



KPMG N.V. integrated report 2019/2020

Including the KPMG Accountants N.V.
Transparency Report



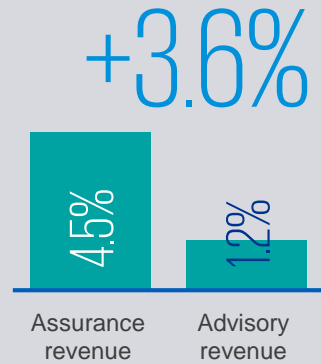
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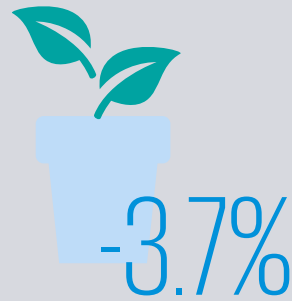
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KPMG in 2019/2020 at a glance

Total income



Profit before income tax

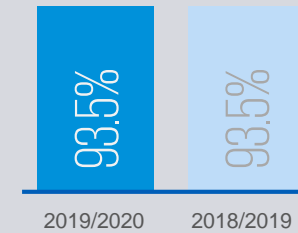


Audit quality (results of internal inspections)

75% in 2018/2019



Client satisfaction



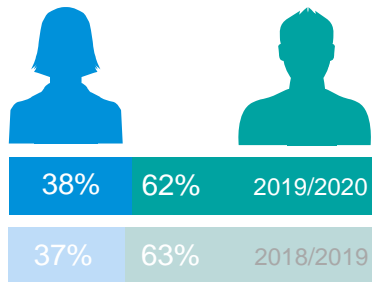
FTEs

3,443 in 2018/2019

68 nationalities

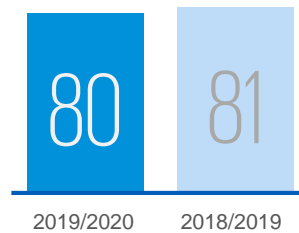


Gender diversity



Employee engagement

On a scale of 100



KPMG is the second most valuable Dutch brand

(according to Brand Finance)



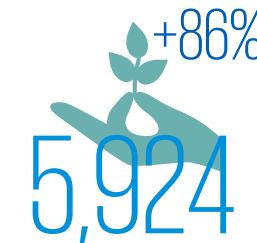
CO₂ per FTE

10 years carbon neutral



Hours spent on corporate responsibility programmes

3,192 hours in 2018/2019



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Letter from the CEO

2019/2020 was initially all about acceleration. With the strategic focus of our Trust & Growth agenda being clear, and with the strong fundamentals of our refreshed market orientation being well-established, we got off to a flying start in the first two quarters of 2019/2020. The acceleration was visible and palpable in our client interactions, people engagement and team spirit. We realised a robust upswing in our Assurance business and double-digit growth in our Advisory practice.

In March 2020 the Covid-19 crisis hit our economy hard. Many of our priorities changed overnight. Safeguarding our people and clients, physically and mentally, became paramount in our priorities. We ensured our business continuity through scenario planning and we responded to the crisis with fine-tuned measures. We reached out to our people and the organisations surrounding us and showed the strength of our heart by asking – how can we help?

The crisis was also an opportunity to stand shoulder-to-shoulder with our clients and co-create solutions for change, resilience and recovery. Right from the start we made our knowledge and expertise available and helped numerous foundations and NGOs to adapt to the current reality. We also delivered funding to the Red Cross and to schools to provide immediate relief to their most pressing needs.

Working from home demanded that we go digital to unprecedented levels. Together with our clients we re-planned our work in both Assurance and Advisory to guarantee quality in the new environment. I felt proud and inspired by the resilience and creativity of businesses, entrepreneurs, government employees, the health sector and of course our own amazing staff. We did it together. In the crisis, we adopted and lived by the adage: ‘Together for better’ – because this is exactly how it felt. Only by working together did we feel that we would emerge better as a team, as a firm, and as a society.

At KPMG, the Covid-19 crisis called upon our deepest sense of purpose to inspire confidence and empower change in these times. Because change is upon us, some of which will be game-changing for good. Throughout the year we created, together with our clients, many inspiring stories of successful transformation. Even though Covid-19 was undeniably a harsh setback for many industries and people, it also accelerated transformational shifts in society. The following five key transformations will continue to shape the near future.

One, the crisis accelerated digital transformation. In our recent CEO Outlook survey, one in five CEOs said that digitalisation “has sharply accelerated, putting us years in advance of where we expected to be”. This is one of the opportunities presented by this crisis and we are working

together with clients to take advantage of the opportunity, with the great majority of our solutions being digitally and data enabled.

Two, talent engagement and a new working reality have become part of our day-to-day life. Businesses are looking to change their recruitment strategies as remote working has widened their potential talent pool and companies may be rethinking their office space in the short term while also considering the future of work. Companies started worrying about talent during the crisis: how to train people adequately online? How to keep the company and teams together? How to stay creative? How to engage on a personal level with everyone behind their screens? What kind of leadership is needed to absorb organisational stress and create perspective?

Leaders can no longer just plunge into business without acknowledging what the other person might be facing and how challenging it may be. These questions were and remain valid for clients, and also for us. Our answer: a shared vision and a shared sense of purpose. All of us, ‘Together for better’, set out to show that we are more connected, communicate more often, invite each other into our home office spaces, share how we think and feel, offer help, encourage people to be themselves, and above all: we care deeply about each other.

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Three, ESG topics took a place in the front row in the boardroom. One in five CEOs say that their primary objective is to improve society. With consumers increasingly focused on purpose-driven brands and sustainable products and services, companies are adapting to differentiate on those needs. A new generation Z, accompanied by the millennials, is vociferously making sure that its leaders will not slip back from the climate gains made as a result of the pandemic. Our clients work with us to better understand what areas would effectively address environmental or climate challenges, all across the supply chain, to ultimately be able to measure and communicate corporate value. Investors are increasingly focused on organisations' ESG performance, with a particular emphasis on the 'E' of climate risk. We ourselves stepped up our ambition in this respect. We are already offsetting our carbon emissions and utilising green energy, but the Covid-19 crisis has spurred us on to formulate a greener mobility policy to reduce our carbon footprint. These bigger steps will continue to have a positive impact long after the crisis has ended. Our Young Board Now colleagues made a great contribution to this.

Four, territorialism has been a growing risk for companies over recent years. In the early stage of the pandemic, national coping strategies prevented international cooperation and hampered business. A supply chain refresh will inevitably be the result, as our clients challenge long-held assumptions about where to source goods and services. We invested in our supply chain proposition, as our clients are in the middle of a year of transformation of the supply chains they will use for the next decade. This also shows that we, importantly, remain committed to our long-term investment agenda, and do

Stephanie Hottenhuis
CEO of KPMG N.V.

“ I felt proud and inspired by the resilience and creativity of businesses, entrepreneurs, government employees, the health sector and of course our own amazing staff.



not shy away from anti-cyclical moves in support of our clients.

And last of all, governments had to step up during the crisis. As governments had to take more power over the lives of their citizens, the public sector took on a role of urgency and responsibility in many of its institutions. We responded by shifting more resources to our Infrastructure, Healthcare and Government practice and we are truly proud of the incredibly relevant work we did. We supported the Dutch government in its rollout of the economic stimulus package and, through our work for the health sector, we showed our commitment to supporting health workers in their efforts to keep the virus under

control.

The Dutch Finance Minister proposed new interventions to build trust in the accountancy sector. One notable measure is the establishment of a quartermaster team that coordinates efforts towards achieving compliance with universally applied audit quality indicators. We support this measure, as it will engage a wider stakeholder field in objectifying audit quality, and increasing transparency and comparability. We are committed to working with the quartermasters on this and other initiatives, and we remain open to all measures that demonstrably improve audit quality. We are encouraged that we are on the right track – albeit not there yet – based on the conclusions of

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our regulator, the AFM, that our culture is quality-oriented and that quality is top of mind among all our leaders and teams.

We experience this as a reason to relentlessly push forward as it is our public duty and heartfelt purpose to deliver assurance: for the world of today, but also for the economy of tomorrow, for new sectors, through new technologies, for new emerging issues of public debate, and with the generation of tomorrow. Trust and trustworthiness are the pillars for this work.

To further demonstrate our commitment to quality improvement, we have increased our efforts on innovation in audit and assurance, guided by what we have dubbed the 'North Star': the ambition to achieve a fully digitally enabled audit by 2023. We note, however, that innovation is more than just digital. It is also about societal impact and relevance. During the Covid-19 pandemic we provided policy-makers and regulatory bodies with knowledge on the NOW subsidy, on professional practice issues regarding going concern, on remote auditing and many other topics. The crisis also accelerated debates about assurance on non-financial information such as sustainability and the safety of algorithms. Our thought leadership experts contributed strongly to these debates.

In 2019/2020, two new team members joined the Board of Management: Marc Hogeboom as Head of Assurance and Edwin Herrie as Head of Advisory. We got to know each other well as a team in the midst of this crisis. We share a common focus on the wellbeing of KPMG, its clients and its people, and the need for sincerity, collaboration and transparent communication with all our stakeholders. We worked with hearts and minds to steer through this period

with agile scenarios and fine-tuned measures, responding rapidly and continuously as the crisis evolved. We are pleased with the result: despite two stormy Covid-19 quarters, we were able to finish the year in growth with a satisfactory profit level. We delivered on our strategic focus areas such as better audit quality and faster innovation, amongst others. Our partner and director admission and promotion process was implemented fully, as originally planned, defying the gloom of the crisis and with the courage and confidence in our market strength and the power of the younger generation of leaders. In the incoming recruits, we increased female hiring to 44% (41% last year and 37% the year before), and while this is a good step, we are not yet where we need to be. I am very grateful for the team dynamic we have in place on the Board of Management, and in the wider partner and director community.

The Covid-19 crisis is not over and we may be only halfway through it, but we have identified what will make us successful: a winning spirit, energy and eagerness to fulfil our purpose, and an unwavering commitment to quality and trustworthiness. We have called it: 'Winning in the new reality'.

I want to thank everyone at KPMG for their relentless efforts. We will continue to stick to our values and guide our company towards the future with caring, a market focus, and determined, deliberate positivity. The 2019/2020 result is a testament to our relevance to our clients and the agility of our organisation. It is encouraging for the coming year, when we are determined to win in the new reality.

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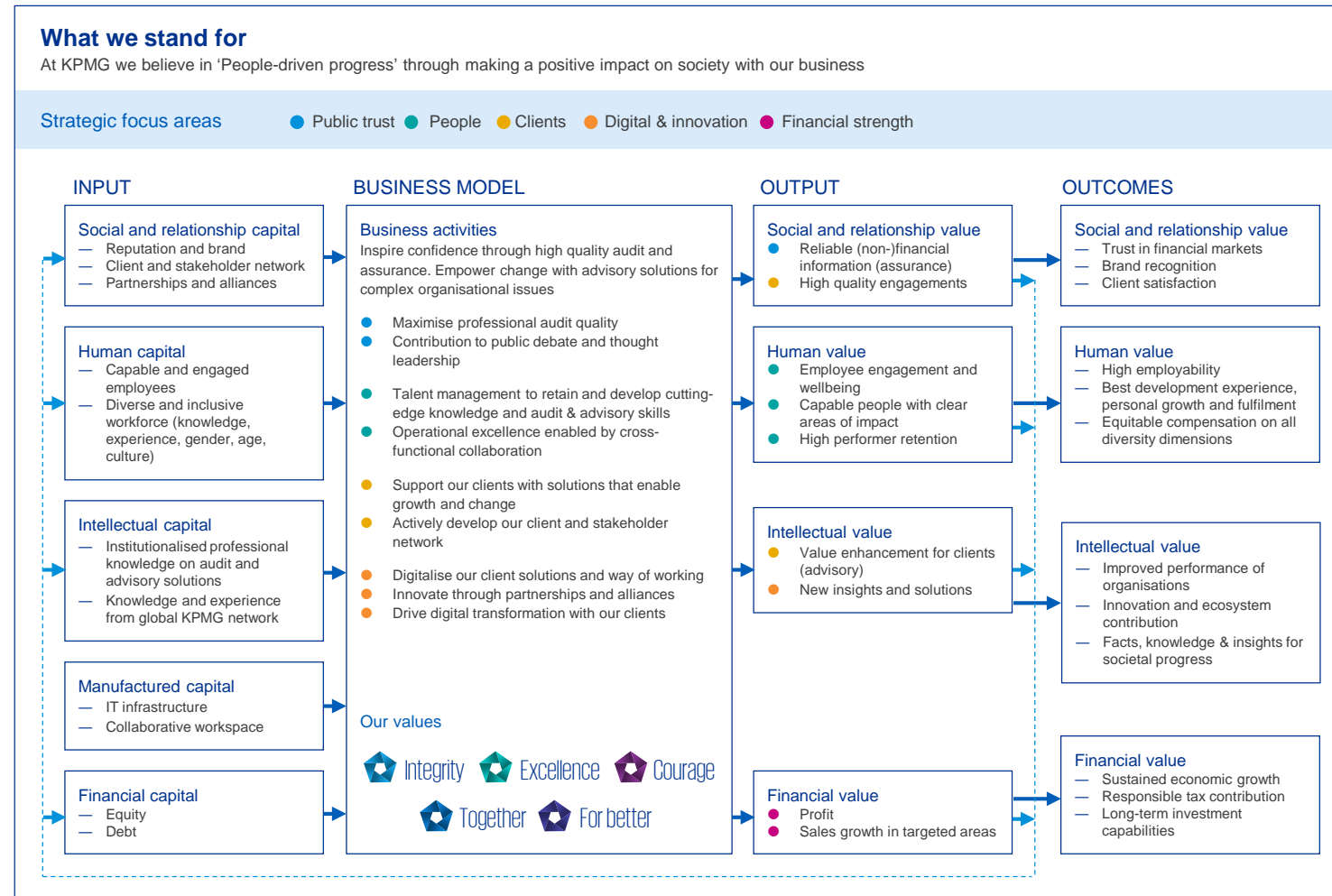
Value creation model

Based on the International Integrated Reporting Council framework, this diagram gives an overview of how we create value for our stakeholders in the short, medium and long term with our five strategic focus areas at the heart of what we do.

We consider ourselves to be a true powerhouse of multidisciplinary knowledge that, powered by the skills of our people, inspires trust and empowers change. We are there for our clients, to deliver concrete results in multi-dimensional transformations or organisations. In doing so, we believe in 'People-driven progress': progress that is good for people and society alike.

Dialogue with our stakeholders

We are in ongoing contact with a wide range of stakeholders, including clients, employees and regulators. Each year we assess what the most



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important topics are for our key stakeholders. We combine these insights with the materiality assessment we conducted in the previous year. All material topics are linked to our strategic priorities and addressed in our value creation model. This year's list of material topics is presented below. Our interactions with stakeholders are described in the Appendix 'Stakeholder dialogue'.

It is our ambition to improve our stakeholder dialogue not only by seeking active engagement with our stakeholders, but also by reducing our response time and time to market in terms of designing practical solutions as an answer to inputs or questions raised.

Material topic	Strategic area	Read more about this topic in this section	
Integrity & independence	Public trust	Public trust, System of quality controls	
Quality & transparency			
Societal impact			
Regulatory environment			
Employee engagement	People	People	
Diversity & inclusion			
Best development experience			
Succession planning			
Strong culture	Public trust, System of quality controls	Public trust	
Client satisfaction			Clients
Vision & thought leadership			
Strong and trustworthy brand	Digital and innovation	Digital and innovation	
Innovation & new insights			
Partnership & alliances			
Digital transformation of organisation	Financial strength	Financial strength, Financial statements	
Sustainable profit			
Operational excellence		Financial strength, Financial statements	

Our strategy – Introduction to five areas

In 2018/2019, KPMG kicked off its Trust & Growth strategy and introduced a reformulated (brand) promise to our clients to deliver 'People-driven progress'. The first pillar of the strategy is Trust, because the role we aspire to play in society requires us to be trusted and a trustworthy organisation. The second pillar of the strategy is Growth, because we are focused on being a key player in providing assurance and advisory services to the market.

In 2019/2020, the second year of our Trust & Growth strategy, our focus moved away from starting initiatives and programmes towards continuing and harnessing our investments. Our aim was to accelerate progress, learning from what works and what does not, to achieve clear results from our (new) investments. Therefore 'Accelerate for clear results' was the theme of our 2019/2020 business plan.

Our strategy continues to comprise five focus areas with guiding ambitions that drive our value creation:

- Public trust – High standards in everything we do;
- People – The best development experience;
- Clients – A unique service experience;
- Digital and innovation – 100% digitally-enabled solutions;
- Financial strength – Long-term above-average growth.

These five focus areas shape our business planning as well as team and personal goal-setting. In the following sections of this report you will read about the progress we made in 2019/2020 in each strategic focus area. We will describe our successes and challenges and address how we can continue to raise the bar for ourselves.

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Public trust



Public trust

We need to be trustworthy if we are to receive trust. After all, an important part of our work is aimed at creating trust in societal and economic interactions by delivering our assurance and advisory products and services. In this section we share our actions and the results achieved in the ongoing process of building and maintaining trust.

Quality vision

We see quality as a two-way street: on the one hand quality is about the effectiveness of the engagement process and on the other hand it is about the relevance of the service delivered. The engagement process is effective when KPMG provides high quality audits and advisory engagements that are executed consistently, in line with the requirements and the spirit of applicable professional standards, within a strong system of quality controls. The service delivered is relevant when KPMG builds confidence by providing assurance or advice in respect of (financial) information that matters to stakeholders, while also suggesting improvements to audited internal systems, processes and controls. To stay relevant during recent months, we provided policy-makers and regulatory bodies with insights and knowledge on the NOW subsidy and professional practice issues surrounding going concern, and we helped clients and audit professionals to be prepared for remote auditing and remote working in response to the Covid-19 crisis. This

also included process improvements within our own practice where we put more controls on these matters. The Covid-19 crisis also accelerated debates about assurance on non-financial information such as sustainability and the safety of algorithms. Our thought leaders contributed to these debates by sharing their visions, knowledge and experience gained on the ground.

Quality culture

We invest significant time and energy in building and maintaining a high performance culture based on common values and an inspiring purpose, because such a culture is key for a professional services firm like KPMG. It plays an important role in the way we challenge ourselves, work together and interact with our environment. Culture and behaviour form the basis of our quality performance, especially during challenging times such as the Covid-19 crisis.

The efforts we put into developing our high performing, inclusive and innovative culture have been recognised by clients and regulators alike. Our internal quality and culture survey for the Assurance function has produced steady results for a number of years now. The 2019/2020 survey showed that 77% (2018/2019: 78%) of our Assurance professionals view our quality driven culture positively. Also, in its most recent inspection on quality-

driven culture among the Big4, the AFM awarded the highest score to KPMG. However, the AFM also sees room for further improvement. We therefore genuinely experience this outcome as an additional motivation to push forward with even more energy.

Quality performance

Partner involvement

Partner involvement in audit engagements remained virtually stable at 9% of all PIE/OOB (AQI 1a) engagement hours (2018/2019: 10%). Partner involvement for non-OOB engagements (AQI 1b) was 7% of all engagement hours (2018/2019: 7%). These percentages are close to our internal benchmarks of 10% and 6% respectively.

Quality performance reviews (QPR)

Internal QPRs on completed engagements are performed throughout the year to assess engagement quality and to identify any areas for improvement. QPR findings are communicated to professionals during KPMG's annual professional update sessions as well as through virtual classrooms. Mitigating actions have also been taken to improve the system of quality controls where warranted. Engagements are rated against KPMG's global quality baselines. Different baselines apply for assurance and advisory engagements.

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Assurance

QPRs for Assurance are performed under the supervision of the Internal Audit & Compliance Office with a team of Dutch (local) and non-Dutch (non-local) reviewers at partner and senior manager level.

Assurance engagements reviewed are rated as 'Satisfactory' when sufficient appropriate audit evidence was obtained in accordance with firm policies, professional standards and applicable legal and regulatory requirements including compliance with the firm's audit methodology, and the opinion issued is appropriate and supported.

A 'Performance improvement necessary' rating is awarded when the auditor's report is generally supported by the work performed and the auditor's report is not incorrect in any material respects, however, improvements are necessary in one or more significant areas.

An engagement is rated 'Unsatisfactory', when the reviewer concludes that the engagement was not performed in accordance with firm policy and professional standards in significant areas.

In Assurance, 78% of engagements reviewed received a 'Satisfactory' rating (2018/2019: 75%). If we look at review results for 2019 engagements only, we see an increase in satisfactory scores to 81% as compared to 73% for 2018 engagements. This indicates a positive trend of further improvement in audit quality. Files receiving a less than 'Satisfactory' rating have fewer findings than before, indicating a positive trend even with in underperformance.

The AFM and PCAOB did not inspect any engagement files during the year under consideration.

Ruben Fuchs Public Affairs Advisor



We actively join forces with our stakeholders and fuel the public debate with our expertise in order to contribute to People-driven progress in the Netherlands. In the past year, we were asked to share our insights on the Dutch healthcare landscape and on how the financial sector could become more sustainable. Together with our stakeholders, we make sure we are working on the relevant topics.



Advisory

QPRs for Advisory are performed by the Functional Quality & Risk Management Partner of Advisory. Advisory engagements receive two ratings: one for engagement setup and one for engagement execution. These ratings are scored as 'Green', 'Yellow' or 'Red'. In Advisory, 'Green' and 'Yellow' ratings are both grouped under the 'Satisfactory' heading. In Advisory 99% of engagements reviewed were compliant with Advisory standards (2018/2019: 97%).

Compliance with our quality management system

We identified six (2018/2019: 11) independence violations, which is equivalent to 0.17% of the total number of FTEs (2018/2019: 0.32%). Cases of non-compliance mostly related to the required updates of our tracking system for personal investments (KICS). All exceptions were subsequently followed up and resolved. In none of these

exceptions was the independence of KPMG as a firm impaired. Sanctions were issued if warranted.

We recorded 54 quality-related instances during the reporting year (2018/2019: 57). Most of the cases related to QPR ratings, restatements of financial statements and recidivism in terms of non-completion of mandatory e-learning courses. Discipline-related exceptions mainly related to late completion of annual compliance affidavits or late completion of mandatory e-learning courses during the reporting year.

We received 10 notifications in total (2018/2019: seven) through our complaints and whistle-blower hotline. Of the ten, two related to other KPMG entities and have been forwarded to those entities for further follow-up. The remaining notifications have been followed up without any serious issues being identified.

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Quality improvement

Following the critical reports by the Committee on the Future of the Audit Profession (CTA) and the Monitoring Commission for Accountancy (MCA), the Dutch Minister for Finance appointed two quartermasters to lead the transformation of the sector over the next three-and-a-half years. Upon request to stakeholders by the quartermasters, we participated in a number of roundtables and also shared our ideas about their action plans.

Recent debates are evidence that the sector has still a way to go in terms of really regaining public trust. We believe that it is best to move ahead swiftly and decisively, because it is in the interest of all parties that we are able to focus on delivering high quality audits with insights that serve the general public.

The audit profession is an exciting, relevant and fulfilling profession and future generations of auditors deserve an even more attractive profession in which they can excel and realise their potential just as generations did before them.

Achieving this future requires the profession to increase its pace of innovation and improve its communications. In a series of podcasts named 'The Audit Files', we discuss the audit profession, its relevance in society, its future and what it means to deliver quality. This series was used as the backbone of an internal communication campaign directed at our Assurance professionals and was also released to the external world during the year.

Differentiate brand position on trust and digital

Brand position

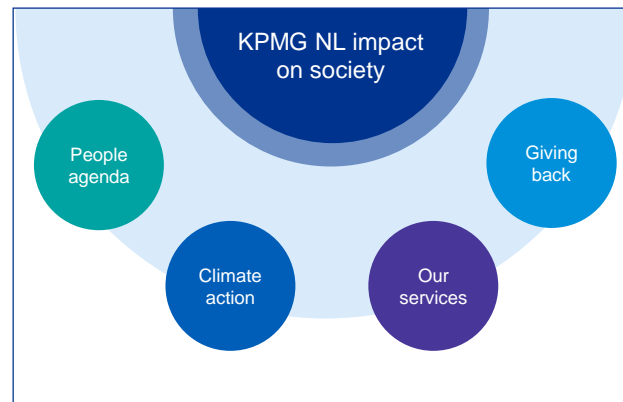
This financial year KPMG strengthened its brand position. The annual report on the most valuable and strongest Dutch brands from Brand Finance (June 2020) shows that KPMG retained second place among the most valuable Dutch brands, with growth in brand value of 19.4%. This growth was despite the Covid-19 crisis, which it is thought could cause the top 50 most valuable brands to potentially lose up to 16% of brand value.

In response to the Covid-19 crisis, we were determined to share our knowledge and insights with our stakeholders. We developed a series of webinars under the label #NavigateTomorrow to unlock expertise for organisations in need. In total, 18 webinars were organised from mid-March until the end of September 2020 and 335 articles were published to share insights on various expert themes. This contributed to higher visibility of KPMG in the media; a reach of 1,588 million people with articles with a positive sentiment (2018/2019: 1,301 million).

We extended our partnership with the cycling team Sunweb, in which we contribute our data analysis and digital transformation expertise. Despite the fact that the regular cycling races were rescheduled, cancelled and/or redesigned, KPMG values the opportunity to support the objectives of the cycling team.

Value to society

While trust is important, it is also important to deliver value to society, beyond one's own interests. We have defined four areas in which we strive to make a positive impact.



Our services

We make our largest impact on society through our services. Below are some examples of engagements that made a positive impact on society.

Legal entity for social enterprises

In July 2020, the Dutch government announced a new legal entity for social enterprises. This decision was enabled by KPMG research performed for the government.

Sharing expertise on non-financial assurance

KPMG was invited to attend the Dutch Parliament in December 2019 to share its vision on the role of reporting on non-financial standards in making the financial sector more sustainable.

Cyber-proofing the Dutch Covid-19 tracker app

KPMG performed a security assessment and code review of seven candidate apps designed to help combat the spread of Covid-19.

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People agenda

We believe that as an employer we make an impact on diversity and inclusion within Dutch society. The 'People' section of the report covers this topic.

Climate action

CO ₂ emissions ^(a) (in tonnes)	Calendar year 2019	Calendar year 2018 ^(a)	Variance
Electricity, heating & cooling ^(b)	2,256	2,435	-7%
Car travel ^(c)	8,432	8,826	-4%
Air travel	6,019	6,480	-7%
Rail travel	154	127	+21%
Gross CO ₂ emissions	16,861	17,868	-6%
Renewable energy	-2,044	-2,218	-8%
Net CO ₂ emissions	14,817	15,650	-5%
Net CO₂ emissions/FTE	4.2	4.6	-9%

Note: (a) Calculated on the basis of various factors (DEFRA and IEA).
 (b) Recalculated based on IEA conversion factors for the Netherlands instead of UK Defra conversion factors.
 (c) Excluding energy consumption of electric cars.

KPMG's environmental footprint is mainly influenced by travel. At the start of 2020, KPMG joined the Anders Reizen coalition. The ambition of this coalition is to reduce CO₂ emissions from business travel by 50% in 2030 (compared to 2016 levels). Over the past calendar year, our emissions per FTE decreased by 9%, driven mostly by less car and air travel and increased rail travel due to new travel policies concerning short-haul flights. For the tenth year in a row, we offset our net CO₂ emissions with gold standard voluntary emission reductions.

— Our environmental management system is ISO

14001:2015 certified.

- KPMG holds a Gold rating at EcoVadis.
- We offset our remaining CO₂ emissions by investing in gold standard voluntary emission reductions (VERs). We have been carbon neutral for ten years.
- In June 2020, KPMG became a signatory of the Green Recovery Statement, which calls on the Dutch government to make the recovery after the Covid-19 crisis a sustainable and green recovery.

Giving back

Our programmes for giving back focus on three of the 17 SDGs: good health and wellbeing, quality education and climate action. During this financial year, due to the Covid-19 crisis, the corporate responsibility activities were realigned and programmes were adapted to current demands.

Giving back	2019/2020	2018/2019	Variance
Hours spent (#)	5,924	3,192	+86%
Investment (hours and donations) in euros	1,107,356	740,590 ^(a)	+50%

Note: (a) Adjusted cash donations and contributions in 2018/2019.

Fifth anniversary of the KPMG Jan Hommen Scholarship Foundation

In 2020 we celebrated the fifth year of the KPMG Jan Hommen Scholarship (KJHS) Foundation. The foundation was founded in 2016. Its main purpose is to support talented young people, who would otherwise not be able to start or complete an MBO education on their own, to finish their education through a scholarship. Since 2016,

28 students were awarded a scholarship. Due to Covid-19 we had to postpone the final stage of the 2020 selection process to 21 October 2020.

