronic audit tool, which provides auditors with the methodology, guidance, and industry knowledge needed to perform high-quality audits. eAudIT's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders. Investments in development of new audit technologies and tools amount to 0.6% of revenue (FY 2015/16: 0.5%). The Advisory Service Directory is developed and updated, in response to specific needs articulated by Advisory leadership. Importantly, development is both a field-driven and collaborative process. It brings together representatives of member firms with KPMG's Global Services Centre to produce globally available resources that address client needs.
The toolkits library contains methods, tools and knowledge resources that have been developed to support Advisory professionals as they deliver services and build client relationships in today's challenging business environment.
The Advisory Services Directory features the most current information regarding approved global offerings that are available, or are currently under development, to help address our client's business needs. Methodologies and tools are available for multiple service lines and engagement types.

Ethics and independence

KPMG has detailed independence policies and procedures, incorporating the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. These are set out in KPMG's Global Q&RM Manual. Automated tools facilitate compliance with these requirements.

KPMG provides all relevant personnel (including all partners and client service professionals) with independence training that is appropriate to their grade and function on an annual basis. KPMG also provides all personnel with training on the Global Code of Conduct and ethical behaviour, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies on a biennial basis.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation. In addition, all KPMG personnel are required to confirm their understanding of, and compliance with, the Code of Conduct upon joining and on an annual basis thereafter.

As part of our regular process, 103 professionals across the firm were subject to personal independence audits (FY 2015/16: 74).

Partner and firm rotation

Partner rotation
KPMG's rotation policies are consistent with the IESBA Code of Ethics and *de verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten (ViO)*. Partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client (5 years for a listed clients and 7 years for non-listed clients), followed by a 'time-out' period during which time these partners may not participate in the audit or in any way influence the outcome of the audit.

KPMG monitors the rotation of audit engagement leaders (and any other key roles where there is a rotation requirement) and develop transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

Firm rotation
In the Netherlands KPMG is required to act for a specific audit client for a maximum period of 10 years and not to act as auditor for that client for a specified period thereafter – referred to as the 'cooling off period'. Member firms have processes in place to track and manage audit firm rotation.

Non-audit services

In addition to identifying potential conflicts of interest, KPMG's system, Sentinel™, facilitates compliance with auditor independence requirements. Certain information on all prospective engagements that includes service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. Using Sentinel™, lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their affiliates, and identify and evaluate any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners for entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

Business relationships

KPMG has policies and procedures in place that are designed to ensure their business relationships are maintained in accordance with the IESBA Code of Ethics and ViO. Examples of these relationships include business alliances, use of third-party service providers to assist in the performance of client engagements, and procurement relationships.

Conflicts of interest

Sentinel™, KPMG's web-based application, is the tool all KPMG member firms must use for potential conflict identification so that these can be addressed in accordance with legal and professional requirements. KPMG has risk management resources ('Resolvers') who are responsible for reviewing an identified potential conflict and to resolve the conflict. The outcome must be documented. Additional safeguards may be necessary, for example establishing formal dividers between engagement teams serving different clients so that the confidentiality of all clients' affairs is maintained.

Breaches and disciplinary policy

All KPMG personnel are required to report an independence breach as soon as they become aware of it. In the event of failure to comply with KPMG's independence policies, whether identified in a compliance review, self-declared or otherwise, professionals are subject to a disciplinary policy. KPMG has a documented disciplinary policy in relation to breaches of independence policies. The disciplinary policy has been communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violation. Any breach of auditor independence regulations is reported to those charged with governance at the audit client, on the basis agreed with them.

Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders, are reflected in their individual quality and risk metrics.

Client confidentiality, information security, data privacy & IT security

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including the Global Code of Conduct, training, and the annual affidavit/confirmation process, that all professionals are required to complete. KPMG has a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations. KPMG has clear policies on information security that cover a wide range of areas. Data privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG personnel.

A National IT Security Officer (NITSO), with the necessary authority, skills and experience, leads the information security function. The NITSO is in charge of the operating firm's information security programme and works closely with the local IT services and Quality and Risk Management Group (QRMG).

Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring that KPMG professionals have the skills and experience to deliver on our vision. This requires recruitment, promotion and retention of professionals and a robust capacity and resource management process. KPMG behaviours, which are linked to our Values, are designed to help articulate what is required for success — both individually and collectively. One of KPMG's global behaviours is 'Delivering Quality'.

Recruitment
All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks.

Upon joining our firm, new personnel are required to participate in a comprehensive on-boarding programme, which includes training in areas such as ethics and independence, quality and risk management principles and our people management procedures.

Personal development
It is important that all KPMG professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills. In relation to audit, opportunities for professionals are provided to develop the skills, behaviours, and personal qualities that form the foundation of a successful career in auditing.

Courses are available to enhance personal effectiveness and develop technical, leadership and business skills.

KPMG professionals are developed further for high performance through coaching and mentoring on the job, stretch assignments, and country rotational and global mobility opportunities.

Inclusion and Diversity programmes
At KPMG, we work hard to foster an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

Leadership and management teams also need to reflect the diversity of our organisation and the diversity of our clients. Our Inclusion and Diversity strategy provides the framework to drive the actions we believe are necessary to promote inclusive leadership across the KPMG network.

Evaluation, compensation and promotion

All professionals, including partners, have annual goal setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of the KPMG global behaviours, technical capabilities and market knowledge.

The compensation and promotion policies are clear, simple, and linked to the performance review process. This helps our people know what is expected of them, and what they can expect to receive in return.

A common senior grading model and career path framework has been implemented for all partners across our firm. This outlines the various roles a partner may undertake throughout his/her career, the level of seniority associated with the roles and the potential career routes a partner may take to achieve the roles/level of seniority. Expectations of each role are described through a role profile.

KPMG has a process for admission to the partnership that is rigorous, thorough and involves appropriate representatives of leadership. KPMG uses criteria for admission to the partnership that are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles. To stimulate audit quality, newly promoted partners and directors need to demonstrate their commitment to audit quality before being promoted. The Audit Quality Curriculum for Partners (AQCP) consists of requirements for all new partners. Additional requirements have been set for partners signing audit opinions in respect of listed entities. The requirements relate to professional qualifications, the outcome of quality reviews, a technical role and experience requirements. At this moment, 55 new partners and partner candidates are investing in themselves by working on their AQCP.

KPMG monitors quality and compliance incidents and maintain quality metrics for the purposes of partner assignments and also for the purposes of partner evaluation, promotion and remuneration. Quality is the main driver for assignment, evaluation, promotion and remuneration of our professionals.

Quality performance of partners is evaluated on key quality and compliance metrics and assessed as part of their performance management cycle. These evaluations are conducted by performance managers and partners who are in a position to assess their performance. Quality incidents may be (partly) compensated within the same performance area of quality (e.g. by audit quality support), but cannot be compensated by high performance in other areas (e.g. sales, people or operational performance). KPMG's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

Going beyond performance reviews and compensation, the KPMG behaviours are designed to extend across all our people processes, including recruitment methodologies, recognition approaches and development planning. The behaviours are a constant reference point, articulating to our people what is required for success individually and collectively.

KPMG has introduced a deferral and clawback mechanism in respect of partner income. Under the scheme, a part of partner income is deferred, building up to a full year profit share in six years; after the deferral period it is paid out over a time period depending on the non-occurrence of quality issues. Damages as a result of demonstrably culpable conduct by partners may be recovered from individual partners' deferred profit shares. Both Audit and Advisory partners are subject to this deferral and clawback scheme.

Assignment of professionals

KPMG has procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. A listing of those partners who act as external auditors on legal audits as per the EU Directive can be found in the AFM registers at their website.

Function heads are responsible for the partner assignment process. Key considerations include partner experience, accreditation, and capacity – based on an annual partner portfolio review – to perform the engagement in view of the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

The engagement partner is a key participant in planning meetings, reviews key documentation and bears overall responsibility for all engagement deliverables. In particular documentation relating to significant matters arising during the engagement and conclusions reached. The engagement manager assists the partner in meeting these responsibilities and in the day-to- day liaison with the client and team.

We monitor senior staff involvement throughout the year. The actual involvement of senior staff ((senior) manager and partner) on OOB engagements is 27% (FY 2015/16: 35%) of all engagement hours which is lower than the target of 30%. For non-OOB engagement the involvement is 22% (FY 2015/16: 27%) which is higher than the target of 20%.

KPMG monitors the relation between experienced and unexperienced staff by comparing the actual number of employees against the Target operating model (TOM). A negative deviation from TOM reflects that the number of unexperienced staff is higher relative to the experienced staff. The deviation at the end of FY 2016/17 is -10% (FY 2015/16: -3.7%) against a target of maximum -2%. The higher deviation is caused by successful recruitment of junior staff. For the short team this deviation will be compensated by hiring temporary experienced staff.

To help manage and reduce workload, we have implemented a more advanced resource planning system providing more clarity about planning, vacancies and allocation of resources. This will further assist us in balancing workload by bringing resources to where they are needed (most). As a result, the average hours over base reduced from 8.3% in FY 2015/16 to 7.8% in FY 2016/17 (target <10%).

Commitment to technical excellence and quality service delivery

All KPMG professionals are provided with the technical training and support they need and access to appropriate levels for consultation.

In addition to personal development, KPMG policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Learning and Development identify annual training priorities for development and delivery using a blend of classroom, e-learning, and virtual classroom methods. Learning and Development teams work with subject matter experts and leaders, as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

Our technical training curriculum covers all grades of staff with a core training programme for junior staff and periodic and annual update training for qualified and experienced staff and partners. In addition to structured technical training, there is a coaching culture that encourages consultation, on-the-job training and mentoring.

Learning at KPMG uses a 70:20:10 learning model:

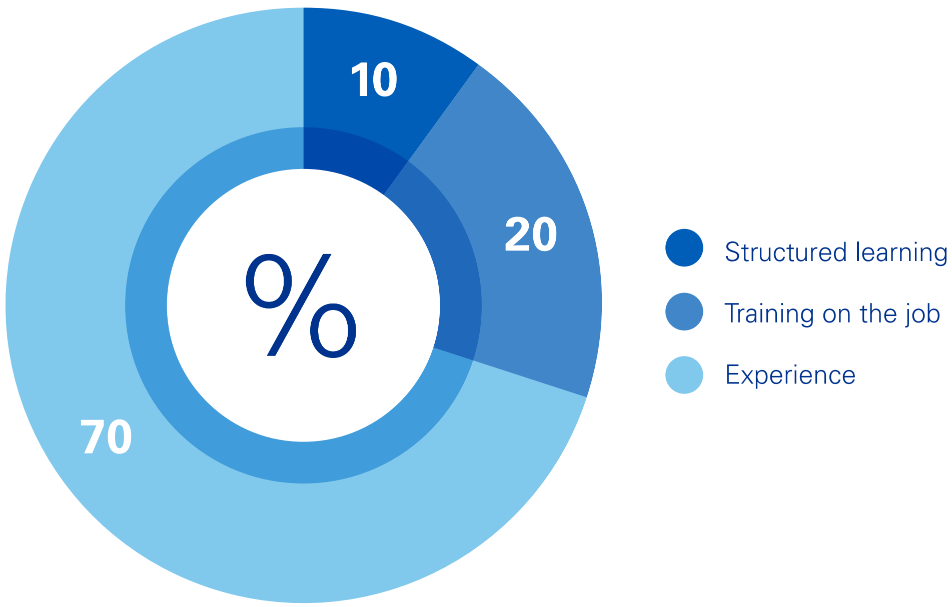


Figure 19. The 70:20:10 learning model

KPMG

Professional practice support

Technical support is available including access to networks of specialists and the technical departments, which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

The technical departments consists of Departments of Professional Practice (DPP), Compliance Office (CO)and the Quality and Rusk Management group. (QRMG). With 6% of the total audit FTEs, the technical resource support remains well-above target (>2.5%).

The composition of the technical resources by function:
- Partner 16.6 FTE
- (Senior) Manager 25.3 FTE
- Other 36.6 FTE

Technical support is available for work on SEC foreign registrants through the International Standards Group (ISG) as well as the US Capital Markets Group, based in New York or ELLP's US Accounting and Reporting Group based in London. Commencing FY2013/14 the Dutch partner in charge of the NL US desk is a fully accredited SEC Reviewing Partner, relatively uncommon outside of the US member firm, enabling the Dutch member firm to provide full audit services to its SEC registered audit clients.

The ISG works with Global IFRS and ISAs topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues and develop global guidance on a timely basis. ISG also supports the following groups to facilitate information sharing between the DPP network, and to ensure sector-specific issues are dealt with proactively.

Consultation

We promote a culture in which consultation is recognised as a strength and that encourages personnel to consult on difficult or contentious matters. To assist audit engagement professionals in addressing such matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Appropriate consultation support is provided to audit engagement professionals through DPP. Technical accounting and auditing support is available to member firms through the GSC and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

The number of technical consultations is well above target. The total number of consultations for FY 2016/17 is 784 (FY 2015/16: 584) for the full FY 2015/16.

An overview of technical consultations is presented below. The total number of consultations is higher than last year, demonstrating that engagement teams continue to seek technical support, which is encouraged within KPMG's culture. There is an increase in consultations on auditing standards which is driven by additional consultations on the topics 'going concern' and 'audit reports'.

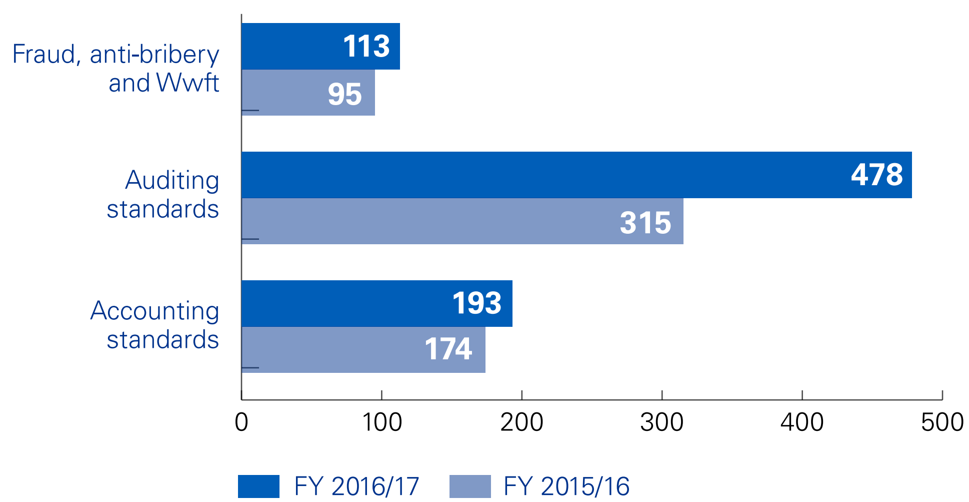


Figure 20. Consultations

Access to specialist networks

Engagement teams have access to a network of local and global specialists in KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills. The need for specialist skills (e.g. IT, Tax, Treasury, Pensions, Valuation, Forensic) to be assigned to a specific audit engagement is part of the engagement acceptance and continuance process.

Specialists who are members of an audit team are provided with training on audit concepts.

The actual involvement of specialists in audit on OOB engagements is 21% (FY 2015/16: 27%) of all engagement hours which is higher than the target of 10%. For non-OOB engagement the involvement is 6% (FY 2015/16: 7%) which is lower than the target of 7%.

Accreditation and licensing

All KPMG professionals are required to comply with applicable professional license rules and satisfy the CPD requirements in the jurisdiction where they practice. Policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed. KPMG is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework.

In addition, within the network, specific requirements apply for partners and managers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework. Similar policies apply for US Generally Accepted Accounting Principles (GAAP), US Generally Accepted Auditing Standards, and the Standards (GAAS) of the Public Company Accounting Oversight Board (PCAOB) for SEC engagements performed outside the US. These require that the partner, manager, and EQC reviewer have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

Performance of effective and efficient engagements

How an engagement is conducted is as important as the final result. KPMG people are expected to demonstrate certain key behaviours and follow certain policies and procedures in the performance of effective and efficient engagements.

Timely partner and manager involvement
Involvement and leadership from the engagement partner during the planning process and early in the engagement process helps set the appropriate scope and tone for the engagement, and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters significant to the engagement, including critical areas of judgment and significant risks.

Emphasis on professional scepticism
Professional scepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence or advice options. Professional audit scepticism features prominently throughout auditing standards and receives significant focus from regulators. The KPMG Quality Framework emphasises the importance of maintaining an attitude of professional scepticism throughout the engagement.

KPMG's professional judgment process facilitates good judgment by introducing a structured approach to areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasises the importance of having the right mind-set — the need to apply professional scepticism.

Our professional judgment process recognises the need to be aware of, and alert to, biases which may pose threats to good judgment. The structured approach to auditing areas that require significant judgment involves:

– considering alternatives;

– critically assessing evidence by challenging management's assumptions and following up contradictory or inconsistent information;

– documenting the rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness.

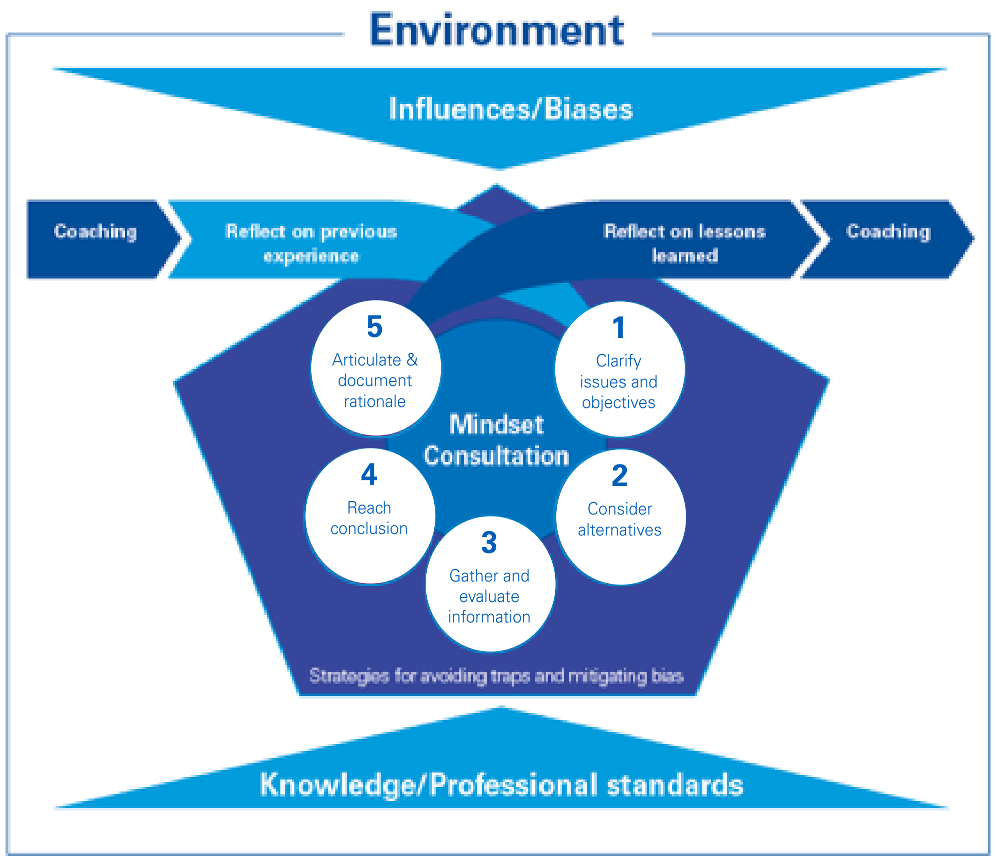


Figure 21. KPMG's professional judgment process

The use of the professional judgment process and the application of professional scepticism is reinforced through coaching and training, acknowledging that judgment is a skill developed over time and with different experiences.

