KPMG N.V. Integrated report 2020/2021

Including the KPMG Accountants N.V. Transparency report

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Introduction

At a glance

Revenue
(in EUR million)

569 (+8%)

More about Financial strength >

Number of employees
(FTEs)

3,490 (-3%)

More about People >

Audit quality
(result of internal quality assurance reviews)

84% (+6%)

More about Public trust >

Employee engagement

83% (+3%)

More about people >

Client satisfaction

96% (+2%)

More about Clients >

Want to know more?

Read our full report >

All figures show performance in 2020/2021, compared with 2019/2020.

Letter from our CEO

This was the second consecutive 'pandemics year' that brought enormous challenges upon all of us. It hasn't been easy, especially for those with fragile health and their environments. And we're not out of the Covid-19 crisis yet – the pandemic continues to bring economic and social uncertainty.

> “ — We are a 'people-driven' company, as evidenced by our continued high engagement scores. The human connection remains critically important for progress – no amount of technology will change that.

Even in the thickest mist of the crises, when the short term sight was hampered, we followed the direction of our purpose: to inspire confidence and to empower change. This goes to the heart of what we do and our contribution to society.

I'm proud that we stayed the course to our long term strategic objectives: building public trust, focusing on our people and clients, investing in our digital & innovation agenda and our continued financial strength.

I'm especially proud of my colleagues, the people of KPMG – of the adaptability, energy and determination they have shown through the pandemic to serve our clients and make 2021 such a successful year. We are a 'people-driven' company, as evidenced by our continued high engagement scores. The human connection remains critically important for progress – no amount of technology will change that.

I take this opportunity to thank everyone at KPMG for their dedication and staying true to our values. Both client-facing and non-client-facing staff - the latter being the backbone of our success. To express our appreciation and to celebrate success together, we have shared two additional financial rewards and invested significantly in 'staying connected'.

The core of our business is to provide trust. To do so, we must be trustworthy ourselves. Our Audit Quality program demonstrates we are able to drive continuous improvement, evidenced by, among others, positive internal and external quality inspection scores. Our client satisfaction ratings are consistently strong, including feedback on the quality of our work. It is one of the reasons that we have been successful in the current Mandatory Firm Rotation so far. This motivates us to keep the momentum going and apply every opportunity to improve further: in our culture and behaviour, our quality system, and in each individual engagement.

In our advisory business we’ve worked with our clients to get to grips with the new reality. We’ve seen an uptake in the demand for end-to-end digital transformation services. With mergers & acquisitions on the rise, we were able to keep our position as a top three Deals advisory firm. We’ve supported the government with the vaccination programme, its financial support scheme for the companies worst affected by the pandemic and many other socially impactful assignments.

Our knowledge and expertise is relevant for the critical societal transformations underway. Non-financial performance of companies and organisations becomes increasingly more valuable to society, including investors. Organisations are expected to think through and report the impact of climate change on their business, for example, or how they protect human rights in their supply chains, ethics and diversity.

This ESG agenda signals a new era, an era of creative destruction when new sustainable entrepreneurship is standing up: long term value creation for all stakeholders. We are beyond the tipping point. It becomes ever more broadly understood that we need to prioritise new, sustainable endeavours, make them comparable, consistent and truthful.

This is a journey in which we need to find the answers together, as a society. And we must accelerate. We are determined to continue to build our expertise, share it widely with our stakeholders and apply our passion to make this happen.

This year our Supervisory Board has undergone important changes. We express our deeply felt gratitude to Bernard Wientjes, our departing Chair, for his immense contribution over the past seven years, that reflects in our success today. He was succeeded by Roger van Boxtel on December 1, 2021. We are looking forward to work with the renewed Supervisory Board under his leadership.

We are strong and together as a firm. Our focus remains on our strategic priorities, specifically on our *'love for talent'* and our digital transformation. The economic outlook is favourable and we are a force for positive change in the markets we serve. This is a solid base upon which we will drive our momentum together!

Stephanie Hottenhuis, CEO and Chair of the Board of Management of KPMG N.V.

Our business

Our business

Who we are

KPMG N.V. is one of the Netherlands' leading providers of assurance and advisory services. We are part of the **global KPMG network**, operating in nearly 150 countries worldwide.

We work with public sector, private sector and civil society clients – our clients include some of the best-known companies in industries ranging from financial services and retail to energy, infrastructure and healthcare. Through our work, we play an essential role in ensuring public trust in our companies, institutions and financial markets.

Our main businesses

We have two main lines of business: **Assurance** and **Advisory**. Approximately 60% of our revenue comes from our assurance business. Both Assurance and Advisory are supported by our Business Services function. KPMG N.V. has **twelve offices** across the Netherlands, including the firm's headquarters at Amstelveen. In addition, KPMG offers tax advisory services through **KPMG Meijburg N.V.**, also part of the KPMG network[1] .

Our values

It's not just about what we do, but how we do it. We believe in **People-driven Progress** – in other words, progress that is good for both people and society. We have five values that are at the heart of our approach to business. These values apply to all KPMG member firms worldwide.