A selection of pro bono projects

- We joined forces with the Deedmob platform enabling over 140 colleagues to engage in volunteering work in response to the Covid-19 crisis.
- We helped NGOs with their business plans, funding strategies and training curriculum in the changed circumstances following the Covid-19 crisis.
- We supported an organisation that works with MBO students to calculate their social value.
- We provided insight into emergency admissions for a children's hospital.
- We mentored refugees, single parents, and university and MBO students.

Outlook for next year

In the coming year we will continue with our relentless focus on our Trust strategy. Our investments in a completely new and advanced digital audit system will continue. It is our expectation that this will be gradually implemented in the upcoming business cycles. The Dutch regulator (the AFM) has announced that it will commence a new cycle of quality inspections. Likewise we expect the PCAOB to start inspections too in the upcoming year. We will support these regulators in their efforts to draw conclusions on our work. In parallel to this, the audit quality quartermasters will develop a first draft of audit quality indicators. We look forward to working with both the AFM and the quartermasters to continue building on our strong fundamentals.

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People



People

Over the past year, we focused on further driving the best development experience at KPMG. Our ambition is to find, recruit, grow and connect extraordinary people who can deliver a differentiated client experience and earn the highest level of public trust.

Our employee engagement index remained stable in 2019/2020 with a score of 80 out of 100 (81 in 2018/2019). With this score we belong in the top quartile of high performing organisations in the Netherlands and we are among the high ranking firms within the KPMG network. Our employee pride score remained stable at 84.

The effects of the Covid-19 pandemic initially put the agility of our people and organisation to the ultimate test. It subsequently revealed the remarkable resilience, perseverance and commitment of our people. Absenteeism remained low and equal to the previous year (2.4%).

We are proud of our professionals for going the extra mile, collaborating with our clients in a hybrid and virtual way, and staying closely connected, keeping a keen eye on each other's welfare.

Although Covid-19 had a significant impact on the pace of transformation and priorities, the strategic direction of our People agenda is still as valid as ever.

Enhance our Trust & Growth culture

To accelerate our ambition, we have defined three cultural attributes that we consider conducive to success: fast innovation, high performance and inclusive collaboration. The growth mind-set which is pivotal to these cultural attributes is driven by our leadership, role modelling the desired behaviours.

Values activation drives engagement

Through our refresh value programme we have invested significantly in bringing our values 'close to home'. A structured approach of virtual 'week openings' by the Group Leadership Team, monthly pulse surveys, frequent leadership calls and intensified personal contact were the main drivers of the programme. Accelerated by Covid-19, this programme was highly impactful. Our pulse surveys show that we have been able to maintain remarkably high engagement scores on 'proud to work for KPMG' and 'willing to go the extra mile'.

Spike management for a differentiated client experience

To be successful as a company requires a structured talent management and succession process. We identified high impact competence areas of our leadership and defined how to position them appropriately in terms of timing and suitability for future positions. We call this 'spike management' and have integrated this into our performance development, learning and leadership

FTEs per function	2019/2020	2018/2019
Assurance	1,813	1,772
Advisory	1,271	1,292
Corporate	517	499
Total	3,601	3,563

Note: As at 30 September of respective years, including inbound and outbound staff and global functions.

	2019/2020	2018/2019
FTEs	3,601	3,443
Employee engagement index	80	81
Employee pride in KPMG	84%	84%
Absence	2.4%	2.4%
% female employees	38%	37%
% female hires	44%	41%
% female Board of Management ^(a)	25%	25%
% female Supervisory Board ^(a)	33%	33%
Talents in Emerging Leader programme	139	110
Talents in Young Talent programme	16	18
Average age	33	34
# nationalities	68	66
Average training hours	111	120
Retention	86%	84%
Cultural diversity of partners/directors ^(b)	6%	n/a

Note: (a) As at 30 September in the respective years.

(b) Informal measurement.

Partners and directors	81%	19%
Senior manager	76%	24%
Manager	63%	37%
Senior	61%	39%
Junior	52%	48%

Male Female

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admission policies and processes. We will continue to optimise this process and integrate our philosophy into the entire employee experience journey.

Further increase diversity and inclusion

A diverse organisation remains key to remaining a high performing organisation. Societal trends in the past year have made us even more aware than ever of the importance of raising awareness on topics such as bias, privilege and inclusion. We are proud to have increased female hiring from 41% (2018/2019) to 44% (2019/2020). While we did not achieve our target of 20% in gender diversity at partner and director level (19% in 2019/2020), we see positive trends in new female partner/director admissions with 21% (16% in 2018/2019). Many of our efforts are now focused on addressing the leaking pipeline of female talent in order to ensure that we achieve our ambition in this area.

Cultural diversity is not yet formally measured due to GDPR constraints. We have made an estimate that we have 6% partners and directors with a different cultural background. We are proud to have 68 (2018/2019: 66) nationalities working within our organisation.

We remain fully committed to the strategic priority of diversity and inclusion and we will continue on the path we have taken. This is amongst others reflected in the charters KPMG has signed (Talent to the Top, Cultural Talent to the Top, Declaration of Amsterdam, Diversity Charter and 'Meer Kleur aan de Top'/VU Amsterdam) and our membership of numerous diversity communities (such as NL Echo Award, Onbeperkt aan de slag, Network

Pride, Women Corporate Directors).

Ensure unbiased processes and promote cultural diversity

We have invested in increasing awareness through unlocking an extensive learning and development offering on diversity and inclusion for all our people via a learning path on our digital development platform. We have continued our path of coaching our development managers on the principles of bias in performance reviews. We report and monitor progress on our KPIs regularly. These and other approaches have led to a further optimisation of our journey to relentlessly debias our recruitment, performance, promotion and remuneration processes. We are particularly proud of the fact that we preserve gender parity in terms of remuneration for several years now.

Develop partnership & workforce of the future

In the second year of our Trust & Growth strategy, through which we are continuing to digitalise our firm, we are working towards leadership and an organisation which is fit for purpose for the future. Data analytics, a solid foundation for career growth, and continued investment in learning and development are pivotal to achieving our ambitions.

Data-driven recruitment unbiases the process, expands our reach and unlocks new talent pools

Attracting professionals at the right time with the right skillset and growth mind-set enables us to differentiate

ourselves from the competition. We launched new employer branding campaigns for different target groups, and invested in data-driven recruitment, enabling us to not only debias our recruitment process but also unlock new talent pools.

Solid foundation to navigate personal growth paths and design tech career tracks of the future

We have built a solid architecture to support our people in navigating their personal development paths throughout their careers. This will allow us to develop future proof profiles in the coming year(s).

Continued investment in learning and development

Regardless of the impact of Covid-19, we have remained committed to offering learning and development opportunities for all our professionals via our digital learning platform. Specific pathways were developed for working remotely and leading virtual teams. All mandatory and business-critical training and education programmes were continued, albeit tailored to the Covid-19 situation in a virtual format.

Step up operational excellence in HR

Operational excellence in people processes is foundational for our best development experience ambition to succeed.

Process optimisation: towards high tech, high touch

We strengthened our core people processes through digital tooling and strove for continuous improvement, using lean and agile working methods.

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Covid-19: people function at the heart of the organisation

Whilst strategic priorities stayed the same, our first aim has been to keep our people healthy and safe, both physically and mentally. We have extended our health and wellbeing offering to support the physical and mental welfare of our professionals. We have put in place additional temporary partly paid leave schemes to facilitate time off for voluntary work, study or additional holidays.

Our second priority has been to ensure that our mandatory and business-critical learning and development offering was completely digitalised.

And finally, it is our moral, social and economic duty to safeguard employment as much as we can. We are well positioned to face the uncertainties that Covid-19 is sure to bring for 2020/2021 and we are well prepared to face these challenges head on.

Outlook for next year – ‘Winning in the new reality’

We are working our way towards a new reality. We will continue on our strategic path. In an increasingly virtual world, the human side of working is becoming ever more important. Therefore, the best human experience is what we aim for, in the way we:

- Lead: managing hybrid teams and changing client expectations;
- Manage performance: fair and unbiased assessment of achievements in a hybrid world;

Lotte van Ginkel Head of Rewards & Health



It is our mission to support our employees in every way, to keep them healthy and happy. To enable this, we have created a digital vitality calendar, including mindfulness, stress relief workshops, a helpline for working parents, and company counselling. In addition, we redesigned our leave schemes to match employees' needs. All to ensure that we are contributing to the well-being of our employees and of their loved ones.



- Engage: requiring different listening strategies and personal leadership, providing psychological safety for all;
- Develop and learn: fully digital, hybrid and targeted;
- Recognise and reward: health and wellbeing offering tailored to individual needs; benefits tailored to the context and requirements of the new reality.

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Clients



Clients

Value from sector-specific insights

The Covid-19 pandemic has reshaped the world as we know it, radically impacting many businesses and sectors. While many business issues arising out of the crisis are universal – such as business continuity, liquidity and the need to cut costs – most are best tackled through a sector-specific approach. KPMG's sector focus has enabled us to develop an informed perspective on the key issues facing different sectors to help our clients become more resilient.

In doing so we have drawn from local and global data and experience to benchmark client organisations and to help them navigate the crisis. We have developed new propositions and have shared many of our insights with our clients and society at large through more than a hundred thought leadership articles and research pieces distributed through webcasts, social media and [kpmg.nl](https://www.kpmg.nl) under the #NavigateTomorrow.

Key sectors within KPMG NL

Banking, insurance, asset management, consumer & retail, high tech, energy & natural resources, industrial markets, government, infrastructure and healthcare.

Sector focus – Spotlight on healthcare

As the past few months have underlined, few challenges are more complex – or universal – than those faced by the healthcare sector. Since the beginning of the Covid-19 pandemic we have launched additional initiatives to support this sector. Two of our webcasts were aimed at healthcare professionals and managers to help them overcome the difficulties encountered in dealing with the virus.

Topics included international lessons learnt, the need for scenario planning, and digitalising the sector. In collaboration with the university VU Amsterdam, KPMG also published research on a Covid-19 containment strategy and contributed to a pro bono initiative to help protect hospitals and healthcare institutions from cyberattacks.

We have helped to digitalise a number of hospitals to alleviate the administrative burden on healthcare staff, so they have more time for patients. This included the development of a chatbox function to replace a process usually run by medical staff. In all this we have leveraged our global healthcare network, through which we have delivered more than 100 engagements worldwide over recent years.

On the basis of our learnings, we published an international and Netherlands-specific publication: *COVID-19: Recovery and resilience in healthcare*.



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Koen Heeringa
Senior Consultant, Operating Strategy –
Financial Services

“ Working together with ABN AMRO in the past year has been a great pleasure, and all about building personal relationships, putting the client and its agenda first, and bringing to the table the best we have to offer from an end-to-end perspective. Our global efforts have resulted in a strong increase in the number of advisory engagements for ABN AMRO, both here in the Netherlands and abroad. It motivates me to see that our work is more and more at the heart of the bank’s strategy and the value we offer is increasingly experienced in the boardroom of the bank.



	2019/2020	2018/2019
Client satisfaction	93.5%	93.5%
KPMG net promotor score	46	42

Lead in selected propositions

In the past year we invested in propositions with a strong focus on risk management and digital transformation. In response to Covid-19, we have tailored propositions and developed new ones to respond to our clients’ most pressing challenges. This includes transformation, turnaround and restructuring services to support organisations with financial and operational restructuring and performance improvement. We also rolled out Powered Enterprise, our key service offering for functional transformation in the cloud. Powered Enterprise transforms business functions such as finance, HR, procurement and supply chain. It leverages the experience we have accumulated from implementing thousands of functional transformations. Our position in the field of end-to-end digital transformations remains strong.

Before the Covid-19 crisis hit, we were already retained for significant transformation projects. We have a strong competitive position in this area, not only due to our experience, but also as a result of our multidisciplinary offering and standardisation of solutions. With KPMG Private Enterprise, we developed an offering specifically for larger family-owned businesses and private equity-owned businesses. These clients get access to KPMG’s global resources but which are tailored to the needs of the mid-market clientele, a personal touch with a global reach.

Working shoulder-to-shoulder remotely

In the weeks following the lockdown, ‘in person’ contact made way for phone calls and MS Teams meetings. Within a single day audit teams were installed at home and collaborating with colleagues and clients to audit annual accounts. Collaboration on Advisory engagements also moved online. During this period, it became clear how important informal client contact also is in maintaining a productive relationship.

Our people kept in close contact with clients to understand what they were going through. That regular contact, both remote and face-to-face, has been a prerequisite to enable us to provide relevant and tailored support. Our people experienced a strong sense of unity to best serve our clients, strengthened by virtual day starts, week endings and leadership vlogs.

What our clients say

To ensure both our relevance and client satisfaction, we continuously gather client feedback in a combination of face-to-face interviews and online surveys. The feedback we receive through our client satisfaction programme is acted upon by individual client service teams and leadership to continually improve our service delivery.

In 2019/2020, we increased the number of client interviews and surveys by 17%. The overall conclusion is a positive one, with client satisfaction remaining stable and close to our 95% target. In addition, our net promoter score, an important indicator of satisfaction and brand loyalty, increased over the past year. Our client-centric approach coupled with the drive to perform and deliver above expectations explains the high client satisfaction numbers.

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KPMG has a leading position in financial services, with clients active in the banking, insurance and asset management sectors. Our strong footprint is the result of a combination of deep functional and sector expertise. Covid-19 has led to an increased focus on helping our clients improve their business resilience and asset quality, as well as digitalising their services.

Our clients increasingly require assurance on topics beyond the financial statement. In the past year demand has increased for assurance on ESG and climate risk-related information, which is provided by our growing sustainability team. The wider IT and security risks related to artificial intelligence/algorithms (AI) and cybersecurity are another growth area. A dedicated team helped clients create more robust internal control systems to enable KPMG to give assurance beyond the numbers.

Outlook for next year

We are all facing a 'new reality' which is not about going back but about shaping the future. We need to work with our clients shoulder-to-shoulder, albeit remotely, to help them to navigate the challenges ahead. KPMG is well positioned to support our clients on this journey by harnessing our collective knowledge, not just from our practice in the Netherlands, but from the 220,000 people that work for KPMG worldwide.

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Digital and innovation



Digital and innovation

With the world becoming more digital, we have witnessed the major effect that technology and connectivity has had on consumer behaviour and on the products, services and business models of our clients and KPMG itself. This is why digital and innovation has been a major focus area for all of our business functions in the transition towards digital leadership. We have set out on a digital journey to digitalise our service offerings and to transform our firm to be able to compete in a digital era.

End-to-end digital transformation

All our clients face major challenges in their digital transformation. Helping them to shape and execute this is a large opportunity for KPMG to provide solutions for the digital transformation of end-to-end business processes.

We were already focusing on cloud and trusted transformation. In addition, in the past year the deployment of both Powered and Connected Enterprise was accelerated in the Dutch firm with dedicated teams and partners.

These offerings are global digital solutions that were developed to drive digital transformation from an organisational and a client perspective. Through these digital solutions we were able to deliver our broad industry and sector knowledge at scale to our clients. In our offerings we focus on all the dimensions involved in a

digital transformation: from technology all the way to culture and leadership. This multi-dimensional approach, combined with proven, off the shelf digital tooling, has proven to be successful in the marketplace.

We have been exploring a more cross-border model to invest in digital solutions in order to bring KPMG closer to our goal of having 100% digitally enabled solutions. We also invested in the further development of specific digital solutions aimed at helping our clients to navigate the complex and increasingly digital areas of governance, risk and compliance (GRC). In addition, we have made digital investments in order to enter into new market segments, such as 'KPMG Online Bedrijfswaarderingen', an online tool that serves the SME market with valuation services and leverages new technologies such as digital assistants.

Leverage our partnerships and alliances

KPMG has also built a strong network of alliances with some of the world's leading technology, data and services companies that are part of our integrated digital transformation offering to clients. In collaboration with our partners, we offer global reach and combined abilities to help solve our clients' most pressing technology-based challenges across industries and disciplines. Key focus areas include cloud transformation, intelligent automation,

cybersecurity, data & analytics and regulatory change. These partners include Microsoft, IBM, Salesforce and ServiceNow. In the past year, more than 10 clients in the Netherlands have engaged KPMG and our partners to help them to achieve positive and sustainable results.

Data strategy

Last year we started to investigate co-creation possibilities with our global firm and individual KPMG member firms on the topic of data strategy.

Our data strategy initiatives are intended to provide new insights to our clients and to ourselves based on the data that is available from our own systems, but also from external data sources. In doing this we are bound by the principles and regulations governing privacy and the ethical use of data in order to realise the full potential of this approach.

As such, in close collaboration with our Data Protection Council, we have conducted several small pilot projects with the available data. We have also exchanged knowledge with KPMG member firms such as the USA and Australia to learn from their experiences in setting up and driving a data strategy.

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Luca Ferrigno Manager, Smart Tech Solutions

“ KPMG Dialogue is our answer to the challenges posed by the ongoing digital transformation, which changes the way we work, deliver services, and engage with our clients. By making the creation of digital content accessible, we enable all of our colleagues to enrich KPMG's offering with the possibilities of the modern web and contribute to the digital future of our firm. Our vision for KPMG and KPMG Dialogue is to lead the digital revolution of the consulting industry and collectively exceed our clients' expectations.



This has enabled us to get a clear picture of the global data landscape in the firm and the possibilities that exist to leverage our knowledge and experience in this field.

Going forward, we will use this input to develop a 'Fit for the digital age' data strategy that underpins our core values of Trust & Growth.

Innovation in Assurance

Over the past year KPMG has successfully started the deployment of our new digital audit platform 'KPMG Clara'. This is a KPMG global integrated platform that houses our existing digital capabilities such as general ledger & sub-ledger analytics, automated audit procedures, process mining, pattern analysis and our client collaboration portal. It has been designed to incorporate new capabilities as they become available

based on our global development roadmap and as generated by individual member firms.

To further demonstrate our commitment to quality improvement and delivering relevant insights, we have increased our efforts on innovation in Audit and Assurance, guided by what we have dubbed the North Star, the aim of delivering a fully digitally enabled audit by 2023.

Transform KPMG into a digital firm

When we started out on our digital journey in the Dutch firm, we focused on developing digital solutions that would drive value for our customers. This has led to the creation of successful products that have been globally adopted within KPMG. An outstanding example of this is our Sofy platform, which delivers a set of modular solutions for our

clients to embed KPMG knowledge and better practices in ready-to-use software that runs on the cloud. As with any innovation process, our endeavours also led to investments in less viable products under current market circumstances.

From both the positive and the negative experiences we learned that successful local investments in digital products almost always need global scaling and funding. With that in mind, we refined our digital strategy by focusing on co-creation with either KPMG International and/or third-party suppliers of technology, such as Microsoft.

Digital innovations are at the core of the productivity and competitiveness of our firm. We are in a continuous transformation process to digitalise our firm. Examples are:

- We have invested in strengthening the knowledge of our professionals on all aspects of 'digital'. In order to do so, in collaboration with one of Europe's leading business schools, we developed our 'Digital MBA' programme. We also developed a digital curriculum for all our professionals. In addition, we developed specific podcasts explaining our digital journey to clients and employees;
- We have specifically looked into possibilities in the area of digitalisation to drive client experience. Examples of these are the use of digital tools at every step of the clients' journey, ranging from more interactive proposals and reports to the more extensive use of digital collaboration tools;

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— We learned that we need to continue our efforts in transforming our firm to be able to manage investments in digital solutions and their deployment in client engagements. Examples of this are the setting up of a dedicated Digital Office and the development and deployment of a risk and quality framework for digital solutions.

Outlook for next year

In the next year we intend to further implement our digital strategy, focusing on helping our clients in their end-to-end digital transformations, digitalising the way we work and leveraging data.

For Advisory we will drive our digital growth areas, Powered and Connected Enterprise, Sofy, regulatory-driven transformations and our partnerships and alliances. For Assurance we will intensify our digital approach as part of our North Star vision and drive our front- and back-end innovation programmes.

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Financial strength



Financial strength

2019/2020 was initially all about acceleration. We realised a robust upswing in our Assurance business and were heading towards double-digit growth in our Advisory practice. However, the March Covid-19 virus outbreak and the resulting economic uncertainty changed this overnight and required us to demonstrate our (financial and operational) agility and resilience. We ensured our business continuity with scenario planning and cash/working capital initiatives. This enabled us to respond to the crisis at hand while remaining focused on our strategy. We rolled out various successful operational cost-saving initiatives. Despite two stormy Covid-19 quarters, we were able to finish the year in growth with a satisfactory profit level.

Results for the year

The financials for the firm are presented in the financial statements section of this report. 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.

Revenue increased in 2019/2020 by EUR 16 million or 3.1% to EUR 525.4 million. In our Assurance segment revenue increased by 4.5%, reflecting an increased demand for our services among both new and existing clients. Revenue in our Advisory segment remained

virtually flat (+1.2% in 2019/2020) reflecting a strong first half of the year and the subsequent impact of the Covid-19 virus outbreak in the second half of the year (including in Deals). We clearly observe the required move towards larger opportunities with a strong digital element. Sectors of particular growth are infrastructure, government and health, and financial services. Employee expenses increased by 4.9%, as a result of an increase in professional staff (+3.8%) and salary increases. The average number of equity partners increased by 4 FTEs to 142 FTEs.

Profit before income tax decreased by 3.7% to EUR 61.7 million in 2019/2020. This decrease reflects the revenue developments as highlighted above combined with additional investments in quality and innovation, lower cost levels and value adjustments on certain of our digital assets.

Only a limited part of the income tax expense is accounted for in the profit or loss account of KPMG because of an arrangement with the Dutch 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, as well as prior-year adjustments.

Contractual fees payable to Coöperatie KPMG U.A. amounted to EUR 61 million in 2019/2020, virtually flat compared to the previous year.

Investment programme

Although the majority of investments are expensed, the development of our digital assets led to the capitalisation of EUR 10.4 million as intangible assets. In addition, we recognised value adjustments on internally developed software, mainly relating to digital risk software (EUR 20.2 million). During the financial year, the business case for this new digital risk platform was negatively impacted by longer than anticipated sales cycles and delayed market interest caused by the outbreak of the Covid-19 virus. The Board of Management decided to suspend further investments in the software and effectively terminate the current contracts. This enables us to fully focus on Sofy, which is our principal digital risk software, in the current market circumstances.

In addition, we have been investing and will continue to invest in the growth of our portfolio of services, in line with the shared, international KPMG vision and with a focus on technology-based consultancy such as cybersecurity and digital transformation. In addition to our local investments in Sofy we will leverage more on global KPMG investments.

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Capital expenditure on intangible assets in 2019/2020 amounted to EUR 10.1 million (2018/2019: EUR 17.1 million) and mainly related to the development of assets and purchased software. Capital expenditure on property, plant and equipment remained limited (2019/2020: EUR 4.1 million; 2018/2019: EUR 4.5 million) and was related to both replacement and new (software-related) investments.

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 firm is largely financed in the form of a contribution of up to EUR 180,000 per partner as at 30 September 2020 to the firm's equity (30 September 2019: up to EUR 180,000 per partner), and additional financing by partners as a result of the mandatory and voluntary loan programmes.

Total funding by the Cooperative as at 30 September 2020 amounted to EUR 120.9 million (30 September 2019: EUR 108.0 million), the increase being the result of the increased financing (and thus commitment) per partner.

As part of our scenario planning and cash flow management, we increased our focus on cash resulting in an increase in our cash balance by EUR 27.3 million to EUR 85.2 million.

KPMG N.V. maintained its currently unused credit facility with its bank in 2019/2020 for an amount of EUR 50 million, which can be used for both credit lines and guarantees. The solvency ratio (taking into account equity

Madzy Groenveld Senior BI Specialist, Finance Reporting



This year, we have taken major steps in the expansion of our own data warehouse. We had the go-live of our first two dashboards in PowerBI and we increased the effectiveness of our general IT controls.

We showed that we are in control; this would not have been possible without the help of all our colleagues both in Business Services and across the business.



and partner financing) decreased to 28.% as at 30 September 2020 (30 September 2019: 40.3%), mainly due to the implementation of IFRS 16 as at 1 October 2019, which significantly increased liabilities. Long-term partner funding at 30 September 2020 amounted to EUR 61.7 million (30 September 2019: EUR 60.8 million).

The Board of Management considers the capital and cash position of the Group to be healthy; it can withstand volatility and incidents within operations.

Business Services

Throughout this financial year, we continued to enhance the professionalisation of our Business Services function with a focus on further improving quality, service and cost effectiveness. In the second half of the year, in addition to

the regular priorities of further integration, bringing shared services together, and implementing a 'one Business Services' vision, Business Services significantly contributed in enabling the working from home environment in its broadest sense. Where necessary, we have improved the efficiency of our processes and strengthened our internal controls and bringing transactional processes together.

In 2020/2021 we will continue the integration of Business Services including further digitalisation and where possible standardisation. In addition, several key projects will be rolled out (further), among which marketing automation, the implementation of ISQM1, further adoption of cloud technology, expanding our data warehouse, and the use of OneInsight.

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External codes of conduct

Most of the external codes of conduct we adhere to are mandatory and reflect either current laws and regulations, or policies and procedures issued by the Royal Netherlands Institute of Chartered Accountants. We monitor compliance with these codes of conduct and follow up on incidents of non-compliance as part of our regular oversight and compliance procedures.

As such, any incidents of non-compliance are included in our Compliance Office report. We refer to the section on compliance with our 'System of quality controls' for further details.

Outlook for next year

The coming year will be all about our 2020/2021 central theme 'Winning in the new reality': emerging stronger and healthier from the crisis triggered by the Covid-19 outbreak. Envisioning how the pandemic will impact macroeconomics, industries and clients is challenging. Our outlook for next year is therefore underpinned by scenario and liquidity planning which we will adapt when circumstances require. We will adapt to the new reality and revisit how and where we work together while realising adequate ROI on our Trust & Growth strategy. This will drive how we shape our organisation and how we organise ourselves. We will continue to make significant investments in our staff and in the further improvement of our quality and innovation, while simultaneously leveraging our existing and international partnerships, alliances and assets.

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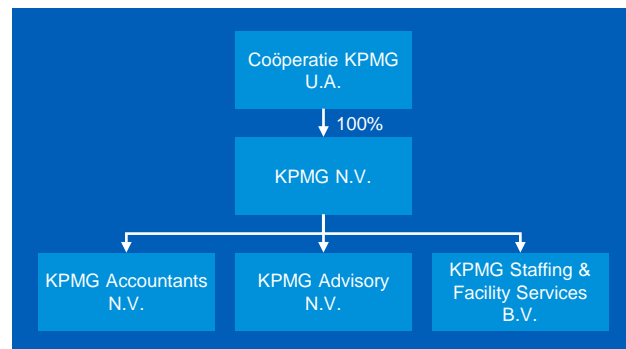


Governance

Legal structure and ownership

KPMG N.V. is the holding company of companies operating in the Assurance 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. 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 simplified legal structure within the firm in the reporting year is depicted in the figure below. The Cooperative board members are co-policy-makers in the context of the Dutch Supervision Act on Audit Firms (Wet toezicht accountantsorganisaties, hereafter Wta).

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, with the possibility of an extension of another four years at maximum. The terms of reference for the Supervisory Board are available on our [website](#), as are relevant additional positions that individual members may hold. Supervisory Board members are co-policy-makers in the context of the Wta.

For a more detailed description of the Supervisory Board, its committees and their activities, please refer to the report from the Supervisory Board and its committees.

Board of Management

Board of Management	
Diversity at 30 September 2020: 25% female	
CEO and Chair	Stephanie Hottenhuis
Chief Operating Officer and Chief Financial Officer	Rob Kreukniet
Head of Assurance (since 1 January 2020)	Marc Hogeboom
Head of Advisory (since 24 July 2020)	Edwin Herrie

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, with the possibility of an extension of

another four years at maximum.

The current Board of Management is a good composition of backgrounds, character traits and competencies. We will keep striving to achieve a balanced composition, bearing in mind the knowledge and experience necessary for Board of Management membership.

On 1 October 2019, Rob Fijneman stepped down as the Head of Advisory and member of the Board of Management and returned to the Assurance practice. Stephanie Hottenhuis temporarily took over his tasks and responsibilities within the Board of Management. After an interim period, Edwin Herrie was appointed as member of the Board of Management in the role of Head of Advisory effective 24 July 2020.

On 31 December 2019, Egbert Eeftink stepped down as a member of the Board of Management and returned to the Assurance practice in the role of auditor. Effective 1 January 2020 Marc Hogeboom was appointed as Head of Assurance and took over these tasks and responsibilities within the Board of Management.

As of the summer of 2020, the Board of Management of KPMG Accountants N.V. acts as the formal policy-maker in the context of the Wta. The Board of Management of KPMG N.V. now acts as co-policy-maker in the context of the Wta.