Ongoing mentoring, supervision and review
We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of KPMG professionals, without compromising on quality, KPMG promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring and supervision during an engagement involves:

- engagement partner participation in planning discussions
- tracking the progress of the engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- helping engagement team members address any significant matters that arise during the engagement and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective mentoring and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

Appropriate involvement of the EQCR or second partner
Engagement Quality Control Reviewers (EQC reviewers) and second partners (in Advisory) are independent of the engagement team and have appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team.

An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the risk management partner or country head of audit. A second partner is required for all engagements that are graded high risk or where specific accreditation is applicable.

Although the engagement partner is ultimately responsible, the EQC reviewer or second partner must be satisfied that all significant questions raised have been resolved before an engagement can be considered to be completed.

During the year under review 589 EQCRs were performed on audit engagements, which is slightly down from 642 in FY 2015/16. EQCR partners have spent 0.9% (FY 2015/16: 0.8%) of total engagement hours compared to a target of 1.6%.

Commitment to continuous improvement

We have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights. To that extent we have installed an Audit Quality Issues Council to assess quality related findings, to monitor the enhanced root cause analysis process and subsequent track mitigating actions. The Council works closely together with QRMG Quality and the FQRMP Audit to monitor the implementation and effectiveness of audit quality remedial actions and ensure compliance with external and internal audit quality requirements.

In addition, the Council reports to Audit Leadership, the CQRMP, Board of Management and Supervisory Board on audit quality issue trends, measures and remedial action taken by the firm and the effectiveness of those remedial actions.

Internal monitoring and compliance programmes
We commit to continually improve the quality, consistency and efficiency of our audits. Integrated quality monitoring and compliance programmes enable member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans both in respect of individual audit engagements and the member firm's system of quality control. KPMG's integrated quality and monitoring programmes include the Quality Performance Review (QPR) programme, the Risk Compliance Programme (RCP) and the Global Compliance Review (GCR) programme.

The quality monitoring and compliance programmes are globally administered and consistent in their approach across member firms, including the nature and extent of testing and reporting. Member firms are required to compare the results of internal monitoring programmes with the results of those of any external inspection programmes and take appropriate action.

Our monitoring programmes evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures;

- compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

The results and lessons from the integrated monitoring programmes are communicated within each member firm, and the overall results and lessons from the programmes are considered and appropriate action is taken at local, regional and global levels. The internal monitoring programme also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively at a member firm level.

Two KPMG International developed and administered inspection programmes are conducted annually across the Audit, Tax, and Advisory functions: QPR and RCP. Additionally all member firms are covered at least every three years by the cross functional GCR programme. Participation in QPR, RCP and GCR is a condition of ongoing membership of the KPMG network.

Audit Quality Performance Reviews (QPR)
The QPR programme assesses engagement level performance and identifies opportunities to improve engagement quality.

Risk-based approach
Each engagement leader is reviewed at least once in a three-year cycle. A risk-based approach is used to select engagements.

KPMG conducts the annual QPR programme in accordance with global QPR instructions. The reviews are performed at the local level and are monitored regionally and globally. Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

Compliance with our system of quality controls
Compliance Office perform specific procedures on compliance related topics, which are out of scope of the operational audits. In addition, the Compliance Office monitors internal compliance with the system of quality controls through its issue tracker. The Compliance Officer reports findings on a quarterly basis to the policy makers for further follow up.

Risk Compliance Programme (RCP)
KPMG International develops and maintains quality control policies and processes that apply to all member firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, KPMG perform a robust assessment programme consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions. The objectives of the RCP are to:

- monitor, document and assess the extent of compliance of the member firm's system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services;

- provide the basis for member firms to evaluate that the member firm and its personnel comply with relevant KPMG professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, the member firm is required to develop appropriate action plans.

Global Compliance Review (GCR)
Each member firm is subject to a GCR conducted by the global GCR team, independent of the member firm, at least once in a 3-year cycle. The GCR provides independent oversight of a member firm's assessment of its system of quality control, including:

- the member firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;

- the completeness and robustness of the member firm's RCP, by evaluating whether there was:
  - appropriate documentation of policies, processes and related controls in place
  - adequate testing of the effectiveness of controls
  - proper conclusions in relation to issues and corrective action necessary as reported in the RCP action plan.

The GCR team performing the reviews is independent of the member firm, objective and knowledgeable of Global Quality and Risk Management policies. KPMG is required to develop action plans to respond to all GCR findings and agree these with the GCR team. Progress on action plans is monitored by a global GCR central team. Results are reported to the Global Quality & Risk Management Steering Group (GQRMSG), and where necessary to appropriate KPMG International and regional leadership, to ensure timely remedial actions.

Root cause analysis (RCA)
KPMG performs RCA to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement.

It is the responsibility of KPMG to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified. Heads of Audit are responsible for the development and implementation of action plans including identification of solution owners. Risk Management Partners monitor their implementation.

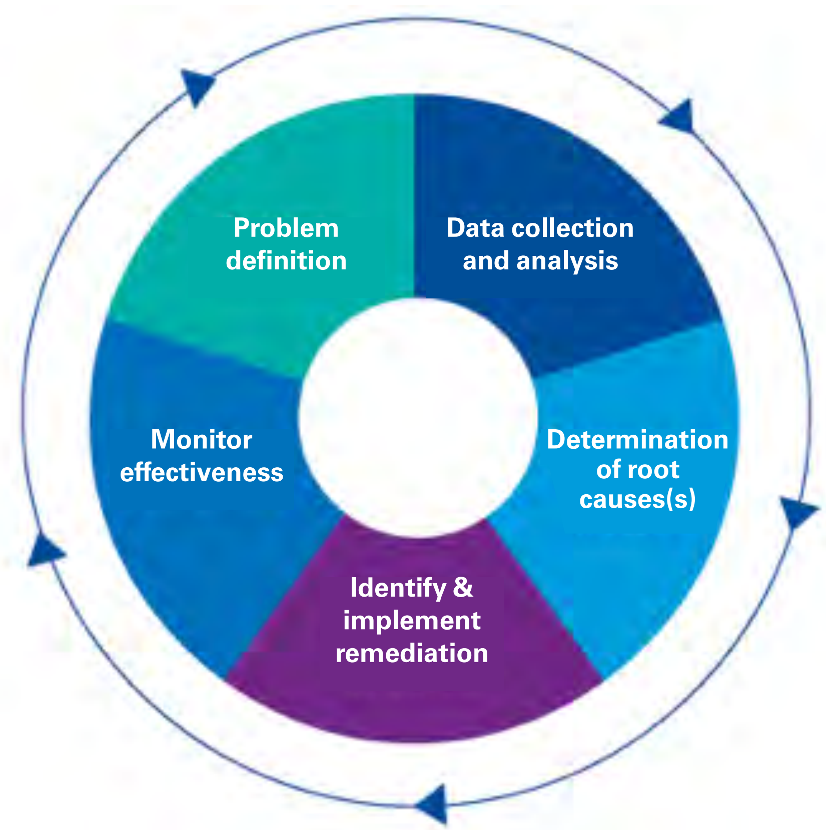


Figure 22. The RCA 5 Step Principles

Recommendations for improvements

At a global level, KPMG International reviews the results of the quality monitoring programmes, analyses member firm root causes and action plans and develops additional global actions as required.

The Global Audit Quality Issues Council considers network-wide issues arising from internal quality control reviews and external inspections, monitors progress being made in addressing audit quality issues and makes recommendations to the Global Audit Steering Group on audit quality issues.

Global remediation plans to date include holistic actions aimed at culture and behaviour and at driving consistent engagement team performance. The global actions also include training, tools and guidance to drive consistency, ensure we have the fundamentals right and that best practice is shared across the network.

Regulatory feedback and dialogue

KPMG has regular two-way communication with the local regulator AFM. At international level, KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues at a network level. At a regional level, we also have regular dialogue with representatives of the Committee of European Auditing Oversight Bodies (CEAOB) — formerly known as the European Audit Inspection Group (EAIG) — as well as the ASEAN Audit Regulators Group (AARG).

Compliance with our Quality Management System
We see an overall decrease in the total number of non-compliances as compared to last year. We distinguish between discipline related and quality related non-compliance. We recorded 67 quality related breaches during the reporting year (FY 2015/16: 93). These breaches mainly relate to training attendance and quality performance review ratings. We recorded 606 discipline related breaches during the reporting year (FY 2015/16: 93). A major decrease in awareness is noted in timely completion of mandatory e-learnings and annual affidavits. In response, the firm changed its monitoring process to even better ensure professionals are sufficiently reminded prior to completion.

We received two notifications in total (FY 2015/16: six) through our whistleblowing hotline. We followed up on all notifications and identified no issues.

Financial statements

Contents

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September 2017

	Note	2016/2017	2015/2016
(in thousands of euros)			
Revenue	4	457,507	453,154
Other income	5	4,402	26,609
Total operating income		**461,909**	**479,763**
Costs of outsourced work and other external charges		41,040	46,742
Employee benefits expenses	6	231,907	217,227
Depreciation and amortisation	12, 13	7,572	9,447
Other expenses	7	120,058	134,908
Total expenses		**400,577**	**408,324**
Operating result		**61,332**	**71,439**
Share in result of non-consolidated associated companies	14	-351	-
Finance income	8	418	781
Finance expenses	9	-3,726	-5,607
Profit before income tax		**57,673**	**66,613**

	Note	2016/2017	2015/2016
(in thousands of euros)			
Income tax expense	10	1,416	1,508
Fees payable to Coöperatie KPMG U.A.	11	56,639	63,435
(Loss)/Profit for the year		**-382**	**1,670**
Other comprehensive income after taxes		-	-
Total comprehensive income for the year		**-382**	**1,670**
Profit attributable to:			
Owners of the Company		289	3,248
Non-controlling interest		-671	-1,578
		-382	**1,670**

The notes on pages pages 134 to 178 inclusive are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 30 September 2017, before appropriation of results

	Note	30 September 2017	30 September 2016
(in thousands of euros)			
Assets			
Non-current assets			
Intangible assets and goodwill	12	14,427	15,399
Property, plant and equipment	13	12,366	14,165
Investments in equity accounted investees	14	3,549	1,300
Other financial assets	15	-	191
Deferred tax assets	10	4,735	5,427
		35,077	36,482
Current assets			
Receivables	16	117,644	111,809
Income taxes	11	1	1
Cash and cash equivalents	17	24,466	41,532
		142,111	153,342
Total assets		**177,188**	**189,824**
Equity and liabilities			
Group equity	18		
Share capital		5,500	5,500
Share premium		11,020	9,960
Reserves		14,023	10,775
Profit for the year		289	3,248
Total equity attributable to equity holders of the Company		30,832	29,483
Non-controlling interest		-7,913	-6,922
Total Group equity		**22,919**	**22,561**

	Note	30 September 2017	30 September 2016
Non-current liabilities			
Loans and borrowings	19	25,588	21,258
Employee benefits	20	2,657	2,922
Provisions	21	6,913	15,232
Deferred tax liabilities	10	-	30
		35,158	39,442
Current liabilities			
Loans and borrowings	19	25,322	27,522
Trade and other payables	22	63,754	64,299
Income taxes	10	258	16
Employee benefits	20	23,292	26,539
Provisions	21	6,485	9,445
		119,111	127,821
Total liabilities		**154,269**	**167,263**
Total Group equity and liabilities		**177,188**	**189,824**

The notes on pages pages 134 to 178 inclusive are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 30 September 2017

	Note	2016/2017	2015/2016
(in thousands of euros)			
Profit for the year		-382	1,670
Adjustments for:			
Income tax expense	10	1,416	1,508
Depreciation and amortisation	12, 13	7,572	9,447
Finance income	8	-418	-781
Finance expenses		3,726	5,607
Share of profit of equity accounted investees		351	-
Gain on sale of joint ventures and associates		-645	-
Cash flows before movements in working capital and provisions		11,620	17,451
Change in unbilled services and advance billings	16	-4,962	-2,544
Change in receivables	16	-1,350	8,919
Change in trade and other payables	22	-68	-11,948
Change in provisions	21	-11,279	12,806
Change in employee benefits	20	-3,512	1,677
Cash flows (used in)/from operating activities		-9,551	26,361
Interest and bank charges paid	9	-872	-1,347
Interest received		418	781
Income tax paid	10	-512	-12,468
Net cash from operating activities		**-10,517**	**13,327**

	Note	2016/2017	2015/2016
(in thousands of euros)			
Acquisition of property, plant and equipment	13	-3,746	-4,030
Proceeds from sale of property, plant and equipment	13	897	-
Investment in back office software and other intangibles	12	-1,952	-606
Divestment of business		325	-
Other investments	14, 15	-2,600	492
Net cash used in investing activities		**-7,076**	**-4,144**
Addition to share premium by new partners		2,780	2,360
Net (repayment)/proceeds of loans and borrowings from partners	19	10,052	4,333
Net (repayment)/proceeds of loans and borrowings from former partners	19	-7,400	-4,404
Interest paid to partners and former partners	9	-2,663	-1,949
Dividends paid to Coöperatie KPMG U.A.		-1,720	-5,166
Repayment of loans and borrowings	19	-522	-111
Net cash from financing activities		**527**	**-4,937**
Net change in cash and cash equivalents	17	-17,066	4,246
Cash and cash equivalents at 1 October	17	41,532	37,286
Cash and cash equivalents at 30 September		**24,466**	**41,532**

The notes on pages pages 134 to 178 inclusive are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Share premium	Reserves	Profit for the year	Total equity attributable to equity holders	Non-controlling interest	Total equity
(in thousands of euros)							
Balance at 1 October 2015	**5,500**	**9,700**	**3,379**	**10,462**	**29,041**	**-5,344**	**23,697**
2014/2015 Result appropriation	-	-	10,462	-10,462	-	-	-
Total comprehensive income for the year							
Profit for 2015/2016	-	-	-	3,248	3,248	-1,578	1,670
Other comprehensive income for the year	-	-	-	-	-	-	-
Transactions with owners of the Company, recognised directly in equity							
Dividend paid	-	-2,100	-3,066	-	-5,166	-	-5,166
Additions by partners	-	2,360	-	-	2,360	-	2,360
Balance at 30 September 2016	**5,500**	**9,960**	**10,775**	**3,248**	**29,483**	**-6,922**	**22,561**
Balance at 1 October 2016	**5,500**	**9,960**	**10,775**	**3,248**	**29,483**	**-6,922**	**22,561**
2015/2016 Result appropriation	-	-	3,248	-3,248	-	-	-
Total comprehensive income for the year							
Profit for 2016/2017	-	-	-	289	289	-671	-382
Other comprehensive income for the year	-	-	-	-	-	-	-
Transactions with owners of the Company, recognised directly in equity							
Contributions and distributions							
Dividend paid	-	-1,720	-	-	-1,720	-	-1,720
Additions by partners	-	2,780	-	-	2,780	-	2,780
Changes in ownership interests							
Divestment of subsidiary with non-controlling interest	-	-	-	-	-	-320	-320
Balance at 30 September 2017	**5,500**	**11,020**	**14,023**	**289**	**30,832**	**-7,913**	**22,919**

The notes on pages pages 134 to 178 inclusive are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General

1.1 Reporting entity

KPMG N.V. ('the Company') is the holding company of companies that operate in the Audit or Advisory business segments (KPMG). 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 trade register in the Netherlands and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity.

KPMG N.V. has its registered office at Laan van Langerhuize 1-11, 1186 DS Amstelveen, the Netherlands. The Company's consolidated financial statements for the year include the financial statements of the Company and its subsidiaries and the Company's investments in associates. The Company and its subsidiaries are jointly referred to as '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 2016/2017 were approved for issue by the Board of Management on 11 December 2017.

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 Netherlands Civil Code. The consolidated financial statements have also been prepared on 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 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 experience and various other factors considered reasonable in the circumstances.

The results form the basis for the Groups's assessment of the carrying amounts of the assets and liabilities that are not readily evident from other sources. The actual results may differ from these estimates.

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 review and future periods.

Critical accounting estimates have been made in respect of the following items:

- Note 10 - Deferred tax assets;
- Note 12 - Intangible assets;
- Note 16 - Measurement of unbilled services and trade receivables;
- Note 21 - Provision for claims/legal proceedings;
- Note 21 - Provision for vacant properties;
- Note 23 - Financial instruments.

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.

The Group team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group 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, the Group uses market observable data as far as possible.
Fair values are categorised 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 categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises 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 23 Financial instruments.

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 consolidated financial statements

The Group has adopted the following amendments to a standard with a date of initial application of 1 October 2016 unless otherwise stated:

- Amendments to IAS 1 Disclosure Initiative;
- Annual improvements 2012-2014 to IFRSs;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation.

The application of these amendments has not had any effect on profit or equity.

A number of other changes to IFRS are not applicable to KPMG.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods accounted for in these consolidated financial statements and by all companies included in the consolidation, except those explained in note 2, 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 effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements:

- **IFRS 9 Financial instruments.**
  Amongst others, IFRS 9 includes the introduction of a single classification approach for financial assets driven by ‘business model’ and ‘contractual cash flow characteristics’, a change from the incurred loss model to a forward looking Expected Credit Loss model and introduces a model that better aligns hedge accounting with risk management. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will implement this standard in financial year 2018-2019. The Group is currently preparing an impact assessment;

- **IFRS 15 Revenue from contracts with customers.** The standard clarifies the principles for recognising revenue from contracts with customers and is effective for annual periods beginning on or after 1 January 2018. The Group will implement this standard in financial year 2018-2019.

  The application of IFRS 15 is currently not expected to materially impact the amount of revenue recognised during the year. With respect to software licenses KPMG sells, revenue is likely to shift: under IFRS 15, license revenues may be recognised at a point in time, whereas currently it is recognised over the contract period. At this moment, the license business is relatively small, however this may change in future.

- **IFRS 16 Leases.** IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019. The Group will implement this standard in financial year 2019-2020.

  The application of IFRS 16 will substantially impact total assets and interest-bearing debt: both will increase by approximately 60%-70%. The cumulative (negative) effect per transition date on equity is limited.

3.2 Consolidation principles

3.2.1 Business combinations

All business combinations are accounted for using the acquisition method. Fair values that reflect conditions at the date of the business combination and the terms of each business combination are attributed to the identifiable assets, liabilities and contingent liabilities acquired. Consideration is measured at the fair value of liabilities incurred by the Group to the previous owners. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Where the excess is positive, goodwill is recognised, subject to annual impairment testing. Negative goodwill arising on an acquisition is recognised directly in the income statement. Costs related to the acquisition, that are incurred by the Group in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The anticipated-acquisition method is applied where there is the obligation to purchase any remaining non-controlling interests. Under the anticipated-acquisition method the interests of the non-controlling shareholders that hold the written put options or forwards are presented as already owned by the Group, even though legally the Group does not own these interests.

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 24.

3.2.3 Non-controlling interest

Non-controlling interest represent the net assets not held by the Group and are presented within the total equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the Group. Total result and each component of other comprehensive income are attributed to the equity holder and to the non-controlling interests. Changes in the Group's' interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.2.4 Loss of control of subsidiaries

When the Group loses control over a subsidiary, it derecognises 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 recognised in the statement of profit or loss.

3.2.5 Transactions eliminated on consolidation

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

Unrealised gains on transactions with equity accounted investees and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised 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 of investments in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power in another entity.

Investments in associates are accounted for using the equity method and are recognised 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 significance influence commences until the date that significance 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 or has made payments on behalf of the investee.

The result on a sale of equity accounted investees is accounted for as part of operating result in the consolidated statement of profit or loss and comprehensive income.

3.3 Foreign currency

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

3.4 Hedge accounting

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

3.5 Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Non-derivative financial liabilities are classified into either financial liabilities at fair value through profit or loss, or other financial liabilities.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at initial recognition.

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise of trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's' cash management included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets
Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Other non-derivative financial liabilities
The Group has the following other non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments
Derivatives are carried after their initial recognition at fair value.