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

Organisational structure

Assurance covers both audit and non-financial assurance; we audit financial statements, accounts, reports and other regulatory disclosures. Our assurance business comprises five main units:

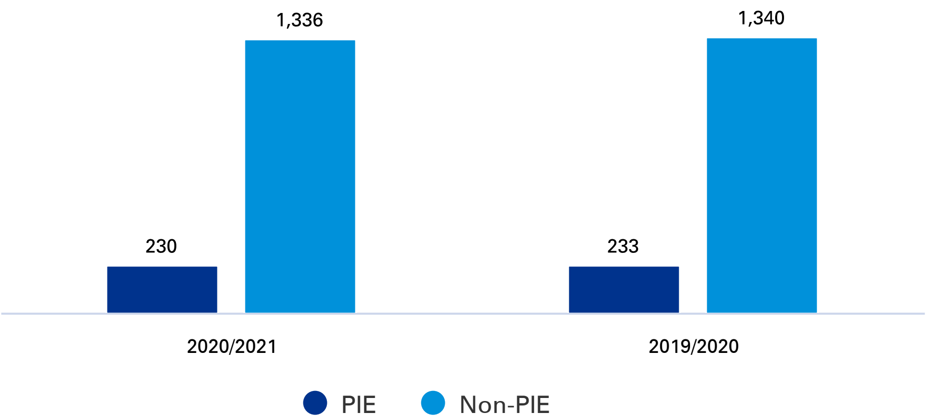
- Corporate Clients
- Financial Services
- Public Sector & Healthcare
- International Business
- Private Enterprises

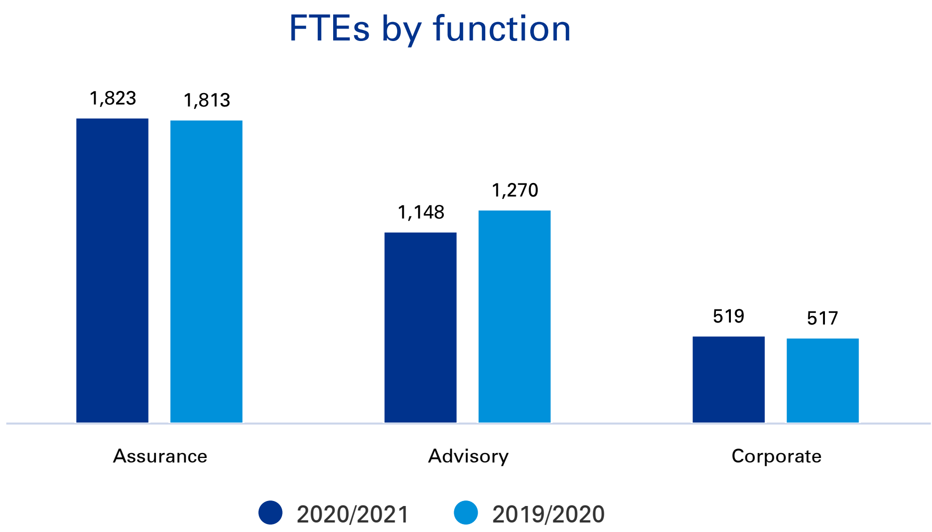
Through our advisory business, we help clients manage risk, improve strategy and performance, digitalise their systems and processes – and seize new opportunities for growth. Our advisory business is organised by 'suites', reflecting the different aspects of our work:

- Strategy & Operations
- Deals
- Finance & Business Services
- Risk & Regulatory
- Technology

Number of statutory audits conducted

(PIE: Public Interest Entity according to Dutch law)





In 2020/2021, FTEs totalled to 3,490, which is -3% compared to the previous year.
The average age of our workforce was 36 years, unchanged compared to 2019/2020.

How our business works

KPMG's global network

KPMG has offices around the world. At the end of 2020/2021, nearly 227,000 people were working for KPMG member firms.

Legally, as KPMG N.V., we are separate from KPMG International. We operate independently, which means we are responsible for our own business and how we manage it. In many countries, regulated businesses, such as audit, must be locally owned and managed. As a result, KPMG member firms do not, and cannot, operate as a multinational would. KPMG International's activities are funded by amounts paid by member firms.

As a member firm, we abide by common values – we also comply with KPMG International's policies, regulations and standards. Working with KPMG International gives us access to KPMG expertise and resources worldwide. Shares in KPMG N.V. are held by the firm's equity partners via a structure called Coöperatie KPMG U.A. During 2020/2021, we had a total of 145 equity partners[2] .

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2 Up from 142 in 2019/2020. Based on annual average FTEs.

How we assess and maintain quality

Ensuring quality is about more than complying with rules and regulations. For us, quality is essentially about three elements:

- First, *doing things right* – in other words, making sure that we have the right culture and the right 'tone at the top'. Also that our partners focus our teams on the most important risk areas. And that our engagements are carried out consistently and in line with the right professional standards.
- Second, *doing the right things* – concentrating more on what affects our clients' ability to create long-term value. Increasingly, that means sustainability, climate change and workforce diversity, and suggesting to clients ways of strengthening their systems, processes and controls.
- And third, *continuous improvement* – measuring our own performance and continuing to improve where we can, and deploying digital technologies so our people can concentrate on what they do best: using their professional skills and judgement.

To support our approach, we have detailed quality controls – and a **quality framework**, based on **seven 'drivers'**.

The importance of quality is embedded in our corporate culture, values and behaviour; these form the basis of our approach to quality – particularly important during difficult times like the recent Covid-19 pandemic. Audit quality is also the main factor in deciding assignments, promotions and remuneration.

Our quality controls and framework

At KPMG, we have an extensive system of quality controls. These controls apply to all KPMG member firms, ensuring compliance with professional standards, laws and regulations.