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As a consequence of the change in the formal policy-maker, it is no longer necessary that the Board of Management of KPMG N.V. consists of a majority of external accountants. The articles of association were amended in order to reflect this in the past year. This gives more flexibility with respect to the composition of the Board of Management and the Board of Management is in turn more flexible to focus on the two business activities of KPMG, Assurance and Advisory.

Stephanie Hottenhuis (1965)

Stephanie has been Chair of the Board of Management since 15 August 2018. She has over 20 years of experience in leading professional services firms. In addition to her management experience in the corporate sector, Stephanie also brings solid outside-in experience and perspective. She ensures the right tone at the top and focuses on the effectiveness of the Board as a whole.

Rob Kreukniet (1962)

Rob is Chief Operating Officer and Chief Financial Officer. He joined KPMG in 1988 and became partner in 1996. Within the board Rob fulfils the role of driving force. Because of his ability to convince people and accelerate processes, he brings a lot of execution power. Furthermore he is result-oriented.

Marc Hogeboom (1967)

Marc is Head of Assurance since 1 January 2020 as well as Chair of the Leadership Team for Assurance. He joined KPMG in 1990 and became partner in 2001. Marc was previously a member of the Board of Management is highly motivated to bring about change and with his drive

he can contribute to the further development of the organisation and specifically the audit quality agenda.

Edwin Herrie (1970)

Edwin is Head of Advisory since 24 July 2020 and Chair of the Leadership Team for Advisory. He joined KPMG in 2000 and became Head of Markets in 2016.

Edwin has the ability to respond flexibly to developments and is able to switch between disciplines. He sees opportunities in the application of technological innovations. Furthermore, Edwin is a reflective thinker, which is a desirable addition to the composition of the Board of Management.

Organisational structure

The Board of Management distinguishes three business functions: Assurance, Advisory and Business Services.

Assurance and Advisory are organised around markets or propositions. The main units of Assurance are Corporate Clients, Financial Services and National Practice, International Business, and Business Assurance.

The Advisory service portfolio is organised along five 'suites', mirroring relevant client issues. The five suites are Strategy & Operations, Deals, Finance & Business Services, Risk & Regulatory, and Technology.

Business Services provides services to both Assurance and Advisory, as well as to other staff functions.

Network

KPMG International is an entity which is legally separate from KPMG N.V. KPMG International and the member firms are not in 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. 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 limited (KPMG International), an English entity. Until 30 September 2020, KPMG International was a Swiss cooperative (KPMG International Cooperative); on 1 October 2020, the legal structure of KPMG International was amended. As from 1 October 2020, KPMG International is a private English company limited by guarantee (KPMG International Limited).

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 multinational clients, manage risk, and deploy global methodologies and tools.

Each member firm has responsibility for the operation of its business and governance, management and the quality of its work. Member firms commit to a common set of KPMG values.

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KPMG International's activities are funded by amounts paid by member firms. The basis for calculating these 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 be found [here](#).



Stephanie Hottenhuis



Rob Kreukniet



Marc Hogeboom



Edwin Herrie

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A photograph of a man with a beard and a young boy in a kitchen. The man is leaning over, holding the handle of an open oven door, and looking into it. The boy is sitting on the floor, looking at the oven with a curious expression. The scene is warmly lit, suggesting a home environment. The text 'Risk management' is overlaid on the left side of the image in a blue, serif font.

Risk management

Risk management

KPMG uses an Enterprise Risk Management (ERM) framework based on COSO ERM to identify and mitigate strategic risks. Identification, evaluation, management and monitoring of the most significant risks are Board of Management responsibilities in conjunction with other leadership levels in the organisation. Mitigating actions are taken where possible in order to reduce these risks to acceptable levels. The approach to risk management, and an overview of the principal risks and uncertainties facing our firm, are set out on the following pages. The quality of our internal controls and other mitigating actions are assessed periodically to ensure that our mitigating measures remain effective. The impact of Covid-19 has been considered in the determination of the risk plotting of certain ERM risks (e.g. economic risks/people engagement). Mitigating actions have been taken to reduce the impact of Covid-19 on these ERM risks to an acceptable level.

Risk philosophy

Our brand value is based on our trustworthiness, quality and commerce. Any erosion of our brand could adversely affect our position in the market and the trust the general public places in our services. We face several 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 only engage in activities through which we are able to make an impact for our clients and for our professionals without compromising on the quality and ethical standards to which we hold ourselves. We train and develop our professionals to be leaders of tomorrow to ensure that they not only mitigate risks, but also act on potential opportunities for KPMG. We ensure that our activities are sustainable and serve and support society as a whole.

Risk appetite

For KPMG, the Trust of its clients and society at large in its brand and services is essential. For that reason, KPMG has a relatively low risk appetite in making decisions that could affect public trust in KPMG. KPMG only takes on net risks (i.e. risk impact after internal controls) that are in line with and contribute responsibly to its strategic objectives and in accordance with its core values and quality standards. KPMG does not take on any net risks that place Growth above sustainability and/or where the costs exceed the benefits. KPMG has the ambition to continue to grow towards market leader. KPMG's risk appetite for net risks arising from potential Growth is moderately higher than for net risks affecting Trust.

Effectiveness of mitigating-risk actions

We monitor the effectiveness of mitigating actions as part of ongoing 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 for improvement are reported through processes that are meant to proactively identify emerging risks and improve quality and provide insights. We refer to our 'In control statement' for further details.

Financial risks

Exposure to financial risks can be segregated into the following types of financial risks. These risks did not have any significant or material impact during the year under consideration.

Credit risk

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

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The exposure to credit risks is monitored continuously, and the creditworthiness of all clients is checked for transactions exceeding a certain amount. KPMG 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 will be unable to meet its financial liabilities as they fall due. KPMG'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'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 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 are 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.

Strategic risks and controls

The following tables detail the main strategic risks arising from our annual risk assessment and plotting. They provide context to the risk identified, the potential impact, and the related internal control measures applied to mitigate the risk.

Description	Potential impact	Measures
<p>Executing engagements not in compliance with quality standards Major or multiple engagement or audit failures or non-compliance with applicable professional standards (as a consequence of signing an incorrect audit opinion and/or poor quality auditing) resulting in litigation and/or regulatory action.</p>	<ul style="list-style-type: none"> — The loss of a number of audit clients due to reputational damage — The inability to attract new talent into our firm — Regulatory fines and/or temporary or permanent loss of audit licence — Litigation and claims 	<ul style="list-style-type: none"> — Board of Management monitoring called 'Steering on Quality' — Continuous quality improvement programmes based on root cause analysis and maintaining a robust system of quality management — Rigorous client and engagement acceptance procedures — Clear standards and robust audit methodology and tools — Engagement quality control review procedures
<p>Impact of critical political and (social) media sentiment Failure to act upon a critical incident in terms of attitude towards our clients, service delivery, conduct or impact on society.</p>	<ul style="list-style-type: none"> — Reputational damage in the marketplace from press publicity resulting in loss of major clients or inability to attract new talent into our firm — Regulatory sanctions — Licence to operate in jeopardy — Loss of major clients — Increased risk of litigation 	<ul style="list-style-type: none"> — Independent Supervisory Board and Public Interest Committee — External members within the Board of Management — Active stakeholder dialogue — Issue management procedures through collaboration between Brand & Reputation, Quality & Risk Management and Legal departments — Contingency programmes to manage reputational impact of incidents
<p>Not meeting expectations of external and internal regulators Failure to maintain good relationships with regulators or not meeting expectations as a result of failure to address any adverse findings from regulatory inspections to the regulator's satisfaction.</p>	<ul style="list-style-type: none"> — Loss of major audit clients — The inability to attract new talent into our firm — Reputational damage in the marketplace from press publicity — Regulatory sanctions 	<ul style="list-style-type: none"> — Specific individuals responsible for interaction with regulatory authorities — Clear framework for understanding local regulatory matters — Ensure appropriate presence of 'Qualified Individuals' in leadership positions with appropriate (audit) experience and background — Relevant leadership has visibility of local regulatory findings

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Description	Potential impact	Measures
<p>Not creating or not implementing a fast, innovative, inclusively collaborative, high performance culture - including unwillingness to improve</p> <p>Inability to demonstrate a commitment to a positive quality-driven culture and ethical behaviour or to work together to deliver the best solution.</p>	<ul style="list-style-type: none"> — Reduced morale among partners and professionals — Loss of talent leading to service delivery issues and a reduction in quality — Loss of opportunities for multidisciplinary engagement revenue — Loss of reputation in the marketplace as an 'employer of choice' — Less adherence to our Code of Conduct and Values — Increase in failures of engagement quality and non-compliance 	<ul style="list-style-type: none"> — KPMG Story — Outlook Strategy Playbook — A tone from the top which emphasises quality, ethics and integrity — Controls over recruitment, development and assignment of our professionals — An embedded group of people management leaders — Ongoing initiatives to address feedback from people surveys — Roadshows to share experiences and collaborative successes
<p>Non-compliance resulting from IT penetration, data security breaches and privacy failure, or technological dependencies, and business continuity challenges</p> <p>Failure to prevent and protect (client) confidentiality or (personal) data.</p>	<ul style="list-style-type: none"> — Inability to ensure continued service delivery — Reputational damage — Loss of clients — Potential litigation or regulatory action/fines 	<ul style="list-style-type: none"> — Robust IT security policies and processes — ISO 27001 accreditation — Ongoing training and awareness campaigns — Business continuity management
<p>Ineffectiveness and unsuccessful redesign of a competitive and profitable long-term business model</p> <p>Development of assets and services that are inappropriate to our brand and/or delivery of services which are either illegal, unethical, contravene professional standards, or are otherwise perceived by clients, investors, regulators or other stakeholders as inappropriate or unnecessary.</p>	<ul style="list-style-type: none"> — Inability to develop, maintain and monetise high quality assets and services — Reputation in the marketplace impacted by delivering the wrong service — Regulatory sanctions including temporary loss of licence — Loss of major clients — Increased risk of litigation 	<ul style="list-style-type: none"> — Client and engagement acceptance procedures, including proprietary systems for checking for conflicts of interest — Detailed policies and procedures around auditor independence — Strict new product and service approval processes — Routine compliance programmes — Code of Conduct and Values — Whistle-blower hotline in operation — Money laundering reporting procedures in place
<p>Not responding to changes in risk profile and business model from disruptive innovation, new technology and (un)identified competitors</p> <p>Inability to respond to major changes in regulations 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.</p>	<ul style="list-style-type: none"> — Failure to quickly and fully exploit growth opportunities resulting in loss of revenue — Failure to match resources to demand could result in an excessive cost base in areas of reducing demand — Quality implications of having the wrong people delivering services — Audit-only firms undermining the multidisciplinary partnership concept — Further prohibitions or restrictions on provision of professional services 	<ul style="list-style-type: none"> — Monitoring of resource levels and functional hot spots — Partner career paths and development — Partner succession planning — Global mobility programme in place — Rigorous client and engagement acceptance procedures — Centralised innovation programme — An established plan for regulatory liaison — Robust contingency planning process
<p>People engagement</p> <p>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.</p>	<ul style="list-style-type: none"> — 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 Code of Conduct and Values 	<ul style="list-style-type: none"> — 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

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Description	Potential impact	Measures
<p>Focused execution Inability to execute our strategy as per our business planning to ensure the future success of our firm.</p>	<ul style="list-style-type: none"> — Loss of reputation in the marketplace as an 'employer of choice' — Not achieving our objectives, goals and ambitions — Reduced morale among partners and professionals 	<ul style="list-style-type: none"> — Central Project Management Office — Board governance and external Supervisory Board — Cascading strategic KPIs to individual professionals
<p>Talent management and diversity and inclusion Inability to recruit and retain sufficiently qualified, motivated and experienced people or to build lead partner capability.</p>	<ul style="list-style-type: none"> — Loss of talent leading to service delivery issues and a reduction in quality — Loss of reputation in the marketplace with clients — Succession planning fails — Loss of opportunities for multidisciplinary engagement revenue 	<ul style="list-style-type: none"> — Annual promotion process and pay review — Defined partner career paths and development framework — Partner succession planning and leader development — Diversity task force and designated programme management

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System of quality controls



System of quality controls

A robust and consistent system of quality controls is an essential requirement in delivering high quality services. Accordingly, KPMG has quality control policies that apply to all member firms. These policies and associated procedures are designed to comply with relevant professional standards, regulatory and legal requirements, including ISQC 1 issued by the International Auditing and Assurance Standards Board (IAASB), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten' (ViO) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Compliance with all these policies ensures that we issue reports that are appropriate in the circumstances.

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 day-to-day activities. The system of quality controls applies to all KPMG personnel. Periodic communications, training and assessments are part of a commitment to continuous improvement and keeping current on regulations and requirements.

Key performance indicators

Quality means different things to different people and as we have seen in various sector reports, quality can also

not be measured with a single indicator. Rather it is a set of indicators which collectively provide us the information to steer on audit quality and to improve year-on-year. We measure audit quality in four areas of influence: quality-driven culture, professional involvement, quality improvement and quality performance.

Starting with culture, we see consistent high scores well exceeding our internal targets. We note a small decline however this can be attributed to various reasons, including a change to the GPS scoring scale. The effects of Covid-19 are not included in these scores as our people survey took place in December 2020, which is outside the scope of this report.

Professional involvement pertains to the time spent performing audits. Partner involvement is on par with both last year and internal benchmarks, as is the involvement of specialists. Taking potential inefficiencies arising from working from home into account, we were able to maintain our chargeable hours at 62%. EQCR involvement was stable during the year under consideration, however we did take steps towards creating a more dedicated pool of EQCR partners to increase consistency and quality even more.

Furthermore, we have increased the number of professionals in our professional practice support groups

to better service audit professionals in dealing with auditing and accounting issues. Given the technical challenges surrounding Covid-19 and going concern we have seen an increase in the amount of consultations expressed as a percentage of all audit engagements.

As for quality performance, we note that we have seen a year-on-year improvement in internal inspection results, although we failed to meet the internal target for the year under consideration, albeit by a small margin. If we were to correct the results for engagement years we actually see an increase in 'Satisfactory' scores with 82% for engagement year 2019 (2018: 73%). We did not have external engagement inspections during fiscal year 2019/2020.

The AFM recently commenced its engagement reviews as part of the inspection of the system of quality controls. During the year we received the report from the AFM about its inspection of our quality-driven culture, our quality circle in the sense of acting along a plan-do-check-act cycle, and some quality safeguards.

Our quality-driven culture was rated positive without further recommendations and on the other two aspects we rated positive with certain recommendations.

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KPMG Audit Quality Indicators	NBA AQI ref.	2019/2020	2018/2019
GPS and Pulse survey results related to coaching and audit quality	AQI 6.a	87%	88%
Culture survey	AQI 6.b	79%	81%
Investments in development of new audit technologies and tools	AQI 3	1.7%	1.8%
Partner involvement (OOB)	AQI 1.a	9%	10%
Partner involvement (non-OOB)	AQI 1.b	7%	7%
Hours spent by IT and other specialists (OOB)	AQI 11.a	16%	18%
Hours spent by IT and other specialists (non-OOB)	AQI 11.b	6%	6%
Chargeable hours	AQI 2	62%	62%
Retention of Assurance professionals	AQI 5	88%	86%
Training hours per Assurance professional	AQI 4	196	184
Technical resources support	AQI 7	6.5%	5.7%
Percentage of technical consultations	AQI 8	16%	14%
Percentage of EQCRs ^(a)	AQI 9	30%	32%
Number of hours spent on EQCR (as % of total hours on EQCR)	AQI 10	0.9%	0.9%
Number of restatements	AQI 14	2.1%	1.7%
Results of external inspections	AQI 12.a	0	0
Results of internal inspections	AQI 12.b	78%	75%
Independence violations	AQI 13	0.4%	0.8%

Note: (a) EQCR involvement is measured during the financial year and relates to active engagements. Engagements may result in multiple reports. In some cases, auditor's reports have not been finished yet or engagements with EQCR involvement have just started recently in the year under consideration. As a result, the number of engagements that is in scope in the year under consideration may differ from the number of reports that are submitted in that same year. Accordingly, KPIs on active engagements and submitted reports will differ.

Quality framework

Quality is not just a goal or a one-off activity, it is as much about how to reach that goal. It is therefore also about the processes, thought and integrity that underpin our work.

Our quality framework provides professionals with a common language to describe what we believe drives quality and every professional's responsibility to deliver that quality.

The Board of Management is responsible for quality and for the system of quality controls. The Head of Assurance and Head of Advisory within the Board of Management have primary responsibility for quality and are assisted by the Country Quality & Risk Management Partner in maintaining KPMG's system of quality controls.

Their responsibilities include setting the right 'tone at the top' and developing and implementing strategies to monitor and maintain the knowledge and skills required of partners and employees to fulfil their professional responsibilities. They also monitor and address audit quality and risk matters as they relate to their practice, including an annual evaluation of activities considered to be key to quality.

The Country Quality & Risk Management Partner is charged with primary responsibility for oversight and accountability for the direction and proper execution of risk compliance and quality control in the member firm, reports to the member firm Senior Partner, and consults with Area Quality and Risk Management Leaders within KPMG International. However, we stress that risk management and quality matters are not solely the responsibility of

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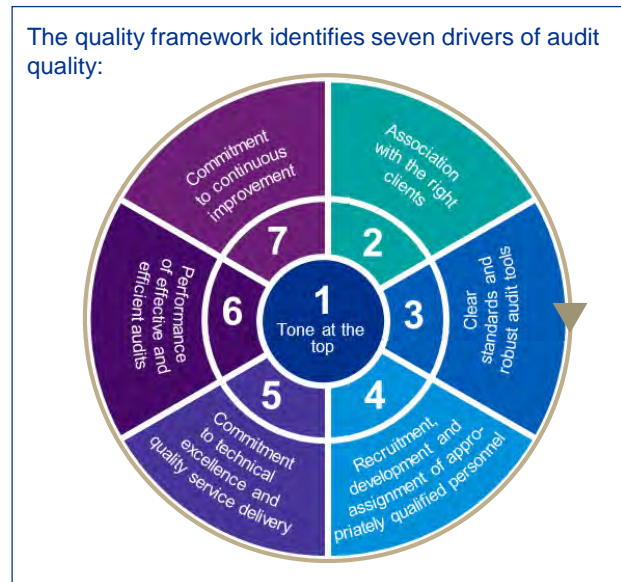
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leadership or specialist groups but are a fundamental responsibility of all KPMG people.

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



1. Tone at the top

‘Tone at the top’ sits at the core of the quality framework’s seven drivers of quality and helps to 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.

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 or open dialogue is encouraged and recognised as a strength.

During the year we revisited and updated our values to better reflect current practices and insights. A campaign was set up to familiarise our staff with these new values. We have five core values that apply to all our undertakings:



These values are part of our Code of Conduct which 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.

We have procedures and established channels of communication so that personnel can report ethical and quality issues without fear of retaliation. In addition, the KPMG whistle-blower hotline is a vehicle for KPMG partners, employees, clients and other parties to confidentially report any concerns they may have relating to certain areas of activity by KPMG itself, its employees or senior leadership.

2. Association with the right clients

Before accepting or continuing an engagement with a client, KPMG undertakes an evaluation of the 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 the prospective client, while the evaluation also considers breaches of laws and regulations, with anti-bribery, corruption and human rights concerns being among the factors considered.

Other factors include potential independence and conflict of interest issues (using Sentinel™, KPMG’s global conflicts and independence checking system) as well as engagement-specific elements, such as the competence of the client’s management team and the skills and experience of the personnel assigned to staff the engagement.

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Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the risks identified. 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.

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

CEAC acceptance rates	2019/2020	2018/2019
Percentage of new audit clients/engagements not accepted	1.2%	2.8%
Percentage of discontinued (legal) audit engagements during the audit process	0.2%	0.4%
Number of incidents reported to regulators	0	0

The main reason for not accepting clients was an imbalance between the risks and rewards, particularly where audit appointments were proposed after the client's financial year-end. The main reasons for the discontinuations were the bankruptcy of clients or clients being unable and/or unwilling to provide KPMG with

sufficient underlying quality information that would be required to finalise the audit (in most cases information related to earlier years).

3. Clear standards and robust tools

All KPMG professionals are provided with a range of tools and guidance to support them in meeting quality expectations. 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 the audit. This 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.

Investments in the development of new audit technologies and tools amounted to 1.7% of Assurance revenue in 2019/2020 (2018/2019: 1.8%) (AQI 3).

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. KPMG maintains an ongoing audit compliance and inspection programme to test the compliance of its personnel with personal independence rules and requirements.

Partner rotation

KPMG's rotation policies are consistent with the ViO and IESBA Code of Ethics. Partners are the subject of 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, 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 develops transition plans to enable the allocation of replacement 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, in case of OOB audit clients, 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.

Independence

As part of our regular process, 110 professionals across the firm were the subject of personal independence audits in 2019/2020 (2018/2019: 175). The high volume of audits in 2018/2019 was due to a policy change by KPMG International in that year.

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KPMG has a documented disciplinary policy in relation to breaches of firm policies. The disciplinary policy has been communicated to all professionals and applies to all breaches of 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 the client.

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.

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 local IT services and the Quality and Risk Management Group (QRMG).

4. 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.

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

Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. KPMG professionals are further developed for high performance through coaching and mentoring on the job, stretch assignments, and in-country rotation and global mobility opportunities.

We work hard to foster an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest possible range of skills, experience and perspectives. Our diversity and inclusion strategy provides the framework to drive the actions we believe are necessary to promote inclusive leadership across the KPMG network.

All professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on his/her agreed-upon goals, demonstration of

the KPMG global behaviours, technical capabilities, and market knowledge.

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. The 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 the 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.

To encourage audit quality, candidates for promotion to the roles of partners and directors need to demonstrate their commitment to audit quality before being promoted: this is part of the Audit Quality Curriculum for Partners (AQCP).

KPMG monitors quality and compliance incidents and maintains quality metrics for the purpose of partner assignments and also for the purposes of partner evaluation, promotion and remuneration. Audit quality is the main driver for assignments, evaluations, promotions and remuneration of our professionals.

When deemed necessary, partners may be requested to complete a partner improvement plan. KPMG's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

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5. Commitment to technical excellence and quality service delivery

All KPMG professionals are provided with the technical training and support they need, and have access to appropriate levels for consultation. KPMG policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Our training curriculum is the responsibility of the Learning & Development department and 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.

We deploy a blend of classroom, e-learning, and virtual classroom methods. Furthermore, we foster a coaching culture that encourages consultation, on-the-job training and mentoring.

Technical support is available including access to a network of specialists and 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.

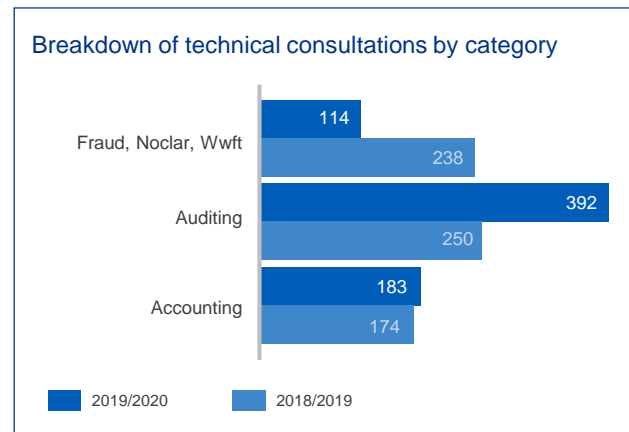
The technical departments consist of the Department of Professional Practice (DPP), the Internal Audit & Compliance Office (IACO) and the Quality and Risk Management Group (QRMG). With 5.5% of the total audit practice FTEs, the technical support resources remain above the target level (5%).

Technical support is also available through the International Standards Group (ISG) and, in the case of work on SEC foreign registrants, the US Capital Markets

Group based in New York, or the Accounting and Reporting Group based in London. The NL US desk has the local availability of a fully accredited SEC Reviewing Partner, which is relatively uncommon outside of the US member firm, enabling the Dutch member firm to provide full audit services to its SEC registered audit clients.

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

The total number of consultations in 2019/2020 was 689, which was slightly higher than in 2018/2019 (662). A breakdown of the technical consultations is presented in the chart below.



Consultations on audit increased as a result of the new requirement to assess the impact of Covid-19 on the going concern assumption for all audit engagements. The rebuttable presumption is that there will be a material uncertainty about going concern.

If this presumption cannot be rebutted, the DPP must be consulted. Consultations on fraud, anti-bribery and Wwft declined as a result of withdrawing the requirement to consult the DPP in the case of any instance of an objective indicator of unusual transactions (e.g. doing business in high-risk countries).

Engagement teams also 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 and forensic) to be assigned to a specific audit engagement is part of the engagement acceptance and continuance process.

The actual involvement of specialists in audits on OOB engagements in 2019/2020 was 16% (2018/2019: 18%) of all engagement hours which was higher than the target of >15%. For non-OOB engagements the involvement rate in 2019/2020 was 6% (2018/2019: 6%) which was above the target of 5%.

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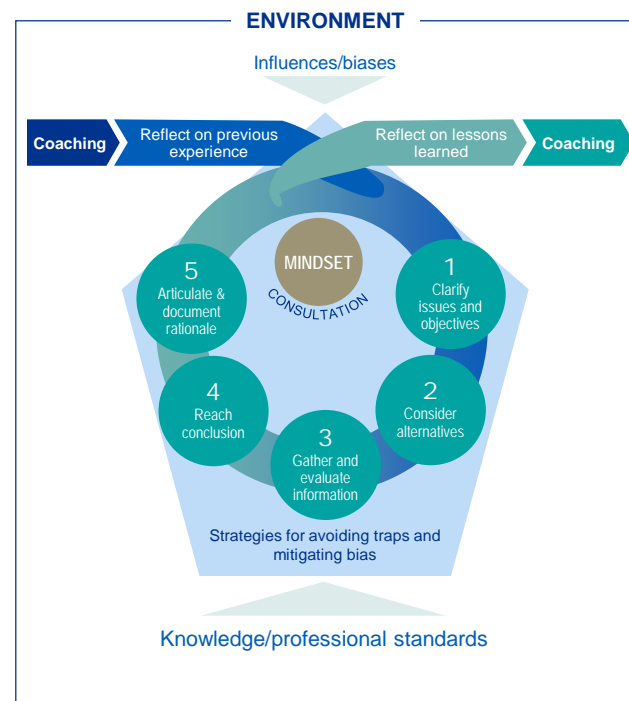
6. Performance of effective and efficient engagements

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

We understand that skills are built up 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.

The most important skill that KPMG professionals bring to the table is their professional judgment. We have a process that facilitates bringing good judgment 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.

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



An EQCR 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 Head of Assurance. A second partner in Advisory is required for all engagements due to applicable laws, regulations or professional standards, high-risk engagements (unless exempted by the Country Quality & Risk Management Partner), or where specific functional or member firm guidance is applicable.

Although the engagement partner is ultimately responsible, the EQCR 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 consideration, EQCRs were performed on 30% of legal audit engagements, which is in line with the 32% in 2018/2019. EQCR partners accounted for 0.9% (2018/2019: 1%) of total engagement hours compared to a target bandwidth of 1.2%-2%. To further strengthen effectiveness of EQCRs we have recently commenced a project that will result in creating a virtual unit with more dedicated EQCR resources. We expect to have this operational in early 2021.

7. Commitment to continuous improvement

We are committed to continually improving 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 analyses and to develop, implement and report remedial action plans in respect of both 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), the information protection group programme (IPG) and the global compliance review (GCR) programme.

We have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

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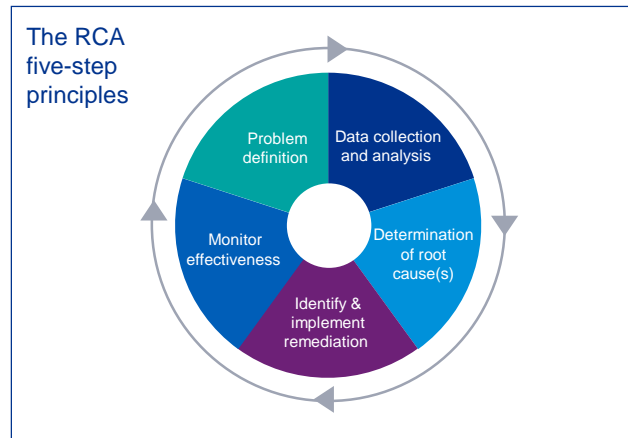
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The Audit Quality Improvement Council (AQIC) assesses quality-related findings, including developments, in order to initiate and monitor the enhanced root cause analysis process and subsequently define mitigating actions in the form of advice to the Assurance Leadership Team.

The AQIC reports to the Assurance Leadership Team, the Country Quality & Risk Management Partner, the Board of Management and the Supervisory Board on audit quality trends, measures and remedial actions taken by the firm, and the effectiveness of those remedial actions.