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 Subsequent costs
Subsequent expenditure is capitalised 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 recognised as expenses in the statement of profit or loss and other comprehensive income when they are incurred.

3.6.3 Depreciation
Depreciation is recognised 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 10 years depending on the lease term;
- computers and communications equipment 5 to 8 years;
- office furniture and equipment 5 to 8 years.

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

3.7 Intangible assets and goodwill

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

3.7.2 Intangible assets
Customer relationships and order books are acquired through business combinations and stated at cost, being the fair value at acquisition date less accumulated amortisation and impairment losses. Purchased software and licenses are stated at cost. Software development expenditure is capitalised 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. Otherwise, the costs of software development are recognised in profit or loss as incurred. Subsequent to initial recognition, software is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on research activities is recognised in profit or loss as incurred.

Each category is amortised over its estimated useful life for the current years, except for licenses with an indefinite useful life, as follows:
- Customer relationships 5 years;
- Order books 3 months;
- Software 5-8 years;
- Software under construction is not amortised until ready for use or sale.

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

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

3.8 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 recognised to date, in proportion to the progress of the project, less progress billings and recognised losses.

Unbilled services are presented as part of receivables for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as part of trade and other payables.

3.9 Impairment

3.9.1 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. When the recoverable amount is lower than the carrying amount an impairment loss is recognised in the consolidated income statement. 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 which 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 generates 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 amortisation, if no impairment loss had been recognised.

3.9.2 Financial Assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

3.9.3 Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

3.10 Employee benefits

3.10.1 Pension schemes

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

3.10.2 Long-term employee benefits
The net obligation in respect of long-term employee benefits is the amount of future benefit 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 to the term of the obligations.

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

3.11 Provisions
A provision is recognised 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.

3.12 Revenue
Revenue from audit and advisory services performed is recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the relevant engagement at the reporting date. The stage of completion is determined by assessing the status of the work performed, or by measuring the proportion that costs incurred to date bear to the estimated total costs of the service. No revenue is recognised if there is significant uncertainty regarding the collection of the fee due or the costs involved.

An expected loss on any revenue contract is recognised immediately in profit or loss. Costs incurred in the period prior to securing a signed contract are recognised directly in profit or loss. When the outcome of a project cannot be estimated reliably, revenue from services is only recognised to the extent of contract costs incurred that are likely to be recoverable.

Included in revenue are amounts billed to third parties for services other than audit and advisory services. This relates to housing expenses and IT services charged externally, primarily to Meijburg & Co and KPMG International, who occupy buildings hired 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.

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

3.14 Operating lease payments

Lease contracts of which the majority of the risks and rewards inherent to ownership do not lie with the Group are classified as operating leases.

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.15 Finance expenses

Finance expenses comprise interest payable on borrowings, calculated using the effective interest method, and foreign exchange gains and losses.

3.16 Finance income

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

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

3.18 Income taxes

It has been agreed with the Dutch Tax Authorities that the partners' practice limited companies will be entitled to the Group's profits and that these practice limited companies will be liable to pay tax on these profits. As a result, the amount of income taxes payable by the Group itself will be limited.

Deferred tax

Deferred tax is recognised 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 recognised 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; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised 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 2016/2017 the tax rate applied was 25% (2015/2016: 25%).

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 if 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, interest received, interest paid and dividends received are presented under the cash flow from operating activities and investing activities if applicable. Dividends paid and issuance of share capital 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 business segments:

- Audit
- Advisory

These segments are identified as reportable segments based on differences in products and services, as well as regulatory environment.

All operating segments' operating results are reviewed regularly by the Board of Management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

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.

Segmentation 2016/2017

	Audit	Advisory	Corporate	Intersegment eliminations	Total
Revenue and profit					
Revenue	247,250	196,483	13,774	-	457,507
Revenue from intersegment transactions	-	7,011	-	-7,011	-
	247,250	203,494	13,774	-7,011	457,507
Other income	-	-	4,402	-	4,402
Total operating income	**247,250**	**203,494**	**18,176**	**-7,011**	**461,909**
Operating result	60,154	62,699	-61,521	-	61,332
Finance income	-	-	418	-	418
Finance expenses	-	-191	-3,535	-	-3,726
Share in result of non-consolidated associated companies	-	-351	-	-	-351
Profit before income tax	**60,154**	**62,157**	**-64,638**	**-**	**57,673**
Profit before tax/ revenue (%)	24.3	31.6			12.6
Taxation					-1,416
Fees payable to Coöperatie KPMG U.A					-56,639
Profit for the year					**-382**
FTEs					
Partners	75	57	5	-	137
Other professionals	1,238	1,092	-	-	2,330
Support staff	103	59	386	-	548
Total FTEs	**1,416**	**1,208**	**391**	**-**	**3,015**

	Audit	Advisory	Corporate	Intersegment eliminations	Total
Intangible assets and goodwill					
Capital expenditure	-	1,952	-	-	1,952
Disposals	-	-898	-	-	-898
Amortisation	-	630	1,397	-	2,027
Property, plant and equipment					
Capital expenditure	-	-	3,746	-	3,746
Depreciation	-	-	5,545	-	5,545
Assets by segment					
Non-current assets	-	8,477	23,051	-	31,528
Impairment on non-current assets	-	-	-	-	-
Investments in equity accounted					
Investees	-	3,549	-	-	3,549
Unbilled services and trade receivables	49,004	51,156	2,747	-	102,907
Other current assets	-	602	38,602	-	39,204
Other investments	-	-	-	-	-
Total assets					**177,188**
Liabilities by segment					
Prepayments	20,066	4,663	-	-	24,729
Equity	-	-2	22,921	-	22,919
Other liabilities	11,856	488	117,196	-	129,540
Total liabilities					**177,188**

Segmentation 2015/2016

	Audit	Advisory	Corporate	Intersegment eliminations	Total
Revenue and profit					
Revenue	250,726	188,218	14,210	-	453,154
Revenue from intersegment transactions	-	5,701	-	-5,701	-
	250,726	193,919	14,210	-5,701	453,154
Other income	-	-	26,609	-	26,609
Total operating income	**250,726**	**193,919**	**40,819**	**-5,701**	**479,763**
Operating result	67,502	62,116	-58,179	-	71,439
Finance income	-	-	781	-	781
Finance expenses	-	-392	-3,262	-	-3,654
Impairment loss	-	-	-1,953	-	-1,953
Profit before income tax	**67,502**	**61,724**	**-62,613**	**-**	**66,613**
Profit before tax/ revenue (%)	26.9	32.8			14.7
Taxation					-1,508
Fees payable to Coöperatie KPMG U.A.					-63,435
Profit for the year					**1,670**
FTEs					
Partners	73	51	6	-	130
Other professionals	1,183	957	-	-	2,140
Support staff	104	59	414	-	577
Total FTEs	**1,360**	**1,067**	**420**	**-**	**2,847**

	Audit	Advisory	Corporate	Intersegment eliminations	Total
Intangible assets and goodwill					
Acquisitions	-	-	-	-	-
Amortisation	-	1,628	1,397	-	3,025
Property, plant and equipment					
Capital expenditure	-	-	4,030	-	4,030
Depreciation	-	-	6,422	-	6,422
Assets by segment					
Non-current assets	-	9,252	25,930	-	35,182
Impairment on non-current assets	-	-	-	-	-
Investments in equity accounted investees	-	1,300	-	-	1,300
Unbilled services and trade receivables	43,926	44,520	3,559	-	92,005
Other current assets	-	11,469	49,868	-	61,337
Other investments	-	-	-	-	-
Total assets					**189,824**
Liabilities by segment					
Prepayments	19,227	5,979	-	-	25,206
Equity	-	700	21,861	-	22,561
Other liabilities	13,998	1,611	126,448		142,057
Total liabilities					**189,824**

5. Other income

	2016/2017	2015/2016
Grant KPMG International and comparable items of income	4,402	26,609
	4,402	**26,609**

The Group is party to a grant agreement of USD 33.9 million with KPMG International, based on mutually agreed terms, to accelerate the realisation of its business plan. Under the agreement, grants can be made available over the period up to 30 September 2018.

6. Employee benefits expenses

	2016/2017	2015/2016
Salaries	190,224	180,251
Social security costs	24,334	22,107
Pension costs	14,049	13,484
Long-term employee benefits	-113	145
Severance expenses	3,413	1,240
	231,907	**217,227**

The average salary per FTE decreased by 0.4% (previous year: increase 0.9%). Total employee expenses increased by 6.8% (previous year: decrease 0.6%).

Number of staff and partners

	2016/2017	2015/2016
(Average FTEs)		
Number of staff:		
Professional staff	2,330	2,140
Support staff	475	504
Support staff for KPMG International	73	73
	2,878	**2,717**
Partners	137	130
	3,015	**2,847**

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7. Other expenses

	2016/2017	2015/2016
Other employee expenses	29,095	34,260
Travelling, car leases and representation expenses	27,120	27,210
Housing expenses	21,708	30,881
Office and IT expenses	11,028	8,001
Other expenses	31,107	34,556
	120,058	**134,908**

Other employee expenses decreased as a result of lower costs of hiring third parties. Housing expenses decreased mainly resulting from the termination of a lease contract in 2015/2016 and renegotiations of lease contracts. Office and IT expenses increased resulting from higher IT costs. Other expenses decreased mainly resulting from the settlement of a claim in 2015/2016. Total litigation expenses (including related legal expenses and movements in provisions) included in other expenses amount to EUR 5.9 million (2015/2016: EUR 10.1 million).

An amount of EUR 2.7 million is recognised in the other expenses related to research and development costs (2015/2016: EUR 2.3 million).

8. Finance income

	2016/2017	2015/2016
Interest income on deposits	29	21
Foreign exchange results	342	453
Unwinding of discount on provisions	25	-
Other finance income	22	307
	418	**781**

9. Finance expenses

	2016/2017	2015/2016
Interest expense due to Coöperatie KPMG U.A.	2,663	1,949
Changes in fair value of derivatives	191	392
Impairment loss	-	1,953
Unwinding of discount on provisions	-	40
Interest and bank charges	872	1,273
	3,726	**5,607**

During financial year 2015/2016, the investment in KPMG Capital Holding Ltd was impaired to nil as a result of the development of the related businesses. The impairment loss amounts to EUR 1,953.

10. 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. Consequently, the income taxes payable by the Group itself is limited and determined by applying a formula.

Tax on the profit share of KPMG N.V. is calculated using the average tax rate applicable to the year. For 2016/2017, the average tax rate was 24.9% (2015/2016: 24.9%).

In the table to the right, a reconciliation between accounting profit and taxable profit is presented.

	2016/2017	2015/2016
Profit before tax from continuing operations	57,673	66,613
Expenses related to early retired partners	-1,623	-1,106
Tax-exempt income	-1,279	-4,888
Non-deductible expenses	2,757	3,105
Temporary differences	-2,731	-186
Taxable profit	**54,797**	**63,538**
Of which taxable by:		
Subsidiaries not part of the fiscal unity	-2,293	-5,973
KPMG N.V.	2,889	5,776
Coöperatie KPMG U.A.	813	699
Practice companies of the individual equity partners	53,388	63,036

10.1 Amounts recognised in profit or loss

	2016/2017	2015/2016
Current tax expense		
Current year	712	776
Adjustments for prior years	42	190
	754	966
Deferred tax expense		
Recognised deductible temporary differences	662	542
Tax expense on continuing operations	**1,416**	**1,508**

10.2 Movement in deferred tax balances

	Net balance at 1 October	Recognised in profit or loss	Net balance at 30 September	Deferred tax asset	Deferred tax liability
2015/2016					
Intangible assets	9	-30	-21	9	30
Property, plant and equipment	5,930	-658	5,272	5,272	-
Jubilee benefits	-	146	146	146	-
Deferred tax balance	**5,939**	**-542**	**5,397**	**5,427**	**30**
2016/2017					
Intangible assets	-21	21	-	-	-
Property, plant and equipment	5,272	-659	4,613	4,613	-
Jubilee benefits	146	-24	122	122	-
Deferred tax balance	5,397	-662	4,735	4,735	-

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. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

10.3 Current tax balances

As of financial year 2014/2015, Coöperatie KPMG U.A. is head of the fiscal unity for income tax purposes. Consequently, current tax balances only relate to group companies that are not included in the fiscal unity, as well as adjustments related to previous years.

11. Fee payable to Coöperatie KPMG U.A.

The management fee that is payable to the partners, through Coöperatie KPMG U.A., is remuneration for professional services performed and for 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 the initial years.

In addition to their management fee, the practice companies of the partners also received expense allowances amounting to a total of EUR 111 (2015/2016: EUR 124), car allowances amounting to EUR 2,247 (2015/2016: EUR 2,155) and interest on financing totalling EUR 2.7 million (2015/2016: EUR 1.9 million). These costs are shown in the statement of profit or loss and other comprehensive income under other expenses and finance costs, respectively.

12. Intangible assets and goodwill

	Goodwill	Customer relationships and similar items	Software	Internally developed software	Licences	Total
Balance at 1 October 2015						
Cost	7,777	10,192	11,174	340	-	29,483
Accumulated amortisation and impairment	-	6,843	3,430	10	-	10,283
Carrying amount	**7,777**	**3,349**	**7,744**	**330**	**-**	**19,200**
Movements during 2015/2016						
Additions	-	-	-	606	-	606
Adjustment	-1,382	-	-	-	-	-1,382
Amortisation	-	-1,546	-1,397	-82	-	-3,025
Disposals costs	-	-162	-	-	-	-162
Disposals accumulated amortisation	-	162	-	-	-	162
Balance at 30 September 2016	**6,395**	**1,803**	**6,347**	**854**	**-**	**15,399**
Cost	6,395	10,030	11,174	946	-	28,545
Accumulated amortisation and impairment	-	8,227	4,827	92	-	13,146
Balance at 30 September 2016	**6,395**	**1,803**	**6,347**	**854**	**-**	**15,399**
Movements during 2016/2017						
Additions	-	-	-	1,408	-	1,408
Acquisitions/disposals	-	-595	-	-302	544	-353
Amortisation	-	-498	-1,397	-132	-	-2,027
Disposals costs	-	-7,514	-	-103	-	-7,617
Disposals accumulated amortisation	-	7,514	-	103	-	7,617
Balance at 30 September 2017	**6,395**	**710**	**4,950**	**1,828**	**544**	**14,427**
Cost	6,395	1,921	11,174	1,949	544	21,983
Accumulated amortisation and impairment	-	1,211	6,224	121	-	7,556
Balance at 30 September 2017	**6,395**	**710**	**4,950**	**1,828**	**544**	**14,427**

The key factors that determine the valuation of intangible assets as a result of acquisitions, are based upon contractual conditions, existing clients and engagements, past results and scenarios of future results, and discount factors based upon the type and maturity of the organisation, and the industry the company is part of.

The remaining periods of amortisation at 30 September 2017 are:
- Customer relationship and similar items 1-2 years;
- Software 3-5 years.

Software
Software mainly relates to the implementation of a new back office system developed by KPMG International.

Internally developed software
Internally developed software fully relates to innovation software. During 2016/2017 an amount of EUR 1,408 was capitalised (2015/2016: EUR 606).

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:

	30 September 2017	30 September 2016
KPMG MC Sourcing	3,233	3,233
KPMG MC Health	1,201	1,201
KPMG MC FM	1,327	1,327
Other individually not significant	634	634
Total	**6,395**	**6,395**

All CGUs are part of the KPMG Advisory business segment. Annually, the Group carries out impairment tests on capitalised goodwill, 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. The recoverable amount of the relevant CGU is determined on the basis of their value in use. Determination of the value in use is performed by using estimated future cash flows, based on the business plan 2017-2018 approved by the Board and further financial projections for the financial years through 2020-2021. Cash flows after this period are extrapolated by using a growth rate to calculate the terminal value.

Key assumptions in the cash flow projections are:

- Total revenue growth and result development: based on historical performance and expected future market developments, business plan 2017-2018 and further financial projections for the financial years through 2020-2021;
- Discount rate of 10.2% to 15.1% (2015/2016: 9.6% for all CGUs) for all CGUs to calculate the present value of the estimated future cash flows; 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 for each CGU;
- An indefinite growth rate of 0% (2015/2016: 0%) was used for all CGUs.

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 test has been performed taking into consideration a change in the pre-tax weighted average cost of capital. An increase of 5 percentage point confirms sufficient headroom in all cash generating units.

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

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13. Property, plant and equipment

	Fixtures, fittings and alterations	Computers and communications equipment	Office furniture and equipment	Total
Balance at 1 October 2015				
Cost	14,042	11,157	20,155	45,354
Accumulated depreciation and impairments	8,725	6,471	13,601	28,797
Carrying amount	**5,317**	**4,686**	**6,554**	**16,557**
Movements during 2015/2016				
Additions	873	2,531	626	4,030
Depreciation	-1,545	-2,506	-2,371	-6,422
Disposals costs	-3,396	-3,445	-77	-6,918
Disposals accumulated depreciation	3,396	3,445	77	6,918
Balance at 30 September 2016	**4,645**	**4,711**	**4,809**	**14,165**
Cost	11,519	10,243	20,704	42,466
Accumulated depreciation and impairments	6,874	5,532	15,895	28,301
Carrying amount	**4,645**	**4,711**	**4,809**	**14,165**
Movements during 2016/2017				
Additions	1,296	1,908	542	3,746
Depreciation	-1,003	-2,250	-2,292	-5,545
Disposals	-	-	-	-
Disposals costs	-2,504	-1,351	-3,028	-6,883
Disposals accumulated depreciation	2,504	1,351	3,028	6,883
Balance at 30 September 2017	**4,938**	**4,369**	**3,059**	**12,366**
Cost	10,311	10,800	18,218	39,329
Accumulated depreciation and impairments	5,373	6,431	15,159	26,963
Carrying amount	**4,938**	**4,369**	**3,059**	**12,366**

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

14. Investments in equity accounted investees

	30 September 2017	30 September 2016
Associates	**3,549**	**1,300**

The change in investments in associates refers to an the acquisition of an additional 10% interest in KPMG Investments Malta Ltd, amounting to EUR 2,600. KPMG now holds 15% of the shares in this entity. The other 85% of the shares are held by other KPMG member firms. The activities of KPMG investments Malta Ltd mainly exist of the delivery of computer software and professional services. The Group's' share in the profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income and total comprehensive income of associates in 2016/2017 amounts to a loss of EUR 351 (2015/2016: EUR nil).

15. Other financial assets

	30 September 2017	30 September 2016
Derivatives at fair value through profit or loss	-	191
	-	191

Derivatives relate to a call option over 15% of the shares in KPMG Investments Malta Ltd. The Group's fair value information related to derivatives is disclosed in note 23.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in notes 23.2 and 23.4.

16. Receivables

	30 September 2017	30 September 2016
Unbilled services	27,791	23,306
Trade receivables	75,038	67,599
Due from equity accounted investees	78	1,100
Other receivables	3,353	6,878
Prepayments	11,384	12,926
	117,644	**111,809**

Every quarter, the recoverable amounts of unbilled services and trade receivables are estimated. Profit is recognised pro rata in relation to the progress of each project concerned. The important factors to be considered when estimating unbilled services and trade receivables are the terms and conditions of contract, work progress and results of work performed. The financial position of the debtor is important when assessing the provision for doubtful debts. The measurement of unbilled services and trade receivables is assessed quarterly.

A different estimate of the value of unbilled services and trade receivables can lead to different amounts of income and other expenses being recognised and to different figures for unbilled services and trade receivables presented in the statement of financial position.

16.1 Unbilled services

	30 September 2017	30 September 2016
Unbilled services	27,791	23,306
Advance billings	24,729	25,206
Balance of unbilled services and advance billings	**3,062**	**-1,900**

Advance billings are included in trade and other payables, please refer to note 22. Unbilled services are subject to a first pledge in favour of Coöperatie KPMG U.A. as security for loans advanced.