Responsibility for quality controls extends across the firm:

- The Board of Management has ultimate responsibility for quality. The Board sets the 'tone at the top' and makes sure we have the right skills and knowledge within the organisation. Every year, the Board reviews the effectiveness of our quality controls.
- Within the business, the Head of Assurance and the Head of Advisory manage and uphold our system of quality controls, assisted by the Country Quality & Risk Management Partner.
- The Country Quality & Risk Management Partner oversees risk compliance and quality controls, reports to the CEO and works closely with other member firms across the KPMG network.
- All staff are required to understand and abide by quality control policies and procedures. To help them, staff are offered regular training and updates.

In addition, we have a Head of Audit Quality, whose role is to identify possible areas of improvement within our audit practice. The Head of Audit Quality chairs our Audit Quality Improvement Council (AQIC).

Our controls and standards ensure compliance with industry rules and regulations; these include:

- The current International Standard on Quality Control (known as **ISQC 1**), issued by the International Auditing and Assurance Standards Board (**IAASB**)
- **ViO** – the regulations in force in the Netherlands governing the independence of accountants taking part in assurance engagements[3]
- The **Dutch Audit Firms Supervision Act**, **Audit Firms Supervision Decree**, and the **Auditors' Profession Act**[4]
- The **Code of Ethics for Professional Accountants** issued by the International Ethics Standards Board for Accountants (**IESBA**)

3 Known in Dutch as ViO: Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten

4 Respectively, in Dutch: Wet toezicht accountantsorganisaties (Wta), Besluit toezicht accountantsorganisaties (Bta), and Wet op het accountantsberoep (WAB)

Internal quality reviews

For our assurance business, we conduct regular **Quality Performance Reviews**, or QPRs. These reviews are carried out by our Internal Audit & Compliance Office, using reviewers at both partner and senior manager level. Engagements are rated ‘satisfactory’, ‘unsatisfactory’ or ‘performance improvement necessary’:

Satisfactory	Sufficient evidence has been obtained in line with all relevant requirements (including policies, regulations, professional standards and the firm’s audit methodology). The opinion issued is appropriate and supported by the evidence.
Performance improvement necessary	Auditor’s findings are generally supported by the evidence. The report is not incorrect in any material respects. However, improvements are necessary in one or more significant areas.
Unsatisfactory	Engagement has not been performed in accordance with the firm’s policy or professional standards in significant areas.

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

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

Read more about the results from our latest QPRs in the section **Public Trust - Our performance**.

Our seven 'quality drivers'

Our quality framework is built around seven 'quality drivers' – these are factors we believe ultimately drive and control quality. In formal terms, this framework applies to our audit business – but, where appropriate, we use the same framework for Advisory[5] . In audit, we are also subject to regular inspections – and use **audit quality indicators** to track our performance.

1 Tone at the top

'Tone at the top' sits at the heart of our seven quality drivers – it ensures the right behaviours permeate through the organisation. We believe 'tone at the top' is about having the right culture and mindset. The other six drivers all depend, to one degree or another, on 'tone at the top'. Supporting 'tone at the top' are our **values**, **Code of Conduct** and other internal policies and processes.

2 Association with the right clients

We don't want to work with clients who pose an unacceptable financial, operational or ethical risk – that is why we undertake a thorough assessment of clients before accepting them. This assessment includes background checks on management and owners – it also looks at possible conflicts of interest, issues with independence, breaches of laws or regulations, including those governing corruption and human rights. If necessary, we will ask for additional safeguards – or decline a client if issues can't be resolved or if clients can't provide the information we need to carry out our audit.

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

3 Clear standards and robust audit tools

We have a global audit methodology, set out in **KPMG International's Audit Manual**. This methodology goes beyond basic International Standards on Auditing – which, we believe, helps enhance audit quality. The methodology is supported by eAudIT, our digital audit tool (due to be replaced by the end of 2022 by a smart audit platform, known as **KCw or KPMG Clara Workflow**).

In line with audit standards, we also have clear policies governing personal independence and the regular rotation of partners and engagement leaders (so that no partner or engagement leader stays too long with a single client). In 2020/2021, we carried out 188 personal independence audits (an increase from 141 the previous year[6]).

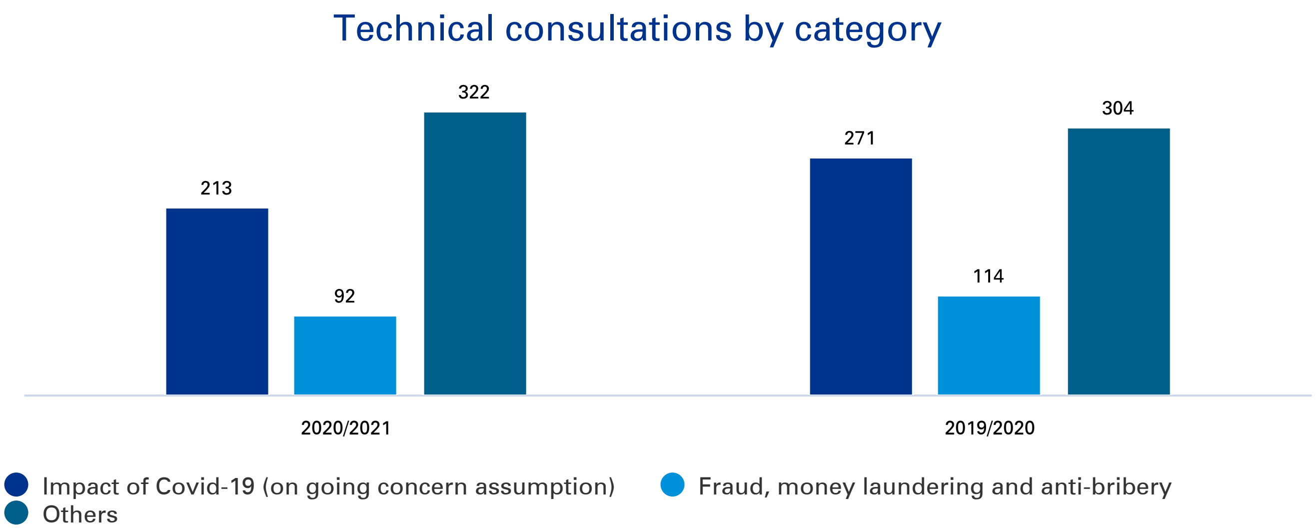
4 Recruitment, development and assignment of appropriately qualified personnel