KPMG performs root cause analysis (RCA) to identify and address audit quality issues in order to prevent them from recurring and to help identify good practices as part of continuous improvement. The RCA five-step principles are as follows:



It is the responsibility of KPMG to perform the RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified. The Head of Assurance is responsible for the

development and implementation of action plans including identification of solution owners. The AQIC initiates and monitors the execution of the RCAs and subsequently defines mitigating actions to be included in its advice to the Assurance Leadership Team.

KPMG has regular two-way communication with the local regulator, the 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 a regular dialogue with representatives of the Committee of European Auditing Oversight Bodies (CEAOB) as well as the 'KPMG College'.

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The measures and procedures that serve as the basis for the system of quality controls for KPMG Accountants N.V. as outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by the firm comply with 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 system of quality controls 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 operates 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, 14 December 2020

Stephanie Hottenhuis, Marc Hogeboom, Rob Kreukniet,
Edwin Herrie

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Supervisory Board report

Overview of the year

Every financial year for KPMG has its surprises, both positive and negative. However, it is not often that a year is so overshadowed by an event which was completely unforeseen at the beginning of the financial year. The Covid-19 pandemic was, at the beginning of the 2020 calendar year, a virus outbreak in China, which led to rigorous containment measures in China but was not thought to be a significant threat to the rest of the world. It resembled the SARS epidemic which broke out in China in 2002, and caused almost no casualties outside Asia.

When the virus hit Italy hard in February and shortly thereafter the virus was first reported in a patient in the Netherlands, the disruption grew rapidly. The 'intelligent lockdown', announced by the government on 15 March, was a necessary but also unprecedented intervention in the daily life of the Dutch. Because there was no precedent for this intervention, there was no roadmap, with advice or guidelines, for citizens and businesses. Everyone's ability to improvise was tested to the extreme.

The Covid-19 outbreak in the Netherlands occurred at the end of the second quarter of KPMG's 2019/2020 fiscal year which, up to that point, had started and progressed very well, with very positive prospects for the remainder of the year. In response to the pandemic, and with the full support of the Supervisory Board, KPMG's Board of

Management took all the measures necessary to protect our employees against the virus as much as possible. The measures were rigorous, efficient and therefore effective. It goes without saying that the health of our employees remained our highest priority throughout the crisis period.

When the seriousness of the situation became clear, the Board of Management, with the active support of the Supervisory Board, mapped out the possible consequences of the pandemic for KPMG. Scenarios were developed for the impact on staff numbers, results, cash flow and liquidity. These scenarios were in many ways a leap in the dark. In part for this reason, it is gratifying that the financial result of the past year is substantially better than foreseen in any of the scenarios.

The Supervisory Board would like to express its appreciation for the way the Board of Management reacted to the unexpected and unprecedented situation. The Supervisory Board also admires the enormous commitment of all employees to limit the consequences of this pandemic as much as possible, not only for the Company itself but also for its clients.

Trust & Growth are the two pillars of KPMG's strategy. The assurance that one can rely on the information audited by KPMG is essential to retain public trust. In the past year, KPMG has once again put this objective at the heart of its strategy. The results of those efforts are visible

– in terms of audit quality – and give cause for optimism, even as the bar is raised every year. The internal quality assessment shows a steady positive line in recent years. The organisation and the Supervisory Board are highly motivated to keep the quality agenda central in our discussion and continuously check whether we are progressing fast enough. New proposals from the Dutch Finance Minister to further improve audit quality feed into this agenda. The Assurance Quality Committee of the Supervisory Board will monitor the progress KPMG makes on these proposals and its deliberations with the newly appointed quartermasters.

The second pillar is Growth. Until the Covid-19 outbreak, KPMG was clearly on track to exceed expectations in terms of revenue growth. This applied to both Assurance and Advisory. The fact that the growth in Advisory stagnated was and remains unavoidable. The fact that there is still slight full-year growth is due to the enormous efforts made by all employees. The Supervisory Board has great respect for this achievement.

The past year can be characterised by a sharpened focus within Advisory. Already we were on the way to a fundamental change in the earnings model of KPMG: from charging by the hour to investments in digital products and earning via – for example – licence agreements. In the year past we have further focused our investment strategy on this change.

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These investments have a higher risk profile than invoicing based on hours worked. In the past year, we also experienced the risks associated with investing in developing our own products. We see this as part of the digital transformation journey we are on. Developing truly new products sometimes remains a matter of trial and error.

In the past year, Laetitia Griffith terminated her membership of the Supervisory Board. She played a major role in her five-year membership of the Board. As Chair of the Remuneration and Appointments Committee she, among other things, championed diversity and inclusion. We are very grateful for her commitment. We have succeeded in finding a good successor in Claartje Bulten who joined the Supervisory Board on 1 September 2020.

Two new members joined the Board of Management in 2019/2020. Marc Hogeboom was appointed effective 1 January 2020 and is responsible for Assurance. Edwin Herrie was appointed effective 24 July 2020 as Head of Advisory. These appointments complete the updating of the Board of Management. Stability, quality, integrity and mutual trust are indispensable elements for an optimally performing Board of Management. The Supervisory Board is pleased that these elements are amply represented in the updated Board of Management.

Despite the difficult circumstances in which the Netherlands finds itself due to Covid-19, the Supervisory Board looks to the future with confidence. This optimism is supported by the fact that, despite the enormous turbulence caused by the pandemic, we have not only maintained but even strengthened our market position.

The business delivered growth and satisfactory profit whilst maintaining significant investment levels, amongst others in audit quality. KPMG was able to show its relevance to society, not only by delivering excellence to clients, but also by opening up its knowledge base to organisations in need and sharing expertise in the media.

When the Netherlands, after the storm has passed, emerges from the downturn, there will be more need than ever for a strong KPMG, better equipped than ever to provide optimal assurance and advisory services. We are proud of our employees, who have recently achieved first-class performance under difficult circumstances.

Bernard Wientjes

Chair of the Supervisory Board of KPMG N.V.

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Tasks and responsibilities

The Supervisory Board is chaired by Bernard Wientjes. The Supervisory Board, since May 2015, consists wholly of external members and operates independently, which reflects its mandate in accordance with the applicable legal regime for a large Dutch corporate (structuurvennootschap). The members of the Supervisory Board and its committees are listed in the paragraph 'Supervisory Board composition' later in this chapter.

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 Audit Firms (Supervision) Act and Decree as revised on 1 July 2018, and with the (no longer applicable since 1 January 2019) Code for Audit Firms and the NBA measures following on from the report 'In het publiek belang - Maatregelen ter verbetering van de kwaliteit en onafhankelijkheid van de accountantscontrole' (referred to hereafter as the 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 as this is reasonably suitable for a (non-listed) organisation such 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 which long-term value creation and safeguarding the public interest are key.

In accordance with the Public Interest Report, the

Supervisory Board operates at the level of KPMG N.V., from where it supervises and advises on the Assurance and Advisory practices and the synergies, challenges, culture and the quality-enhancing impact of the co-existence of these practices within KPMG. It also supervises and advises on the supporting organisation of KPMG, which implements, facilitates and monitors the internal risk and control measures and the Enterprise Risk Management framework.

Key activities

The Supervisory Board supervises and challenges the Board of Management and provides the Board of Management with constructive advice regarding the organisation's (long-term) strategy, quality, culture and independence.

The main topics that were on the agenda of the Supervisory Board and its committees during the financial year are listed in the paragraph '2019/2020 meetings'.

As to the aforementioned key activities, the Supervisory Board focuses in particular on:

- Strategy and long-term value creation. The Supervisory Board is involved in the realisation of the long-term vision and strategy of KPMG, and structurally challenges and advises the Board of Management. In this respect, the Supervisory Board also challenges the Board of Management on the topics of digital and innovation, business growth, regulatory developments, new business models and services, and market image;

- Quality. The Supervisory Board leverages its position to enhance the quality of KPMG. It challenges and advises the Board of Management on the quality vision and strategy, as well as on quality steering policies and measures. It focuses on the acceleration of the change process regarding quality improvement, and on shaping an enabling quality culture. The in-depth supervision of audit quality is delegated to the Assurance Quality Committee, as described later in this chapter;

- Culture. Ensuring sustainable and profitable growth and long-term value creation flourishes in a culture in which people are encouraged to participate in a professional and constructive manner and show strong ownership and leadership. The Supervisory Board considers demonstrating exemplary behaviour and challenging the Board of Management, partners and staff members on their behaviour to be an important element of enhancing the quality culture of the organisation. Furthermore, the Supervisory Board supports the culture of high performance, inclusive collaboration and fast innovation and fosters a culture of integrity and openness, in which people feel safe and supported to discuss behaviour and values. The Supervisory Board is fully convinced of the positive impact of employee diversity on the organisation's culture;

- Independence. The Supervisory Board supports and advises the Board of Management on the system of quality control that is in place, which entails robust independence requirements for the organisation.

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Stakeholders

(Members of) the Supervisory Board regularly meet(s) with (members of) the board of Coöperatie KPMG U.A. to monitor developments within the partner group. The Supervisory Board also 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 Chair of the Supervisory Board in particular, maintain regular contact with KPMG International, as the status of the international KPMG network is relevant for the strategy and operation of the Dutch firm.

2019/2020 meetings

The agenda of the Supervisory Board and its committees is governed by the topics and timing as laid down in the Supervisory Board's annual planning for 2019/2020, as well as by ad hoc topics. The annual planning is based on the Supervisory Board's tasks and responsibilities, regulatory and social developments, and specific focus areas that are relevant for the organisation during the year. A delegation of the Supervisory Board held several (informal) meetings during the year with the Board of Management to discuss and advise on the impact of Covid-19 on the organisation as well as the impact thereof on the running investments.

A recurring item on the agenda of the Supervisory Board is public trust, as partly delegated to the Assurance Quality Committee. Regular 'deep dives' were on the

agenda in 2019/2020 to focus on important subjects such as advisory, assurance, digital and innovation and markets. In each meeting during the financial year, specific attention was given to advising on, reviewing and mobilising the long-term Trust & Growth strategy. The Supervisory Board focused in particular on the development of and vision on digital and innovation, as this is critical for the long-term vision and strategy of KPMG.

The Supervisory Board held six meetings in 2019/2020, each meeting starting with a closed session. Most of these meetings were attended by all SB members with no member being frequently absent.

Assurance Quality Committee

Tasks and responsibilities

The Assurance Quality Committee (AQC) is chaired by Jolande Sap. The design of the AQC entails the participation of all members of the Supervisory Board as members of the committee, and the attendance of all members of the Board of Management.

The committee operates under a delegation of powers by the Supervisory Board.

The responsibilities of the AQC are supervising the system of quality control, approval of the quality vision and strategy and the quality policies, followed by the supervision of the implementation and execution of the quality policies in the quality programme and supervising the quality culture, as well as advising on all aspects related to audit quality.

The Supervisory Board closely follows developments in the audit profession, for example the latest proposals by the Dutch Finance Minister to improve audit quality. As part of these proposals, quartermasters for audit quality were introduced by the Minister. The Supervisory Board welcomes this and takes part in the regular consultations of the Big 4 with the NBA and the AFM. The learnings from these sessions are discussed within the AQC and communicated to guide the Board of Management on the quality vision, strategy, policies and programmes emphasising the public interest, long-term value creation, and the importance of an enabling culture.

2019/2020 meetings

The AQC held six meetings during this financial year.

Focus items on the agenda were organisational quality, engagement quality, developments in the accountancy sector and public debate, audit innovation and rules of the profession (internal and external). As part of its responsibilities, the AQC monitors and discusses legislative changes that impact (primarily) the audit function, as well as the findings, conclusions and measures arising from inspection reports issued by the regulators, the PCAOB and AFM, and the possible impact of and response to the reports of the MCA and the Committee on the Future of the Audit Profession (CTA).

Other main topics for this financial year included QPR outcomes, annual ratings of partners on quality, audit quality indicators and a dialogue about current affairs.

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Audit & Risk Committee

Tasks and responsibilities

The Audit & Risk Committee (ARC) is chaired by Gosse Boon. The committee has substantial expertise on finance and risk management systems and IT controls.

The responsibilities of the ARC are monitoring compliance with internal risk management systems, relevant laws and regulations and monitoring the financing of operations and financial reporting. The committee monitors the tax planning policy and the application of information and communication technology.

It also has a substantial role in the preparation of the selection and nomination of the external auditor and it keeps in close contact with the external auditor. It reviews and advises on the annual accounts and on the short- and longer-term budget. Furthermore, the ARC focuses on the level of strategic (quality) investments, delivery of the Trust & Growth strategy, and GDPR compliance.

2019/2020 meetings

According to an annual schedule, the ARC met seven times in the presence of the COO/CFO and Head of Finance (HoF) and the Head of the Internal Audit & Compliance Office (IACO). Subject matter specialists were invited if and when deemed appropriate. Between meetings, regular contact took place between the Chair and the COO/CFO and/or HoF. The external auditor BDO Audit & Assurance B.V. (BDO) was present at several meetings if and when topics relevant to their audit were discussed. One closed meeting with only the external auditor and the committee took place.

Recurring items on the agenda of the ARC are the review of operational and financial performance and developments, taxation and insurance, functioning of soft controls, the enterprise risk management framework, and approval of the annual budget. Where deemed necessary, points of attention and follow-up needed were discussed and agreed with management. Topics that received a specific focus for this year were the economic impact of Covid-19, Advisory utilisation, the development of digital assets, and GDPR.

Internal Audit function

In accordance with the revised Dutch Corporate Governance Code, a separate internal audit function is in place, reporting directly to the CEO as well as to the ARC.

The committee reviewed and endorsed the proposed internal audit scope, discussed findings and agreed actions and follow-up. Internal Audit has adequate staffing levels in light of its audit charter. Management agreed with the committee that follow-up on the findings needs improvement and actions have been taken accordingly.

External auditor

The committee reviewed the proposed external audit scope, approach and fees. BDO's independence was confirmed.

The annual management letter was discussed in the ARC. The auditor did not identify any material weaknesses in internal controls. However, the committee took note of the (recurring) observations regarding the IT general controls and discussed with management how to address these observations.

The committee reviewed the draft annual accounts for 2019/2020 as well as the draft integrated annual report and the key audit findings as presented by BDO, the most noteworthy are: the impact of Covid-19, internally developed software and other intangibles, IFRS 16 and provision for claims and legal proceedings.

The committee assesses the external auditor annually on the following aspects: professional performance, communications, independence and professional criticism, and expertise and composition of the audit team. The ARC concluded that the performance of BDO was up to standard.

Remuneration & Appointment Committee

Tasks and responsibilities

The Remuneration & Appointment Committee (RAC) was chaired by Laetitia Griffith until 25 November 2019 when Harry van Dorenmalen was introduced as Chair of the committee. The committee has substantial expertise on topics related to human resources.

The responsibilities of the RAC are supervising and advising the Supervisory Board on remuneration, selection and appointment policies and monitoring compliance therewith, and submitting proposals on remuneration and (re)appointments. The committee strives to continually innovate and improve its processes.

The committee reviews the performance of the members of the Board of Management. The committee also advises the Supervisory Board on the approval, appointment, suspension and dismissal of external auditors.

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2019/2020 meetings

The RAC held six meetings during the financial year.

Additionally, the committee held several sessions on the performance evaluation of the Board of Management members and the resignations and (re)appointments of the Head of Assurance and Head of Advisory.

The focus topics of the Remuneration & Appointment Committee for this financial year were: candidate experience, strengthening an effective partnership, culture, diversity and inclusion, and employees' development experience.

Other deep dives were held into: execution of GPS focus actions, workforce of the future, retention of high performers and quality of performance development.

Other main topics for the Remuneration & Appointment Committee meetings this financial year were monitoring the People agenda and a review of BoM remuneration.

Reference is also made to this year's remuneration report for further details of the above remuneration topics.

Supervisory Board 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.

The composition of the Supervisory Board in 2019/2020 complied in full with the requirements of the Supervisory Board profile description. On 25 November 2019, Laetitia Griffith resigned from the Supervisory Board. On 1 September 2020 Claartje Bulten was appointed to the

Supervisory Board	Date of first appointment	End date of first term	Date of re-appointment	End date of second term	Assurance Quality Committee	Audit & Risk Committee	Remuneration & Appointment Committee
Bernard Wientjes, Chair	1 May 2015	30 Apr 2019	1 May 2019	30 Apr 2021	Member	-	-
Jolande Sap, Vice Chair	19 Aug 2015	18 Aug 2019	19 Aug 2019	18 Aug 2023	Chair	Member	Member (*from 1 Dec 2019)
Laetitia Griffith	1 May 2015	30 Apr 2019	1 May 2019	25 Nov 2019	Member	-	Chair (until 25 Nov 2019)
Gosse Boon	1 Aug 2016	31 Jul 2020	1 Aug 2020	31 Jul 2024	Member	Chair	-
Harry van Dorenmalen	1 Sep 2017	31 Aug 2021	-	-	Member	-	Chair (from 25 Nov 2019)
René Steenvoorden	1 Sep 2017	31 Aug 2021	-	-	Member	Member (until 4 Dec 2019)	Member (*from 25 Nov 2019)
Claartje Bulten	1 Sep 2020	31 Aug 2024	-	-	Member	Member	-

* Due to the introduction of art. 2:160a of the Dutch Civil Code effective 1 December 2019, members of the Supervisory Board who are appointed on the recommendation of the Works Council are by law members of the RAC. Jolande Sap and René Steenvoorden were both appointed on the recommendation of the Works Council. René Steenvoorden was already a member of the RAC prior to 1 December 2019. As a consequence of the aforementioned legal amendment, Jolande Sap is a member of the RAC as well, effective 1 December 2019.

Supervisory Board.

The Supervisory Board consisted of the above members in 2019/2020 (see table above, which also includes an overview of committee membership).

Diversity

The diversity policy for the Board of Management and the Supervisory Board is set out in their rules of procedure and in each profile description, and focuses on promoting (a culture of) diversity in terms of, but not exclusively, age, gender, cultural background, education and work experience, combined with complementarity and

inclusivity. KPMG believes strongly that creating this culture will enable the boards to perform their supervisory and advisory duties to the highest standard, overseeing the general course of affairs of KPMG and its subsidiaries on behalf of all its stakeholders.

The policy is followed for all (re)appointments to each board, and last year resulted in the appointment of a female candidate to replace Laetitia Griffith.

The gender diversity ratio in 2019/2020 was 33% female and 67% male at the start and the end of 2019/2020. These ratios are compliant with the 30% ratio required under internal and external regulations. During the period

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when there was a vacancy in the Supervisory Board due to the resignation of Laetitia Griffith, the gender diversity ratio was not compliant with the 30% ratio.

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 obliged to notify the Ethics & Independence Director of any material change in their positions.

All Supervisory Board members are also independent in accordance with the requirements under the Dutch Corporate Governance Code and the Audit Firms (Supervision) Act and Decree. KPMG maintains an overview of the other relevant positions on its website. At the beginning of every meeting of the Supervisory Board, any other (new) positions of members and the independence of its members are checked.

The members of the Supervisory Board are obliged to notify the Chair of any potential conflict of interest.

Education programme

In addition to the extensive induction and education programme (which is supported by an extensive information pack) that each new member of the Supervisory Board has to follow 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, the Supervisory Board members are offered an ongoing training curriculum tailored to their specific needs. This curriculum consists of the following components:

KPMG's Board Programme (RAAD) training modules and meetings, internal KPMG courses and e-learning courses (e.g. on independence, data privacy and information protection). Any non-essential courses were put on hold this year due to Covid-19.

Supervisory Board and Board of Management evaluation

The Supervisory Board annually assesses (without the Board of Management being present) its own functioning, the functioning of the various committees and that of individual Supervisory Board members. Particular attention is paid to the functioning of the Supervisory Board with regard to the most critical business topics, the interaction both within the Supervisory Board itself, and with the Board of Management, as well as events that occurred in the firm from which lessons may be learned. It also assesses its composition, its current and desired profile, competencies, expertise and possible additional training.

The yearly (internal) evaluation by the Supervisory Board members, its committees and its members takes place in the course of the current financial year, after which the Supervisory Board determines the focus topics for the subsequent financial year.

The Supervisory Board and Board of Management assess their collaboration and mutual interaction annually.

With regard to the performance of the Board of Management and its members in 2019/2020, the Supervisory Board concluded its yearly evaluation in October 2020. In collaboration with the CEO/Chair of the Board of Management, the Supervisory Board held evaluation interviews with each of the members of the Board of Management to determine progress against agreed targets. The results of the evaluations have been discussed with the Board of Management members.

Financial statements and discharge

The 2019/2020 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, whose findings have been discussed with the Supervisory Board in the presence of the Board of Management and the external auditor.

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.

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Word of appreciation

The Supervisory Board would like to thank the Board of Management and all employees and partners of KPMG for their continuous efforts and dedication to the organisation, and looks forward to a challenging year to come.

Amstelveen, 14 December 2020

Bernard Wientjes, Jolande Sap, Gosse Boon, Harry van Dorenmalen, René Steenvoorden, Claartje Bulten



Bernard Wientjes



Jolande Sap



Gosse Boon



Harry van Dorenmalen



René Steenvoorden



Claartje Bulten

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Members of the Supervisory Board

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

Bernard Wientjes (1943, male, Dutch)

Bernard is Chair of the Supervisory Board of KPMG N.V. He is an entrepreneur who has been in charge of a family-owned business for over three decades, and was chair of the employer's association VNO-NCW. Bernard is, amongst other things, emeritus professor at Utrecht University, chair of the Royal Association for the Chemical Industry, chair of the 'Taskforce Bouwagenda' and chair of the advisory council of the social security banking institution Sociale Verzekeringsbank.

Bernard was initially appointed on 1 May 2015 for a period of four years. On 1 May 2019 Bernard was reappointed for a second period of two years.

Jolande Sap (1963, female, Dutch)

Besides her membership of the Supervisory Board of KPMG N.V., Jolande is chair of the Dutch Federation for Health and chair of the supervisory boards of Arkin and of Fairfood. She is also a member of the supervisory boards of National Greenfund, KPN and the Dutch Emissions Authority, and a non-executive director of Renewi plc. Jolande was previously a member of the Dutch parliament (2008-2012) and leader of the political party GroenLinks (2010-2012). She is still closely involved with social issues linked to sustainability, healthcare, food supply and the clothing industry.

Jolande was initially appointed on 19 August 2015 for a period of four years. On 19 August 2019, Jolande was reappointed for a second period of four years.

Gosse Boon (1959, male, Dutch)

Gosse combines his membership of the Supervisory

Board of KPMG N.V. with the chairmanship of the supervisory board of Albron. He is also vice chair of the supervisory board of Royal BAM Group and lay judge (expert member) of the Enterprise Chamber, which is part of the Amsterdam Court of Appeal. Gosse was previously CFO and member of the executive board of Nutreco (until mid-2015) and Van Gansewinkel Group (until 2009). During the first 20 years of his career he held various senior general management and finance/IT positions in Unilever.

Gosse was appointed on 1 August 2016 for a period of four years. On 30 July 2020, he was reappointed for a second period of four years.

Harry van Dorenmalen (1955, male, Dutch)

Besides his membership of the Supervisory Board of KPMG N.V., Harry is chair of TopTeam Sport (Sportinnovator), as well as chair of the ICT committee at VNO and board member of the Almere Economic Board. Harry had a career at IBM for 35 years during which he held various positions, ultimately as general manager of IBM in the Netherlands and manager of IBM Benelux until 2017. He was awarded Officer in the Order of Orange-Nassau for his contributions to encouraging diversity in the corporate world.

Harry was appointed on 1 September 2017 for a period of four years.

René Steenvoorden (1967, male, Dutch)

René combines his membership of the Supervisory Board of KPMG N.V. with his work as executive board member and chief digital officer at Randstad. Prior to that, he was CIO at Rabobank and Essent and IT group manager at Procter & Gambler. He was also an engagement manager at McKinsey & Company. He was a founding member of the national Cyber Security Council. René is currently a

member of the Electronic Commerce Platform (ECP) advisory board and the Van der Laan & Company advisory board.

René was appointed on 1 September 2017 for a period of four years.

Claartje Bulten (1975, female, Dutch)

Claartje combines her membership of the Supervisory Board of KPMG N.V. with her work as professor of corporate law at Radboud University Nijmegen. Claartje is chair of the Van der Heijden Institute, board member of the Radboud Business Law Institute and member of the Corporate Law Commission of the Ministry of Justice and Security. Prior to that, she was senior lecturer at Radboud University until 2012, crown member of the Social and Economic Council (SER) until 2020 and clerk of the Enterprise Chamber until 2005. Besides her primary functions, she is a regular guest speaker at conventions and has published several scientific books and articles.

Claartje was appointed on 1 September 2020 for a period of four years.

Laetitia Griffith (1965, female, Dutch)

Laetitia was Vice Chair of the Supervisory Board of KPMG N.V. until her resignation on 25 November 2019. She is a councillor on 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 is chair of the supervisory board of Holding Nationale Goede Doelen Loterij and is a member of the supervisory boards of TenneT and Gassan Diamonds B.V. Laetitia was initially appointed on 1 May 2015 for a period of four years. On 1 May 2019 Laetitia was reappointed for a second period of four years but resigned on 25 November 2019.

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KPMG's remuneration policies are focused on quality, measurable performance, and the long-term impact on the five strategic focus areas: Public trust, Clients, People, Digital and innovation and Financial strength. Underperformance in the area of quality cannot in principle be compensated by high performance in one of the other areas.

A process of annual goal setting and performance and development reviews is in place in which all professionals are evaluated on achieving predetermined agreed-upon goals, demonstrating KPMG's global behaviours and capabilities linked to their level, and adhering to KPMG's values and cultural attributes.

The performance grades influence the growth path of each individual, which links to the total amount of remuneration that professionals are paid. Total reward is periodically benchmarked to assess market conformity of our employee benefits. In 2019/2020 the firm invested significantly in both primary and secondary benefits to solidify our position as an attractive employer.

Engagement leaders within KPMG are issued standardised quality and risk metrics feeding into their performance assessment process. Quality and risk metrics include a number of parameters, such as results of external regulatory reviews, timely completion of

training, leading by example and outcomes of internal monitoring programmes. Based on the overall assessment grading is awarded and remuneration determined.

Certain partners in both Assurance and Advisory are subject to a clawback policy, under which the firm is able to recover from the individual partner a maximum amount of their annual management fee, in the event of demonstrably culpable conduct. These amounts are to be used for quality improvements. Over the past year, the clawback policy was not applied.

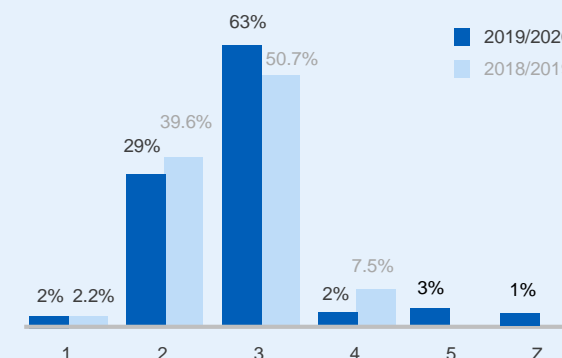
A deferred profit-sharing scheme is applicable for Assurance partners in accordance with the NBA measure 3.5.

Partner remuneration

A management fee is payable to equity partners as remuneration for professional services performed, pension contributions, insurance and entrepreneurial risk. The average profit per equity partner for 2019/2020 was EUR 416,000 (2018/2019: EUR 443,000).

Performance grading is on a scale of 1 to 5: (1) Consistently exceeds performance expectations, (2) Often exceeds performance expectations, (3) Consistently meets performance expectations, (4) Partially meets performance expectations, and (5) Does not meet performance expectations. There is also a grade (Z) Long-term sickness. Partners receiving scores of 4 or 5 are

Performance management scores for equity partners



Distribution of equity partner remuneration	2019/2020	2018/2019
75-<90%	0%	1%
90-<95%	4%	1%
95-<100%	1%	1%
100%	76%	52%
>100-105%	11%	18%
>105-110%	7%	18%
>110-125%	1%	9%

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closely monitored by leadership and the Board of Management. Where appropriate, an individual improvement plan is implemented. The Supervisory Board provides oversight on this process. The performance management scores in 2019/2020 are presented in the diagram on the previous page.

In distributing remuneration, all partners received their fair share of profit. In addition, we have taken the opportunity to recognise some partners for exceptional achievements. The percentage receiving on-target remuneration was 76% (2018/2019: 52%). Above-target and below-target performance was 19% and 5% respectively (2018/2019: 45% and 3%). See the table on the previous page.

Board of Management remuneration

Members of the Board of Management receive a fixed compensation. Equity partners also acting as Board of Management members are excluded from profit sharing.

Board members receive no variable pay. Their remuneration is determined on the basis of market conformity and their responsibilities.