16.2 Trade receivables

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

Trade receivables are shown net of impairment losses amounting to EUR 2,352 (2015/2016: EUR 2,605). In the statement of profit or loss and other comprehensive income a loss of EUR 428 (2015/2016: benefit of EUR 567) has been recognised under other expenses.

16.3 Other

All other receivables are due within one year. The prepayments include prepaid insurance premiums and rental expenses.

17. Cash and cash equivalents

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

18. Group equity

18.1 Share capital

The Company has an authorised capital of EUR 20 million (2015/2016: EUR 20 million), which is divided into 800 shares of EUR 25 each (2015/2016: 800 shares of EUR 25 each).
The issued share capital consists of 220 (2015/2016: 220) shares at a nominal value of EUR 25 each (2015/2016: EUR 25 each), representing a total nominal value of EUR 5.5 million (2015/2016: EUR 5.5 million). 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.

18.2 Other reserves

The other reserves contains the profits of previous years.

18.3 Non-controlling interests

Non-controlling interests as at 30 September 2017 amounts to EUR -7,913 (2015/2016: EUR -6,922) and relates to the minority interest of 30% in KPMG-gebouw Amstelveen II B.V. and the minority interest of 20% in Innovation Factory B.V.

18.4 Appropriation of profit

The Group's profit totals EUR 289 and the Company proposes to add the profit to the reserves.

19. Loans and borrowings

	30 September 2017	30 September 2016
Non-current loans and borrowings		
Bank loans	-	293
Loans Coöperatie KPMG U.A. (partners)	23,800	18,686
Loans Coöperatie KPMG U.A. (former partners)	1,788	2,279
Total non-current loans and borrowings	**25,588**	21,258
Current loans and borrowings		
Bank loans	-	229
Loans from Coöperatie KPMG U.A. (partners)	20,759	15,821
Loans from Coöperatie KPMG U.A. (former partners)	4,563	11,472
Total current loans and borrowings	**25,322**	**27,522**
	50,910	**48,780**

19.1 Bank loans

Bank loans refers to a loan to Innovation Factory at 6.45%. The loan was repaid during the reporting period.

19.2 Loans from Coöperatie KPMG U.A. relating to partners

The interest charged on current loans is 1.1% (2015/2016: 1.4%). Partners also have the opportunity to subscribe on deposits with a duration varying between one and five years. The total amount subscribed as per 30 September 2017 was EUR 25.7 million with an interest rate of 4.25 to 8% depending on the duration of the loan (2015/2016 EUR 21.4 million with an interest rate of 5.0 to 8.0%).

Movements in financing by partners:

	2016/2017	2015/2016
Balance at the beginning of the year	34,507	30,174
Fees to partners under management agreements	56,639	63,435
Interest due to Coöperatie KPMG U.A. relating to partners	2,542	1,731
Other movements (net withdrawal)	-49,129	-60,833
Balance at the end of the year	**44,559**	**34,507**

Other movements refer mainly to amounts withdrawn by partners.

19.3 Loans from Coöperatie KPMG U.A. relating to former partners
Non-current loans from Coöperatie KPMG U.A. relating to former partners comprise of early retirement liabilities to former partners and have an average term of 2.3 years (2015/2016: 3.0 years); these liabilities are not interest bearing. The average interest on current loans from former partners is 0.5% (2015/2016: 1.1%).

20. Employee benefits

	30 September 2017			30 September 2016		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Long-term employee benefit obligations	312	2,657	2,969	1,884	2,922	4,806
Short-term employee benefit obligations	22,980	-	22,980	24,655	-	24,655
	23,292	**2,657**	**25,949**	**26,539**	**2,922**	**29,461**

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

Short-term employee benefit obligations mainly relate to accruals for variable pay and holiday allowances.

Movements in long-term employee benefits:

	2016/2017	2015/2016
Balance at 1 October	**4,806**	5,854
Utilised	-1,767	-1,337
Release/addition	-38	239
Unwinding of discount	-24	18
Change in discount rate	-8	32
Balance at 30 September	**2,969**	**4,806**
Short-term employee benefit obligations	22,980	24,655
	25,949	**29,461**

21. Provisions

Movements in provisions in 2016/2017:

	Claims and legal proceedings	Vacant properties	Total
Balance at 1 October	**21,922**	**2,755**	**24,677**
Utilised	-9,307	-718	-10,025
Released	-1,573	-463	-2,036
Added	782	-	782
Balance at 30 September	**11,824**	**1,574**	**13,398**

The provision for claims and legal proceedings 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/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 are subjective. In general, such proceedings are long-term in nature and estimates are therefore revised from time to time. The provision mainly decreased as a result of settlements during the reporting period. The amounts provided for include legal expenses and are presented net of expected reimbursements from the insurance company where appropriate.

The provision for claims and legal proceedings included per the end of financial year 2015/2016 a best estimate of the expected outcome of an investigation of a subsidiary of the Company by the public prosecutor regarding the development of the Laan van Langerhuize building in Amstelveen. In that respect, a transaction was agreed with the Public Prosecutor's Office during the summer of 2017. The related tax assessments were paid during financial year 2015/2016.

The provision for vacant properties relates to space in leased properties which is currently not used. The key factors that determine the provision for leased vacant properties are the tenancy period, the duration of the vacancy in relation to the remaining lease terms and the other terms and conditions of the lease, an assessment of the options to surrender the lease or to sublet the space leased to third parties, and an estimate of any rental income that may be earned as a result. The periods within which provisions are expected to be utilised are as follows:

	30 September 2017			30 September 2016		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Claims and legal proceedings	5,842	5,982	11,824	8,630	13,292	21,922
Provision for vacant properties	643	931	1,574	815	1,940	2,755
	6,485	**6,913**	**13,398**	**9,445**	**15,232**	**24,677**

22. Trade and other payables

	30 September 2017	30 September 2016
Advance billings/payments	24,729	25,206
Trade payables	4,243	2,990
Tax and social insurance contributions	22,915	24,104
Other current liabilities	1,254	2,077
Accruals	10,613	9,922
	63,754	**64,299**

Please refer to note 16.1 for detail on advance billings/payments.

The Group's' liquidity risk relating to trade and other payables is disclosed in note 23.3.

Trade payables increased mainly due to higher payables resulting from timing differences. Accruals have been made primarily to cover housing expenses, charges for third-party services still to be paid and insurance premiums.

23. Financial instruments and associated risks

23.1 General

23.1.1 Background and policies

Financial instruments that are used by KPMG N.V. arise directly from normal business operations. During the period under review 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 and also 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 summarised below. There were no changes to the policy during the period under review.

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

23.1.2 Specific financial instruments
Based on an agreement between KPMG Advisory N.V. and IF Holding B.V., IF Holding B.V. has granted a put option to KPMG to, according to agreed conditions, sell the shares held by KPMG in Innovation Factory B.V. (previously known as Innovation Factory Intellectual Property B.V., Innovation Factory Software Services B.V. and Innovation Factory B.V.) to IF Holding B.V. for one euro.

Based on the same agreement KPMG will acquire 13% of the shares in the coming year. Based on the agreed pricing formula, the shares will be purchased for an amount of EUR 1. For the remaining 20% of the shares of Innovation Factory B.V. from IF Holding B.V., IF Holding B.V. has granted a call option to KPMG to acquire, according to agreed conditions, these shares.

Based on an agreement between KPMG Advisory N.V. and KPMG Holdings limited, KPMG Holdings limited has granted a call option to KPMG Advisory N.V. to, according to agreed conditions, acquire 15% of the shares in KPMG Investments Malta limited (KIML). The option can only be exercised in the event of a completed sale of greater than 50% of the issued share capital in Crimsonwing plc, a subsidiary of KIML, or all of substantially all of the business or assets to a non-KPMG member firm between 1 April 2017 and 31 March 2019, at a price per share paid at the day of acquisition of KIML.

23.1.3 Concentrations of risks
The operational activities of the Group relate to a diversity of clients and suppliers mainly 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 6 million at the same bank and we note that this results in a concentration of risks associated with this bank. This bank is also one of the Group's clients for professional non-audit services. We have confirmed that from an independence perspective this is allowed; all transactions with this bank are at arm's length. The Group closely monitors the credit rating of this bank (A+ according to S&P Global).

23.2 Credit risk
It is inherent in the nature of the activities of the organisation 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 rated BBB or higher banks and by the large number and diversity of clients that owe amounts to the organisation for unbilled services and trade and other receivables. The carrying amount of each financial asset represents the maximum credit risk.

23.2.1 Trade and other receivables
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 each 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. Profit is recognised on a pro rata basis in relation to the progress of the project concerned. The important factors to be considered when estimating unbilled services and trade receivables are the terms and conditions of the contract and the progress and results of the work performed. The financial position of the debtor is important when assessing the provision for doubtful debts. The measurement of unbilled services and trade receivables is assessed on an ongoing basis. A different estimate of the value of unbilled services and trade receivables can lead to different amounts of income and other expenses being recognised and to different figures for unbilled services and trade receivables recognised in the statement of financial position.

23.2.2 Exposure to credit risk

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

	2016/2017	2015/2016
Unbilled services	27,791	23,306
Trade receivables	77,390	70,204
Due from equity accounted investees	78	1,100
Current tax assets	1	1
Other receivables	3,353	6,878
Cash and cash equivalents	24,466	41,532
	133,079	**143,021**

23.2.3 Provision for doubtful debts

Debtor ageing analysis:

	30 September 2017		30 September 2016	
	Gross	Provision	Gross	Provision
Not yet due: age 0-15 days	37,179	-	37,539	151
Overdue: age 16-180 days	35,784	174	28,091	37
Overdue: age 181-365 days	2,003	769	2,626	568
Overdue: age over 365 days	2,502	1,409	3,048	1,849
	77,468	**2,352**	**71,304**	**2,605**

Provisions for doubtful debts are determined for each individual debtor. It has been established on the basis of historical insolvency frequency data and the current economic conditions that no additional provisions for impairment are necessary.

Movement in the provision for doubtful debts:

	2016/2017	2015/2016
Balance at 1 October	**2,605**	5,285
Added	1,460	778
Written off	-499	-2,144
Released	-1,214	-1,314
Balance at 30 September	**2,352**	**2,605**

23.3 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. Surplus funds are deposited in business savings accounts or held for specified periods.

The Group has a loan facility of EUR 40 million (2015/2016: EUR 50 million) and a guarantee facility of EUR 20 million (2015/2016: EUR 20 million), of which a draw down was made of EUR 2.5 million (2015/2016: EUR 2.8 million) in the form of guarantees. A first right of pledge has been granted to the bank on trade receivables as security. The loan facility is available until 30 June 2019. Interest payable is based on the average 1-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 solvency ratio, EBITDA, asset coverage, sales coverage and operational result. During the financial year, the Group complied with all covenant requirements. Summary of financial liabilities:

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year
30 September 2017				
Loans and borrowings	50,910	50,910	25,322	25,588
Trade and other payables	63,754	63,754	63,754	-
Employee benefits	23,308	23,308	21,945	1,363
	137,972	**137,972**	**111,021**	**26,951**
30 September 2016				
Loans and borrowings	48,780	48,780	27,522	21,258
Trade and other payables	64,299	64,299	64,192	107
Employee benefits	25,331	25,331	23,839	1,492
	138,410	**138,410**	**115,553**	**22,857**

23.4 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 keep these market risks within acceptable limits, while maximising income. In the longer term, however, permanent changes in exchange and interest rates will have an impact on consolidated profits.

23.4.1 Interest rate risk

Interest rate risk mainly relates to interest-bearing financial liabilities as a result of the funding positions by (former) 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 2017, a general rise in interest rates by one percentage point would have no effect on the Group's profit before tax (30 September 2016: a positive effect of EUR 0.2 million) and no effect on equity (30 September 2016: 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):

	Effective interest rate	<1 year	>1 year < 2 year	>2 year < 3 year	>3 year < 4 year	>4 year < 5 year	Longer than 5 years	Total carrying amount
2016/2017								
Cash and cash equivalents	-0.1%	24,466	-	-	-	-	-	24,466
Coöperatie KPMG U.A.	0.0%	12,823	611	611	611	611	9,528	24,795
Current account Coöperatie KPMG U.A. relating to partners	1.1%	-32,049	-	-	-	-	-	-32,049
Loans from partners	7.2%	-1,533	-5,347	-1,530	-13,290	-5,014	-10,591	-37,305
Loans from former partners	0.0%	-4,563	-443	-253	-60	-105	-927	-6,351
		-856	**-5,179**	**-1,172**	**-12,739**	**-4,508**	**-1,990**	**-26,444**
2015/2016								
Cash and cash equivalents	0.0%	41,532	-	-	-	-	-	41,532
Current account Coöperatie KPMG U.A. including partners	1.4%	-13,346	-	-	-	-	6,569	-6,777
Loans from partners	6.4%	-2,475	-	-5,390	-	-17,975	-1,890	-27,730
Loans from former partners	0.0%	-11,472	-841	-455	-376	-265	-342	-13,751
Bank loans	6.45%	-229	-65	-65	-65	-65	-33	-522
		14,010	**-906**	**-5,910**	**-441**	**-18,305**	**4,304**	**-7,248**

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

23.4.2 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 also usually denominated in euros.

When derivative financial instruments are used to economically hedge exposure to foreign exchange risks associated with recognised monetary assets or liabilities, hedge accounting is not applied and any gain or loss on a hedging instrument is recognised 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 2016/2017 (2015/2016: negative effect of EUR 0.1 million) and no effect on equity (30 September 2016: no effect).

23.5 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 2016/2017 to other levels of fair value measurement input.

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

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Loans and receivables		Other financial liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
2016/2017								
Receivables	-	-	-	-	106,260	106,260	-	-
Cash and cash equivalents					24,466	24,466		
Total financial assets	**-**	**-**	**-**	**-**	**130,726**	**130,726**	**-**	**-**
Loans and borrowings	-	-	-	-	-	-	50,910	50,910
Trade and other payables	-	-	-	-	-	-	40,839	40,839
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**91,749**	**91,749**
2015/2016								
Other financial assets	191	191	-	-	-	-	-	-
Receivables	-	-	-	-	98,883	98,883	-	-
Cash and cash equivalents	-	-	-	-	41,532	41,532	-	-
Total financial assets	**191**	**191**	**-**	**-**	**140,415**	**140,415**	**-**	**-**
Loans and borrowings	-	-	-	-	-	-	48,780	48,780
Trade and other payables	-	-	-	-	-	-	40,195	40,195
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**88,975**	**88,975**

23.5.1 Derivatives
The fair value of the call option over 15% of the shares in KPMG Investments Malta Ltd. takes into account the likelihood that the conditions under which the option can be exercised will occur. As the likelihood is remote as per 30 September 2017, the fair value of the option is nil.

During the reporting period, the call option over 25% of the shares in KPMG Investments Malta Ltd. was partially exercised; the remainder of the option was cancelled and the value was released through profit and loss. Movements in the fair value can be specified as follows:

	2016/2017	2015/2016
Balance at the beginning of the year	**191**	**583**
Changes in fair value recognised in financial expenses	-191	-392
Balance at the end of the year	-	**191**

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

23.5.3 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 at market based, fair value is approximately equal to carrying amount.

23.5.4 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.

23.6 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 140 per partner to the Group's equity, and partly in the form of loans.

Average financing per partner (excluding other reserves) amounted to EUR 436 as at 30 September 2017, compared with EUR 387 as at 30 September 2016. Total financing by partners as at 30 September 2017 amounted to 34.5% of total assets (30 September 2016: 26.3%).

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. As from financial year 2015/2016, the Group started improving its capital structure, amongst others by an increase in long-term partner financing through its shareholder.

24. 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 Management Services B.V.	Amstelveen
KPMG Staffing & Facility Services B.V.	Amstelveen
KPMG-gebouw Amstelveen II Holding B.V.	Amstelveen
KPMG-gebouw Amstelveen II B.V. (70%)	Amstelveen
Innovation Factory B.V. (66.7%)	Amsterdam

During the reporting period, EquaTerra B.V., EquaTerra Sourcing Management B.V., Plexus Medical Group N.V. and Bridging Solutions B.V. were dissolved.

Furthermore, Innovation Factory B.V., Innovation Factory Intellectual Property B.V. and Innovation Factory Software Services B.V. were merged, whereby Innovation Factory Intellectual Property B.V. was the surviving company and Innovation Factory B.V. and Innovation Factory Software Services B.V. were the disappearing companies. Thereafter, the name of Innovation Factory Intellectual Property B.V. was changed into Innovation Factory B.V.

In addition, during the reporting period the 50% shares in Culture Factory B.V. were sold.

There have been no other changes in shareholdings.

25. Liabilities and assets not recognised in the consolidated statement of financial position

25.1 Leases

The Group has long-term property leases, operating leases for cars, personal computers, photocopiers and printers, and commitments under long-term sponsorship agreements totalling EUR 212,154 (2015/2016: EUR 237,409).

Non-cancellable operational leases:

	30 September 2017				30 September 2016			
	Property leases	Operating leases (cars)	Other contracts	Total	Property leases	Operating leases (cars)	Other contracts	Total
Within 1 year	16,097	13,033	9,509	38,639	16,250	13,249	10,235	39,734
Between 1-5 years	55,988	18,175	3,107	77,270	58,244	17,861	13,998	90,103
After 5 years	96,245	-	-	96,245	107,444	-	128	107,572
	168,330	**31,208**	**12,616**	**212,154**	**181,938**	**31,110**	**24,361**	**237,409**

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

	30 September 2017	30 September 2016
Within 1 year	3,152	3,401
Between 1 and 5 years	9,966	10,578
After 5 years	15,462	17,358
	28,580	**31,337**

The following operating lease and rental expenses were recognised in the consolidated statement of profit or loss and other comprehensive income:

	2016/2017	2015/2016
Properties	16,846	19,147
Cars	16,065	16,690
Other contracts	10,235	6,615

25.2 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. However, KPMG N.V. 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.

25.3 Guarantees

The Group has a guarantee facility of EUR 20 million (2015/2016: EUR 20 million), of which a draw down was made of EUR 2.5 million (2015/2016: EUR 2.8 million) in the form of guarantees.

The Group has issued a letter of comfort relating to a facility of USD 600 million (2015/2016: USD 600 million) for KPMG International. In this letter of comfort the Company confirms that it is a member of KPMG International and that it will pay its contribution in accordance with the Articles of Association of KPMG International and the 'Membership Agreement'. The letter of comfort has a duration of 5 years as from November 2016.

25.4 Legal disputes

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 if 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 those cases, a provisions is accounted for. The Group carries professional indemnity insurance.

25.5 Joint and severe liability

Pursuant to Section 403 of Book 2 of the Netherlands Civil Code, KPMG Staffing & Facility Services B.V. is severally liable for the debts arising from legal acts of KPMG-gebouw Amstelveen II Holding B.V.

26. Collaboration agreements and related parties

26.1 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 trade register in the Netherlands, 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.