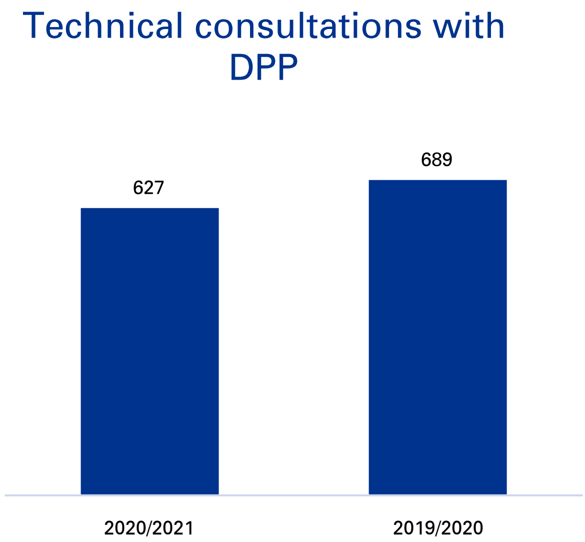
Quality is built into our HR processes – into training, promotion, remuneration, and performance reviews for both partners and other professionals. It is also the first of three criteria we use to determine variable pay for our personnel – and it's part of our onboarding process for new recruits. To uphold quality standards, we also need proper planning, and the right balance of skills and experience in our engagement teams. Partners and directors need to demonstrate their skills and commitment with regard to audit quality before being promoted to those positions; for partners, we have a specific program called Audit Quality Curriculum for Partner Promotion.

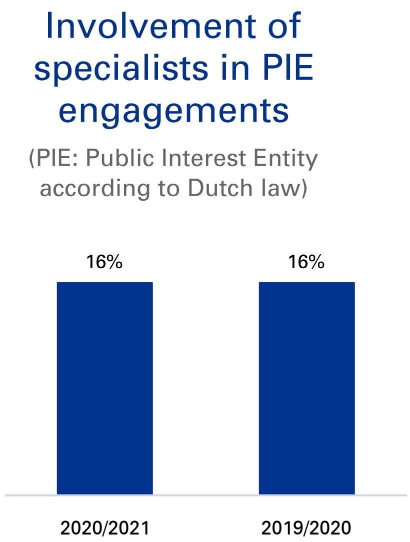
5 Commitment to technical excellence and quality service delivery

All KPMG professionals receive training and support. In addition, audit professionals have access to technical support, provided by the Department of Professional Practice (DPP), the Internal Audit & Compliance Office and / or the Quality & Risk Management Group. Auditors can also access support through the KPMG global network. In 2020/2021, formal technical consultations with the DPP on difficult or contentious issues totalled 627 (compared with 689 the previous year). Most of these consultations related to Covid-19 issues; at the same time, there was a decrease in consultations related to fraud, money laundering and anti-bribery, due to recent regulatory changes. Where necessary, we assign specialists to work as part of our audit teams – these specialists work in areas such as IT, tax, treasury, pensions, valuations and forensic audit.

6 Revised from 110. Please note the number of employees covered by independence audit varies annually.



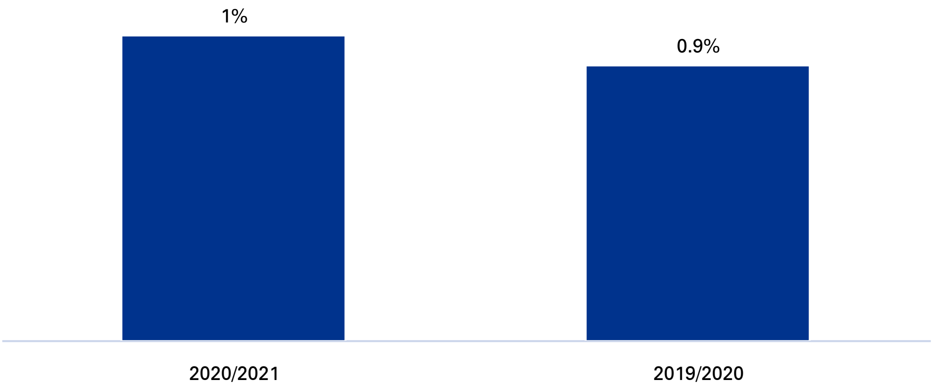




6 Performance of effective and efficient audits

We want our partners to be closely involved in engagements; this helps set the right tone – and ensures audit teams get maximum benefit from the partner's skills and experience. In many engagements, we appoint independent Engagement Quality Control Reviewers (EQCR) to oversee decisions made by teams on the ground. In Advisory, a second partner fulfils a similar function, helping us maintain quality standards. In 2020/2021, EQCRs were performed on 31% of all legal audit engagements (compared with 30% the year before): respectively 478 in 2020/2021 and 466 in 2019/2020.