Based on the advice of the Remuneration & Appointment Committee, the Supervisory Board proposes the remuneration policy for the members of the Board of Management to the general meeting of KPMG N.V. and determines the individual remuneration packages of members of the Board of the Management in accordance with this policy.

The Supervisory Board, based on advice from the Remuneration & Appointment Committee, is responsible for balancing public interest, long-term value creation 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.

Independently from this performance assessment, this year the Board of Management requested that the Supervisory Board reduce their remuneration (and that of former board members in 2019/2020) over the last two quarters of 2019/2020, the 'Covid-19 quarters', by 15%. The aim was to express solidarity with all working at KPMG. To this end, the reduced amount was added to the budget for variable pay for employees.

Board of Management annual remuneration is disclosed in the financial statements section of this integrated report.

Supervisory Board remuneration

In 2019/2020, the remuneration model^(a) below applied to the Supervisory Board:

- The Chair of the Supervisory Board received EUR 72,000 on an annual basis;
- The members of the Supervisory Board received EUR 55,000-EUR 57,500 on an annual basis.

All members agreed to a pay-cut of 15% over the last two quarters of 2019/2020 (Covid-19 quarters) in line with the Board of Management. The aim was to express solidarity with all working at KPMG. The total amount of this pay-cut for both the Supervisory Board and Board of Management combined, is donated to all employees via the regular

variable pay process.

Note: ^(a) Remuneration is generally expected to cover all costs and is a fixed amount.

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September 2020

The notes on pages 70 to 104 inclusive are an integral part of these consolidated financial statements.

EUR 000	Note	2019/2020	(a)2018/2019
Revenue	5	525,444	509,432
Other income	6	24,150	20,971
Total operating income		549,594	530,403
Costs of outsourced work and other external charges		54,708	52,851
Employee benefits expenses	7	273,426	260,572
Depreciation and amortisation	5, 13, 14	41,349	7,373
Net impairment loss	13	19,855	646
(Reversal of) impairment on trade receivables	17	90	-1,670
Other expenses	8	91,309	135,762
Total expenses		480,737	455,534
Operating result		68,857	74,869
Share in result of non-consolidated associated companies	15	–	-2,210
Impairment loss on non-consolidated associated companies	15	–	-2,383
Finance income	9	1,523	96
Finance expenses	10	-8,678	-6,278
Profit before income tax		61,702	64,094
Income tax expense	11	818	2,077
Fees payable to Coöperatie KPMG U.A.	12	60,884	61,187
Profit and total comprehensive income for the year		–	830
Profit attributable to:			
Owners of the Company		–	924
Non-controlling interest		–	-94
		–	830

Note: (a) The presentation of the 2018/2019 numbers has been adjusted for comparison purposes, reflecting the impairment loss that was included in depreciation and amortisation in the prior year separately.

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Consolidated statement of financial position

As at 30 September 2020, before appropriation of results

The notes on pages 70 to 104 inclusive are an integral part of these consolidated financial statements.

EUR 000	Note	30 Sep 20	30 Sep 19
Assets			
Non-current assets			
Intangible assets and goodwill	13	15,734	31,056
Property, plant and equipment	14	158,867	11,412
Investments in equity accounted investees	15	–	–
Other financial assets	16	–	473
Contract assets	5	–	29
Deferred tax assets	11	2,542	2,933
		177,143	45,903
Current assets			
Contract assets	5	67	38
Receivables	17	124,966	146,541
Cash and cash equivalents	18	85,181	57,879
		210,214	204,458
Total assets		387,357	250,361

EUR 000	Note	30 Sep 20	^(a) 30 Sep 19
Equity and liabilities			
Group equity			
	19		
Share capital		5,500	5,500
Share premium		15,080	14,940
Reserves		6,396	5,472
Profit for the year		–	924
Total equity attributable to equity holders of the Company		26,976	26,836
Non-controlling interest		–	–
Total Group equity		26,976	26,836
Non-current liabilities			
Loans and borrowings	20	151,364	33,924
Employee benefits	21	2,584	2,713
Provisions	22	–	372
Contract liabilities	5	–	7
Deferred tax liabilities	11	–	159
		153,948	37,175
Current liabilities			
Loans and borrowings	20	86,994	49,170
Trade and other payables	23	95,445	100,721
Employee benefits	21	23,480	29,120
Provisions	22	514	7,271
Contract liabilities	5	–	68
		206,433	186,350
Total liabilities		360,381	223,525
Total Group equity and liabilities		387,357	250,361

Note: (a) The presentation of the 2018/2019 numbers has been adjusted for comparison purposes.

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Consolidated statement of cash flows

For the year ended 30 September 2020

The notes on pages 70 to 104 inclusive are an integral part of these consolidated financial statements.

EUR 000	Note	2019/2020	2018/2019
Profit for the year		–	830
Adjustments for:			
Income tax expense	11	818	2,077
Impairment of trade receivables and contract assets	17	90	-1,670
Depreciation and amortisation	13, 14	41,233	8,019
Effect of remeasurement and modification of property plant & equipment	14	306	–
Net impairment loss	13	19,855	–
Finance income	9	-1,523	-96
Finance expenses	10	8,678	6,278
Share in result of equity accounted investees	15	–	2,210
Impairment loss on non-consolidated associated companies	15	–	2,383
Cash flows before movements in working capital and provisions		69,457	20,031
Change in contract assets		–	-62
Change in unbilled services and advance billings	17	7,658	7,802
Change in receivables	17	17,227	-9,686
Change in contract liabilities		-75	-85
Change in trade and other payables	23	-8,240	7,435
Change in provisions	22	-7,129	586
Change in employee benefits	21	-5,769	5,675
Cash flows from operating activities		73,129	31,696
Interest and bank charges paid		-3,171	-1,455
Interest received		1,523	96
Income tax paid		-938	-915
Net cash from operating activities		70,543	29,422
Acquisition of property, plant and equipment	14	-4,080	-4,489
Investment in software	13	-10,122	-17,136
Loans to equity accounted investees	15,16	-473	-750
Net cash used in investing activities		-14,675	-22,375

EUR 000	Note	2019/2020	2018/2019
Addition to share premium by partners		2,010	3,190
Net (repayment)/proceeds of loans and borrowings from partners	20	8,559	13,879
Net (repayment)/proceeds of loans and borrowings from former partners	20	4,149	1,239
Interest paid to Coöperatie KPMG U.A. re partners and former partners	10	-4,646	-3,346
Repayment of share premium to Coöperatie KPMG U.A.		-1,870	-1,750
Payment of lease liabilities		-36,717	–
Acquisition of remaining shares in Innovation Factory B.V.	25	–	-525
Net (repayment)/proceeds of employee bonds	20	-51	1,889
Net cash (used in)/from financing activities		-28,566	14,576
Net change in cash and cash equivalents	18	27,302	21,623
Cash and cash equivalents at 1 October	18	57,879	36,256
Cash and cash equivalents at 30 September		85,181	57,879

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Consolidated statement of changes in equity

The notes on pages 70 to 104 inclusive are an integral part of these consolidated financial statements.

EUR 000	Share capital	Share premium	Reserves	Profit for the year	Total equity attributable to equity holders	Non-controlling interest	Total equity
Balance at 1 October 2018	5,500	13,500	14,026	148	33,174	-7,977	25,197
2017/2018 result appropriation	–	–	148	-148	–	–	–
Total comprehensive income for the year							
Profit/(loss) for 2018/2019	–	–	–	924	924	-94	830
Other comprehensive income for the year	–	–	–	–	–	–	–
Transactions with owners of the Company, recognised directly in equity							
Acquisition of Innovation Factory B.V.	–	–	-768	–	-768	137	-631
Dissolution of KPMG-gebouw Amstelveen II B.V.	–	–	-7,934	–	-7,934	7,934	–
Contributions and distributions							
Repayment	–	-1,750	–	–	-1,750	–	-1,750
Additions by partners	–	3,190	–	–	3,190	–	3,190
Balance at 30 September 2019	5,500	14,940	5,472	924	26,836	–	26,836
Balance at 1 October 2019	5,500	14,940	5,472	924	26,836	–	26,836
2018/2019 result appropriation	–	–	924	-924	–	–	–
Total comprehensive income for the year							
Profit/(loss) for 2019/2020	–	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–	–
Transactions with owners of the Company, recognised directly in equity							
Contributions and distributions							
Repayment	–	-1,870	–	–	-1,870	–	-1,870
Additions by partners	–	2,010	–	–	2,010	–	2,010
Balance at 30 September 2020	5,500	15,080	6,396	–	26,976	–	26,976

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

Coöperatie KPMG U.A. is the ultimate parent company of KPMG N.V. KPMG N.V. is registered with the trade register in the Netherlands and a member firm of the KPMG network of independent member firms affiliated with KPMG International limited (KPMG International), an English entity. Until 30 September 2020, KPMG International was a Swiss cooperative (KPMG International Cooperative); on 1 October 2020, the legal structure of KPMG International was amended. As from 1 October 2020, KPMG International is a private English company limited by guarantee (KPMG International Limited).

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 Group's investments in associates. The Company and its subsidiaries are jointly referred to as 'KPMG' or 'the Group'.

1.2 Reporting period

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

The financial statements for 2019/2020 were approved for issue by the Board of Management on 14 December 2020.

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 a historical cost basis, unless otherwise stated in the respective note or Note 3 Significant accounting policies.

2.2 Functional currency

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

2.3 Use of estimates and judgements

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

The results form the basis for the Group'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 consideration and future periods.

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

- Note 13 Intangible assets;
- Note 15 Investments in equity accounted investees;
- Note 17 Measurement of unbilled services and trade receivables;
- Note 22 Provision for claims/legal proceedings;
- Note 24 Financial instruments and associated risks.

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.

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The Group 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 24 Financial instruments and associated risks.

2.4 Going concern

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

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

The Group has adopted the following new standards, interpretations and amendments to a standard with a date of initial application of 1 October 2019 unless otherwise stated:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- IFRS 16 Leases;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;

- Annual improvements to IFRS Standards 2015-2017 Cycle.

The implementation of the abovementioned standards, interpretations and amendments except for IFRS 16 has not had any effect on profit or equity.

The nature and effect of the changes in IFRS 16 are explained below.

IFRS 16 Leases

General

IFRS 16 replaced existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group adopted the new standard on 1 October 2019.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

In addition, the nature of expenses related to those leases changes as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Transition

The Group initially applied IFRS 16 on 1 October 2019, using the modified retrospective approach, under which the cumulative effect on initial application, if any, was recognised in retained earnings at 1 October 2019. Accordingly, the comparative information presented for the year ended 30 September 2019 is not restated i.e. it is presented as previously reported, under IAS 17.

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Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in IFRS 16. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether they constitute leases under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 October 2019.

On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 October 2019. Right-of-use assets are measured at an amount equal to the lease liability.

The Group applied the practical expedient of excluding initial direct costs from the measurement of the right-of-use assets. Finally, upon transition the Group applied a single discount rate to portfolios of leases with reasonably similar characteristics. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 October 2019. The weighted average rate applied is 1.54%.

Where possible the Group used hindsight when determining the lease term of a contract.

The Group elected to rely on its assessment of whether a lease is onerous in accordance with IAS 37 upon transition as an alternative to performing an impairment review. As there were no onerous contracts in the lease portfolio of KPMG as at 30 September 2019, none of the leases are assumed to be impaired.

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

Upon adoption of IFRS 16, the Group recognised new assets and liabilities for its rental property and lease cars in the amount of EUR 147,905 in right-of-use assets and lease liabilities. As a result of implementing IFRS 16, there was no impact on retained earnings as at 1 October 2019.

The Group does not have to make adjustments for leases in which it is a lessor, including for sub-leases. The Group sub-leases some of its properties. Under IAS 17, the head

lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognised from the head leases are presented in property, plant and equipment, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

The adoption of IFRS 16 does not have an impact on the Group's ability to comply with the financial covenants in connection with the credit facility described in Note 24.3 Liquidity risk.

The change in accounting policy affected the following items on the balance sheet on 1 October 2019:

	30 Sep 19	Adjustment on initial application of IFRS 16	1 Oct 19
Assets			
Property, plant and equipment	11,412	147,905	159,317
Others	238,949	–	238,949
Total assets	250,361	147,905	398,266
Liabilities			
Loans and borrowings, non-current	33,924	146,043	179,967
Loans and borrowings, current	49,170	1,862	51,032
Others	167,267	–	167,267
Total liabilities	250,361	147,905	398,266

The lease liabilities as at 1 October 2019 can be reconciled to the operating lease commitments as at 30 September 2019 as follows:

Operating lease commitments disclosed as at 30 September 2019	178,982
Less: service costs of buildings	-13,144
Less: short-term leases, excluded from the lease liability	-90
Less: other commitments, not classified as leases under IFRS 16	-2,367
Lease commitments	163,381
Discounted using the lessee's incremental borrowing rate at the date of initial application	-15,476
Lease liability recognised as at 1 October 2019	147,905

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3. Significant accounting policies

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

3.1 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these consolidated financial statements:

- Amendments to IFRS 3 Business Combinations;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework.

These amendments are not expected to have a material impact on profit or equity.

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 statement of profit or loss. 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.

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 25 List of subsidiaries.

3.2.3 Non-controlling interest

Non-controlling interest represents the net assets not held by the Group and is presented within the total equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the Group. The total result and each component of other comprehensive income are attributed to the equity holder and to the non-controlling interest. 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.

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3.2.6 Investments in equity accounted investees (associates)

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

Associates are those entities in which the Group has significant influence, 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% 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 the significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term loans, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation 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

3.5.1 Recognition and initial measurement

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

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

3.5.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL

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

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any

gain or loss on derecognition is also recognised in profit or loss.

Debt investments at FVOCI

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

Equity investments at FVOCI

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

Financial liabilities

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

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

3.5.3 Derecognition

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

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

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

3.5.4 Offsetting

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

3.5.5 Derivative financial instruments

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

3.6 Property, plant and equipment

3.6.1 Owned assets

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

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

3.6.2 Right-of-use assets

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

3.6.3 Subsequent costs

Subsequent expenditure is 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.

3.6.4 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;
- Computers and communications equipment: five to eight years;
- Office furniture and equipment: five to eight years depending on the lease term;
- Buildings: up to 15 years depending on the lease term;
- Lease cars: four to five years depending on the lease term.

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

3.7 Leases

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

3.7.1 Policy applicable from 1 October 2019

Lessee accounting

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

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

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

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

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

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

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

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

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

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of cars that have a lease term of 12 months or less. The Group recognises

the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

For information regarding the policy applicable prior to 1 October 2019, see Note 3.7.2 Accounting policies applicable to comparative figures.

- For disclosure on right-of-use assets, refer to Note 14;
- Disclosures regarding interest expenses on lease liabilities, are disclosed in Note 10;
- For disclosure on leasing-related cash outflows and the split between interest and principal payments refer to the consolidated statement of cash flows;
- For disclosures on lease liabilities and maturity analysis, refer to Note 20.4;
- For future lease obligations, refer to Note 24.3;

Lessor accounting

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

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

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

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

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3.7.2 Accounting policies applicable to comparative figures

As the Group did not apply IFRS 16 retrospectively, the accounting policies applicable to the comparative figures relating to leases differ from the current accounting policies. In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Lessor accounting remains unchanged compared to the accounting standard as applicable from 1 October 2019 i.e. lessors continue to classify leases as finance or operating leases.

3.8 Intangible assets and goodwill

3.8.1 Goodwill

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

3.8.2 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, except for licences with an indefinite useful life, as follows:

- Customer relationships: five years;
- Order books: three months;
- Software: five to eight 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.

3.9 Unbilled services

Unbilled services represent the gross unbilled amount expected to be collected from customers for rendering services performed to date. It is measured at cost plus profit 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.

3.10 Impairment

3.10.1 Intangible and tangible assets

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

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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.

3.10.2 Financial assets measured at amortised cost

The Group recognises loss allowances for ECLs on:

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

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

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

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

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

When determining whether the credit risk of a financial asset has increased significantly

since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per S&P or Fitch.

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

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

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

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

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

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

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

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

3.11 Employee benefits

3.11.1 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.

3.11.2 Long-term employee benefits

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

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

3.12 Provisions

A provision is 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.

3.13 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

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

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

Assurance and advisory services

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

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

Invoices are issued according to contractual terms and are usually payable within 15 days. Amounts not yet invoiced are presented as unbilled services.

Revenue recognition

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

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

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

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SaaS licences

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

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

Revenue recognition

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

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

3.14 Other income

Included in other income 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 leased by the Group. Furthermore, the Group employs personnel working for KPMG International at KPMG Staffing & Facility Services B.V. These costs are rebilled in full to KPMG International.

Grant amounts and comparable items of income are 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 the depreciation expense on those assets is recognised.

3.15 Finance expenses

Finance expenses comprise interest payable on borrowings, calculated using the effective

interest method, interest on leases, calculated using the incremental borrowing rate, 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 in compensation for services performed. This variable fee is equal to the profit after tax of KPMG N.V. before deducting the variable fee and excluding the amount the Board of Management proposes to add to the reserves.

These contractual fees payable are recognised as expenses in the statement of 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.

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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 2019/2020 the tax rate applied was 25% for 2020 and 21.7% for 2021 and later years (2018/2019: 25% for 2019, 22.55% for 2020 and 20.5% for 2021 and later years).

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

Deferred tax assets and liabilities are offset only 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, issuance of share capital, interest paid to (former) partners

and payments of lease liabilities are presented under the cash flow from financing activities.

4 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group has the following primary operating segments:

- Assurance;
- Advisory.

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 mainly comprise corporate assets, head office expenses, and income tax assets and liabilities. These are reported under 'Corporate'.

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.

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Segmentation 2019/2020					
	Assurance	Advisory	Corporate	Intersegment eliminations	Total
Revenue and profit					
Revenue	308,554	216,756	134	–	525,444
Revenue from intersegment transactions	–	642	–	-642	–
	308,554	217,398	134	-642	525,444
Other income	1,579	2,030	20,541	–	24,150
Total operating income	310,133	219,428	20,675	-642	549,594
Operating result	82,484	30,733	-44,360	–	68,857
Finance income	–	55	1,468	–	1,523
Finance expenses	–	-898	-7,780	–	-8,678
Profit before income tax	82,484	29,890	-50,672	–	61,702
<i>Profit before tax/revenue</i>	<i>26.7%</i>	<i>13.7%</i>			<i>11.2%</i>
Taxation					-818
Fees payable to Coöperatie KPMG U.A					-60,884
Profit for the year					–
FTEs					
Partners	82	52	8	–	142
Other professionals	1,614	1,166	–	–	2,780
Support staff	116	52	511	–	679
Total FTEs	1,812	1,270	519	–	3,601
Intangible assets and goodwill					
Capital expenditure	–	9,221	901	–	10,122
Amortisation	–	3,600	1,989	–	5,589
Impairment	–	20,211	–	–	20,211
Reversal of impairment	–	-356	–	–	-356
Property, plant and equipment					
Capital expenditure	–	–	24,017	–	24,017
Depreciation	–	–	31,922	–	31,922
Remeasurement	–	–	7,635	–	7,635
Modification	–	–	-538	–	-538
Assets by segment					
Non-current assets	–	9,456	167,687	–	177,143
Contract assets	–	67	–	–	67
Unbilled services and trade receivables	58,201	52,691	3,612	76	114,580
Other current assets	–	451	95,116	–	95,567
Total assets					387,357
Liabilities by segment					
Prepayments	37,902	6,068	–	76	44,046
Other liabilities	619	763	314,953	–	316,335
Total liabilities					360,381

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Segmentation 2018/2019					
	Assurance	Advisory	Corporate	Intersegment eliminations	Total
Revenue and profit					
Revenue	295,365	214,168	-101	–	509,432
Revenue from intersegment transactions	–	797	–	-797	–
	295,365	214,965	-101	-797	509,432
Other income	725	1,448	18,798	–	20,971
Total operating income	296,090	216,413	18,697	-797	530,403
Operating result	71,792	60,951	-57,874	–	74,869
Finance income	–	70	26	–	96
Finance expenses	-679	-1,440	-4,159	–	-6,278
Share in result of non-consolidated associated companies	–	-2,210	–	–	-2,210
Impairment loss on non-consolidated associated companies	–	-2,383	–	–	-2,383
Profit before income tax	71,113	54,988	-62,007	–	64,094
<i>Profit before tax/revenue</i>	<i>24.2%</i>	<i>25.5%</i>			<i>12.1%</i>
Taxation					-2,077
Fees payable to Coöperatie KPMG U.A					-61,187
Profit for the year					830
FTEs					
Partners	79	51	8	–	138
Other professionals	1,532	1,146	–	–	2,678
Support staff	118	56	453	–	627
Total FTEs	1,729	1,253	461	–	3,443
Intangible assets and goodwill					
Capital expenditure	–	14,254	2,882	–	17,136
Reclassification	–	–	-30	–	-30
Amortisation	–	2,485	1,750	–	4,235
Property, plant and equipment					
Capital expenditure	–	–	4,489	–	4,489
Reclassification	–	–	30	–	30
Depreciation	–	–	3,705	–	3,705
Assets by segment					
Non-current assets	–	24,143	21,731	–	45,874
Contract assets	–	67	–	–	67
Unbilled services and trade receivables	61,062	61,430	2,225	122	124,839
Other current assets	4,853	801	73,927	–	79,581
Total assets					250,361
Liabilities by segment					
Contract liabilities	–	75	–	–	75
Prepayments	34,595	6,019	1	122	40,737
Other liabilities	16,345	494	165,874	–	182,713
Total liabilities					223,525

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5 Revenue

Revenue streams

The Group generates revenue primarily from single or multiple performance obligations to deliver assurance and advisory services. The main component of these contracts is labour. An increasing number of the Group's contracts contain software licences, and other services derived from licences.

	2019/2020	2018/2019
Revenue from contracts with customers	525,444	509,432
	525,444	509,432

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 4 Segment reporting).

EUR million	Statutory legal audits	Other statutory audits	^(a) Other assurance services	Total assurance services	Advisory services	Total
2019/2020						
Statutory legal audits – OOB clients	70.0	4.9	5.8	80.7	–	80.7
Statutory legal audits – other clients	107.8	20.3	10.7	138.8	8.9	147.7
Statutory audits – other clients	–	46.8	5.6	52.4	3.9	56.3
Other clients	–	–	7.6	7.6	233.1	240.8
Total	177.8	72.0	29.7	279.5	245.9	525.4
Of which income is related to:						
Assurance	177.8	72.0	29.1	278.9	29.9	308.7
Advisory	–	–	0.6	0.6	216.0	216.6
Corporate	–	–	–	–	0.1	0.1
Total	177.8	72.0	29.7	279.5	245.9	525.4
2018/2019^(a)						
Statutory legal audits – OOB clients	51.2	4.7	14.8	70.7	–	70.7
Statutory legal audits – other clients	105.5	17.2	15.5	138.2	8.5	146.7
Statutory audits – other clients	–	45.8	5.2	51.0	5.1	56.1
Other clients	–	–	7.5	7.5	228.4	235.9
Total	156.7	67.7	43.0	267.4	242.0	509.4
Of which income is related to:						
Assurance	156.7	67.7	42.2	266.6	30.8	279.4
Advisory	–	–	0.8	0.8	211.2	212.0
Corporate	–	–	–	–	–	–
Total	156.7	67.7	43.0	267.4	242.0	509.4

Note: (a) The presentation of the 2018/2019 numbers has been adjusted for comparison purposes.

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Contract balances

The following tables provide information about receivables, contract assets and contract liabilities from contracts with customers.

	30 Sep 20	30 Sep 19
Receivables, which are included in 'trade and other receivables'	83,045	90,515

	30 Sep 20		30 Sep 19	
	Gross	Net	Gross	Net
Contract assets	67	67	115	67
Contract liabilities	–	–	123	75

The contract assets primarily relate to costs to fulfil contracts where the Group performs setup activities to deliver Software as a Service (SaaS licences). These costs were determined based on the cost price of consulting hours related to the setup activities that were performed before the go-live date of the SaaS licences. Contract assets are amortised over the period that the SaaS licence is provided to the customer. The amount of amortisation of contract assets during the period ended 30 September 2020 was EUR 116 (30 September 2019: EUR 79). The amortisation expenses relate partly to contract assets that were formed during the financial year and partly to existing contract assets at the start of the financial year.

The contract liabilities primarily relate to upfront fees for setup activities that do not transfer a service to the customer by themselves, but that are necessary for the use of the SaaS licences to be provided to the customer. As at 30 September 2020, the amount of contract liabilities was EUR nil (30 September 2019: EUR 75).

An amount of EUR 147 was recognised as revenue for the period ended 30 September 2020 which partly relates to contract liabilities formed during the year and partly to contract liabilities recognised at the beginning of the period.

Transaction price allocated to the remaining performance obligations

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

6 Other income

Other sources of income include amounts billed to third parties for services other than

audit and advisory services. This relates to housing expenses and IT services charged externally, primarily to Meijburg & Co and KPMG international, who occupy buildings leased by the Group. Furthermore, the Group employs personnel working for KPMG International at KPMG Staffing & Facility Services B.V. These costs are rebilled in full to KPMG international.

7 Employee benefit expenses

	2019/2020	2018/2019
Salaries and other employee benefit expenses	223,481	212,424
Social security costs	30,441	29,825
Pension costs	16,603	15,140
Long-term employee benefits	320	347
Severance expenses	2,581	2,836
	273,426	260,572

The average salary per FTE increased by 2.2% (2018/2019: decrease 2.1%). Total employee expenses increased by 4.9% (2018/2019: increase 7.4%).

Number of staff and partners

Average FTEs	2019/2020	2018/2019
Professional staff	2,780	2,678
Support staff	569	538
Support staff for KPMG International	110	89
	3,459	3,305
Partners	142	138
	3,601	3,443

8 Other expenses

	2019/2020	2018/2019
Other employee expenses	27,530	41,107
Travel and representation expenses	13,773	30,608
Housing expenses	3,657	22,025
Office and IT expenses	14,919	11,196
Other expenses	31,430	30,826
	91,309	135,762

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Other employee expenses decreased as a result of lower costs of hiring third parties, resulting from cost reduction measures following the Covid-19 outbreak, and lower study expenses. Travel and representation expenses also declined after the Covid-19 outbreak. In addition, travel and representation expenses and housing expenses decreased as a result of excluding costs for property leases and car leases from these line items as a result of the implementation of IFRS 16. An amount of EUR 31.9 million was recognised as depreciation of right-of-use assets, refer to Note 14 Property, plant and equipment. EUR 2.2 million was recognised as interest in finance expenses, refer to Note 10 Finance expenses. Office and IT expenses increased resulting from higher IT costs, due to an increase in cloud service expenses and software. Total litigation expenses (including related legal expenses and movements in provisions) included in other expenses amount to EUR 1.4 million (2018/2019: EUR 1.1 million).

An amount of EUR 11.0 million is recognised in other expenses related to research and development costs (2018/2019: EUR 10.4 million).

9 Finance income

	2019/2020	2018/2019
Interest income on deposits	–	1
Foreign exchange results	554	–
Interest income from loans to equity accounted investees	–	70
Other finance income	969	25
	1,523	96

10 Finance expenses

	2019/2020	2018/2019
Interest expense on employee bonds	186	38
Interest expense due to Coöperatie KPMG U.A.	4,646	3,346
Foreign exchange results	–	974
Unwinding of discount on provisions	5	–
Changes in fair value of loans to associated company	898	1,440
Interest on lease liabilities	2,283	–
Interest and bank charges	660	480
	8,678	6,278

11 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 are 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 2019/2020, the average tax rate was 24.4% (2018/2019: 24.7%).

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

	2019/2020	2018/2019
Profit before tax	61,702	64,094
Expenses related to early retired partners	-2,995	-1,719
Tax-exempt income	-4,550	-702
Non-deductible expenses	2,535	7,814
Temporary differences	-2,478	-3,271
Taxable profit	54,214	66,216

Of which taxable by:

Subsidiaries not part of the fiscal unity	–	-881
KPMG N.V.	2,521	3,411
Coöperatie KPMG U.A.	983	945
Practice companies of the individual equity partners	50,710	62,741

11.1 Amounts recognised in profit or loss

	2019/2020	2018/2019
Current tax expense		
Current year	615	856
Adjustments for prior years	-29	38
	586	894
Deferred tax expense		
Recognised deductible temporary differences	232	1,183
Tax expense on continuing operations	818	2,077

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11.2 Movement in deferred tax balances

	Net balance at 1 Oct	Recognised in profit or loss (see 11.1)	Net balance at 30 Sep	Deferred tax asset	Deferred tax liability
2018/2019					
Intangible assets	-148	-11	-159	–	-159
Property, plant and equipment	3,954	-1,168	2,786	2,786	–
Jubilee benefits	151	-4	147	147	–
Deferred tax balance	3,957	-1,183	2,774	2,933	-159
2019/2020					
Intangible assets	-159	159	–	–	–
Property, plant and equipment	2,786	-476	2,310	2,310	–
Jubilee benefits	147	63	210	210	–
Lease liabilities	–	22	22	22	–
Deferred tax balance	2,774	-232	2,542	2,542	–

The key factors that determine the valuation of deferred tax assets are the probability of future taxable profits, the tax rates that are expected to be applied to temporary differences when they reverse and the assumption that it is expected that the carrying amount can be recovered. An increase of EUR 183 in the amount recognised in profit or loss relates to changes in enacted or substantially enacted tax rates. 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.