26.2 Related parties

26.2.1 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 2016/2017 can be specified as follows:

	2016/2017	2015/2016
Management fees	-56,639	-63,435
Interest paid to KPMG U.A.	-2,663	-1,949
Dividends paid	-1,720	-5,166
Other amounts received	-	8,000

At 30 September 2017 the following positions relate to Coöperatie KPMG U.A.:

	2016/2017	2015/2016
Loans received from Coöperatie KPMG U.A.	50,910	48,258

26.2.2 Key management

Board of management

As per 30 September 2017, of the board of management 3 members (2015/2016: 3 members) indirectly hold 2% (2015/2016: 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 benefit plan and can be specified as follows:

2016/2017	A.A. Roëll	E. Eeftink	B. Ferwerda	R.G.A. Fijneman	R.P. Kreukniet	Total
FTE	1.0	1.0	1.0	1.0	1.0	5.0
Management fees	-	600	-	600	600	1,800
Short-term incentives	-	45	-	45	45	135
Short-term employee benefits	642	-	395	-	-	1,037
Post-employment benefits	26	-	26	-	-	52
Interest on loans	-	38	-	38	14	90
Other short-term benefits	15	15	17	19	22	88
Total	**683**	**698**	**438**	**702**	**681**	**3,202**

2015/2016	A.A. Roëll	E. Eeftink	B. Ferwerda	R.G.A. Fijneman	R.P. Kreukniet	J. van Delden	B. Lamberts	Total
FTE	0.92	1.0	1.0	1.0	1.0	0.75	0.13	5.8
Management fees	-	600	-	600	600	450	-	2,250
Short-term incentives	-	60	-	60	60	45	-	225
Short-term employee benefits	592	-	395	-	-	-	72	1,059
Post-employment benefits	24	-	26	-	-	-	3	53
Termination benefits	-	-	-	-	-	-	102	102
Interest on loans	-	24	-	32	4	19	-	79
Other short-term benefits	12	16	18	22	21	17	4	110
Total	**628**	**700**	**439**	**714**	**685**	**531**	**181**	**3,878**

Supervisory board

Supervisory board members received a remuneration of EUR 214 (2015/2016 EUR 218) and can be specified as follows:

2016/2017	B.E.M. Wientjes	G. Boon	H.J. van Dorenmalen	L.J. Griffith	J.C.M. Sap	J.M. Slagter	R.A. Steenvoorden	Total
FTE	1.0	1.0	0.08	1.0	1.0	0.25	0.08	4.41
Short-term benefits	60	45	4	45	45	11	4	214

2015/2016	B.E.M. Wientjes	G. Boon	L.J. Griffith	J.C.M. Sap	S. van Schilfgaarde	J.M. Slagter	Total
FTE	1.0	0.17	1.0	1.0	0.33	1.0	4.50
Short-term benefits	60	8	45	45	15	45	218

26.2.3 Equity accounted investees

Included in trade receivables are the following amounts related to equity accounted investees:

	2016/2017	2015/2016
Associates	78	1,100

Company statement of financial position

The statement of financial position was drawn up before appropriation of profit.

	Note	30 September 2017	30 September 2016
(in thousands of euros)			
Assets			
Non-current assets			
Investments in subsidiaries	2	7,671	7,671
Deferred tax assets		4,735	5,418
		12,406	13,089
Current assets			
Amounts due from group companies		81,488	68,769
Cash and cash equivalents	3	23,239	31,262
		104,727	100,031
Total assets		**117,133**	**113,120**

	Note	30 September 2017	30 September 2016
(in thousands of euros)			
Equity and liabilities			
Shareholders' equity	4		
Share capital		5,500	5,500
Share premium		11,020	9,960
Other statutory reserves		1,000	147
Other reserves		5,396	4,788
Profit for the year		-	1,461
Shareholders' equity		**22,916**	**21,856**
Non-current liabilities			
Loans and borrowings	5	25,588	20,965
Current liabilities			
Loans and borrowings	5	25,322	27,293
Amounts owed to group companies		-	751
Tax and social insurance contributions		16,028	16,322
Provisions for subsidiaries	6	26,370	25,406
Trade and other payables		909	527
		68,629	70,299
Total liabilities		**94,217**	**91,264**
Shareholders' equity and liabilities		**117,133**	**113,120**

The notes on pages pages 180 to 188 inclusive 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 2017

	2016/2017	2015/2016
(in thousands of euros)		
Share in results from participating interests, after tax	11,492	9,292
Other results after tax	45,147	55,604
Contractual fees payable to Coöperatie KPMG U.A.	-56,639	-63,435
Net result after tax	**-**	**1,461**

The notes on pages 180 to 188 inclusive form an integral part of these company financial statements.

Notes to the company financial statements

All amounts are in thousands of euros unless otherwise stated.

1. Basis of preparation

1.1 General

The company financial statements were prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code and they form part of 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 abridged form in accordance with Section 402, Part 9, Book 2 of the Netherlands 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 the policies regarding the valuation of assets and liabilities and 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 notes 2 and 3 to the consolidated financial statements, have been applied consistently to all periods accounted for in these company financial statements.

1.2 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. Refer to 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 realised.

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 finance.

2. Non-current financial assets

A summary of the main subsidiaries is provided in note 24 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.

Movements in these investments during the 2016/2017 financial year:

	2016/2017	2015/2016
Balance at 1 October	**7,671**	**9,624**
Impairments	-	-1,953
Share in results	11,492	9,292
Dividends received	-11,781	-11,080
Provision for subsidiaries	289	1,788
Balance at 30 September	**7,671**	**7,671**

Please refer to note 6 on disclosure relating to the provision for subsidiaries.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and bank balances and are freely available. The interest rate applicable to business savings accounts was 0.0% (2015/2016: 0.0%).

4. Shareholders' equity

Movements in equity can be specified as follows:

	Share capital	Share premium	Other statutory reserves	Other reserves	Profit for the year	Total equity attributable to equity holders
Balance at 1 October 2015	**5,500**	**9,700**	**-**	**3,379**	**4,622**	**23,201**
2014/2015 Result appropriation	-	-	-	4,622	-4,622	-
Addition to other statutory reserves	-	-	147	-147	-	-
Total comprehensive income for the year						
Profit for 2015/2016	-	-	-	-	1,461	1,461
Other comprehensive income for the year	-	-	-	-	-	-
Transaction with owners of the Company, recognised directly in equity						
Dividend paid	-	-2,100	-	-3,066	-	-5,166
Additions	-	2,360	-	-	-	2,360
Balance at 30 September 2016	**5,500**	**9,960**	**147**	**4,788**	**1,461**	**21,856**
Balance at 1 October 2016	**5,500**	**9,960**	**147**	**4,788**	**1,461**	**21,856**
2016/2017 Result appropriation	-	-	-	1,461	-1,461	-
Addition to other statutory reserves	-	-	853	-853	-	-
Total comprehensive income for the year						
Profit for 2016/2017	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Transaction with owners of the Company, recognised directly in equity						
Dividend paid	-	-1,720	-	-	-	-1,720
Additions	-	2,780	-	-	-	2,780
Balance at 30 September 2017	**5,500**	**11,020**	**1,000**	**5,396**	**-**	**22,916**

Other details of equity are disclosed in note 18 to the consolidated financial statements and the consolidated statement of changes in equity.

4.1 Share capital

The Company has an authorised capital of EUR 20 million (2015/2016: EUR 20 million), which is divided into 800 shares of EUR 25 each (2015/2016: 800 shares of EUR 25 each). The issued share capital consists of 220 (2015/2016: 220) shares at a nominal value of EUR 25 each (2015/2016: EUR 25 each), representing a total nominal value of EUR 5.5 million (2015/2016: EUR 5.5 million). 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.

4.2 Other statutory reserves

Other statutory reserves relates to legal reserves under Dutch law, reflecting retained profits from equity accounted investees as far as the Group is not able to manage the distribution thereof independently, as well as legal reserves with respect to capitalised development costs.

4.3 Other reserves

The other reserves contains the profits of previous years.

4.4 Reconciliation between consolidated group equity attributable to shareholders and statutory shareholders' equity

Consolidated group equity attributable to shareholders and statutory shareholders' equity can be reconciled as follows:

	2016/2017	2015/2016
Consolidated group equity attributable to shareholders at 30 September	30,832	29,483
Provision for subsidiaries	-7,916	-7,627
Statutory shareholders' equity	**22,916**	**21,856**

4.5 Reconciliation between consolidated result attributable to shareholders an statutory result

Consolidated result attributable to shareholders and statutory shareholders result can be reconciled as follows:

	2016/2017	2015/2016
Consolidated result attributable to shareholders at 30 September	289	3,248
Provision for subsidiaries	-289	-1,787
Statutory result	**-**	**1,461**

4.6 Appropriation of profit

As the Company's profit totals EUR nil, no proposal for profit appropriation will be made.

5. Loans and borrowings

	30 September 2017	30 September 2016
Partners:		
- non-current loans Coöperatie KPMG U.A.	23,800	18,686
- current loans Coöperatie KPMG U.A.	20,759	15,821
	44,559	**34,507**
Former partners:		
- non-current loans Coöperatie KPMG U.A.	1,788	2,279
- current loans Coöperatie KPMG U.A.	4,563	11,472
	6,351	**13,751**
Total loans and borrowings	**50,910**	**48,258**

Movements in financing by partners can be specified as follows:

	2016/2017	2015/2016
Balance at 1 October	34,507	30,174
Fees paid to partners under management agreements, through Coöperatie KPMG U.A.	56,639	63,435
Interest due to partners	2,542	1,731
Other movements (net withdrawal)	-49,129	-60,833
Balance at 30 September	**44,559**	**34,507**

Other movements refer mainly to amounts withdrawn by partners.

5.1 Loans and borrowings relating to partners

The interest charged on current loans is 1.1% (2015/2016: 1.4%). Partners also have the opportunity to subscribe on deposits with a duration varying between one and five years. The total amount subscribed as per 30 September 2017 was EUR 1.5 million with an interest rate of 4.25 to 8% depending on the duration of the loan (2015/2016 EUR 21.4 million at 5.0 to 8.0% depending on the duration of the loan).

5.2 Loans and borrowings relating to former partners

Non-current loans from former partners comprise of early retirement liabilities to former partners and have an average term of 2.3 years (2015/2016: 3.0 years); these liabilities are not interest bearing. The average interest on current loans from former partners is 0.5% (2015/2016: 1.1%).

6. Provision for subsidiaries

The Company has provided for the negative equity of KPMG-gebouw Amstelveen II B.V.

Movement in provision:

	2016/2017	2015/2016
Balance at 1 October	25,406	19,442
Added	964	5,964
Balance at 30 September	**26,370**	**25,406**

The periods within the provision is expected to be utilised are as follows:

	30 September 2017			30 September 2016		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Provision for subsidiaries	26,370	-	26,370	25,406	-	25,406

7. Financial instruments

With respect to general information on financial instruments and associated risks, reference is made to note 24 of the consolidated financial statements.

7.1 Exposure to credit risk

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

	2016/2017	2015/2016
Amounts due from group companies	81,488	68,769
Cash and cash equivalents	23,239	31,262
	104,727	**100,031**

7.2 Liquidity risk

Summary of financial liabilities:

	Carrying amount	Contractual cash flows	Due within 1 year	Due after 1 year
30 September 2017				
Loans and borrowings	50,910	50,910	25,322	25,588
Total	**50,910**	**50,910**	**25,322**	**25,588**
30 September 2016				
Loans and borrowings	48,258	48,258	27,293	20,965
Amounts owed to group companies	751	751	751	-
Total	**49,009**	**49,009**	**28,044**	**20,965**

Other details on financial instruments are provided in note 23 to the consolidated financial statements.

8. Related parties

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

8.1 Parent company

Please refer to note 26.2.1 of the consolidated financial statement for information related party information with respect to Coöperatie KPMG U.A.

8.2 Subsidiaries

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

The transactions can be specified as follows:

	Received contractual fees	Received dividend	Expenses charged
2016/2017			
KPMG Accountants N.V.	25,633	6,181	11,540
KPMG Advisory N.V.	29,721	5,599	11,113
Total	**55,354**	**11,780**	**22,653**
2015/2016			
KPMG Accountants N.V.	25,279	5,582	14,095
KPMG Advisory N.V.	19,468	5,498	13,394
KPMG Management Services B.V.	-583	-	132
Total	**44,164**	**11,080**	**27,621**

In addition to the above, KPMG N.V. pays on behalf of its subsidiary KPMG Staffing & Facility Services B.V. various expenses such as employee expenses and other operating expenses. These payments total EUR 260 million in 2016/2017 (2015/2016: EUR 232 million).

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

8.3 Key management

Please refer to note 26.2.2 of the consolidated financial statement for information related party information with respect to key management.

9. Liabilities not recognised in the company statement of financial position

9.1 Guarantees

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

The Company has a guarantee facility of EUR 20 million (2015/2016: EUR 20 million), of which a draw down was made of EUR 2.5 million (2015/2016: EUR 2.8 million) in the form of guarantees.

The Company has issued a letter of comfort relating to a facility of USD 600 million (2015/2016: USD 600 million) for

KPMG International. In this letter of comfort the Company confirms that it is a member of KPMG International and that it will pay its contribution in accordance with the Articles of Association of KPMG International and the 'Membership Agreement'. The letter of comfort has a duration of 5 years as from November 2016.

9.2 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. However, KPMG N.V. 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.

9.3 Contingent assets

The Company entered into a reimbursement agreement with Coöperatie KPMG U.A. where Coöperatie KPMG U.A. will reimburse the Company for agreed specified items.

10. Number of partners

On average, 137 (2015/2016: 130) FTE partners were active for the Company under management agreements.

11. Remuneration of the Board of Management

Details of the remuneration of members of the Board of Management are disclosed in note 27.2.2 to the consolidated financial statements.

12. Auditors' remuneration

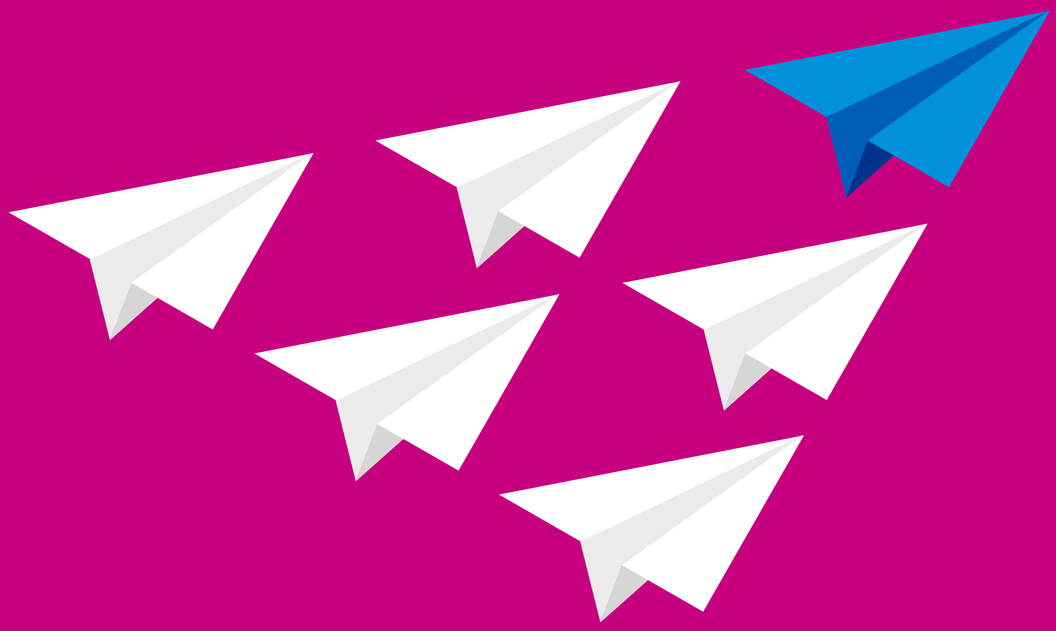
The remuneration of the Company's auditors for the 2016/2017 financial year was EUR 0.2 million (2015/2016: EUR 0.1 million) and is exclusively related to the audit of financial statements of the Company.

Amstelveen, 11 December 2017

Board of Management:
R.G.A. Fijneman (chairman a.i.)
E. Eeftink
B. Ferwerda
R.P. Kreukniet

Supervisory Board:
B.E.M. Wientjes (chairman)
G. Boon
H.J. van Dorenmalen
L.J. Griffith
J.C.M. Sap
R.A. Steenvoorden

Other information



Independent auditor's report

Please refer to the report of the independent auditor on the next page.

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.

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The Netherlands

Independent auditor's report

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

A. Report on the audit of the financial statements 2016/2017

Our opinion

We have audited the financial statements for the year ended 30 September 2017 of KPMG N.V., based in Amstelveen. The financial statements include the consolidated financial statements and the company financial statements.

WE HAVE AUDITED	OUR OPINION
The financial statements which comprise: 1. the consolidated and company statement of financial position as at 30 September 2017; 2. the following consolidated and company statements for 2016/2017: the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion the enclosed financial statements give a true and fair view of the financial position of KPMG N.V. as at 30 September 2017 and of its result and its cash flows for 2016/2017 in accordance with International Financial Reporting Standards as adopted by the European Union and 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 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)' and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 3.720.000. The materiality has been calculated with reference to a benchmark of profit before income tax (representing 7% of reported profit before income tax) 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 qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of € 186.000, 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 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 a component 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.;
  - KPMG Management Services B.V.;
  - Innovation Factory B.V.;
  - KPMG-gebouw Amstelveen II Holding B.V.;
  - KPMG-gebouw Amstelveen II 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 about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are 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.

KEY AUDIT MATTER	OUR AUDIT APPROACH
Revenue recognition and valuation of unbilled services	We reviewed the revenue recognition process to ensure the policy is in accordance with IAS 18.
The completeness of revenue and valuation of unbilled services is a key audit matter due to its significance and the fact that revenue recognition and valuation of	Our audit procedures included, amongst others, assessing the appropriateness of the company's revenue recognition accounting policies and testing the effectiveness of the

unbilled services are subject to estimates of individual partners regarding the expected time to finalize fixed price engagements and realization on 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 3.8, 3.12 and 16 to the financial statements.

company's controls 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. We have performed detailed testing of jobtime-shoptime, compared realization rates per engagement with a norm and tested the unbilled services by performing retrospective testing. We discussed the findings of these analysis with the responsible business controllers and the Board of Management.

KEY AUDIT MATTER	OUR AUDIT APPROACH
Completeness and valuation of the provision for claims and legal proceedings The completeness and valuation of this provision is a key audit matter because of subjectivity regarding the chosen principles and assumptions. To determine the amount of the provision, the estimated expected settlements including legal expenses are set off against the amount covered by the insurance company according to the company's insurance policy. The remaining exposure, deducted by amounts already settled, will be recognized as a provision. This process is important for our audit, because the estimation process is complex and is based on assumptions. The disclosure from KPMG N.V. on the provision is provided in notes 3.11 and 21 to the financial statements.	During our audit we received an overview of claims either recognized in the provision and/or disclosed in the financial statements. Our audit procedures included an assessment of the principles used, establishing the consistency of the used approach as well as establishing the reliability of the internal estimates made. We evaluated the PCC process (internal partner claim confirmation process), we reviewed external confirmations (lawyer letters and insurance company), we discussed the case overview with legal staff and management and reviewed Management and Supervisory Board minutes. We also performed a retrospective test on the provision 2015-2016.

3 | new perspectives

B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- 1. KPMG at a glance
- 2. Overview & Strategy
- 3. Performance and developments
- 4. Governance and compliance
- 5. Other information

Based on the procedures as mentioned below, we are of the opinion that the other information:
- is consistent with the financial statements and contains no material deficiencies;
- includes all information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of KPMG at a glance, Overview & Strategy, Performance and developments, Governance and compliance and other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement
We were engaged by the Supervisory Board as auditor of KPMG N.V. on 1 February 2017 as of the audit for year 2016/2017.

D. Description of responsibilities for 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 errors or fraud.

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 framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to

4 | new perspectives

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 assignment 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 have detected all material errors and fraud.

Misstatements can arise from errors or fraud 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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, 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 errors, 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 company'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 company'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 the company ceasing 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 determined 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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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 mentioning it is in the public interest.

Rijswijk, 11 December 2017

For and on behalf of BDO Audit & Assurance B.V

signed N.W.A. van Nuland RA

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The Netherlands

Independent assurance report

To: the Board of Management of KPMG N.V.

Report on the non financial information as defined in appendix 7 'About this report', paragraph Comparability of information in the Integrated Report 2016/2017 of KPMG N.V.

Our conclusion

We have examined the non-financial information as defined in appendix 7 'About this report', paragraph Comparability of information in the Integrated Report 2016/2017 of KPMG N.V., based in Amstelveen.

The non-financial information as defined in the appendix 7 'About this report', paragraph Comparability of information in Integrated report 2016/2017 of KPMG N.V. includes:

- Quality Performance review: page 27-28 (only figure 6 and 7);
- Client Satisfaction and Net Promotor Score: page 60 (figure 10 and Net Promotor Score);
- Employee Engagement: page 25 (only Global People Survey);
- CO2 Emissions : page 70 (table 9 and 10).