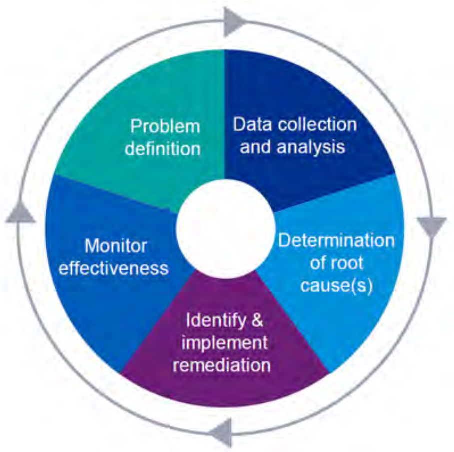
Total engagement hours accounted for by EQCR partners



7 Commitment to continuous improvement

Across KPMG, there are integrated quality monitoring and compliance programmes; these help us identify possible areas of improvement. The programmes include our regular QPRs. We also have root-cause analyses based on five distinct steps (see opposite); it is the responsibility of the AQIC to initiate root-cause analyses – and to recommend remedial action, if needed.

The RCA five-step principles



How we manage risk

We use an Enterprise Risk Management (ERM) framework to identify risks. Where possible, we take measures to prevent or mitigate these risks. Ultimately, risk management is the responsibility of our Board of Management. As part of our approach, we regularly assess the effectiveness of our internal controls and mitigation measures. See also **our quality controls and framework**.

Risk philosophy

Our business is based on trust – we realise that any erosion of this trust could adversely affect our market position. Some risks are inherent to our business; we operate in a complex, highly-regulated and competitive environment. Through risk management, our goal is to ensure the long-term security of our business – we engage in activities only where we are able to make a positive impact for both our clients and professionals. In doing so, however, we will not compromise our quality or ethical standards. We believe that, ultimately, our services should benefit society as a whole.

Risk appetite

We will accept some net risk[7] , but we will do so only if this risk is:

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

As a matter of principle, we will not take on any net risk that promotes growth at the expense of sustainability. We have a relatively low risk appetite when it comes to decisions that may affect public trust, given the importance of trust to our business. Our appetite for net risks arising from growth is moderately higher than those potentially affecting trust.

7 Net risk is the risk remaining after mitigation measures have been taken.

Financial and strategic risks

In the course of our business, we face both financial and strategic risks. Generally, financial risks fall under four main categories: credit risk, liquidity risk, market risk and risk associated with financial instruments. **Strategic risks** may vary from non-compliance with rules and regulations to a loss of public trust or a failure in innovation or talent management. We carry out an annual assessment of our strategic risks (updated after six months); this assessment is based on detailed discussions with the Board of Management and other business leaders. For the first time this year, as part of our analysis, we grouped risks into 'clusters' – this allowed us to identify better connections between specific risks.

Read the section **'Risk mitigation and controls'** for further details on our financial and strategic risks.

Risk mitigation and controls

Financial risks

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

During 2020/2021, none of the risks above had a significant or material impact on our financial performance. See our **consolidated financial statements** for further disclosures.

Strategic risks

The table below details our main strategic risks, their potential impact and the measures taken over the past year to prevent or mitigate these risks:

Strategic risk	Potential impact	Mitigation measures taken
Failing to comply with quality standards Failing, during engagement, to comply with applicable professional standards, resulting in litigation or regulatory action	• Loss of audit clients due to reputational damage • Attracting new talent into the firm becomes harder • Possible regulatory fine(s) or even temporary or permanent loss of audit licence • Additional litigation and claims by clients	• Increased 'steering on quality' monitoring by members of Board of Management • Continuous quality improvement programmes, based on root cause analysis • Maintaining robust quality management system • Rigorous client and engagement acceptance procedures • Implementation of clear standards and robust audit methodology • Engagement quality control reviews, where appropriate
Unfavourable or hostile political / media sentiment Failing to act following potentially damaging incident with respect to attitude towards clients, delivery of services, professional conduct or impact on society	• Damage to firm's reputation, resulting in loss of major clients or inability to attract talent • Possible regulatory sanctions • Loss of long-term social licence to operate • Increased risk of litigation	• Independent Supervisory Board and Public Interest Committee • External member appointed to Board of Management • Active dialogue with stakeholders • Procedures to ensure effective issue management between Brand & Reputation, Quality & Risk, Management and Legal departments • Contingency programmes to manage impact of incidents on firm's reputation
Failing to meet expectations of external or internal regulators Failing to maintain constructive relations with regulators or to meet their expectations following inspection findings or potential non-compliance with laws and regulations	• Reputational damage in industry as a result of negative press publicity • Inability to attract talent and possible loss of major audit clients • Possible regulatory sanctions	• Specific individuals with responsibility for maintaining dialogue with regulators • Implementation of clear framework to manage regulatory issues • 'Qualified individuals' appointed to leadership positions • Regulatory findings shared with senior management • Policies, procedures and controls in place to reduce risk of non-compliance
Failing to create a fast, innovation, collaborative, high-performance culture Inability to create or implement an effective corporate culture, with respect to quality or ethical behaviour, or an unwillingness to improve performance in critical areas of activity	• Reduce morale among partners and other professionals • Loss of talent leading to service delivery problems and a reduction in quality • Loss of revenue opportunities from multi-disciplinary engagements • Loss of reputation in wider industry as an 'employer or choice' • Increased risk of quality loss and non-compliance • Failure to adhere to **Code of Conduct** and corporate values	• 'Tone from the top', emphasising importance of quality, ethics and integrity • Internal controls governing recruitment, personal development and assignments • 'Closed-loop' approach to address feedback from people surveys • 'People' managers embedded in the firm's senior leadership • Regular roadshows to share experience and success stories • KPMG Story, encompassing the group's purpose, values, vision, strategy and promise