11.3 Current tax balances

As from 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.

12 Fees 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 fees, the practice companies of the partners also received expense allowances amounting to a total of EUR 95 (2018/2019: EUR 92), car allowances amounting to EUR 2,198 (2018/2019: EUR 2,291) and interest on financing totalling EUR 4,646 (2018/2019: EUR 3,346). These costs are shown in the statement of profit or loss and other comprehensive income under other expenses and finance expenses, respectively.

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13 Intangible assets and goodwill

	Goodwill	Customer relationships & similar items	Software	Internally developed software	Licences	Total
Balance at 1 Oct 18						
Cost	6,395	1,921	13,886	5,168	544	27,914
Accumulated amortisation and impairment	–	1,493	7,621	599	16	9,729
Carrying amount	6,395	428	6,265	4,569	528	18,185
Movements in 2018/2019						
Additions	–	–	2,882	14,254	–	17,136
Reclassifications	–	-335	-30	335	–	-30
Amortisation	–	-93	-1,750	-1,746	–	-3,589
Impairment	–	–	–	-646	–	-646
Disposals cost	–	-373	–	-721	–	-1,094
Disposals accumulated amortisation	–	373	–	721	–	1,094
Balance at 30 Sep 19	6,395	–	7,367	16,766	528	31,056
Cost	6,395	1,586	16,738	19,757	544	43,926
Accumulated amortisation and impairment	–	1,586	9,371	2,991	16	12,870
Balance at 30 Sep 19	6,395	–	7,367	16,766	528	31,056
Movements in 2019/2020						
Additions	–	–	901	9,221	–	10,122
Reclassifications	–	–	–	–	–	–
Amortisation	–	–	-1,989	-3,600	–	-5,589
Impairment	–	–	–	-20,211	–	-20,211
Reversal of impairment	–	–	–	356	–	356
Disposals cost	–	-1,586	–	-24,834	–	-26,420
Disposals accumulated amortisation	–	1,586	–	24,834	–	26,420
Balance at 30 Sep 20	6,395	–	6,279	2,532	528	15,734
Cost	6,395	–	17,639	5,283	544	29,861
Accumulated amortisation and impairment	–	–	11,360	2,751	16	14,127
Balance at 30 Sep 20	6,395	–	6,279	2,532	528	15,734

The key factors that determine the valuation of intangible assets as a result of acquisitions are based on contractual conditions, existing clients and engagements, past results and scenarios of future results, 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 2020 are:

- Customer relationships and similar items: 0 years (30 September 2019: three years);
- Software: two to eight years (30 September 2019: two to eight years).

Software

Software mainly relates to back-office systems.

Internally developed software

Internally developed software mainly relates to digital risk software. During 2019/2020 an amount of EUR 9,221 was capitalised (2018/2019: EUR 14,254).

Impairment loss

In the financial year, an impairment loss of EUR 20,211 (2018/2019: EUR 646) was recognised with respect to intangible fixed assets.

Impairment of GRC software

The majority of the total impairment loss relates to the internally developed advanced digital risk platform DRP (EUR 18,418). In 2019/2020, the business case was negatively impacted by longer than anticipated sales cycles and delayed market interest caused by the outbreak of the Covid-19 virus. During 2019/2020, the Board of Management decided to suspend further investments in the software and to effectively terminate the current contracts. This enabled us to fully focus on Sofy, which is our principal digital risk software, in the current market circumstances.

The recoverable amount of the individual asset was estimated based on its value in use, assuming that the asset will no longer generate incoming cash flows. Based on this assessment, the recoverable amount (being the value in use) of the asset was determined to be negative, and an impairment loss was recognised. This loss fully relates to capitalised development costs associated with the asset.

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Impairment of innovation software

Of the total impairment loss of EUR 20,211, an amount of EUR 1,401 is related to innovation software. In 2019/2020, it became clear that the innovation software was technically outdated and needed a full rebuild using new software coding in the coming year. As a result, the outdated innovation software is no longer expected to generate incoming cash flows.

The recoverable amount of the individual asset was estimated based on its value in use, assuming that the asset will no longer generate incoming cash flows. Based on this assessment the recoverable amount (being the value in use) of the asset was determined to be negative, and an impairment loss was recognised. The full amount of this loss relates to capitalised development costs associated with the asset.

Impairment of valuation software

EUR 392 of the total impairment loss is related to internally developed valuation software. In 2019/2020, it became clear that the software was not generating the revenues that were expected and that costs exceeded revenues.

The recoverable amount of the individual asset was estimated based on its value in use. Based on the assessment at 30 September 2020, the recoverable amount (being the value in use) of the asset was determined to be EUR 392 lower than its carrying amount, and an impairment loss was recognised. This loss relates entirely to capitalised development costs associated with the asset.

The estimate of the recoverable amount was based on a discount rate of 24%. The cash flow forecasts are based on the most recent budgets, which have been approved internally by management. These budgets cover a period of five years (years 2020/2021 to 2024/2025 inclusive). For the period thereafter the forecast cash flows are based on extrapolation of the cash flows for the first five years, applying a constant annual growth rate of 0%.

Reversal of impairment

In the financial year, a reversal of impairment of EUR 356 (2018/2019: EUR nil) was recognised with respect to intangible fixed assets.

This reversal is related to the internally developed digital risk software Sofy. In 2018/2019, an impairment loss of EUR 524 was recognised related to this asset which was mainly caused by the development of the DRP. However, as the Board of Management decided

in 2019/2020 to not invest further in the DRP asset, this was an indication that the impairment loss as recognised in the prior year no longer existed or was decreased and therefore the recoverable amount of the Sofy asset was estimated as at the reporting date.

The recoverable amount of the individual asset was estimated based on its value in use, assuming an increase in incoming cash flows due to the termination of the competing asset. Based on the assessment at 30 September 2020, the recoverable amount (being the value in use) of the asset was determined to be higher than the carrying amount and the impairment loss was reversed.

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 Sep 20	30 Sep 19
KPMG Advisory	6,395	6,395

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 Segment reporting. The recoverable amount of the relevant CGU is determined on the basis of its value in use. Determination of the value in use is performed by using estimated future cash flows, based on the 2020/2021 business plan approved by the Board of Management and further financial projections for the financial years through 2022/2023. 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, expected future market developments and the 2020/2021 business plan. For the period 2020/2021 revenue growth of 1% is included, and for the period thereafter growth of 0%;

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- A discount rate of 10.8% (2018/2019: 10.1%) 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;
- An indefinite growth rate of 0% (2018/2019: 0%).

The values assigned to the key assumptions represent management's assessment of future trends in the respective markets and are based on both external and internal sources (historical and forward-looking data). A sensitivity analysis has been performed taking into consideration a change in the pre-tax weighted average cost of capital. An increase of five percentage points confirms sufficient headroom in the cash-generating unit. Based on the outcome of the impairment tests, no impairments have been recorded.

14 Property, plant and equipment

	Fixtures, fittings and alterations	Computers and comms. equipment	Office furniture and equipment	Lease cars	Buildings	Total
Balance at 1 Oct 18						
Cost	10,943	7,897	19,403	–	–	38,243
Accumulated depreciation and impairments	6,530	4,352	16,763	–	–	27,645
Carrying amount	4,413	3,545	2,640	–	–	10,598
Movements in 2018/2019						
Additions	1,426	2,305	758	–	–	4,489
Reclassifications	–	30	–	–	–	30
Depreciation	-1,077	-1,844	-784	–	–	-3,705
Disposals cost	-209	-3,120	-12,428	–	–	-15,757
Disposals accumulated depreciation	209	3,120	12,428	–	–	15,757
Balance at 30 Sep 19	4,762	4,036	2,614	–	–	11,412
Cost	12,160	7,112	7,733	–	–	27,005
Accumulated depreciation and impairments	7,398	3,076	5,119	–	–	15,593
Balance at 30 Sep 19 (carried forward)	4,762	4,036	2,614	–	–	11,412

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	Fixtures, fittings and alterations	Computers and communication equipment	Office furniture and equipment		Lease cars	Buildings	Total		Total
	Owned	Owned	Owned	Right-of-use	Right-of-use	Right-of-use	Owned	Right-of-use	
Brought forward	4,762	4,036	2,614	–	–	–	11,412	–	11,412
IFRS 16 adjustment	–	–	–	82	31,317	116,506	–	147,905	147,905
	4,762	4,036	2,614	82	31,317	116,506	11,412	147,905	159,317
Balance at 1 Oct 19	4,762	4,036	2,614	82	31,317	116,506	11,412	147,905	159,317
Movements in 2019/2020									
Additions	798	1,609	1,673	455	23,086	476	4,080	24,017	28,097
Reclassifications	–	–	–	–	–	–	–	–	–
Depreciation	-1,118	-1,877	-727	-128	-16,723	-15,071	-3,722	-31,922	-35,644
Remeasurement	–	–	–	–	1,260	6,375	–	7,635	7,635
Modification	–	–	–	–	-1,564	1,026	–	-538	-538
Disposals cost	-20	-1,490	-2,493	–	–	–	-4,003	–	-4,003
Disposals accumulated depreciation	20	1,490	2,493	–	–	–	4,003	–	4,003
Balance at 30 Sep 20	4,442	3,768	3,560	409	37,376	109,312	11,770	147,097	158,867
Cost	12,938	7,231	6,913	537	54,099	124,383	27,082	179,019	206,101
Accumulated depreciation and impairments	8,496	3,463	3,353	128	16,723	15,071	15,312	31,922	47,234
Balance at 30 Sep 20	4,442	3,768	3,560	409	37,376	109,312	11,770	147,097	158,867

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.

15 Investments in equity accounted investees

The Group holds a 15% interest in KPMG Investments Malta Ltd (30 September 2019: 15%). The other 85% of the shares are held by other KPMG member firms (30 September 2019: 85%). The activities of KPMG Investments Malta Ltd mainly consist of the delivery of computer software and professional services.

As at 30 September 2019, the Group held a 49.91% interest in AdviceGames Topholding

B.V. The associate was liquidated during the financial year.

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 2019/2020 amounts to EUR nil (2018/2019: a loss of EUR 2,210).

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16 Other financial assets

	30 Sep 20	30 Sep 19
Profit share derivative of the employee bonds	–	19
Loans to equity accounted investees	–	454
	–	473

During the 2019/2020 financial year, the loans provided to AdviceGames were waived by way of a capital contribution.

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 24 Financial instruments and associated risks.

17 Receivables

	30 Sep 20	30 Sep 19
Unbilled services	27,926	32,274
Trade receivables	85,030	92,565
Due from equity accounted investees	211	173
Other receivables	4,503	11,291
Prepayments	7,296	10,238
	124,966	146,541

Every quarter, the recoverable amounts of unbilled services and trade receivables are estimated. The important factors to be considered when estimating unbilled services and trade receivables are historical performance, the terms and conditions of contracts, progress on and results of work performed. Both macroeconomic factors, including the impact of the Covid-19 pandemic, and the financial position of the debtor are important when assessing the loss allowance.

17.1 Unbilled services

	30 Sep 20	30 Sep 19
Unbilled services	27,926	32,274
Advance billings	-44,047	-40,737
Balance of unbilled services and advance billings	-16,121	-8,463

Advance billings are included in trade and other payables, please refer to Note 23 Trade and other payables. Unbilled services are subject to a first pledge in favour of Coöperatie KPMG U.A. as security for loans advanced.

17.2 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 expected credit losses amounting to EUR 763 (2018/2019: net of expected credit losses of EUR 829). In the statement of profit or loss and other comprehensive income a loss of EUR 90 (2018/2019: profit of EUR 1,670) has been recognised under impairment on trade receivables (2018/2019: under impairment on trade receivables).

17.3 Other

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

18 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.

19 Group equity

19.1 Share capital

The Company has an authorised capital of EUR 20,000 (2018/2019: EUR 20,000), which is divided into 800 shares of EUR 25 each (2018/2019: 800 shares of EUR 25 each). The issued share capital consists of 220 (2018/2019: 220) shares at a nominal value of EUR 25 each (2018/2019: EUR 25 each), representing a total nominal value of EUR 5,500 (2018/2019: EUR 5,500). All of the shares are fully paid up.

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

19.2 Reserves

The reserves contain the profits of previous years.

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19.3 Non-controlling interests

Non-controlling interests as at 30 September 2020 amounted to EUR nil (2018/2019: EUR nil). The non-controlling interests at 30 September 2019 related to a minority interest of 30% in KPMG-gebouw Amstelveen II B.V., an entity which was dissolved during the 2018/2019 financial year, and to a minority interest of 20% in Innovation Factory B.V., which was acquired by the Group during the 2018/2019 financial year.

19.4 Appropriation of profit

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

20 Loans and borrowings

	30 Sep 20	(a)30 Sep 19
Non-current loans and borrowings		
Loans payable to Coöperatie KPMG U.A. (partners)	32,952	32,396
Loans payable to Coöperatie KPMG U.A. (former partners)	1,771	1,528
Lease liability	116,641	–
Total non-current loans and borrowings	151,364	33,924
Current loans and borrowings		
Employee bonds	1,874	1,926
Loans payable to Coöperatie KPMG U.A. (partners)	49,605	41,602
Loans payable to Coöperatie KPMG U.A. (former partners)	9,548	5,642
Lease liability	25,968	–
Total current loans and borrowings	86,994	49,170
	238,358	83,094

Note: (a) The presentation of the 2018/2019 numbers has been adjusted for comparison purposes.

20.1 Employee bonds

Starting in financial year 2018/2019, employees have the opportunity to participate in short-term employee bonds with a maturity of one year, a one-year EURIBOR + 3% base rate interest, and a variable surplus based on the realised profit before tax of KPMG N.V. In 2020 1,865 bonds with a nominal value of EUR 1 were issued, of which 27 bonds were redeemed early (2019: 1,899 bonds with a nominal value of EUR 1, of which 10 bonds were redeemed early).

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

The interest charged on current accounts included in loans is 3.1% (2018/2019: 1.1%). Partners participate in a mandatory loan programme totalling EUR 22.6 million as at 30 September 2020 (30 September 2019: EUR 16.7 million), bearing an interest of 8.0% (2018/2019: 8.0%). Partners also have the opportunity to subscribe to deposits with a duration varying between one and five years. The total amount subscribed as at 30 September 2020 was EUR 31.1 million with an interest rate of 3.0% to 8.0% depending on the duration of the loan (30 September 2019: EUR 28.7 million with an interest rate of 3.25 to 8.0%).

Movements in financing by partners are shown below:

	2019/2020	2018/2019
Balance at 1 October	73,998	60,119
Fees to partners under management agreements	60,884	61,187
Interest due to Coöperatie KPMG U.A. relating to partners	4,631	3,134
Other movements (net withdrawal)	-56,956	-50,442
Balance at 30 September	82,557	73,998

Other movements refer mainly to amounts withdrawn by partners.

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

Non-current loans payable to Coöperatie KPMG U.A. relating to former partners comprise early retirement liabilities to former partners and have an average term of 3.2 years (2018/2019: 2.8 years); these liabilities are not interest-bearing. The average interest on current loans payable to former partners is 2.4% (2018/2019: 0.9%).

20.4 Lease liability

Lease liabilities payable are as follows:

	30 September 2020		Present value of minimum lease payments
	Future minimum lease payments	Interest	
Less than one year	28,707	2,739	25,968
Between one and five years	64,472	5,304	59,168
More than five years	62,623	5,151	57,472
	155,802	13,194	142,608

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21 Employee benefits

	30 Sep 20			30 Sep 19		
	<1 year	>1 year	Total	<1 year	>1 year	Total
Long-term employee benefit obligations	315	2,584	2,899	377	2,713	3,090
Short-term employee benefit obligations	23,165	–	23,165	28,743	–	28,743
	23,480	2,584	26,064	29,120	2,713	31,833

Employee benefits consist of long-term pension plans that supplement WIA (Occupational Disability Insurance Act) benefits, provisions for long-service entitlements, and a number of special schemes and current employee benefit obligations 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, profit shares of the employee bonds, and holiday allowances.

Movements in long-term employee benefits:

	2019/2020	2018/2019
Balance at 1 October	3,090	2,914
Utilised	-307	-227
Addition	111	403
Unwinding of discount	5	–
Balance at 30 September	2,899	3,090
Short-term employee benefit obligations	23,165	28,743
	26,064	31,833

22 Provisions

Movements in provisions in 2019/2020:

	Claims and legal proceedings	Vacant properties	Total
Balance at 1 October	7,449	194	7,643
Utilised	-7,100	-194	-7,294
Released	-153	–	-153
Reclassification from accrual	114	–	114
Exchange rate differences	204	–	204
Balance at 30 September	514	–	514

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 amounts provided for include legal expenses and are presented net of expected reimbursements from the insurance company where appropriate.

The provision for vacant properties related to space in leased properties which was not used. The key factors that determined the provision for leased vacant properties were 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 have been earned as a result. The periods within which provisions are expected to be utilised are as follows:

	30 Sep 20			30 Sep 19		
	<1 year	>1 year	Total	<1 year	>1 year	Total
Claims and legal proceedings	514	–	514	7,077	372	7,449
Provision for vacant properties	–	–	–	194	–	194
	514	–	514	7,271	372	7,643

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23 Trade and other payables

	30 Sep 20	30 Sep 19
Advance billings/payments	44,047	40,737
Trade payables	8,597	9,470
Tax and social insurance contributions	29,595	28,227
Other current liabilities	6,255	11,819
Accruals	6,951	10,468
	95,445	100,721

Please refer to Note 17.1 Unbilled services for details of advance billings/payments.

The Group's liquidity risk relating to trade and other payables is disclosed in Note 24.3 Liquidity risk.

Trade payables decreased, mainly due to cash management decisions following the Covid-19 outbreak which resulted in excess cash and a consequent decision to pay trade payables early. The increase in advance billings was mainly due to tight declaration schemes in the invoicing process of Assurance and an increase in advance billings to the largest clients. Accruals were primarily made to cover housing expenses, charges for third-party services still to be paid, and insurance premiums. Other current liabilities are at a normal level, whereby the other current liabilities were higher in the prior year due to a one-off contract settlement that was included in the prior year's other current liabilities.

24 Financial instruments and associated risks

24.1 General

24.1.1 Background and policies

Financial instruments that are used by KPMG N.V. arise directly from normal business operations. During the period under consideration 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 consideration.

The Board of Management has general responsibility for establishing and supervising risk management. The Group's risk management policy is used to identify and 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.

24.1.2 Concentration of risk

The operational activities of the Group relate to a diversity of clients and suppliers mainly in the Netherlands. As a result, the concentration of risk 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 credit facility. The Group has current accounts of over EUR 16 million at the same bank (2018/2019: over EUR 15 million) 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).

24.2 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 exposure.

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24.2.1 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. The important factors to be considered when estimating unbilled services and trade receivables are historical performance, the terms and conditions of the contract and the progress on and results of the work performed. Both macroeconomic factors, including the impact of the Covid-19 pandemic, and the financial position of the debtor are important when assessing the loss allowance.

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

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

24.2.2 Exposure to credit risk

The maximum exposure to credit risk at 30 September was as follows:

	30 Sep 20	30 Sep 19
Unbilled services	27,974	32,356
Trade receivables	85,801	93,394
Due from equity accounted investees	211	627
Other receivables	4,512	11,291
Cash and cash equivalents	85,181	57,879
	203,679	195,547

Loss allowance

Debtor and unbilled services ageing analysis:

	30 September 2020		30 September 2019	
	Gross	Loss allowance	Gross	Loss allowance
Not yet due: age 0-15 days	71,165	120	73,989	147
Overdue: age 16-180 days	39,301	142	47,364	200
Overdue: age 181-365 days	1,635	120	3,279	217
Overdue: age over 365 days	1,885	437	1,291	347
	113,986	819	125,923	911

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

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

	2019/2020	^(a) 2018/2019
Balance at 1 October	911	2,152
Added	526	718
Written off	-523	-1,348
Released	-95	-611
Balance at 30 September	819	911

Note: (a) The presentation of the 2018/2019 numbers has been adjusted for comparison purposes.

24.2.3 Cash and cash equivalents

At 30 September 2020, the Group held cash and cash equivalents of EUR 85,181 (30 September 2019: EUR 57,879). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated on average A, based on Moody's, S&P and Fitch ratings (ranging from BBB+ to AA-). Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties.

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24.3 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. After the March Covid-19 outbreak, the Group further strengthened its cash management procedures by implementing an increasing focus on debtor collection and WIP management, as well as cash controls.

The Group has a combined credit and guarantee facility of EUR 50,000 (2018/2019: a combined credit and guarantee facility of EUR 50,000), of which no draw down was made (2018/2019: no draw down) in the form of guarantees. A first right of pledge has been granted to the bank on trade receivables as security. The credit facility is available until 30 June 2024. Interest payable is based on the average one-month EURIBOR rate plus a margin of 1.95%.

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

A summary of the financial liabilities is provided in the table:

	Carrying amount	Contractual cash flow	Due within 1 year	Due between 1 and 5 years	Due after 5 years
30 September 2020					
Loans and borrowings from partners	93,876	117,347	63,433	27,343	26,571
Loans and borrowings from employee bonds	1,874	1,874	1,874	–	–
Trade and other payables	95,445	95,445	95,445	–	–
Employee benefits	24,338	24,338	23,415	193	730
Lease liability	142,608	155,802	28,707	64,472	62,623
	358,141	394,806	212,874	92,008	89,924
30 September 2019					
Loans and borrowings from partners	81,168	100,397	49,883	32,109	18,405
Loans and borrowings from employee bonds	1,926	1,926	1,926	–	–
Trade and other payables	100,721	100,721	100,721	–	–
Employee benefits	30,348	30,348	29,021	251	1,076
	214,163	233,392	181,551	32,360	19,481

24.4 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.

24.4.1 Interest rate risk

Interest rate risk mainly relates to interest-bearing financial liabilities as a result of the funding positions by (former) partners. The financial assets of the Group primarily consist 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 2020, a general rise in interest rates by one percentage point would have no effect on the Group's profit before tax (30 September 2019: no effect) and no effect on equity (30 September 2019: no effect).

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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 years	>2 years <3 years	>3 years <4 years	>4 years <5 years	Longer than 5 years	Total carrying amount
2019/2020								
Fixed-rate interest								
Coöperatie KPMG U.A.	0.0%	3,899	611	611	611	611	6,539	12,882
Coöperatie KPMG U.A. current account relating to partners	3.1%	-37,192	-	-	-	-	-	-37,192
Loans payable to partners	6.9%	-16,312	-5,586	-4,017	-4,717	-5,004	-22,611	-58,247
Loans payable to former partners	2.0%	-9,548	-481	-373	-248	-101	-569	-11,320
Lease liability	8.2%	-25,968	-22,372	-16,696	-12,071	-8,029	-57,472	-142,608
Variable rate interest								
Cash and cash equivalents	-0.2%	85,181	-	-	-	-	-	85,181
Employee bonds	2.9%	-1,874	-	-	-	-	-	-1,874
		-1,814	-27,828	-20,475	-16,425	-12,523	-74,113	-153,178
2018/2019								
Fixed-rate interest								
Coöperatie KPMG U.A.	0.0%	4,209	611	611	611	611	7,078	13,731
Coöperatie KPMG U.A. current account relating to partners	1.0%	-37,532	-	-	-	-	-	-37,532
Loans payable to partners	7.1%	-7,356	-12,828	-5,691	-2,541	-5,083	-16,699	-50,198
Loans payable to former partners	0.7%	-5,642	-393	-274	-191	-101	-568	-7,169
Variable rate interest								
Cash and cash equivalents	-0.1%	57,879	-	-	-	-	-	57,879
Employee bonds	2.9%	-1,926	-	-	-	-	-	-1,926
		9,632	-12,610	-5,354	-2,121	-4,573	-10,189	-25,215

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

24.4.2 Currency risk

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

When derivative financial instruments are used to economically hedge exposure to foreign exchange risks associated with 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 2019/2020 (2018/2019: no effect) and no effect on equity (30 September 2019: no effect).

24.5 Fair value

The principal methods and assumptions used to estimate the fair values of financial instruments are set out in the table on the following page. For all the instruments described the fair value measurement is based upon level 3, unobservable inputs. There were no transfers of levels during 2019/2020 to other levels of fair value measurement input.

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

	Financial assets at fair value through profit or loss		Financial assets at fair value through OCI		Financial assets at amortised cost		Other financial liabilities	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
2019/2020								
Other financial assets	-	-	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-	-	-
Loans payable to (former) partners	-	-	-	-	-	-	93,876	93,876
Total financial liabilities	-	-	-	-	-	-	93,876	93,876
2018/2019								
Other financial assets	473	473	-	-	-	-	-	-
Total financial assets	473	473	-	-	-	-	-	-
Loans payable to (former) partners	-	-	-	-	-	-	83,094	83,094
Total financial liabilities	-	-	-	-	-	-	83,094	83,094

24.5.1 Cash and cash equivalents

In view of the short maturity of deposits, their fair value is equal to nominal value.

24.5.2 Interest-bearing loans and borrowings

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

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

24.5.3 Trade and other receivables/trade and other payables

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

24.6 Effects of Covid-19

Revenue in our Advisory segment remained virtually flat (+0.5% in 2019/2020) reflecting a strong first half year and the subsequent impact of the March Covid-19 virus outbreak in the second half of the year. In addition, besides longer than anticipated sales cycles, higher development costs and delayed market interest, the Covid-19 virus negatively impacted the internally developed digital risk software business case, eventually resulting in an impairment of EUR 18,418.

The Covid-19 virus outbreak and the resulting economic uncertainty required us to show our (financial and operational) agility and resilience: scenario planning and cash and working capital initiatives were swiftly implemented. This enabled us to respond to the crisis at hand while remaining focused on our strategy. Our offices were closed and our Business Services organisation including our IT backbone demonstrated its resilience. We rolled out various successful operational cost-saving initiatives.

24.7 Capital management

The Board of Management's policy is to maintain a strong capital position (equity and partner financing) in order to retain the confidence of clients, creditors and finance providers and to ensure the future development of business activities. The Group is largely financed by Coöperatie KPMG U.A., partly in the form of a contribution of up to EUR 180 per partner to the Group's equity (30 September 2019: up to EUR 180 per partner), and partly in the form of loans.

Average financing per partner (excluding other reserves) amounted to EUR 731 as at 30 September 2020, compared with EUR 675 as at 30 September 2019. Total financing by partners as at 30 September 2020 amounted to 28.1% of total assets (30 September 2019: 40.3%). The decrease mainly relates to the implementation of IFRS 16.

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

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25 List of subsidiaries

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

— KPMG Accountants N.V.	Amstelveen
— KPMG Advisory N.V.	Amstelveen
— KPMG Staffing & Facility Services B.V.	Amstelveen
— KPMG-gebouw Amstelveen II Holding B.V.	Amstelveen

During the reporting period, Innovation Factory B.V. was legally merged with KPMG Advisory N.V., whereby Innovation Factory B.V. was the disappearing company.

There have been no other changes in shareholdings.

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

26.1 Other commitments

The Group has long-term property leases for which the service costs are excluded from the lease liability and right-of-use asset in the consolidated balance sheet. In addition, the Group has commitments that do not classify as leases under IFRS 16, such as for personal computers and IT services, and commitments under long-term sponsorship agreements. The total of these commitments at 30 September 2020 amounted to EUR 23,937 (2018/2019: EUR 178,982).

Non-cancellable commitments:

	30 Sep 20			30 Sep 19			
	Service costs related to property	Other contracts	Total	Property leases	Operating leases (cars)	Other contracts	Total
Within 1 year	2,153	3,279	5,432	15,292	13,834	1,746	30,872
Between 1-5 years	5,619	3,625	9,244	49,166	18,857	603	68,626
After 5 years	9,254	7	9,261	79,484	–	–	79,484
	17,026	6,911	23,937	143,942	32,691	2,349	178,982

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

	30 Sep 20	30 Sep 19
Within 1 year	3,175	3,028
Between 1 and 5 years	8,231	8,684
After 5 years	11,739	12,359
	23,145	24,071

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

	2019/2020	2018/2019
Properties	2,153	16,695
Cars	755	18,387
Other contracts	2,349	3,656

26.2 Tax group

Together with its 100% subsidiaries, including KPMG N.V., Coöperatie KPMG U.A. forms a tax group for corporate income tax purposes; each of the companies in the tax group is, under the relevant standard tax conditions, jointly and severally liable for the tax payable by all of the companies in the tax group. As the head of the income tax fiscal unity, the Cooperative pays the income tax assessments. 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 agreed with the Dutch tax authorities.