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the non-financial information as defined in the appendix 7 'About this report', paragraph Comparability of information in Integrated report 2016/2017 of KPMG N.V is not prepared, in all material respects, with the reporting criteria applied by KPMG N.V.

Basis for our conclusion

We conducted our examination in accordance with Dutch law, including the Dutch Standard 3810N, "Assurance engagements relating to sustainability reports". This engagement is focused on obtaining limited assurance. Our responsibilities on this basis are described in the 'Our responsibilities for examining non-financial information as defined in appendix 7 'About this report', paragraph Comparability of information in Integrated Report 2016/2017 of KPMG N.V. ' 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)" and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA)".

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Applicable criteria

Applicable criteria

For this engagement, the following criteria apply:

- Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI Standards, option Comprehensive);
- The internally developed accounting principles of KPMG N.V. as included in the chapter 'About this report' in Appendix 7.

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Our procedures

Our procedures

In order to obtain sufficient and appropriate assurance information we have carried out the following work and procedures:

1. Interviewing employees at KPMG N.V. who are responsible for the information which are the base for the non-financial information;
2. Reviewing the design and implementation for the collection and processing, including aggregation of data into non-financial information;
3. Reviewing internal and external documentation on a sample basis to determine whether the non-financial information is adequately supported.

Description of responsibilities

Responsibilities of management

Management is responsible for the preparation of the non-financial information as defined in appendix 7 'About this report', paragraph Comparability of information in Integrated Report 2016/2017 of KPMG N.V. in accordance with the applicable criteria. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the information on the non-financial information as defined in appendix 7 'About this report', paragraph Comparability of information in Integrated Report 2016/2017 of KPMG N.V. that is free from material misstatement, whether due to errors or fraud.

Our responsibilities for examining non-financial information as defined in appendix 7 'About this report', paragraph Comparability of information in Integrated Report 2016/2017 of KPMG N.V.

Our responsibility is to plan and perform our examination to enable us to conclude that nothing has come to our attention that causes us to believe the non-financial information as defined in appendix 7 'About this report', paragraph Comparability of information in Integrated Report 2016/2017 of KPMG N.V. is materially misstated. Our examination has been performed with a limited level of assurance. The procedures performed in in this regard vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

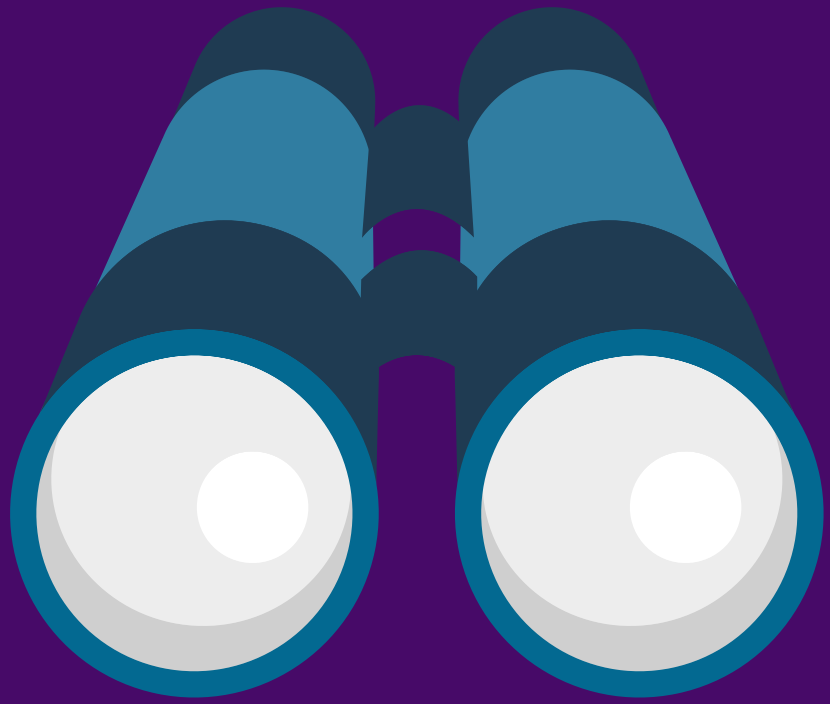
We apply the "Nadere voorschriften accountantskantoren ter zake van assurance opdrachten (NVAK-ass)" (regulations for professional accountants practices on assurance engagements) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Rijswijk, 11 December 2017

For and on behalf of BDO Audit & Assurance B.V.

signed N.W.A. van Nuland RA

Appendices



About this report

Report boundary

This report covers KPMG N.V. and its subsidiaries. Meijburg & Co is a separate KPMG member firm and therefore not included in this report, except where specifically stated or required. Material topics relate to KPMG N.V. (Audit and Advisory) as a whole unless stated otherwise.

Materiality assessment

In accordance with GRI G4 reporting guidelines we drafted a materiality matrix expressing relative importance of topics considering both internal (strategy) and external (stakeholder) factors. In addition, GRI's comprehensive reporting framework was used to ensure all related aspects are accounted for.

A topic is identified as a reportable (material) issue depending on impact on stakeholder expectations and business performance. The Board of Management classifies topics into the following four categories:

Category	Explanation
Integrate	Issues within this category are considered to be of such importance that inclusion is necessary in either the core strategy or Board level focus. These material issues are reported in the main sections of the Report.
Manage	Issues in this category are important for the value creation of KPMG. These issues require functional leadership attention and are reported in either the main body of the report or in the appendices depending on relations with core issues.
Monitor	Issues in this category might influence business performance, but are not considered as requiring specific Board or leadership attention. These issues are ordinarily only reported in the appendices of the Report.
Accept	This category relates to all other issues that could potentially impact business performance, but that are not considered to be directly applicable to our business or that are deemed immaterial. These issues are not reported on.

Table 19. Impact assessment response

Materiality matrix

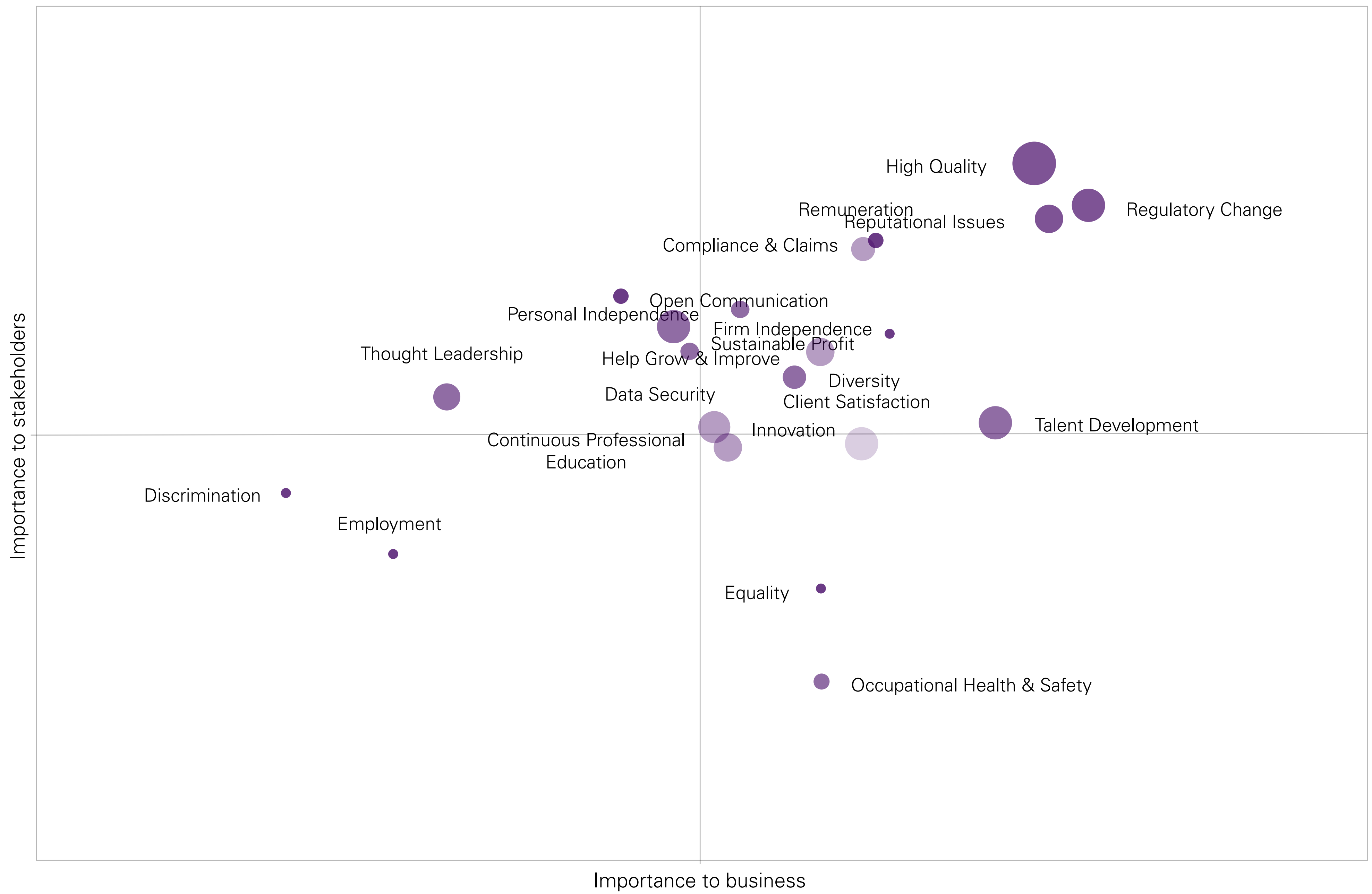


Figure 23. Materiality matrix

Topics included in this report

The following table provides the reader with a reference guide for material topics as per the aforementioned materiality assessment and the relevant section in this report.

Supply chain

We believe the nature of providing auditing services dictates we are (part of) our own supply chain (primary supply chain). Independence and ensuring our service delivery is not significantly dependent on particular suppliers or subcontractors is crucial. We do directly impact clients and other stakeholders due to the very essence of our services, which is to provide assurance and support change for enhanced decision making. This report only details issues and results that pertain to our firm and its group companies.

We are part of other entities' supply chains (secondary supply chain) in our capacity as end- users for products and services, such as IT, lease cars and energy. We exercise our influence to the extent possible to motivate and move suppliers to deliver products and services that are aligned with our purpose, corporate values and strategy. KPMG International is a member of UN Global Compact and through them we are committed ourselves to the 10 principles. We have implemented a Supplier Code of Conduct.

Nr.	Material Topic	Chapter reference
1	Compliance & Claims	The public trusts us
2	Continuous education	Our people are extraordinary
3	Data security	Governance and compliance
4	Diversity, equality and discrimination	Our people are extraordinary
5	Healthy employment	Our people are extraordinary
6	Help grow and improve	Our clients see a difference in us
7	High Quality	The public trusts us
8	Innovation	Our clients see a difference in us
9	Open communication	The public trusts us
10	Personal and firm independence	The public trusts us
11	Regulatory Change	The public trusts us
12	Remuneration	Remuneration Report
13	Reputational Issues	Operational excellence enables us
14	Sustainable profit	Operational excellence enables us
16	Talent development	Our people are extraordinary
17	Thought Leadership	The public trusts us

Table 20. Material topics

Comparability of information

In a limited number of cases minor adjustments were made to indicators for comparability purposes. These have been earmarked in footnotes. Adjustments generally result from improved availability of information or refinements to definitions.

External assurance BDO provides limited assurance on selected key indicators, namely: Quality Performance Reviews; Client Satisfaction and Net Promoter Score, Employee Engagement and CO_2 emissions.

General information

KPMG is the registered trademark of KPMG International and is the name by which the member firms of KPMG International are commonly known. KPMG N.V. (also: the firm) delivers cross-border Audit and Advisory services to help its national and international clients negotiate risks and thrive in the varied environments in which they do business. Tax services are delivered by KPMG Meijburg & Co, which has a separate member firm agreement with KPMG International.

KPMG has its registered office at Laan van Langerhuize 1-11, 1186 DS Amstelveen, the Netherlands and operates out of 11 satellite offices throughout the Netherlands. The firm's consolidated financial statements for the year include the financial statements of the firm and its subsidiaries and the firm's investments in associates.

The firm's financial year for this report runs from 1 October 2016 to 30 September 2017.

Strategic pillars and KPIs

The public trusts us

Performance target	Key indicators	FY2016/17	FY2015/16
Strong external perception of our reputation	Media coverage	-6%	-6%
Dependable consistent high levels of quality	Internal quality inspections	Audit 66% Advisory 75%	Audit 77% Advisory 72%
	Partner involvement on legal audits	8%	9%
	Consultation with specialists	1,182	1,151
Robust risk management & independence	Audit fees vs advisory fees	1: 0.26	1: 0.22
	Independence compliance	16	15
	General compliance	64	93
We demonstrate social responsibility	Volunteering hours	2,169 hours	2,218 hours
	Cash contribution and donations	EUR 775,361	EUR 721,464

Table 21. Public trust key performance indicators

Our people are extraordinary

Performance target	Key indicators	FY2016/17	FY2015/16
Our partners lead by example	Employee surveys	60%	60%
Consistently high levels of engagement and performance	Employee surveys	58%	58%
	Training investment	EUR 11.7 million	EUR 11.2 million
	Performance management (employee engagement index)	66%	64%
Diversity in our workforce	Male/female ratio*	65.9% - 34.1%	66.4% - 33.6%

** Total number of employees excluding contractors, interns and KPMG International*

Table 22. People key performance indicators

KPMG

Strategic pillars and KPIs

Our clients see a difference in us

Performance target	Key indicators	FY2016/17	FY2015/16
Top brands want to work with KPMG	Market share	25%	23%
Leading multidisciplinary solutions to address our clients' issues	Multidisciplinary offerings	76%	68%
Clients are promoting KPMG, its clients and its solutions	Net promoter score	43%	41%
	Client satisfaction scores	91%	90%

Table 23. Clients key performance indicators

Operational excellence enable us

Performance target	Key indicators	FY2015/16	FY2015/16
KPMG continuously renews and improves itself to pass on a stronger and better organisation to the next generation	Solvency ratio	38.1%	30.1%
	Funding by Coöperatie KPMG U.A.	EUR 73.8 million	EUR 70.8 million
	Revenue	EUR 458 million	EUR 453 million
	Profit before income tax	EUR 58 million	EUR 67 million

Table 24. Operational excellence key performance indicators

Public interest entity audit clients

The following list represents public interest clients as at 30 September 2017 for which KPMG partners have either signed an audit opinion on behalf of KPMG Accountants N.V. or commenced work on the legal audit (in accordance with the Wta: '*organisaties van openbaar belang*').

Accell Group N.V.

Access Finance B.V.

Algemene Friese Onderlinge Schadeverzekeringsmaatschappij

AMG Advanced Metallurgical Group N.V.

AnderZorg N.V.

Andorra Capital Agrícol Reig B.V.

Ansvar Verzekeringsmaatschappij N.V.

Anthos Bank B.V.

Arcona Property Fund N.V.

Ares European CLO III B.V.

ASM International N.V.

ASML Holding N.V.

Asset Repackaging Trust Five B.V.

Asset Repackaging Trust SIX B.V.

AT Securities B.V.

ATF Netherlands B.V.

Bank Mendes Gans N.V.

Bank ten Cate & Cie N.V.

BASF Finance Europe N.V.

Batenburg Techniek N.V.

BBVA Global Markets B.V.

Bumper 6 (NL) Finance B.V.

Bumper 9 (NL) Finance B.V.

Bunq B.V.

Cadogan Square CLO B.V.

Cadogan Square CLO II B.V.

Cadogan Square CLO III B.V.

Cadogan Square CLO IV B.V.

Cadogan Square CLO V B.V.

Cairn CLO II B.V.

Cairn CLO III B.V.

Cetin Finance B.V.

Chapei 2007 B.V.

Chapel 2003-1 B.V.

Colonnade Securities B.V.

Compass Group International B.V.

Corbion N.V.

Core Laboratories N.V.

Corsair (Netherlands) B.V.

Credit Europe Bank N.V.

Daimler International Finance B.V.

DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V.

DECO 14 - Pan Europe 5 B.V.

Delta Lloyd Zorgverzekering N.V.

Dryden 32 Euro CLO 2014 B.V.

Dryden 39 Euro CLO 2015 B.V.

Dryden 44 Euro CLO 2015 B.V.

Dryden 46 Euro CLO 2016 B.V.

Dryden 48 Euro CLO 2016 B.V.

Duchess VI CLO B.V.

Duchess VII CLO B.V.

EBN Finance Company B.V.

EDP Finance B.V.

Eolo Investments B.V.

EQUATE Petrochemical B.V.

Eurocommercial Properties N.V.

EXMAR Netherlands B.V.

ForFarmers N.V.

Fornax (Eclipse 2006-2) B.V.

GarantiBank International N.V.

Gemalto N.V.

Goudse Levensverzekeringen N.V.

Goudse Schadeverzekeringen N.V.

Green Lion I B.V.

Green Park CDO B.V.

Groothandelsgebouwen N.V.

HIGHWAY 2015-I B.V.

Home Credit B.V.

Hyde Park CDO B.V.

Hypenn RMBS I B.V.

Hypenn RMBS II B.V.

Hypenn RMBS III B.V.

Hypenn RMBS IV B.V.

Hypenn RMBS V B.V.

Hypenn RMBS VI B.V.

ING Bank N.V.

ING Groenbank N.V.

ING Groep N.V.

Intertrust N.V.

Intreas N.V.

Jubii Europe N.V.

Jubilee CDO I-R B.V.

Jubilee CDO IV B.V.

Jubilee CDO V B.V.

Jubilee CDO VI B.V.

Jubilee CDO VII B.V.

Jubilee CDO VIII B.V.

Jubilee CLO 2014-XII B.V.

Jubilee CLO 2014-XIV B.V.

Jubilee CLO 2015- XV B.V.

Jubilee CLO 2015-XVI B.V.

Jubilee CLO 2016-XVII B.V.

Kiadis Pharma N.V.

Koninklijke DSM N.V.

LeasePlan Corporation N.V.

Linde Finance B.V.

Loyalis Leven N.V.

Loyalis Schade N.V.

LSP Life Sciences Fund N.V.

LUKOIL International Finance B.V.

Malin CLO B.V.

Menzis N.V.

Menzis Zorgverzekeraar N.V.

Monastery 2004-I B.V.

Monastery 2006-I B.V.

Movir N.V.

N.V. Levensverzekering-Maatschappij "De Hoop"

N.V. Luchthaven Schiphol

N.V. Nationale Borg-Maatschappij

Nationale-Nederlanden Bank N.V.

Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Nationale-Nederlanden Schadeverzekering Maatschappij N.V.

Neways Electronics International 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.

OCI N.V.

OHRA Ziektekostenverzekeringen N.V.

OHRA Zorgverzekeringen N.V.

Onderlinge Levensverzekering Maatschappij 's Gravenhage U.A.

Onderlinge Verzekering Maatschappij Donatus U.A.

Onderlinge Verzekering Maatschappij Univé Hollands Noorden U.A.

Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep,

Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep, Aanvullende

Onderlinge Waarborgmaatschappij SAZAS U.A.

Onderlinge Waarborgmaatschappij voor Instellingen in de Gezondheidszorg MediRisk B.A.

Orange Lion 2011-6 RMBS B.V.

Orange Lion 2013-10 RMBS B.V.

Orange Lion 2013-8 RMBS B.V.

Orange Lion 2013-9 RMBS B.V.

Orange Lion 2015-11 RMBS B.V.

Orange Lion VII RMBS B.V.

Orange Lion XII RMBS B.V.

Orange Lion XIII RMBS B.V.

Orange Lion XIV RMBS B.V.

Orange Lion XV RMBS B.V.