Strategic risk	Potential impact	Mitigation measures taken
Privacy breaches, loss of data or other technology risk Failing to protect personal or client data confidentiality – or business disruption as a result of technology failures or over-dependency	• Possible loss of service delivery • Reputation damage and possible loss of clients • Potential litigation or regulatory sanctions (including fines)	• Robust IT security policies and processes • ISO 27001 accreditation • Ongoing training and awareness campaigns • Business continuity management
Redesign failure of previously competitive and profitable long-term business models Failing to align client base with strategy, ESG or brand positioning, unsuccessfully redesigning a profitable business model based on inappropriate metrics, or developing new assets and services that are illegal, unethical, or don't comply with relevant professional standards or our own corporate values	• Inability to develop, maintain or monetise high quality assets and services. • Loss of reputation in industry • Possible regulatory sanctions, including temporary loss of licence • Loss of major clients • Increased risk of litigation	• Clear client and engagement acceptance procedures (including proprietary systems for checking for conflicts of interest) • Detailed policies and procedures governing auditor independence • Strict new approval process for products and services • Continuous review of firm's business model (as it relates to strategy) • Code of Conduct, corporate values, compliance programmes and whistle-blower hotline • Procedures for reporting money laundering
Not responding to economic changes and /or increased competition from new business models Inability to respond quickly enough to changes in the economy, or increased competition from new, disruptive technologies	• Failure to capitalise on growth opportunities, resulting in loss of revenue • Failure to allocate resources to areas of higher demand (leading to rising costs elsewhere in the business) • Inability to allocate human resources effectively, resulting in possible loss of quality • Audit-only firms undermining firm's multi-disciplinary business model • Further prohibition or restrictions on professional services	• Constant monitoring of resource availability • Clear career paths and development plans for partners • Partner succession planning • Global mobility programme (for those employees wishing to work in other countries) • Clear client and engagement acceptance procedures • Centralised innovation programme • Structured dialogue with regulators • Robust contingency planning
Attracting and retaining talent Failing to attract and retain talent because of high workloads, uncompetitive pay or a lack of career opportunities; Failing to train new and junior employees because of increase in remote working, or excessive focus on compliance rather than improving quality	• Disengaged staff, leading to possible problems with service delivery and quality • Loss of reputation with clients and /or position as employer of choice • Loss of talented employees, leading to possible problems with service delivery and quality • Lower productivity • Failure to adhere to Code of Conduct and corporate values • Succession planning 'fails' • Loss of revenue opportunities from multi-disciplinary engagements	• KPMG Story, encompassing the group's purpose, values, vision, strategy and promise. • 'People' managers embedded in the firm's senior leadership • Extensive performance, pay and promotions processes • Ongoing review of global performance management and development programmes • 'Closed-loop' approach to address feedback from people surveys • Defined career paths and development framework • Succession planning for partners and leadership development • Diversity task force and dedicated Inclusion & Diversity programme

Strategic risk	Potential impact	Mitigation measures taken
Failure to implement strategy Failing to implement our Trust & Growth strategy in line with business planning	• Loss of reputation as an 'employer of choice' • Failure to achieve stated objectives, goals or ambitions • Reduced morale among partners and other professionals	• Central project management office • Clear governance procedures and external Supervisory Board • Cascading strategic key performance indicators to individual professionals • Constant monitoring of progress / business planning against strategic priorities

Fraud risk assessment

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

Strategy & value creation

Strategy & value creation

Our business environment

We operate in a business environment that is changing rapidly – we are seeing immense social and economic change, due in part to the Covid-19 pandemic.

In our industry, we have seen:
- A growing shortage of skills – particularly in high-tech areas like digital and data analytics
- The emergence of 'new ways of working' – with greater flexibility and less time spent in the office
- Increased use of digital technologies – which, in turn, has meant more emphasis on data & IT security
- Greater awareness of social issues during the pandemic, especially inequality and diversity – alongside the urgent need to tackle climate change
- Changes to industry regulations, with further reform in the Netherlands and the phasing-in of **ISQM 1** [8] , a new international standard on audit quality

There is also a new reality for KPMG clients. Covid-19 led to severe disruption in many sectors. Globally, among the hardest hit were aviation & travel, hospitality, leisure & entertainment and retail. Meanwhile, the EU has continued to extend its rules on sustainability reporting – its new Corporate Sustainability Reporting Directive will come into operation in 2023.

Our strategy

We've called our strategy Trust & Growth: *trust*, because trust is the foundation of our business, and *growth* because we want to continue expanding both our assurance and advisory businesses. This year – given the changes we're seeing in our industry – our strategy operated under the theme: *Winning in the new reality*.

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8 International Standard on Quality Management 1. ISQM 1 will replace the current ISQC 1 standard. ISQM 1 is due to come into force in December 2022.

Trust & Growth was launched in 2018 – we have just completed the first three-year phase. The second phase, now beginning, will take us through to 2024.