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

26.3 Guarantees

The Group has a combined credit and guarantee facility of EUR 50,000 (2018/2019: EUR 50,000), of which no draw down was made (2018/2019: no draw down) in the form of guarantees.

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The Group has issued a letter of comfort relating to a facility of USD 600 million (2018/2019: 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 five years from November 2016.

26.4 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 provision is accounted for. The Group carries professional indemnity insurance.

26.5 Joint and several 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.

27 Collaboration agreements and related parties

27.1 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.

27.2 Related parties

27.2.1 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 the services of the partners available to KPMG N.V. and its subsidiaries.

Transactions between the Group and Coöperatie KPMG U.A. during 2019/2020 can be specified as follows:

	2019/2020	2018/2019
Management fees	-60,884	-61,187
Interest paid to Coöperatie KPMG U.A.	-4,646	-3,346
Repayment of share premium	-1,870	-1,750

At 30 September 2020, the following positions relate to Coöperatie KPMG U.A.:

	30 Sep 20	30 Sep 19
Loans received from Coöperatie KPMG U.A.	93,876	81,168

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27.2.2 Key management

Board of Management

As at 30 September 2020, three members (2018/2019: three members) of the Board of Management indirectly hold 2% (2018/2019: 2%) of shares in the Group in aggregate.

Compensation of the Group's key management includes management fees, salaries, non-cash benefits and contributions to a post-employment defined contribution plan. This year, the Board of Management requested the Supervisory Board to reduce their (and that of former board members in 2019/2020) remuneration over the last two quarters of 2019/2020, the 'Covid quarters', by 15%. The aim was to express solidarity with all working at KPMG. To this end, the reduced amount was added to the budget for variable pay for employees. Compensation can be specified as follows:

	S. Hottenhuis	R.P. Kreukniet	M. E. Eeftink	M. Hogeboom	E. Herrie	Total
2019/2020						
<i>FTEs (pro rata)</i>	1.0	1.0	0.3	0.7	0.2	3.2
Management fees	–	665	166	499	115	1,445
Short-term employee benefits	764	–	–	–	–	764
Post-employment benefits	23	–	–	–	–	23
Other short-term benefits	16	17	5	9	5	52
Total	803	682	171	508	120	2,284

	S. Hottenhuis	E. Eeftink	B. Ferwerda	R.G.A. Fijneman	R.P. Kreukniet	Total
2018/2019						
<i>FTEs (pro rata)</i>	1.0	1.0	0.3	1.0	1.0	4.3
Management fees	–	609	–	609	609	1,827
Short-term incentives	–	61	–	37	61	159
Short-term employee benefits	677	–	155	–	–	832
Post-employment benefits	20	–	10	–	–	30
Other short-term benefits	19	22	4	19	20	84
Termination benefits	–	–	429	–	–	429
Total	716	692	598	665	690	3,361

In addition, the Group has outstanding balances in the form of equity and loans payable to the Board of Management which can be specified as follows:

	S. Hottenhuis	R.P. Kreukniet	M. Hogeboom	E. Herrie	Total
30 September 2020					
Equity contribution by key management	–	180	180	180	540
Loans payable to key management	50	570	809	652	2,081
Interest on loans	4	30	27	5	66

	S. Hottenhuis	E. Eeftink	B. Ferwerda	R.G.A. Fijneman	R.P. Kreukniet	Total
30 September 2019						
Equity contribution by key management	–	180	–	180	180	540
Loans payable to key management	50	1,721	–	740	551	3,062
Interest on loans	–	47	–	42	20	109

Supervisory Board

Supervisory Board members received remuneration of EUR 289 (2018/2019: EUR 312). All Supervisory Board members agreed to a pay-cut of 15% over the last two quarters of 2019/2020 (Covid-19 quarters) in line with the Board of Management. The aim was to express solidarity with all working at KPMG. The total amount of this pay-cut of both the Supervisory Board and Board of Management combined will be donated to all employees via the regular variable pay process. Remuneration can be specified as follows:

	B.E.M. Wientjes	G. Boon	H.J. van Dorenmalen	L.J. Griffith	J.C.M. Sap	R.A. Steen- voorden	C. Bulten	Total
2019/2020								
<i>FTEs (pro rata)</i>	1.0	1.0	1.0	0.2	1.0	1.0	0.1	5.3
Short-term benefits	67	53	53	8	53	51	4	289

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	B.E.M. Wientjes	G. Boon	H.J. van Doren- malen	L.J. Griffith	J.C.M. Sap	R.A. Steen- voorden	Total
2018/2019							
<i>FTEs (pro rata)</i>	1.0	1.0	1.0	1.0	1.0	1.0	6.0
Short-term benefits	65	50	49	50	49	49	312

27.2.3 Equity accounted investees

The following amounts relate to equity accounted investees:

	30 Sep 20	30 Sep 19
Trade receivables	211	173
Other financial assets	–	454

Other financial assets related to loans to equity accounted investees which were granted in financial years 2017/2018 to 2019/2020. In 2017/2018, a loan of EUR 200 bearing an interest rate of 6% per annum was granted and due after five years, and a convertible loan of EUR 897 bearing an interest rate of 6% per annum was granted and due after two years. In 2018/2019, two loans totalling EUR 750 bearing an interest rate of 2% per annum were granted with a maturity of two years. In 2019/2020 further financing amounting to EUR 250 and bearing an interest rate of 2% per annum was granted. All loans were waived during the financial year.

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Company statement of financial position

As at 30 September 2020

The statement of financial position was drawn up before appropriation of profit.

The notes on pages 107 to 111 inclusive form an integral part of these Company financial statements.

EUR 000	Note	30 Sep 20	30 Sep 19
Assets			
Non-current assets			
Investments in subsidiaries	29	30,999	24,155
Deferred tax assets		2,542	2,933
		33,541	27,088
Current assets			
Amounts due from Group companies		44,906	70,534
Cash and cash equivalents	30	84,230	57,528
		129,136	128,062
Total assets		162,677	155,150

EUR 000	Note	30 Sep 20	30 Sep 19
Equity and liabilities			
Shareholders' equity			
Share capital	31	5,500	5,500
Share premium		15,080	14,940
Legal reserves		2,533	9,337
Other reserves		3,863	-3,865
Profit for the year		–	924
Shareholders' equity		26,976	26,836
Non-current liabilities			
Loans and borrowings	32	34,723	33,924
Current liabilities			
Loans and borrowings	32	59,153	47,244
Amounts owed to Group companies		20,511	26,853
Tax and social insurance contributions		21,314	19,385
Trade and other payables		–	908
		100,978	94,390
Total liabilities		135,701	128,314
Shareholders' equity and liabilities		162,677	155,150

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Company statement of profit or loss and other comprehensive income

For the year ended 30 September 2020

The notes on pages 107 to 111 inclusive form an integral part of these Company financial statements.

EUR 000	2019/2020	2018/2019
Share in results from participating interests, after tax	13,971	13,678
Other results after tax	46,913	48,433
Contractual fees payable to Coöperatie KPMG U.A.	-60,884	-61,187
Net result after tax	-	924

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Notes to the Company financial statements

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

28 Basis of preparation

28.1 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 Note 2 Basis of preparation and Note 3 Significant accounting policies to the consolidated financial statements, have been applied consistently to all periods accounted for in these Company financial statements.

28.2 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.

29 Non-current financial assets

Non-current financial assets represent investments in Group companies. Movements in these investments during the 2019/2020 financial year are shown in the table:

	2019/2020	2018/2019
Balance at 1 October	24,155	19,938
Share in results	13,971	13,678
Dividends received	-7,127	-8,693
Provision for subsidiaries	–	–
Direct change in equity subsidiaries	–	-768
Balance at 30 September	30,999	24,155

A summary of the main subsidiaries is provided in Note 25 List of subsidiaries. A full list of subsidiaries, joint ventures and associates is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

30 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 in 2019/2020 was 0.0% (2018/2019: 0.0%).

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31 Shareholders' equity

Movements in equity can be specified as follows:

	Share capital	Share premium	Legal reserves	Other reserves	Profit for the year	Total equity attributable to equity holders
Balance at 1 Oct 18, as previously reported	5,500	13,500	3,574	2,822	–	25,396
Adjustment on initial application of IFRS 15, net of tax	–	–	–	-286	131	-155
Balance at 1 Oct 18	5,500	13,500	3,574	2,536	131	25,241
2017/2018 result appropriation	–	–	–	131	-131	–
Addition to legal reserves	–	–	5,763	-5,763	–	–
Total comprehensive income for the year						
Profit for 2018/2019	–	–	–	–	924	924
Other comprehensive income for the year	–	–	–	–	–	–
Transaction with owners of the Company, recognised directly in equity						
Acquisition of Innovation Factory	–	–	–	-769	–	-769
Repayment	–	-1,750	–	–	–	-1,750
Additions	–	3,190	–	–	–	3,190
Balance at 30 Sep 19	5,500	14,940	9,337	-3,865	924	26,836
Balance at 1 October 2019	5,500	14,940	9,337	-3,865	924	26,836
2018/2019 result appropriation	–	–	–	924	-924	–
Release from legal reserves	–	–	-6,804	6,804	–	–
Total comprehensive income for the year						
Profit for 2019/2020	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–	–
Transaction with owners of the Company, recognised directly in equity						
Repayment	–	-1,870	–	–	–	-1,870
Additions	–	2,010	–	–	–	2,010
Balance at 30 Sep 20	5,500	15,080	2,533	3,863	–	26,976

Other details of equity are disclosed in Note 19 Group equity to the consolidated financial statements and the consolidated statement of changes in equity.

31.1 Share capital

The Company has an authorised capital of EUR 20,000 (2018/2019: EUR 20,000), which is divided into 800 shares of EUR 25 each (2018/2019: 800 shares of EUR 25 each). The issued share capital consists of 220 (2018/2019: 220) shares at a nominal value of EUR 25 each (2018/2019: EUR 25 each), representing a total nominal value of EUR 5,500 (2018/2019: EUR 5,500). All of the shares are fully paid up.

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

31.2 Legal reserves

The legal reserve for participating interests, which amounts to EUR 2,533 (2018/2019: EUR 9,337), pertains to participating interests that are measured at net asset value. The reserve is equal to the share in the results and direct changes in the equity (both calculated on the basis of the Company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the Company has been entitled to since the first measurement at net asset value, and less distributions that the Company may effect without restrictions. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

31.3 Other reserves

The other reserves contain the profits of previous years.

31.4 Appropriation of profit

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

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32 Loans and borrowings

	30 Sep 20	30 Sep 19
Partners		
Non-current loans Coöperatie KPMG U.A.	32,952	32,396
Current loans Coöperatie KPMG U.A.	49,605	41,602
	82,557	73,998
Former partners		
Non-current loans Coöperatie KPMG U.A.	1,771	1,528
Current loans Coöperatie KPMG U.A.	9,548	5,642
	11,319	7,170
Total loans and borrowings	93,876	81,168

Movements in financing by partners can be specified as follows:

	2019/2020	2018/2019
Balance at 1 October	73,998	60,119
Fees paid to partners under management agreements, through Coöperatie KPMG U.A.	60,884	61,187
Interest due to partners	4,631	3,134
Other movements (net withdrawal)	-56,956	-50,442
Balance at 30 September	82,557	73,998

Other movements refer mainly to amounts withdrawn by partners.

For a further explanation of loans and borrowings relating to partners and former partners, refer to Note 20.2 Loans payable to Coöperatie KPMG U.A. relating to partners and Note 20.3 Loans payable to Coöperatie KPMG U.A. relating to former partners of the consolidated financial statements.

33 Financial instruments

With respect to general information on financial instruments and associated risks, reference is made to Note 24 Financial instruments and associated risks of the consolidated financial statements.

33.1 Exposure to credit risk

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

	30 Sep 20	30 Sep 19
Amounts due from Group companies	58,388	70,534
Cash and cash equivalents	84,230	57,528
	142,618	128,062

33.2 Liquidity risk

Summary of financial liabilities:

	Carrying amount	Contractual cash flow	Due within 1 year	Due between 1 and 5 years	Due after 5 years
30 September 2020					
Loans and borrowings	93,876	117,347	63,433	27,343	26,571
Total	93,876	117,347	63,433	27,343	26,571
30 September 2019					
Loans and borrowings	81,168	100,397	50,807	32,109	17,481
Total	81,168	100,397	50,807	32,109	17,481

Other details on financial instruments are provided in Note 24 Financial instruments and associated risks to the consolidated financial statements.

34 Related parties

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

34.1 Parent company

Please refer to Note 27.2.1 Parent company of the consolidated financial statements for information with respect to Coöperatie KPMG U.A.

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34.2 Subsidiaries

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

The transactions can be specified as follows:

	Contractual fees received	Dividend received	Expenses charged
2019/2020			
KPMG Accountants N.V.	48,104	7,127	9,310
KPMG Advisory N.V.	4,580	–	8,293
Total	52,684	7,127	17,603
2018/2019			
KPMG Accountants N.V.	34,035	6,595	7,588
KPMG Advisory N.V.	21,967	2,098	7,239
Total	56,002	8,693	14,827

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 306 million in 2019/2020 (2018/2019: EUR 304 million).

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

At 30 September, the following payable and receivable positions related to subsidiaries of the Company:

	30 Sep 20	30 Sep 19
KPMG Accountants N.V.	10,544	3,594
KPMG Advisory N.V.	34,363	66,940
KPMG Staffing & Facility Services B.V.	-20,511	-26,853

34.3 Key management

Please refer to Note 27.2.2 Key management of the consolidated financial statement for information with respect to key management.

35 Liabilities not recognised in the Company statement of financial position

35.1 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 combined credit and guarantee facility of EUR 50,000 (2018/2019: EUR 50,000), of which no draw down was made (2018/2019: no draw down) in the form of guarantees.

The Company has issued a letter of comfort relating to a facility of USD 600 million (2018/2019: 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 five years as from November 2016.

35.2 Tax group

Together with its 100% subsidiaries, including KPMG N.V., Coöperatie KPMG U.A. forms a tax group for corporate income tax purposes; each of the companies in the tax group is, under the relevant standard tax conditions, jointly and severally liable for the tax payable by all of the companies in the tax group. As the head of the income tax fiscal unity, the Cooperative pays the income tax assessments. 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 agreed with the Dutch tax authorities.

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

36 Number of partners

On average in 2019/2020, 142 (2018/2019: 138) FTE partners were active for the Company under management agreements.

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37 Remuneration of the Board of Management

Details of the remuneration of members of the Board of Management are disclosed in Note 27.2.2 Key management to the consolidated financial statements.

38 Auditors' remuneration

The remuneration of the Company's auditors for the 2019/2020 financial year amounted to EUR 0.4 million (2018/2019: EUR 0.3 million), of which EUR 0.3 million related to the audit of the Company's financial statements (2018/2019: EUR 0.3 million).

Amstelveen, 14 December 2020

Board of Management:

S. Hottenhuis (Chair)
R.P. Kreukniet
M. Hogeboom
E. Herrie

Supervisory Board:

B.E.M. Wientjes (Chair)
G. Boon
H.J. van Dorenmalen
J.C.M. Sap
R.A. Steenvoorden
C. Bulten

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Independent auditor's report

Please refer to the independent auditor's report 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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Independent auditor's report

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

A. Report on the audit of the financial statements 2019/2020 included in the annual report

Our opinion

We have audited the financial statements for the year ended 30 September 2020 of KPMG N.V. based in Amstelveen. The financial statements comprise the consolidated financial statements and the company financial statements.

WE HAVE AUDITED	OUR OPINION
<p>The consolidated financial statements comprise:</p> <ol style="list-style-type: none"> the consolidated statement of financial position as at 30 September 2020; the following statements for 2019/2020: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and the notes comprising a summary of the significant accounting policies and other explanatory information. 	<p>In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of KPMG N.V. as at 30 September 2020 and of its result and its cash flows for 2019/2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.</p>
<p>The company financial statements comprise:</p> <ol style="list-style-type: none"> the company balance sheet as at 30 September 2020; the company profit and loss account for 2019/2020; and the notes comprising a summary of the applicable accounting policies and other explanatory information. 	<p>In our opinion, the accompanying company financial statements give a true and fair view of the financial position of KPMG N.V. as at 30 September 2020 and of its result for 2019/2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.</p>

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.

1 | new perspectives

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

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 5,000,000. The materiality has been calculated with reference to a benchmark of a normalised reported profit before income tax and management fee which we consider to be one of the principal considerations for users of the financial statements in assessing the financial performance of the company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 250,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

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

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

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

- ▶ KPMG Accountants N.V.;
- ▶ KPMG Advisory N.V.;
- ▶ KPMG Staffing & Facility Services B.V.;
- ▶ KPMG-gebouw Amstelveen II Holding B.V.

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

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Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit 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.

REVENUE RECOGNITION AND VALUATION OF UNBILLED SERVICES	OUR AUDIT APPROACH
<p>The existence 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 unbilled services are subject to estimates of individual partners regarding the expected time to finalize fixed price engagements and realization of unbilled services.</p> <p>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.</p> <p>The disclosure from KPMG N.V. on the revenue recognition and valuation of unbilled services is provided in notes 3.9, 3.13 and 17 to the financial statements.</p>	<p>We reviewed the revenue recognition process to ensure the policy is in accordance with IFRS 15. We also reviewed the internal controls related to revenue recognition and valuation of unbilled services.</p> <p>Our audit procedures included, amongst others, assessing the appropriateness of the company's revenue recognition accounting policies and performing substantive procedures relating to the recognition of revenue, including the timing of revenue recognition, calculation of deferred revenue and valuation of unbilled services.</p> <p>We performed substantive procedures for revenue including reconciliation with authorized engagement letters, substantive procedures with respect to credit notes after balance sheet date and substantive procedures regarding the accuracy of hourly rates.</p> <p>We have performed detailed testing of hours being spend, analysis of realization rates per engagement, analysis whether the balance of the work in progress at year-end is invoiced in the next financial year and tested the unbilled services by performing retrospective testing on the balance as of 30 September 2020. We discussed the findings of these analysis with the responsible management.</p>

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COMPLETENESS AND VALUATION OF THE PROVISION FOR CLAIMS AND LEGAL PROCEEDINGS	OUR AUDIT APPROACH
<p>The completeness and valuation of the provision for claims and legal proceedings is a key audit matter because of subjectivity regarding the chosen principles and assumptions.</p> <p>To determine the amount of the provision, the estimated expected settlements including legal expenses are set off against the amount covered by the insurance companies 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.</p> <p>The disclosure from KPMG H.V. on the provision is provided in notes 3.12 and 22 to the financial statements.</p>	<p>We assessed the control environment with respect to claims and litigations.</p> <p>We applied a merely substantive audit approach.</p> <p>Our audit procedures included an assessment of the accounting 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 companies) and legal expenses.</p> <p>We discussed the case overview with KPMG's legal staff and reviewed the minutes of Company's Board of Management and Supervisory Board.</p> <p>We assessed the coverage of the insurance policy and the payment of the insurance premium.</p> <p>Furthermore we also performed a retrospective test on the provision as per 30 September 2019.</p>
IMPAIRMENT INTANGIBLE FIXED ASSETS	OUR AUDIT APPROACH
<p>The valuation of the intangible fixed assets is significant to our audit due to the extent of the capitalized amount, the nature of this item and the significant judgement.</p> <p>During the year 2019/2020 impairment triggers were identified that resulted in the need of an impairment test of a significant part of the intangible fixed assets (software). This resulted in an impairment loss of € 20,2 million. This amount mainly relates to the internally developed advanced digital risk platform.</p>	<p>Our substantive audit work focused on the valuation of the capitalized development expenses of the internally developed advanced digital risk platform.</p> <p>We verified the decision of the Board of Management to suspend further investments in the digital risk platform and effectively to terminate the current contracts (with the developer and with customers) related to the digital risk platform. We challenged management's assessment as to whether the impairment losses meet the impairment criteria including the timing of the impairment (IAS 36).</p>

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<p>The disclosure from KPMG H.V. on the impairment of intangible fixed assets (GRC software) is provided in notes 3.8 and 13 to the financial statements.</p>	<p>We furthermore reviewed and challenged assumptions in the impairment test and linked them to underlying documentation. Also we assessed management's assumption that there are no expected future economic benefits to account for.</p> <p>We have conducted interviews with management and finance team of KPMG H.V. and we verified the information we obtained orally by external and internal documentation and other available audit information.</p> <p>Furthermore we have reviewed the minutes of Company's Board of Management and Supervisory Board and inspected the termination contract with customers and suppliers.</p> <p>Also we discussed with management the overall governance of the approval process of the software-project and the lessons learned for future IT-projects.</p> <p>We also considered the adequacy of the disclosures in the financial statements.</p>
COVID-19 PANDEMIC	OUR AUDIT APPROACH
<p>On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Measures taken by various governments including the government of The Netherlands to prevent the virus spread, affected the economic activities. The impact continues to evolve, causing complexity and inherent uncertainty.</p> <p>The developments in response to the COVID-19 pandemic and the potential lack of available information for evaluating the reasonableness of significant assumptions used during the pandemic, increased the estimation uncertainty associated with the expected credit losses on amongst others the receivables from clients and work in progress (note 17).</p>	<p>We audited and challenged management's assessment of the impact of COVID-19 on their business and the ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Inquiries with key members of management both inside and outside of the finance function, to understand the Group's mitigating actions and potential impact on the business; • Review of the minutes of meetings of the Company's Board of Management and Supervisory Board to understand actions taken to understand mitigating actions and potential impact on the business; • Reviewed performance (management) reports and ongoing scenario analysis; • Reviewed management's future cash flow projections.

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<p>Given the fact that COVID-19 can be seen as an event started during KPMG's financial year and the possible impact and consequences COVID-19 could have on KPMG's going concern assumption, including the degree of estimation uncertainty in certain areas of the financial statements, we have considered this to be a key audit matter.</p>	<p>Furthermore, we audited and challenged management's assessment of the impact of COVID-19 on the application of several accounting policies and valuation of several accounts in the financial statements. Notably, consisting of the following:</p> <ul style="list-style-type: none"> • Audit assumptions and methodology in determining provisions for valuation of work in progress and receivables from clients according to IFRS; • Valuation of goodwill and other non-current assets; • Audited the impact of COVID-19 on provisions (like onerous contracts). <p>In performing our audit procedures we maintained our professional scepticism and remained alert for any possible impact of the COVID-19 pandemic on the financial statements and we analysed events subsequent to 30 September 2020 to determine whether any adjusting events require adjusting amounts recognized in the financial statements.</p> <p>Finally, we evaluated the overall view of the financial statements, including the disclosures, related to the impact of the COVID-19 pandemic.</p>
B. Report on other information included in the annual report	
<p>In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:</p> <ul style="list-style-type: none"> ▶ KPMG in 2019/2020 at a glance ▶ Letter from the CEO ▶ How we create value ▶ Public Trust ▶ People ▶ Clients ▶ Digital and innovation ▶ Financial strength ▶ Governance ▶ Risk management ▶ System of quality controls ▶ In control statement 	

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

C. Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of KPMG N.V. on 30 March 2020, as of the audit for financial year 2019/2020 and have operated as statutory auditor ever since the financial year 2016/2017.

D. Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

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Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- ▶ 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.

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We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 14 December 2020

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
H.W.A. van Huland RA

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Independent assurance report

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

A. Report on the non-financial information as defined in Appendix 'Reporting principles' in the Integrated Report 2019-2020 of KPMG N.V.

Our opinion and conclusion

We have audited the below mentioned Key Performance Indicators ('KPI's'), Item 1) till Item 14), and we have reviewed the below mentioned KPI Item 15), as included in the non-financial information as defined in Appendix 'Reporting principles' in the Integrated Report 2019-2020 of KPMG N.V., based in Amstelveen (hereafter: 'The non-financial information'). An audit is aimed at obtaining a reasonable level of assurance. A review is aimed at obtaining a limited level of assurance.

The non-financial information includes, among others, the following KPI's:

- 1) Client Satisfaction (page 21: table Client Satisfaction)
- 2) Net Promoter Score (page 21: table KPMG Net Promoter score)
- 3) Number of EQCR reviews (page 121: engagement quality control reviews (# engagements))
- 4) Number of audit reports (page 121: # audit reports for OOB statutory audit clients & # audit reports for other statutory audit clients)
- 5) OPR scores (page 121: Internal quality inspections (QPR) Assurance (%) & Internal quality inspections (QPR) Advisory (%))
- 6) Donations (page 121: Volunteering hours and Cash donations & contributions)
- 7) Percentage of employee engagement (page 16: Employee engagement index)
- 8) Percentage of employee pride in KPMG (page 16: % employee pride in KPMG)
- 9) # Talents in Emerging Leader Programme (page 122: # New talents in Emerging Leader Programme)
- 10) # Talents in Young Talent Programme (page 122: # Talents in Young Talent Programme)
- 11) # FTE's (page 16: FTEs - last year no assurance provided)
- 12) Percentage of absenteeism (page 122: % Absenteeism (average during the year)) - last year no assurance provided
- 13) CO2 Emissions (page 14: Table CO2 emissions) - last year limited level of assurance provided.
- 14) Audit Quality Indicators - last year no assurance provided:
 - o Partner involvement (OOB) (page 42: % partner involvement (OOB));
 - o Partner involvement (Non-OOB) (page 42: % partner involvement (non-OOB));
 - o Hours spent by IT and other specialists (OOB) (page 42: Hours spent by IT and other specialists (OOB));
 - o Hours spent by IT and other specialists (Non-OOB) (page 42: Hours spent by IT and other specialists (Non-OOB));
 - o Chargeable hours (page 42: % Chargeable hours).

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15) PIE entity listings (page 124: number public interest clients) - last year no assurance provided

In our opinion, the non-financial information KPI's item 1) till item 14) in the Integrated Report 2019-2020 of KPMG N.V. present, in all material respects, a reliable and adequate view of:

- ▶ the policy and business operations with regard to (audit) quality indicators as well as corporate responsibility, as represented in these KPI's; and
- ▶ the thereto related events and achievements for the year 2019-2020 in accordance with the reporting criteria as included in the section 'reporting criteria'.

Based on the procedures performed nothing has come to our attention that causes us to believe that the non-financial information KPI item 15) does not present, in all material respects, a reliable and adequate view of:

- ▶ the policy and business operations with regard to (audit) quality indicators as well as corporate responsibility, as represented in this KPI; and
- ▶ the thereto related events and achievements for the year 2019-2020 in accordance with the reporting criteria as included in the section 'Reporting criteria'.

Basis for our opinion and conclusion

We conducted our examination in accordance with Dutch law, including the Dutch Standard 3810H, "Assurance engagements relating to sustainability reports". Our responsibilities under this standard are further described in the section "Our responsibilities for audit and review of the non-financial information as defined in the Integrated Report 2019-2020 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 regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. 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 on Item 1) till Item 14).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on item 15).

B. Reporting criteria

The non-financial information needs to be read and understood together with the reporting criteria. KPMG N.V. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used by KPMG N.V. for the preparation of the non-financial information (KPI's 1 till 15) are (based on) the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards, option Comprehensive).

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The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

C. Description of responsibilities

Responsibilities of management and the Supervisory Board for the non-financial information

Management is responsible for the preparation of reliable and adequate non-financial information in accordance with the reporting criteria as included in the section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the management regarding the scope of the non-financial information are summarized in Appendix 'Reporting principles' in the Integrated Report 2019-2020.

Management is also responsible for such internal control as the management determines is necessary to enable the preparation of the non-financial information that is free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the reporting process of KPMG N.V.

Our responsibilities for the audit and review of the non-financial information

Our responsibility is to plan and perform the audit and review procedures in a manner that allows us to obtain sufficient and appropriate audit and assurance to provide a basis for our opinion.

Our audit procedures have been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Our review procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review is therefore substantially less than the assurance obtained in an audit.

We apply the 'ladere voorschriften kwaliteitssystemen' (IVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with the Dutch Standard 3810H, ethical requirements and independence requirements.

Our audit included among others:

- ▶ Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company.
- ▶ Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information.