Pangaea ABS 2007-1 B.V.

Qiagen N.V.

Redexis Gas Finance B.V.

Regent's Park CDO B.V.

Robeco Afrika Fonds N.V.

Robeco Customized US Large Cap Equities N.V.

Robeco Hollands Bezit N.V.

Robeco N.V.

Robeco Umbrella Fund I N.V.

Robeco US Conservative High Dividend Equities N.V.

Robein Leven N.V.

Roche Finance Europe B.V.

Rockall CLO B.V.

Rolinco N.V.

Rothschilds Continuation Finance B.V.

SME Lion II B.V.

SPP Infrastructure Financing B.V.

Syngenta Finance N.V.

ThinkCapital ETF''s N.V.

TVM Verzekeringen N.V.

Unilever Insurances N.V.

Unilever N.V.

Univé Dichtbij Brandverzekeraar N.V.

Univé Oost Brandverzekeraar N.V.

Univé Regio+ Brandverzekering N.V.

Veherex Schade N.V.

VVAA Levensverzekeringen N.V.

VVAA Schadeverzekeringen N.V.

Wereldhave N.V.

Wood Street CLO 1 B.V.

Wood Street CLO II B.V.

Wood Street CLO III B.V.

Wood Street CLO IV B.V.

Wood Street CLO V B.V.

Wood Street CLO VI B.V.

Yarden Uitvaartverzekeringen N.V.

NBA audit quality indicators

Nr	Indicator	Page
1	Partner and manager involvement	52
2	Chargeable hours	52
3	Investments in development of new audit technologies and tools	112
4	Training hours per audit professional	44
5	Retention of professionals on audit engagements	40
6	Survey results related to coaching and audit quality	25
7	Technical support resources	119
8	Number of technical consultations	120
9	Number of EQCRs carried out	123
10	Numbers of hours spent on EQCR and/or related activities	123
11	Hours spent by IT and other specialists	52
12	Results from internal and external inspections	26-30
13	Independence violations	29
14	Number of restatements	FY16/17: 32 (FY15/16: 6)

GRI disclosure table

	Disclosure	Further explanation	Page	Reference
		Strategy and Analysis		
G4-1	Statement from the most senior decision-maker about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Strategic priorities and key topics for the short and medium term with regard to sustainability, including respect for internationally recognised standards and how such standards relate to long term organisational strategy and success.	13-18	Audit Firm Code (AFC) 1.1
		Broader trends (such as macroeconomic or political) affecting the organisation and influencing sustainability priorities.	12, 13, 17	
		Key events, achievements, and failures during the reporting period.	21-71	
		Views on performance with respect to targets.	21-71	
		Outlook on the organisation's main challenges and targets for the next year and goals for the coming 3-5 years.	21-71	
		Other items pertaining to the organisation's strategic approach	13-18	
G4-2	**SECTION ONE** should focus on the organisation's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally recognised standards. This should take into account the range of reasonable expectations and interests of the organisation's stakeholders. This section should include:	**Section 1:** description of significant economic, environmental and social impacts of the organisation, and associated challenges and opportunities. This includes the effect on stakeholders' rights as defined by national laws and the expectations in internationally recognised standards and norms.	21-71	
		Section 1: an explanation of the approach to prioritising these challenges and opportunities.	12-18	
		Section 1: key conclusions about progress in addressing these topics and related performance in the reporting period. This includes an assessment of reasons for underperformance or over-performance. A description of the main processes in place to address performance and relevant changes.	21-71	

	Disclosure	Further explanation	Page	Reference
	SECTION TWO should focus on the impact of sustainability trends, risks, and opportunities on the long- term prospects and financial performance of the organisation. This should concentrate specifically on information relevant to financial stakeholders or that could become so in the future.	**Section 2:** description of the most important risks and opportunities for the organisation arising from sustainability trends.	96-105	AFC 1.5
		Section 2: Prioritisation of key sustainability topics as risks and opportunities according to their relevance for long-term organisational strategy, competitive position, qualitative, and (if possible) quantitative financial value drivers.	96-105	
		Section 2: Table(s) summarising: - Targets, performance against targets, and lessons learned for the current reporting period - Targets for the next reporting period and medium term objectives and goals (that is, 3-5 years) related to key risks and opportunities.	201-202	
		Section 2: concise description of governance mechanisms in place specifically to manage these risks and opportunities, and identification of other related risks and opportunities.	92-96	
		Organisational Profile		
G4-3		Report the name of the organisation**.**	Cover	
G4-4		Report the primary brands, products, and services	56	
G4-5		Report the location of the organisation's headquarters.	200	
G4-6		Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	200	
G4-7		Report the nature of ownership and legal form.	92	
G4-8		Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	53-64	
G4-9		Report the scale of the organisation, including: a. Total number of employees b. Total number of operations c. Net sales (for private sector organisations) or net revenues (for public sector organisations) d. Total capitalisation broken down in terms of debt and equity (for - Quantity of products or services provided	6	

	Disclosure	Further explanation	Page	Reference
G4-10		a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organisation’s work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	6, 40	Break-down con-sidered not to be material for detailed disclosure
G4-11		Report the percentage of total employees covered by collective bargaining agreements.		0%
G4-12		Describe the organisation’s supply chain.	199	
G4-13		Report any significant changes during the reporting period regarding the organisation’s size, structure, ownership, or its supply chain, including: - Changes in the location of, or changes in, operations, including facility openings, closings, and expansions - Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations) - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	92	
G4-14		Report whether and how the precautionary approach or principle is addressed by the organisation.	197	
G4-15		List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	71	
G4-16		List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic	19, 31-38, 71	
		Identified Material Aspects and Boundaries		
G4-17		a. List all entities included in the organisation's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report. The organisation can report on this Standard Disclosure by referencing the information in publicly available consolidated financial statements or equivalent documents.	173	

	Disclosure	Further explanation	Page	Reference
G4-18		a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	197-202	
G4-19		List all the material Aspects identified in the process for defining report content.	197-202	
G4-20		For each material Aspect, report the Aspect Boundary within the organisation, as follows: - Report whether the Aspect is material within the organisation - If the Aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the Aspect is not material or - The list of entities or groups of entities included in G4-17 for which the Aspects is material Report any specific limitation regarding the Aspect Boundary within the organisation.	197-202	
G4-21		For each material Aspect, report the Aspect Boundary outside the organisation, as follows: - Report whether the Aspect is material outside of the organisation - If the Aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified - Report any specific limitation regarding the Aspect Boundary outside the organisation	197-202	
G4-22		Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	200	
G4-23		Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	200	No material changes
		Stakeholder Engagement		
G4-24		Provide a list of stakeholder groups engaged by the organisation.	19-20	
G4-25		Report the basis for identification and selection of stakeholders with whom to engage.	19-20	
G4-26		Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	19-20	
G4-27		Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	19-20	

	Disclosure	Further explanation	Page	Reference
		Report Profile		
G4-28		Reporting period (such as fiscal or calendar year) for information provided.	Cover	Fiscal year
G4-29		Date of most recent previous report (if any).	20-12-2017	This report
G4-30		Reporting cycle (such as annual, biennial).		Annual
G4-31		Provide the contact point for questions regarding the report or its contents.		info@kpmg.nl
G4-32		Report the 'in accordance' option the organisation has chosen. Report the GRI Content Index for the chosen option (see tables below).		Compre-hensive
G4-33		a. Report the organisation's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organisation and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	200	
		Governance		
G4-34		Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	72-96	AFC 0.3 AFC 2.1 AFC 2.2 AFC 2.3
G4-35		Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	72-96	
G4-36		Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	72-96	
G4-37		Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	72-96	

	Disclosure	Further explanation	Page	Reference
G4-38		Report the composition of the highest governance body and its committees by: - Executive or non-executive - Independence - Tenure on the governance body - Number of each individual's other significant positions and commitments, and the nature of the commitments - Gender - Membership of under-represented social groups - Competences relating to economic, environmental and social impacts - Stakeholder representation	82	
G4-39		Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement).		Not applicable
G4-40		Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: - Whether and how diversity is considered - Whether and how independence is considered - Whether and how expertise and experience relating to economic, environmental and social topics are considered - Whether and how stakeholders (including shareholders) are involved	92	
G4-41		Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum: - Cross-board membership - Cross-shareholding with suppliers and other stakeholders - Existence of controlling shareholder - Related party disclosures	72-87	AFC 2.1 AFC 2.2 AFC 2.3
G4-42		Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	72-87	
G4-43		Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	72-87	

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	Disclosure	Further explanation	Page	Reference
G4-44		Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	72-87	AFC 1.2 AFC 2.4 AFC 3.2
G4-45		Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body’s identification and management of economic, environmental and social impacts, risks, and opportunities.	72-87	AFC 2.3 AFC 2.4 AFC 2.5 AFC 3.2
G4-46		Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	72-87	
G4-47		Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	72-87	
G4-48		Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered.	72-87	
G4-49		Report the process for communicating critical concerns to the highest governance body.	72-87	
G4-50		Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.		Not disclosed

	Disclosure	Further explanation	Page	Reference
G4-51		a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: › Fixed pay and variable pay: › Performance-based pay › Equity-based pay - Bonuses - Deferred or vested shares › Sign-on bonuses or recruitment incentive payments › Termination payments › Clawbacks › Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	88-91	
G4-52		Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation.	88-91	
G4-53		Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	88-91	
G4-54		Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.		The ratio between junior trainee and non-equity partner is approximately 7:1
G4-55		Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country		Not disclosed

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	Disclosure	Further explanation	Page	Reference
		Ethics and Integrity		
G4-56		Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	15	AFC 0.1 AFC 0.2
G4-57		Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity, such as helplines or advice lines.	106-126	
G4-58		Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	106-126	
		Disclosures on Management Approachby		
G4-DMA		a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organisation manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: - The mechanisms for evaluating the effectiveness of the management approach - The results of the evaluation of the management approach - Any related adjustments to the management approach	197-202	AFC 1.4 AFC 1.6
		Category Economic		
		Economic Performance		
G4-EC1		a. Report the direct economic value generated and distributed (EVG&D) on an accruals basis including the basic components for the organisation’s global operations as listed below. If data is presented on a cash basis, report the justification for this decision and report the basic components as listed below: › Direct economic value generated: › Revenues › Economic value distributed: › Operating costs › Employee wages and benefits › Payments to providers of capital › Payments to government (by country) › Community investments › Economic value retained (calculated as ‘Direct economic value generated’ less ‘Economic value distributed’) b. To better assess local economic impacts, report EVG&D separately at country, regional, or market levels, where significant. Report the criteria used for defining significance.	65-71	AFC 3.1

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	Disclosure	Further explanation	Page	Reference
G4-EC2		Report risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue or expenditure, including: - A description of the risk or opportunity and its classification as either physical, regulatory, or other - A description of the impact associated with the risk or opportunity - The financial implications of the risk or opportunity before action is taken - The methods used to manage the risk or opportunity - The costs of actions taken to manage the risk or opportunity	65-71	
G4-EC3		a. Where the plan's liabilities are met by the organisation's general resources, report the estimated value of those liabilities. b. Where a separate fund exists to pay the plan's pension liabilities, report: - The extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them - The basis on which that estimate has been arrived at - When that estimate was made c. Where a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Report the percentage of salary contributed by employee or employer. e. Report the level of participation in retirement plans (such as participation in mandatory or voluntary schemes, regional or country-based schemes, or those with financial impact).	142, 143	Note 6 to the financial statements
G4-EC4		f. Report the total monetary value of financial assistance received by the organisation from governments during the reporting period, including, as a minimum: - Tax relief and tax credits - Subsidies - Investment grants, research and development grants, and other relevant types of grants - Awards - Royalty holidays - Financial assistance from Export Credit Agencies (ECAs) - Financial incentives - Other financial benefits received or receivable from any government for any operation g. Report the information above by country. h. Report whether, and the extent to which, the government is present in the shareholding structure.		No assistance received

	Disclosure	Further explanation	Page	Reference
		Market Presence		
G4-EC5		a. When a significant proportion of the workforce is compensated based on wages subject to minimum wage rules, report the ratio of the entry level wage by gender at significant locations of operation to the minimum wage. b. Report whether a local minimum wage is absent or variable at significant locations of operation, by gender. In circumstances in which different minimums could be used as a reference, report which minimum wage is being used. c. Report the definition used for 'significant locations of operation'.		Not applicable
G4-EC6		a. Report the percentage of senior management at significant locations of operation that are hired from the local community. b. Report the definition of 'senior management' used. c. Report the organisation's geographical definition of 'local'. d. Report the definition used for 'significant locations of operation'.		Not applicable
		Category Environmental		
		Materials		
G4-EN1	MATERIALS USED BY WEIGHT OR VOLUME	Report the total weight or volume of materials that are used to produce and package the organisation's primary products and services during the reporting period, by: - Non-renewable materials used - Renewable materials used		Not applicable
G4-EN2	PERCENTAGE OF MATERIALS USED THAT ARE RECYCLED INPUT MATERIALS	Report the percentage of recycled input materials used to manufacture the organisation's primary products and services.		Not applicable
		Energy		
G4-EN3	ENERGY CONSUMPTION WITHIN THE ORGANISATION	e. Report total fuel consumption from non-renewable sources in joules or multiples, including fuel types used. f. Report total fuel consumption from renewable fuel sources in joules or multiples, including fuel types used. g. Report in joules, watt-hours or multiples, the total: - Electricity consumption - Heating consumption - Cooling consumption - Steam consumption h. Report in joules, watt-hours or multiples, the total: - Electricity sold - Heating sold - Cooling sold - Steam sold i. Report total energy consumption in joules or multiples. j. Report standards, methodologies, and assumptions used. k. Report the source of the conversion factors used.	69-70	

	Disclosure	Further explanation	Page	Reference
G4-EN4	ENERGY CONSUMPTION OUTSIDE OF THE ORGANISATION	a. Report energy consumed outside of the organisation, in joules or multiples. b. Report standards, methodologies, and assumptions used. c. Report the source of the conversion factors used		Not applicable
G4-EN5	ENERGY INTENSITY	a. Report the energy intensity ratio. b. Report the organisation-specific metric (the ratio denominator) chosen to calculate the ratio. c. Report the types of energy included in the intensity ratio: fuel, electricity, heating, cooling, steam, or all. d. Report whether the ratio uses energy consumed within the organisation, outside of it or both.		Not material
G4-EN6	REDUCTION OF ENERGY CONSUMPTION	a. Report the amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples. b. Report the types of energy included in the reductions: fuel, electricity, heating, cooling, and steam. c. Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it. d. Report standards, methodologies, and assumptions used.	69-70	
G4-EN7	REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES	a. Report the reductions in the energy requirements of sold products and services achieved during the reporting period, in joules or multiples. b. Report the basis for calculating reductions in energy consumption such as base year or baseline, and the rationale for choosing it. c. Report standards, methodologies, and assumptions used.		Not applicable
		Water		
G4-EN8	TOTAL WATER WITHDRAWAL BY SOURCE	a. Report the total volume of water withdrawn from the following sources: - Surface water, including water from wetlands, rivers, lakes, and oceans - Ground water - Rainwater collected directly and stored by the organisation - Waste water from another organisation - Municipal water supplies or other water utilities b. Report standards, methodologies, and assumptions used.	69-70	
G4-EN9	WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER	a. Report the total number of water sources significantly affected by withdrawal by type: - Size of water source - Whether or not the source is designated as a protected area (nationally or internationally) - Biodiversity value (such as species diversity and endemism, total number of protected species) - Value or importance of water source to local communities and indigenous peoples b. Report standards, methodologies, and assumptions used.		Not applicable

	Disclosure	Further explanation	Page	Reference
G4-EN10	PERCENTAGE AND TOTAL VOLUME OF WATER RECYCLED AND REUSED	a. Report the total volume of water recycled and reused by the organisation. b. Report the total volume of water recycled and reused as a percentage of the total water withdrawal reported under Indicator G4-EN8. c. Report standards, methodologies, and assumptions used.		Not applicable
		Emissions		
G4-EN15	DIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 1)	a. Report gross direct (Scope 1) GHG emissions in metric tons of CO_2 equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b. Report gases included in the calculation (whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all). c. Report biogenic CO_2 emissions in metric tons of CO_2 equivalent separately from the gross direct (Scope 1) GHG emissions. d. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions. e. Report standards, methodologies, and assumptions used. f. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source. g. Report the chosen consolidation approach for emissions (equity share, financial control, operational control).	69-70	
G4-EN16	ENERGY INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 2)	a. Report gross energy indirect (Scope 2) GHG emissions in metric tons of CO_2 equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b. Report gases included in the calculation, if available. c. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions. d. Report standards, methodologies, and assumptions used. e. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source, if available. f. Report the chosen consolidation approach for emissions (equity share, financial control, operational control).	69-70	

	Disclosure	Further explanation	Page	Reference
G4-EN17	OTHER INDIRECT GREENHOUSE GAS (GHG) EMISSIONS (SCOPE 3)	a. Report gross other indirect (Scope 3) GHG emissions in metric tons of CO_2 equivalent, excluding indirect emissions from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organisation (these indirect emissions are reported in Indicator G4-EN16). Exclude any GHG trades, such as purchases, sales, or transfers of offsets or allowances. b. Report gases included in the calculation, if available. c. Report biogenic CO_2 emissions in metric tons of CO_2 equivalent separately from the gross other indirect (Scope 3) GHG emissions. d. Report other indirect (Scope 3) emissions categories and activities included in the calculation. e. Report the chosen base year, the rationale for choosing the base year, emissions in the base year, and the context for any significant changes in emissions that triggered recalculations of base year emissions. f. Report standards, methodologies, and assumptions used. g. Report the source of the emission factors used and the global warming potential (GWP) rates used or a reference to the GWP source, if available.	97, 99	
G4-EN18	GREENHOUSE GAS (GHG) EMISSIONS INTENSITY	h. Report the GHG emissions intensity ratio. i. Report the organisation-specific metric (the ratio denominator) chosen to calculate the ratio. j. Report the types of GHG emissions included in the intensity ratio: direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3). k. Report gases included in the calculation		Not applicable
G4-EN19	REDUCTION OF GREENHOUSE GAS (GHG) EMISSIONS	a. Report the amount of GHG emissions reductions achieved as a direct result of initiatives to reduce emissions, in metric tons of CO_2 equivalent. b. Report gases included in the calculation (whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all). c. Report the chosen base year or baseline and the rationale for choosing it. d. Report standards, methodologies, and assumptions used. e. Report whether the reductions in GHG emissions occurred in direct (Scope 1), energy indirect (Scope 2), other indirect (Scope 3) emissions.	97, 99	
G4-EN20	EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS)	a. Report production, imports, and exports of ODS in metric tons of CFC-11 equivalent. b. Report substances included in the calculation. c. Report standards, methodologies, and assumptions used. d. Report the source of the emission factors used.		Not applicable

	Disclosure	Further explanation	Page	Reference
G4-EN21	NOX, SOX, AND OTHER SIGNIFICANT AIR EMISSIONS	a. Report the amount of significant air emissions, in kilograms or multiples for each of the following: - NOX - SOX - Persistent organic pollutants (POP) - Volatile organic compounds (VOC) - Hazardous air pollutants (HAP) - Particulate matter (PM) - Other standard categories of air emissions identified in relevant regulations b. Report standards, methodologies, and assumptions used. c. Report the source of the emission factors used.		Not applicable
G4-EN22	TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION	a. Report the total volume of planned and unplanned water discharges by: - Destination - Quality of the water including treatment method - Whether it was reused by another organisation b. Report standards, methodologies, and assumptions used.		Not applicable
G4-EN23	TOTAL WEIGHT OF WASTE BY TYPE AND DISPOSAL METHOD	a. Report the total weight of hazardous and non-hazardous waste, by the following disposal methods: - Reuse - Recycling - Composting - Recovery, including energy recovery - Incineration (mass burn) - Deep well injection - Landfill - On-site storage - Other (to be specified by the organisation) b. Report how the waste disposal method has been determined: - Disposed of directly by the organisation or otherwise directly confirmed - Information provided by the waste disposal contractor - Organisational defaults of the waste disposal contractor		Not reported by type as this is considered to be not material for further disclosure