Our strategy is based on the idea of '**People-driven Progress**' – which is central to our brand. It has five focus areas:

- **Public trust**: high standards in everything we do
- **People**: the best development experience
- **Clients**: a unique service experience
- **Digital & innovation**: 100% digitally-enabled solutions
- **Financial strength**: long-term above-average growth

We set out annual priorities in each area – these five areas provide the basis for both business planning and personal goal-setting throughout the firm.

Materiality

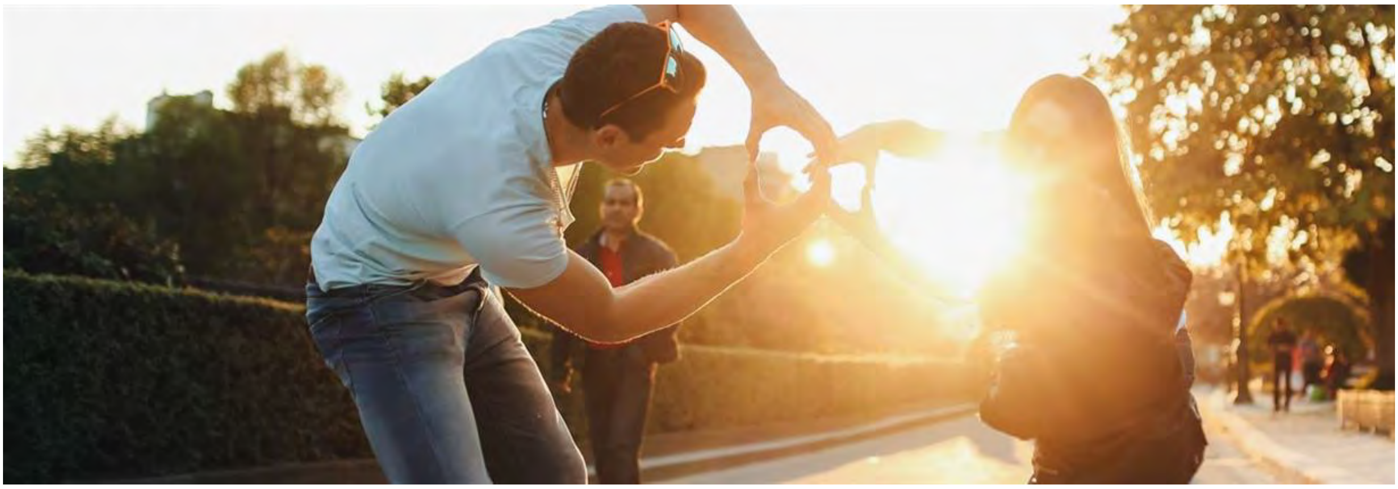
Every year, we make an assessment of our operating environment. With this assessment, we can identify our 'material topics' – in other words, those areas where we believe we can create the most value for stakeholders and society. These topics are then mapped to our five focus areas to ensure our strategy remains relevant. The assessment also provides the basis for continued engagement with our clients, employees, business partners, regulators and other stakeholders. Our latest assessment identified twelve material topics:

Strategic focus area	Material topic
Public trust	• **Integrity & independence** (including ethics, implementation of GDPR[1], reputable conduct) • **Quality & transparency** (quality standards, culture and improvement) • **Societal impact** (environmental footprint, 'giving back to the community')
People	• **Being a good employer** (including employee engagement, well-being, vitality, remuneration) • **Inclusion & diversity** (gender, cultural diversity, unbiased processes, safe place to work etc.) • **Talent development** (training & education, career advancement, attraction and retention)
Clients	• **Client satisfaction** (including client experience, growth areas, selected propositions)
Digital & innovation	• **Vision & thought leadership** ('leading the debate', including on proposed audit reform in the Netherlands) • **Innovation** (culture of innovation, development of new business models) • **Partnerships & alliances** (key partnerships in IT, workflow, sales etc.)
Financial strength	• **Sustainable profit** (including supply chain and procurement, financial performance) • **Regulatory changes** (ISQM 1, and additional reporting rules for clients)

1 The EU's General Data Protection Regulation, introduced in 2018.

Public trust

Public trust is the first pillar of our strategy. That is because trust is prerequisite for the growth of our business. Our ambition is to be the most trusted – and most trustworthy – firm in our profession. Trust is not only vital for business growth, it's also vital if we are to attract and retain the right talent – a crucial issue for our industry. To build public trust, we need to maintain the highest possible professional standards. We also want to be recognised as a socially-responsible corporate citizen.



Our priorities

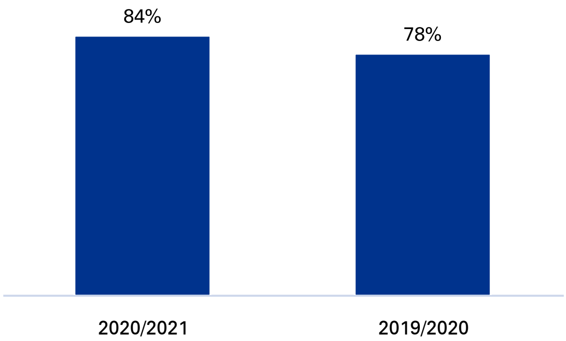
At the beginning of the year, we set out clear priorities for Public trust:

- Continue to improve results from our quality assessments for both our assurance and advisory businesses
- Engage stakeholders and add value to the current debate on proposed audit reform in the Netherlands
- Focus on the implementation of **ISQM 1** and the firm's new **KPMG Clara Workflow program (KCw)**
- Differentiate the KPMG brand in two key areas: on trust itself and on use of digital technologies
- Further enhance the firm's reputation through thought leadership