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- ▶ Obtaining an understanding of the systems and processes for collecting, reporting and consolidating the non-financial information, including obtaining an understanding of internal control relevant to our audit, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ▶ Identifying and assessing the risks if the non-financial information is misleading or unbalanced, or contains material misstatements, whether due to errors or fraud. Designing and performing further audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk that the non-financial information is misleading or unbalanced, or the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. In order to obtain sufficient and appropriate assurance information we have carried out the following procedures for all KPI's:
 - ▶ Interviewing employees at KPMG H.V. who are responsible for the information which are the base for the non-financial information;
 - ▶ Reviewing the design and implementation for the collection and processing, including aggregation of data into non-financial information;
 - ▶ Performing analytical procedures for each individual KPI;
- ▶ Reconciling each individual KPI with the primary source of assurance information.
- ▶ Evaluating the overall presentation, structure and content of the sustainability information.
- ▶ Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

For the KPI's item 1) till item 14), for which we have provided reasonable assurance, we have carried out the following audit procedures additional to the procedures 1 to 4 above:

- ▶ Substantive procedures (on a sample basis) to determine whether the non-financial information is adequately supported.

Please note that we have not performed the mentioned audit and review procedures in this assurance report on the remaining KPI's as included in the non-financial information and consequently do not provide assurance on these remaining KPI's.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 14 December 2020

For and on behalf of BDO Audit & Assurance B.V.,

sgd.
H.W.A. van Huland RA

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Reporting principles

This report covers KPMG N.V. and its subsidiaries. KPMG Meijburg & Co is a separate KPMG member firm and therefore not included in this report, except where specifically stated or required.

The contents of this report focus on topics material to both KPMG N.V. and its stakeholders. Material topics relate to KPMG N.V. (Assurance and Advisory) as a whole, unless stated otherwise. We distilled these topics from the materiality assessment/matrix included in the section 'How we create value' of this report. This also covers stakeholder dialogue and stakeholder management, discusses the stakeholder engagement process and topic list discussed with them. We refer to the 'Stakeholder dialogue' page later in this Appendix for the detailed outcome of the stakeholder dialogue.

In accordance with GRI standards (Core option), we drafted a materiality matrix expressing the relative importance of topics considering both internal (strategy) and external (stakeholder) factors. In addition, GRI standards were used to ensure that all related aspects were accounted for. A topic is identified as a reportable (material) issue depending on its impact on stakeholder expectations and business performance. See page 9 for the outcomes of the materiality assessment.

We have published the Global Reporting Initiative content index as a [separate document](#) online.

The external assurance of BDO Audit & Assurance B.V. provides limited assurance on a selected key indicator, namely: PIE entity listings. Reasonable assurance is provided on: client satisfaction, net promoter score, number of EQCRs, number of audit reports, QPR scores, donations, percentage of employee engagement, percentage of employee pride in KPMG, number of talents in the Emerging Leader programme, number of talents in the Young Talent programme, number of FTEs, percentage of absenteeism, CO₂ emissions, AQI partner involvement (OOB and non-OOB), AQI hours spent by IT and other specialists (OOB and non-OOB), and AQI chargeable hours.

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Strategic pillars and KPIs

Performance target	Key indicator	2019/2020	2018/2019
High standards in everything we do			
Dependable consistently high levels of quality	Internal quality inspections (QPR)	Assurance: 78% Advisory: 99%	Assurance: 75% Advisory: 97%
	Partner involvement in OOB	9%	10%
	Partner involvement in non-OOB	7%	7%
Robust risk management & independence	# independence compliance violations	12	23
	# general compliance (quality violations)	54	57
	Engagement quality control reviews (% of all legal audit engagements)	30%	32%
	Engagement quality control reviews (# engagements)	442	437
We demonstrate social responsibility	Volunteering hours	5,924	3,192
	Cash donations & contributions	EUR 1,107,356	EUR 740,590 ^(a)
	CO ₂ emissions in tonnes	CY 2019: 16,861	CY 2018: 17,047
	CO ₂ emissions compensated (renewable energy and VER) in tonnes	CY 2019: 16,861	CY 2018: 17,047
Strong external perception of our reputation	Media coverage (positive total reach)	1,588 million	1,301 million
Audit reports for statutory audit clients	# OOB	256	242 ^(b)
	# other	1,319	1,428 ^(b)
Unique service experience			
Clients are promoting KPMG, its clients and its solutions	Net promoter score	Assurance: 29 Advisory: 57	Assurance: 24 Advisory: 64
	Client satisfaction scores	Assurance: 89% Advisory: 96%	Assurance: 91% Advisory: 98%

Note: (a) Adjusted for comparison purposes.
(b) Adjusted # audit reports in 2018/2019.

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Strategic pillars and KPIs (continued)

Performance target	Key indicator	2019/2020	2018/2019
Best development experience			
Consistently high levels of engagement and performance	Training investment	EUR 11.2 million	EUR 15.6 million
	Training & development per employee	111 hours	120 hours
	New talents in Emerging Leader programme	139 ^(a)	110
	Talents in Young Talent programme	16	18
	Performance management - Engagement index	80	81
	Retention (% of employees who remained at KPMG)	86%	84%
	Employee pride in KPMG	84%	84%
	Absenteeism (average during the year)	2.4%	2.4%
Diversity in our workforce^(b)			
	Female employees	39%	39%
	Female partners/directors	19%	19%
	Female Board of Management members	25%	25%
	Female Supervisory Board members	33%	33%
	Female hires	44%	41%
100% digitally enabled solutions			

We are in the process of determining KPIs and measuring instruments in this strategic focus area. As soon as these are robust, we will make them transparent in our integrated report.

Note: (a) Due to Covid-19 restrictions, for a number of participants the Emerging Leader programme is extended, which explains the increase of participants (less outflow).

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Strategic pillars and KPIs (continued)

Performance target	Key indicator	2019/2020	2018/2019
Long-term above-average growth			
Continuously renews and improves itself to pass on a stronger and better organisation to the next generation	Total revenue & other income	EUR 550 million	EUR 530 million
	Assurance operating income	EUR 310 million	EUR 296 million
	Advisory operating income	EUR 219 million	EUR 216 million
	Corporate income	EUR 21 million	EUR 19 million
	Profit before income tax	EUR 62 million	EUR 64 million
	Solvency ^(a)	28.3%	40.3%

Note: (a) Calculation of solvency: (equity plus partner financing) divided by (equity plus liabilities).

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Public interest entity (PIE or OOB) audit clients

The following list represents 166 public interest clients as at 30 September 2020 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).

- ABN AMRO Levensverzekering N.V.
- ABN AMRO Schadeverzekering N.V.
- Accell Group N.V.
- Altice Europe N.V.
- AMG Advanced Metallurgical Group N.V.
- AnderZorg N.V.
- Ansvar Verzekeringsmaatschappij N.V.
- ASM International N.V.
- ASML Holding N.V.
- ASR Aanvullende Ziektekostenverzekeringen N.V.
- ASR Basis Ziektekostenverzekeringen N.V.
- ASR Levensverzekering N.V.
- ASR Nederland N.V.
- ASR Schadeverzekering N.V.
- AT Securities B.V.
- ATF Netherlands B.V.
- Atlanteo Capital B.V.
- Bank Mendes Gans N.V.
- Bank ten Cate & Cie N.V.
- BBVA Global Markets B.V.
- Boiro Finance B.V.
- Bumper 9 (NL) Finance B.V.
- Cadogan Square CLO II B.V.
- Cadogan Square CLO III B.V.
- Cadogan Square CLO IV B.V.
- Cairn CLO III B.V.
- Cementir Holding N.V.
- Centrale Ziektekostenverzekering NZV N.V.
- Cetin Finance B.V.
- Chapel 2003-1 B.V.
- Chapel 2007 B.V.
- CID Finance B.V.
- Compass Group Finance Netherlands B.V.
- Corbion N.V.
- Core Laboratories N.V.
- Coteq Netbeheer B.V.
- CZ Zorgverzekeringen N.V. (previously OHRA Zorgverzekeringen N.V.)
- Daimler International Finance B.V.
- DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V.
- Douro Finance B.V.
- Dryden 32 Euro CLO 2014 B.V.
- Dryden 39 Euro CLO 2015 B.V.
- Dryden 44 Euro CLO 2015 B.V.
- Dryden 51 Euro CLO 2017 B.V.
- Duchess VI CLO B.V.
- Duchess VII CLO B.V.
- Enel Finance International N.V.
- Envipco Holding N.V.
- EQUATE Petrochemical B.V.
- Eurocommercial Properties N.V.
- EXMAR Netherlands B.V.
- ForFarmers N.V.
- Fyber N.V.
- GarantiBank International N.V.
- Goudse Levensverzekeringen N.V.
- Goudse Schadeverzekeringen N.V.
- Green Lion I B.V.
- Home Credit Group B.V.
- Hydratec Industries N.V.
- Iberdrola International B.V.
- ING Bank N.V.
- ING Groenbank N.V.
- ING Groep N.V.
- Intertrust N.V.
- Jubii Europe N.V.
- Jubilee CLO 2014-XII B.V.

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- Jubilee CLO 2014-XIV B.V.
- Jubilee CLO 2015-XV B.V.
- Jubilee CLO 2015-XVI B.V.
- Jubilee CLO 2016-XVII B.V.
- Jubilee CLO 2017-XIX B.V.
- Jubilee CLO 2017-XVIII B.V.
- Karlou B.V.
- Kiadis Pharma N.V.
- Koninklijke Bibliotheek
- Koninklijke DSM N.V.
- LeasePlan Corporation N.V.
- Lifetri Verzekeringen N.V.
- Linde Finance B.V.
- LSP Life Sciences Fund N.V.
- LUKOIL International Finance B.V.
- Madison Park Euro Funding V B.V.
- Madison Park Euro Funding VI B.V.
- Madison Park Euro Funding VII B.V.
- Madrileña Red de Gas 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"
- Nationale-Nederlanden Bank N.V.
- Nationale-Nederlanden Levensverzekering Maatschappij N.V.
- Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
- Neways Electronics International N.V.
- NN Equity Investment Fund N.V.
- NN Euro Rente Fonds N.V.
- NN Europa Duurzaam Aandelen Fonds N.V.
- NN Group N.V.
- NN Non-Life Insurance N.V.
- NN Paraplufonds 1 N.V.
- NN Paraplufonds 2 N.V.
- NN Paraplufonds 3 N.V.
- NN Paraplufonds 4 N.V.
- NN Re (Netherlands) N.V.
- NN Wereldwijd Mix Fonds N.V.
- Novisource N.V.
- OCI N.V.
- OHRA Ziektekostenverzekeringen N.V.
- Onderlinge Levensverzekering-Maatschappij "s-Gravenhage" U.A.
- Onderlinge Verzekering Maatschappij Donatus U.A.
- Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep, Aanvullende Verzekering Zorgverzekeraar u.a.
- Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep, Zorgverzekeraar U.A.
- Onderlinge Waarborgmaatschappij SAZAS U.A.
- Onderlinge Waarborgmaatschappij voor Instellingen in de Gezondheidszorg MediRisk B.A.
- Orange Lion 2013-10 RMBS B.V.
- Orange Lion 2015-11 RMBS B.V.
- Orange Lion XII RMBS B.V.
- Orange Lion XIII RMBS B.V.
- Orange Lion XIV RMBS B.V.
- Orange Lion XV RMBS B.V.
- Orange Lion XVI RMBS B.V.
- Pangaea ABS 2007-1 B.V.
- PPF Financial Holdings B.V.
- Qiagen N.V.
- R.K. Woningstichting 'Ons Huis'
- Redexis Gas Finance B.V.
- Robeco Afrika Fonds N.V.
- Robeco Customized US Large Cap Equities N.V.
- Robeco Hollands Bezit N.V.
- Robeco Sustainable Global Stars Equities Fund N.V. (previously known as Robeco Global Star Equities Fund N.V.)

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- Robeco Umbrella Fund I N.V.
- Robeco US Conservative High Dividend Equities N.V.
- Rockall CLO B.V.
- Rolinco N.V.
- RoodMicrotec N.V.
- Rothschild & Co Continuation Finance B.V.
- Royal Schiphol Group N.V.
- SPP Infrastructure Financing B.V.
- Stichting de Alliantie
- Stichting Domesta
- Stichting Groenwest
- Stichting Havensteder
- Stichting HW Wonen
- Stichting Pensioenfonds ABP
- Stichting Pensioenfonds PGB
- Stichting Vidomes
- Stichting Welbions
- Stichting Woningbedrijf Velsen
- Stichting Woonbedrijf ieder1
- Stichting Woonservice Drenthe
- Syngenta Finance N.V.
- Tulip Oil Netherlands Offshore B.V.
- TVM Verzekeringen N.V.
- Unilever Insurances N.V.
- Unilever N.V.
- VanEck Vectors- ETFs N.V. (previously ThinkCapital ETF's N.V.)
- Veherex Schade N.V.
- VVAA Levensverzekeringen N.V.
- VVAA Schadeverzekeringen N.V.
- Wereldhave N.V.
- Woningstichting Eigen Haard
- Woningstichting Wierden en Borgen
- Woonstichting Lieven de Key
- Yarden Uitvaartverzekeringen N.V.

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Segmentation of revenue and other income

Audit and advisory fees

The tables provide a breakdown of the firm's revenue for 2019/2020 segmented by service type. All amounts are based on our taxonomy of services and are provided per client legal 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 and statutory legal audit definition as per NBA practice guideline 1138 to arrive at the segregation of revenue provided in the tables. 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.

We have improved the manner in which the revenue per category is calculated and have updated the breakdown of revenues relating to 2018/2019 accordingly. In addition, we note that, as from 1 January 2020, the definition of being an OOB was extended to include large housing corporations, large pension funds, network operators and scientific research institutions.

Our clients expect us to deliver advisory services to assist them in resolving their issues and challenges, however we observe strict compliance with independence standards: we do not offer all services to all clients. In addition, in accordance with IFAC thresholds, no one audit client accounted for more than 15% of the total audit fees received by the firm in 2019/2020.

EUR million	2019/2020	
i Statutory legal audits for PIE (related) clients	70.0	13%
ii Statutory legal audits for other clients	107.8	20%
iii Non-audit services provided to audit clients	50.6	9%
iv Non-audit services provided to other clients	321.2	58%
Total	549.6	100%

EUR million	2018/2019	
i Statutory legal audits for PIE (related) clients	51.2	10%
ii Statutory legal audits for other clients	105.5	20%
iii Non-audit services provided to audit clients	60.8	11%
iv Non-audit services provided to other clients	315.0	59%
Total	532.5	100%

The references included in the table relate to the requirements of Article 13(2)(k) of EU Regulation 537/2014:

- Revenues from the statutory audit of annual and consolidated financial statements of public interest entities and entities belonging to a group of undertakings whose parent undertaking is a public interest entity;
- Revenues from the statutory audit of annual and consolidated financial statements of other entities;
- Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm; and
- Revenues from non-audit services to other entities.

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Segmentation of revenue and other income (continued)

KPMG N.V.	2019/2020	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
Statutory legal audits – OOB/EU-PIE clients		i	70.0	87%	iii	4.9	6%	5.8	7%	80.6	100%	-	0%	-	0%	80.6	100%
Statutory legal audits – clients		ii	107.8	73%		20.3	14%	10.7	7%	138.8	94%	8.9	6%	-	0%	147.7	100%
Statutory audits – clients					iv	46.8	83%	5.6	10%	52.4	93%	3.9	7%	-	0%	56.3	100%
Other clients								7.6	3%	7.6	3%	233.1	88%	24.2	9%	264.9	100%
Total			177.8	32%		71.9	13%	29.8	5%	279.5	51%	246.0	45%	24.2	4%	549.6	100%

Assurance	2019/2020	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
Statutory legal audits – OOB/EU-PIE clients		i	70.0	87%	iii	4.9	6%	5.7	7%	80.6	100%	-	0%	-	0%	80.6	100%
Statutory legal audits – clients		ii	107.8	76%		20.3	14%	10.7	7%	138.8	98%	2.2	2%	-	0%	141.0	100%
Statutory audits – clients					iv	46.8	88%	5.6	11%	52.4	99%	0.8	1%	-	0%	53.2	100%
Other clients								7.1	20%	7.1	20%	26.9	76%	1.4	4%	35.4	100%
Total			177.8	57%		71.9	23%	29.2	9%	278.9	90%	29.9	10%	1.4	0%	310.1	100%

Advisory	2019/2020	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
Statutory legal audits – OOB/EU-PIE clients		i	-	0%	iii	-	0%	0.0	100%	0.0	100%	-	0%	-	0%	0.0	100%
Statutory legal audits – clients		ii	-	0%		-	0%	0.0	0%	0.0	0%	6.7	100%	-	0%	6.8	100%
Statutory audits – clients					iv	-	0%	-	0%	-	0%	3.1	100%	-	0%	3.1	100%
Other clients								0.5	0%	0.5	0%	206.2	99%	1.2	1%	208.0	100%
Total			-	0%		-	0%	0.6	0%	0.6	0%	216.0	99%	1.2	1%	217.9	100%

Shared Services	2019/2020	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
Statutory legal audits – OOB/EU-PIE clients		i	-	0%	iii	-	0%	-	0%	-	0%	-	0%	-	0%	-	100%
Statutory legal audits – clients		ii	-	0%		-	0%	-	0%	-	0%	-	0%	-	0%	-	100%
Statutory audits – clients					iv	-	0%	-	0%	-	0%	-	0%	-	0%	-	100%
Other clients								-	0%	-	0%	0.1	0%	21.5	100%	21.6	100%
Total			-	0%		-	0%	-	0%	-	0%	0.1	0%	21.5	100%	21.6	100%

Note: The roman numerals and white borders indicate the combinations for the summary table.

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KPMG N.V.	2018/2019	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
	Statutory legal audits – OOB/EU-PIE clients	i	51.2	72%	iii	4.7	7%	14.8	21%	70.7	100%	0.0	0%	-	0%	70.7	100%
	Statutory legal audits – clients	ii	105.5	72%		17.2	12%	15.5	10%	138.2	94%	8.6	6%	-	0%	146.7	100%
	Statutory audits – clients				iv	45.8	82%	5.2	9%	51.0	91%	5.1	9%	-	0%	56.1	100%
	Other clients							7.5	3%	7.5	3%	230.4	89%	21.0	8%	258.9	100%
	Total		156.7	29%		67.7	13%	43.0	8%	267.4	50%	244.2	46%	21.0	4%	532.5	100%

Assurance	2018/2019	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
	Statutory legal audits – OOB/EU-PIE clients	i	51.2	72%	iii	4.7	7%	14.8	21%	70.7	100%	0.0	0%	-	0%	70.7	100%
	Statutory legal audits – clients	ii	105.5	75%		17.2	12%	15.5	11%	138.1	98%	3.1	2%	-	0%	141.2	100%
	Statutory audits – clients				iv	45.8	87%	5.2	10%	51.0	97%	1.4	3%	-	0%	52.4	100%
	Other clients							6.7	21%	6.7	21%	26.3	83%	-1.2	-4%	31.8	100%
	Total		156.7	53%		67.6	23%	42.2	14%	266.5	90%	30.8	10%	-1.2	0%	296.1	100%

Advisory	2018/2019	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
	Statutory legal audits – OOB/EU-PIE clients	i	0.0	48%	iii	-	0%	-	0%	0.0	48%	0.0	52%	-	0%	0.0	100%
	Statutory legal audits – clients	ii	0.0	0%		-	0%	0.1	1%	0.1	1%	5.5	99%	-	0%	5.5	100%
	Statutory audits – clients				iv	0.0	1%	0.0	1%	0.0	1%	3.7	99%	-	0%	3.7	100%
	Other clients							0.8	0%	0.8	0%	204.2	99%	2.2	1%	207.1	100%
	Total		0.0	0%		0.0	0%	0.8	0%	0.9	0%	213.3	99%	2.2	1%	216.4	100%

Shared Services	2018/2019	Statutory legal audits		Other statutory audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total			
	Statutory legal audits – OOB/EU-PIE clients	i	-	0%	iii	-	0%	-	0%	-	0%	-	0%	-	0%	-	100%
	Statutory legal audits – clients	ii	-	0%		-	0%	-	0%	-	0%	-	0%	-	0%	-	100%
	Statutory audits – clients				iv	-	0%	-	0%	-	0%	-	0%	-	0%	-	100%
	Other clients							-	0%	-	0%	0.0	0%	20.0	100%	20.0	100%
	Total		-	0%		-	0%	-	0%	-	0%	0.0	0%	20.0	100%	20.0	100%

Note: The roman numerals and white borders indicate the combinations for the summary table.

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Stakeholder dialogue

Our stakeholder management programme helps us to build trust, capture issues and expectations as well maintain a dialogue with our stakeholders. Please also refer to the section ‘How we create value’. Based on the volume of interactions or the importance of the relationship, we have selected the following stakeholder groups as being the most relevant for our activities, both internal and external.

Who are our stakeholders?	Why are they important to us?	How do we interact with them?
Employees	Employees provide the knowledge, skills and expertise necessary to deliver our services to clients.	We constantly engage with our professionals through multiple internal communication channels, employee events and on-the-job training, and through performance and development management. We hold regular meetings to discuss all aspects of our culture and the impact of our work on society with, among others, the Works Council. We measure perceptions during our Global People Survey and the newly introduced frequent pulse surveys.
Partners	Partners provide financial capital to support the firm’s business model and activities. Partners also lead engagement teams in our service delivery to clients.	We hold quarterly partner meetings informing them about the financial and operational performance of the firm as well as recent developments. In addition we interact during regular development meetings where we discuss both business performance and the personal development of each individual partner. We measure perceptions during our Global People Survey.
Clients and their stakeholders	Clients use our services to achieve their own goals and objectives, while users of financial statement information give us feedback on the relevance of our work.	We communicate and engage with clients in many ways, such as during our service delivery, client satisfaction surveys, Client Connect visits by our board members, and client events, including our Supervisory Board programme RAAD. In the past year we increased the number of client care surveys. During annual general meetings of shareholders we take the stage, present our main audit findings, and answer questions from the audience. We have regular contact with representatives of users to discuss concerns and topics they view as important – from both an auditee and auditor perspective.
Society	Our work impacts society, while society provides us with feedback on whether we are working on the right topics.	We interact with a wide range of societal stakeholders, such as NGOs, on various topics where our work impacts society. In addition, with our formal CR programme we focus specifically on the sustainable development goals (SDGs) of good health/wellbeing, quality education and climate action, including through the KPMG Jan Hommen Scholarship, our self-designed traineeship that enables disadvantaged students to finish college.
Media	Media are an important go-between in sharing our expertise and shaping our reputation.	We engage with our extended stakeholders through the media to voice our views and opinions as well as participating in debates and conversations about our sector and profession. We educate journalists on developments in the world of international standard setting and on how to read (non-)financial statements which allows them to write better and more informed articles.
Government and politics	Government and politics determine the context and boundaries within which we conduct our activities.	We closely monitor political developments and interact with governmental and political stakeholders as part of our stakeholder engagement programme. For example, we provide them insights into relevant developments on different topics to support informed decision-making. We also organise (digital) working visits in order to create a better understanding of our people, culture and activities.
Regulators	Regulators provide an independent assessment of the level of quality we deliver in audit engagements so that we can continuously improve our work.	We are under continuous supervision by the AFM and PCAOB who perform periodic reviews of engagement files and our system of quality controls. We meet with the AFM on a quarterly basis or more frequently if required. Other regulators apply an annual interaction cycle.
Professional bodies and academia	Professional bodies and academia provide us with new insights into professional standards or scientific evidence for activities and practices that allow us to improve the quality of our services.	A number of our professionals and partners participate in professional body working groups, the aim of which is to advance knowledge on topics for the profession as a whole. We also count among our people a number of academics who are active in universities and/or business schools, contributing to the education of the next generation of professionals.
Graduates and professionals	Hiring graduates and experienced professionals is pivotal to the continued delivery of our services.	Every year we invest in graduates and experienced professionals in order to grow and to further develop our services – for now and for the future. We continue to develop our data-driven website as our main instrument to attract potential colleagues and to give them a taste of our culture and business.
Suppliers and business partners	Suppliers and business partners provide products and services that enable us to conduct our activities. In some cases we opt to co-create relevant assets.	We request that our contracting parties and suppliers agree with our Supplier Code of Conduct in which we ask for their acknowledgement of and compliance with the standards mentioned in the UN Global Compact.

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Glossary of terms

2018/2019	KPMG's financial year covering the period from 1 October 2018 to 30 September 2019	EI	Engagement index	IFRS	International Financial Reporting Standards
2019/2020	KPMG's financial year covering the period from 1 October 2019 to 30 September 2020	EQC(R)	Engagement quality control (review)	IIRC	International Integrated Reporting Council
AFM	Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets)	EU	Europe(an)	IPG	Information protection group
AI	Artificial intelligence	EUR	Euro	ISA(E)	International Standards on Assurance (Engagements)
AQC	Assurance Quality Committee	EUR 000/EUR million	Euros in thousands/millions	ISG	International Standards Group
AQI	Audit quality indicator	EURIBOR	Euro interbank offer rate	ISO	International Organisation for Standardisation
AQIC	Audit Quality Improvement Council	FTE	Full-time equivalent	ISQC	International Standard on Quality Control
ARC	Audit & Risk Committee	FVOCI	Fair value through other comprehensive income	ISQM1	International Standard on Quality Management 1 (Quality Management for firms that perform audits or reviews of Financial Statements, or other assurance of related services engagements)
B.V.	Besloten vennootschap (private company)	FVTPL	Fair value through profit or loss		
BoM	Board of Management	FY	KPMG's financial year which runs from 1 October to 30 September	KAM	KPMG Audit Manual
CEAC	Client and engagement acceptance and continuance	GDPR	General Data Protection Regulation	KICS	KPMG Investment Compliance System
CEO	Chief Executive Officer	GPS	Global People Survey	KJHS	KPMG Jan Hommen Scholarship
CFO	Chief Financial Officer	GRC	Governance, risk & compliance	KPI	Key performance indicator
CGU	Cash-generating unit	GRI	Global Reporting Initiative	KPMG/the Group	KPMG N.V. and its subsidiaries
COO	Chief Operating Officer	HoF	Head of Finance	KPMG International	Until 30 September 2020, KPMG International was a Swiss cooperative (KPMG International Cooperative); on 1 October 2020, the legal structure of KPMG International was amended. As from 1 October 2020, KPMG International is a private English company limited by guarantee (KPMG International Limited).
CR	Corporate responsibility	IAASB	International Auditing and Assurance Standards Board	MBA	Master of Business Administration
CTA	Commissie Toekomst Accountancysector (Committee on the Future of the Audit Profession)	IACO	Internal Audit & Compliance Office	MBO	Middelbaar Beroepsonderwijs (vocational education)
CY	Calendar year	IEA	International Energy Agency		
DEFRA	Department for Environment, Food and Rural Affairs	IESBA	International Ethics Standards Board for Accountants		
DPP	Department of Professional Practice	IFAC	International Federation of Accountants		
DRP	Digital risk platform	IFIAR	International Forum of Independent Audit Regulators		
ESG	Environmental, social & governance				
EEI	Employee engagement index				

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Glossary of terms (continued)

MCA	Monitoring Commission Accountancy	RCA	Root cause analysis	Wta	Wet toezicht accountantsorganisaties (Dutch Audit Firms Supervision Act)
m	Million	RCP	Risk compliance programme (internal inspection on compliance with the firm's risk management and independence procedures)	Wwft	Wet ter voorkoming van witwassen en financieren van terrorisme (Anti-Money Laundering and Counter-Terrorist Financing Act)
N.V.	Naamloze vennootschap (public limited company)	ROI	Return on investment		
NBA	Koninklijke Nederlandse Beroepsorganisatie van Accountants (Royal Netherlands Institute of Chartered Accountants)	SaaS	Software as a service		
NGO	Non-governmental organisation	SDG	UN Global Sustainable Development goals		
NITSO	National IT Security Officer	Sofy	Cloud platform that offers advanced, configurable, and ready-to-use data analytics solutions		
NL	The Netherlands	SEC	Securities and Exchange Commission		
NOW	Noodmaatregel overbrugging werkgelegenheid (Dutch government subsidy for Covid-19-impacted businesses)	the Company/firm	KPMG N.V.		
NPS	Net promoter score	the Cooperative	Coöperatie KPMG U.A.		
OneInsight	Internal project to capture all KPMG business processes	the Group/KPMG	KPMG N.V. and its subsidiaries		
OOB	Organisaties van openbaar belang (or: public interest entity (PIE))	U.A.	Uitgesloten aansprakelijkheid (exclusion of any liability)		
PCAOB	Public Company Accounting Oversight Board	UN	United Nations		
PIE	Public interest entity (or: organisaties van openbaar belang (OOB))	VAT	Value added tax		
QP	Quality performance	VER	Voluntary emission reduction(s)		
QPR	Quality performance review (internal inspection of engagements to assess compliance with professional standards, including quality)	ViO	Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (Regulation on the independence of accountants in audit engagements)		
QRMG(P)	Quality & Risk Management Group (Partner)	VNO-NCW	Largest employers' organisation in the Netherlands		
RAC	Remuneration & Appointment Committee	WIP	Work-in-progress		

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KPMG on social media



KPMG app

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