	Disclosure	Further explanation	Page	Reference
G4-EN24	TOTAL NUMBER AND VOLUME OF SIGNIFICANT SPILLS	a. Report the total number and total volume of recorded significant spills. b. For spills that were reported in the organisation's financial statements, report the additional following c. information for each such spill: - Location of spill - Volume of spill - Material of spill, categorised by: - Oil spills (soil or water surfaces) - Fuel spills (soil or water surfaces) - Spills of wastes (soil or water surfaces) - Spills of chemicals (mostly soil or water surfaces) - Other (to be specified by the organisation) d. Report the impacts of significant spills.		Not applicable
		Effluents and Waste		
G4-EN25	WEIGHT OF TRANSPORTED, IMPORTED, EXPORTED, OR TREATED WASTE DEEMED HAZARDOUS UNDER THE TERMS OF THE BASEL CONVENTION2 ANNEX I, II, III, AND VIII, AND PERCENTAGE OF TRANSPORTED WASTE SHIPPED INTERNATIONALLY	a. Report the total weight for each of the following: - Hazardous waste transported - Hazardous waste imported - Hazardous waste exported - Hazardous waste treated b. Report the percentage of hazardous waste shipped internationally.		Not applicable to our professional service firm
G4-EN26	IDENTITY, SIZE, PROTECTED STATUS, AND BIODIVERSITY VALUE OF WATER BODIES AND RELATED HABITATS SIGNIFICANTLY AFFECTED BY THE ORGANISATION'S DISCHARGES OF WATER AND RUNOFF	Report water bodies and related habitats that are significantly affected by water discharges based on the criteria described in the Compilation section below, adding information on: - Size of water body and related habitat - Whether the water body and related habitat is designated as a protected area (nationally or internationally) - Biodiversity value (such as total number of protected species)		Not applicable
		Products and Services		
G4-EN27	EXTENT OF IMPACT MITIGATION OF ENVIRONMENTAL IMPACTS OF PRODUCTS AND SERVICES	a. Report quantitatively the extent to which environmental impacts of products and services have been mitigated during the reporting period. b. If use-oriented figures are employed, report the underlying assumptions regarding consumption patterns or normalisation factors.		Not applicable

	Disclosure	Further explanation	Page	Reference
G4-EN28	PERCENTAGE OF PRODUCTS SOLD AND THEIR PACKAGING MATERIALS THAT ARE RECLAIMED BY CATEGORY	Report the percentage of reclaimed products and their packaging materials for each product category. b. Report how the data for this Indicator has been collected.		Not applicable
		Compliance		
G4-EN29	MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS	a. Report significant fines and non-monetary sanctions in terms of: - Total monetary value of significant fines - Total number of non-monetary sanctions - Cases brought through dispute resolution mechanisms b. Where organisations have not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.		No material fines
		Transport		
G4-EN30	SIGNIFICANT ENVIRONMENTAL IMPACTS OF TRANSPORTING PRODUCTS AND OTHER GOODS AND MATERIALS FOR THE ORGANISATION'S OPERATIONS, AND TRANSPORTING MEMBERS OF THE WORKFORCE	a. Report the significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce. Where quantitative data is not provided, report the reason. b. Report how the environmental impacts of transporting products, members of the organisation's workforce, and other goods and materials are mitigated. c. Report the criteria and methodology used to determine which environmental impacts are significant.		Not applicable
		Overall		
G4-EN31	TOTAL ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS BY TYPE	d. Report total environmental protection expenditures by: - Waste disposal, emissions treatment, and remediation costs - Prevention and environmental management costs		Not applicable
		Environmental Grievance Mechanisms		
G4-EN34	NUMBER OF GRIEVANCES ABOUT ENVIRONMENTAL IMPACTS FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	a. Report the total number of grievances about environmental impacts filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: - Addressed during the reporting period - Resolved during the reporting period c. Report the total number of grievances about environmental impacts filed prior to the reporting period that were resolved during the reporting period.		Not applicable

	Disclosure	Further explanation	Page	Reference
		Category Social		
		Labor Pratices and Decent Work		
		Employment		
G4-LA1	TOTAL NUMBER AND RATES OF NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY AGE GROUP, GENDER AND REGION	a. Report the total number and rate of new employee hires during the reporting period, by age group, gender and region. b. Report the total number and rate of employee turnover during the reporting period, by age group, gender and region.	40	Not all elements are considered material for reporting purposes
G4-LA2	BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART- TIME EMPLOYEES, BY SIGNIFICANT LOCATIONS OF OPERATION	a. Report the benefits which are standard for full-time employees of the organisation but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum: - Life insurance - Health care - Disability and invalidity coverage - Parental leave - Retirement provision - Stock ownership - Others b. Report the definition used for 'significant locations of operation'.		0%. Type of benefits are equal to all employees
G4-LA3	RETURN TO WORK AND RETENTION RATES AFTER PARENTAL LEAVE, BY GENDER	a. Report the total number of employees that were entitled to parental leave, by gender. Report the total number of employees that took parental leave, by gender. b. Report the total number of employees who returned to work after parental leave ended, by gender. c. Report the total number of employees who returned to work after parental leave ended who were still employed twelve months after their return to work, by gender. e. Report the return to work and retention rates of employees who took parental leave, by gender.		Not material

	Disclosure	Further explanation	Page	Reference
		Labor/Management Relations		
G4-LA4	MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES, INCLUDING WHETHER THESE ARE SPECIFIED IN COLLECTIVE AGREEMENTS	a. Report the minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them. b. For organisations with collective bargaining agreements, report whether the notice period and provisions for consultation and negotiation are specified in collective agreements.		Termination by KPMG: <5 yr: 1 month; 5-10 yr: 2 months; 10-15 yr: 3 months; >15 yr: 4 months. Exceptions may apply. Termination by employees: 1-3 months depending on functional level
		Training and Education		
G4-LA9	AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER, AND BY EMPLOYEE CATEGORY	Report the average hours of training that the organisation's employees have undertaken during the reporting period, by: - Gender - Employee category	44	
G4-LA10	PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING THAT SUPPORT THE CONTINUED EMPLOYABILITY OF EMPLOYEES AND ASSIST THEM IN MANAGING CAREER ENDINGS	a. Report on the type and scope of programmes implemented and assistance provided to upgrade employee skills. b. Report on the transition assistance programmes provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment	44, 114-118	

	Disclosure	Further explanation	Page	Reference
G4-LA11	PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS, BY GENDER AND BY EMPLOYEE CATEGORY	Report the percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period		100%
		Diversity and Equal Opportunity		
G4-LA12	COMPOSITION OF GOVERNANCE BODIES AND BREAKDOWN OF EMPLOYEES PER EMPLOYEE CATEGORY ACCORDING TO GENDER, AGE GROUP, MINORITY GROUP MEMBERSHIP, AND OTHER INDICATORS OF DIVERSITY	a. Report the percentage of individuals within the organisation's governance bodies in each of the following diversity categories: - Gender - Age group: under 30 years old, 30-50 years old, over 50 years old - Minority groups - Other indicators of diversity where relevant b. Report the percentage of employees per employee category in each of the following diversity categories: - Gender - Age group: under 30 years old, 30-50 years old, over 50 years old - Minority groups - Other indicators of diversity where relevant		Not all aspects reported as these are deemed not material for detailed disclosure.
		Equal Remuneration for Women and Men		
G4-LA13	RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY, BY SIGNIFICANT LOCATIONS OF OPERATION	a. Report the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation. b. Report the definition used for 'significant locations of operation'.		85.7% (FY2015/16 81.9%*)
		Labor Pactices Grievance Mechanisms		
G4-LA16	NUMBER OF GRIEVANCES ABOUT LABOR PRACTICES FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	a. Report the total number of grievances about labor practices filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: - Addressed during the reporting period - Resolved during the reporting period c. Report the total number of grievances about labor practices filed prior to the reporting period that were resolved during the reporting period.		Not applicable

* restated for comparison purposes

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	Disclosure	Further explanation	Page	Reference
		Society		
		Local Communities		
G4-SO1	PERCENTAGE OF OPERATIONS WITH IMPLEMENTED LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS, AND DEVELOPMENT PROGRAMMES	Report the percentage of operations with implemented local community engagement, impact assessments, and development programmes, including the use of: - Social impact assessments, including gender impact assessments, based on participatory processes - Environmental impact assessments and ongoing monitoring - Public disclosure of results of environmental and social impact assessments - Local community development programmes based on local communities' needs - Stakeholder engagement plans based on stakeholder mapping - Broad based local community consultation committees and processes that include vulnerable groups - Works councils, occupational health and safety committees and other employee representation bodies to deal with impacts - Formal local community grievance processes		Not applicable
G4-SO2	OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES	Report operations with significant actual and potential negative impacts on local communities, including: - The location of the operations - The significant actual and potential negative impacts of operations		Not applicable
		Anti-Corruption		
G4-SO3	TOTAL NUMBER AND PERCENTAGE OF OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION AND THE SIGNIFICANT RISKS IDENTIFIED	a. Report the total number and percentage of operations assessed for risks related to corruption. b. Report the significant risks related to corruption identified through the risk assessment.		100%

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	Disclosure	Further explanation	Page	Reference
G4-SO4	COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES	a. Report the total number and percentage of governance body members that the organisation's anti- corruption policies and procedures have been communicated to, broken down by region. b. Report the total number and percentage of employees that the organisation's anti-corruption policies and procedures have been communicated to, broken down by employee category and region. c. Report the total number and percentage of business partners that the organisation's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region. d. Report the total number and percentage of governance body members that have received training on anti- corruption, broken down by region. e. Report the total number and percentage of employees that have received training on anti-corruption, broken down by employee category and region.		100%
G4-SO5	CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN	a. Report the total number and nature of confirmed incidents of corruption. b. Report the total number of confirmed incidents in which employees were dismissed or disciplined for corruption. c. Report the total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d. Report public legal cases regarding corruption brought against the organisation or its employees during the reporting period and the outcomes of such cases		Not disclosed
		Public Policy		
G4-SO6	TOTAL VALUE OF POLITICAL CONTRIBUTIONS BY COUNTRY AND RECIPIENT/ BENEFICIARY	a. Report the total monetary value of financial and in-kind political contributions made directly and indirectly by the organisation by country and recipient/beneficiary. b. Report how the monetary value of in-kind contributions was estimated, if applicable.		None made
		Anti-competitive Behaviour		
G4-SO7	TOTAL NUMBER OF LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES AND THEIR OUTCOMES	a. Report the total number of legal actions pending or completed during the reporting period regarding anti- competitive behavior and violations of anti-trust and monopoly legislation in which the organisation has been identified as a participant. b. Report the main outcomes of completed legal actions, including any decisions or judgments.		None

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	Disclosure	Further explanation	Page	Reference
		Compliance		
G4-SO8	MONETARY VALUE OF SIGNIFICANT FINES AND TOTAL NUMBER OF NON-MONETARY SANCTIONS FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS	a. Report significant fines and non-monetary sanctions in terms of: - Total monetary value of significant fines - Total number of non-monetary sanctions - Cases brought through dispute resolution mechanisms b. If the organisation has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient. c. Report the context against which significant fines and non-monetary sanctions were incurred.		None
		Grievance Mechanisms for Impacts on Society		
G4-S11	NUMBER OF GRIEVANCES ABOUT IMPACTS ON SOCIETY FILED, ADDRESSED, AND RESOLVED THROUGH FORMAL GRIEVANCE MECHANISMS	a. Report the total number of grievances about impacts on society filed through formal grievance mechanisms during the reporting period. b. Of the identified grievances, report how many were: - Addressed during the reporting period - Resolved during the reporting period c. Report the total number of grievances about impacts on society filed prior to the reporting period that were resolved during the reporting period.	68	
		Product Responsibility		
		Customer Health and Safety		
G4-PR1	PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES FOR WHICH HEALTH AND SAFETY IMPACTS ARE ASSESSED FOR IMPROVEMENT	Report the percentage of significant product and service categories for which health and safety impacts are assessed for improvement.		Not applicable
G4-PR2	TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES DURING THEIR LIFE CYCLE, BY TYPE OF OUTCOMES	a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: - Incidents of non-compliance with regulations resulting in a fine or penalty - Incidents of non-compliance with regulations resulting in a warning - Incidents of non-compliance with voluntary codes b. If the organisation has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.	22-38 Reported cases of fraud: 1 (1) Wwft notifications: 57 (40) Incidents reported to regulator: 2 (3) Disciplinary cases: 2 (4)	

	Disclosure	Further explanation	Page	Reference
G4-PR3	TYPE OF PRODUCT AND SERVICE INFORMATION REQUIRED BY THE ORGANISATION'S PROCEDURES FOR PRODUCT AND SERVICE INFORMATION AND LABELING, AND PERCENTAGE OF SIGNIFICANT PRODUCT AND SERVICE CATEGORIES SUBJECT TO SUCH INFORMATION REQUIREMENTS	a. Report whether the following product and service information is required by the organisation's procedures for product and service information and labeling: - The sourcing of components of the product or service - Content, particularly with regard to substances that might produce an environmental or social impact - Safe use of the product or service - Disposal of the product and environmental/social impacts - Other (explain) b. Report the percentage of significant product or service categories covered by and assessed for compliance with such procedures.	22-38	
G4-PR4	TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELING, BY TYPE OF OUTCOMES	a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by: - Incidents of non-compliance with regulations resulting in a fine or penalty - Incidents of non-compliance with regulations resulting in a warning - Incidents of non-compliance with voluntary codes b. If the organisation has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.	22-38	
G4-PR5	RESULTS OF SURVEYS MEASURING CUSTOMER SATISFACTION	Report the results or key conclusions of customer satisfaction surveys (based on statistically relevant sample sizes) conducted in the reporting period relating to information about: - The organisation as a whole - A major product or service category - Significant locations of operation	89-90	
		Marketing Communications		
G4-PR6	SALE OF BANNED OR DISPUTED PRODUCTS	c. Report whether the organisation sells products that are: - Banned in certain markets - The subject of stakeholder questions or public debate d. Report how the organisation has responded to questions or concerns regarding these products.		Not applicable

	Disclosure	Further explanation	Page	Reference
G4-PR7	TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS AND VOLUNTARY CODES CONCERNING MARKETING COMMUNICATIONS, INCLUDING ADVERTISING, PROMOTION, AND SPONSORSHIP, BY TYPE OF OUTCOMES	a. Report the total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by: - Incidents of non-compliance with regulations resulting in a fine or penalty - Incidents of non-compliance with regulations resulting in a warning - Incidents of non-compliance with voluntary codes b. If the organisation has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.	29	AFC 3.2
		Customer Privacy		
G4-PR8	TOTAL NUMBER OF SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA	a. Report the total number of substantiated complaints received concerning breaches of customer privacy, categorised by: - Complaints received from outside parties and substantiated by the organisation - Complaints from regulatory bodies b. Report the total number of identified leaks, thefts, or losses of customer data. c. If the organisation has not identified any substantiated complaints, a brief statement of this fact is sufficient.	29	
		Compliance		
G4-PR9	MONETARY VALUE OF SIGNIFICANT FINES FOR NON-COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING THE PROVISION AND USE OF PRODUCTS AND SERVICES	a. Report the total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. b. If the organisation has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.	29	

Glossary

In the course of this report several abbreviations were introduced and used. The following table provides an overview of these abbreviations together with their full description or explanation.

Abbreviation	Explanation
AFM	*Autoriteit Financiële Markten* (Netherlands Authority for the Financial Markets)
AQCP	Audit quality curriculum for partners
AQI	Audit quality indicator
AQIC	Audit Quality Issues Council
B.V.	*Besloten vennootschap* (private company)
BW	*Burgerlijk Wetboek* (Civil Code)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHRO	Chief Human Resources Officer
CMAAS	Capital Markets Accounting Advisory Services
CO	Compliance Office
COO	Chief Operating Officer
COP	Communication on Progress (Conference of parties; Paris climate agreement)
COS	*Nadere voorschriften controle- en overige standaarden* (International Standards on Assurance)

Abbreviation	Explanation
COS	*Nadere voorschriften controle- en overige standaarden* (International Standards on Assurance)
CQRMP	Country Quality & Risk Management Partner
CSM	Corporate Security Manager
C(S)R	Corporate (Social) Responsibility
CY	Calendar year
AQI	Audit quality indicator
D&A	Data & analytics
DEFRA	Department of Environment, Food and Rural Affairs
DNB	*De Nederlandse Bank* (Dutch Central Bank)
DPP	Department of Professional Practice
EED	Energy Efficiency Directive
EEI	Employee Engagement Index
ELLP	Europe Limited Liability Partnership
EMA	Europe, Middle East & Africa
EML	Emerging Leader
EQCR	Engagement quality control review
EU	Europe(an)
EUR	Euro
FAR	Foundation for Auditing Research
FTE	Full time equivalent
FY	Financial year
GCR	Global compliance review, or: Global Climate Response
GGI	Global Green Initiative
gm	Gram

Abbreviation	Explanation
GPS	Global People Survey
GRI	Global Reporting Initiative
HR	Human Resources
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IDH	*Initiatief Duurzame Handel* (Sustainable Trade Initiative)
ISA(E)	International Standards on Assurance (Engagements)
ISG	International Standards Group
ISO	International Organisation for Standardisation
JINC	*Jongeren Incorporated* (youth incorporated)
KAM	KPMG Audit Manual
kg	Kilo
KICS	KPMG Investment Compliance System
km	Kilometre
kWh	Kilowatt-hours
m	Million
M&A	Mergers & acquisitions
MiFID	Markets in Financial Instruments Directive
MKB	*Midden- en kleinbedrijf* (small & medium enterprises)
MFR	Mandatory firm rotation
NBA	*Koninklijke Nederlandse Beroepsorganisatie van Accountants* (Royal Netherlands Institute of Chartered Accountants)

Abbreviation	Explanation
NGO	Non-governmental organisation
NITSO	National IT Security Officer
NL	The Netherlands
NOREA	*Nederlandse Orde van Register EDP-Auditors* (Dutch Order of Registered EDP-Auditors)
NPFH	Netherlands Public Health Federation
NPS	Net Promotor Score
N.V.	*Naamloze vennootschap* (public limited company)
MBO	*Middelbaar Beroepsonderwijs* (secondary vocational education)
OCW	*Onderwijs, Cultuur en Wetenschap* (Dutch ministry of Education, Culture and Science)
PBC	Prepared by clients
PCAOB	Public Company Accounting Oversight Board
PIE/OOB	Public Interest Entities/*Organisaties van Openbaar Belang*
PIN	Performance improvement necessary
PIP	Partner improvement plan
QP	Quality performance
QPR	Quality performance review (internal inspection of engagements to assess compliance with professional standards, including quality)
QRMG(P)	Quality & Risk Management Group (Partner)
RCA	Root cause analysis
RCP	Risk compliance programme (internal inspection on compliance with the firm's risk management and independence procedures)

Abbreviation	Explanation
SEC	Securities and Exchange Commission
SROI	Social return on investment
U.A.	*Uitgesloten aansprakelijkheid* (exclusion of any liability)
UN	United Nations
US	United States of America
TOJ	Training on the job
TOM	Target operating model
UNGC	United Nations Global Compact
VEB	*Vereniging voor Effectenbezitters* (Dutch Association of Shareholders)
VER	Verified Emission Reduction(s)
ViO	*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*
VNO-NCW	Largest employers' organisation in the Netherlands
vs	versus
Wwft	*Wet ter voorkoming van witwassen en financieren van terrorisme* (Anti-Money Laundering and Counter-Terrorist Financing Act)
Wta	*Wet toezicht accountantsorganisaties* (Dutch Audit Firms Supervision Act)
YTP	Young Talent Programme

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