Key performance indicators

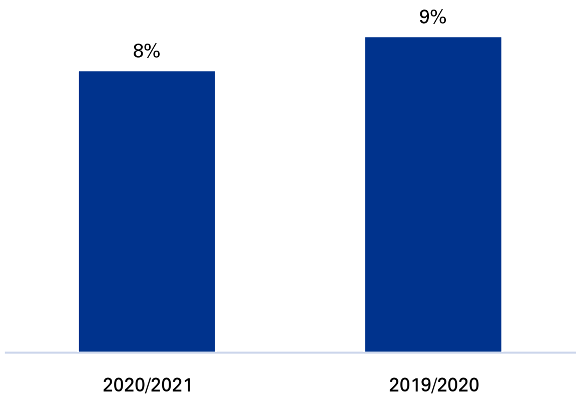
Assurance Quality Performance Reviews

Percentage of assurance engagements rated satisfactory



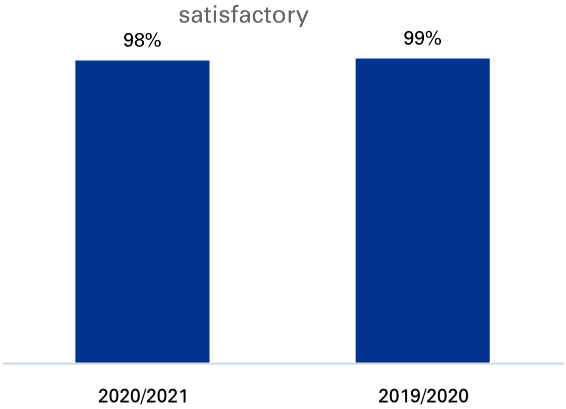
Partner involvement

Partner involvement in PIE audit engagements as percentage of total engagement hours



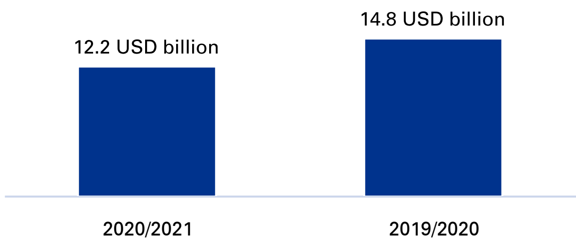
Advisory Quality Performance Reviews

Percentage of advisory engagements rated satisfactory



Brand value

Year-on-year change in the value of KPMG's brand in the Netherlands (as measured by Brand Finance)



Material topics

- **Integrity & independence** (including ethics, implementation of GDPR, reputable conduct)
- **Quality & transparency** (quality standards, culture and improvement)
- **Societal impact** (environmental footprint, 'giving back to the community')

Public trust - Our performance

Continuously improving quality

Over recent years, we have seen a steady improvement in quality – this is borne out by the results of both internal and external inspections.

- In Assurance, 84% of our engagements rated ‘satisfactory’ in 2020/2021, compared with 78% the previous year.
- In Advisory, we also maintained very high standards – 98% of our engagements rated ‘satisfactory’ (either green or amber), compared to 99% last year. Rates have been at 97% or above for three successive years now.

Improvements are due mainly to a further strengthening of quality culture and controls. During the year, inspections by our main regulator – the Netherlands Authority for the Financial Markets (AFM) – also confirmed the results of our internal quality reviews [9] . This adds to the earlier positive outcomes of other inspections by the AFM on our quality-oriented culture and system of quality controls. The US regulator PCAOB also commenced inspections this year. These results are expected next year.

We see partner involvement as a way of further improving quality – our aim is to use partners in areas where we believe they can make a positive difference to audit engagements. In 2020/2021, our partners accounted for 8% of all audit engagement hours with public-interest entities, or PIEs [10] , compared with 9% the year before. With non-PIEs, that figure was 7%, unchanged from 2019/2020. For both PIEs and non-PIEs, the percentages are close to the KPMG benchmark (of 10% and 6% respectively). Very large engagements have a negative impact on these percentages since a relatively high amount of the engagement hours is spent by non-partners. Excluding the engagement hours of these very large engagements, the percentage of hours spent by partners on PIE for 2020/2021 and 2019/2020 would be 10% and 11% respectively.

To help improve quality, we also keep a close track of complaints and suspected violations:

- In 2020/2021, we identified 9 independence violations within the firm (2019/2020: 0). The increase can be explained as a consequence of more personal independence audits performed and none of these incidents impaired the independence of the firm. The figure of last years is corrected. A closer look at the reports after the financial year closed showed that there were no independence violations in the past financial year.

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9 Based on feedback from the AFM's review of three separate KPMG engagements. Communication from the AFM on these reviews can be found on their website.

10 In this report we use the term PIE (Public Interest Entity) when we refer to the Dutch 'OOB' (Organisatie van Openbaar Belang). PIE should thefore be read as Public Interest Entity according to Dutch Law.

- During the year, we recorded 82 quality-related instances (2019/2020: 71) – the majority were related to QPR ratings, restatements of financial statements and recidivism of the timely completion of mandatory e-learning courses and confirmations. Discipline-related exceptions mainly related to late completion of annual compliance affidavits or late completion of mandatory e-learning courses and timely updates of our tracking system for personal investments (KICS) during the reporting year.
- Seven notifications or complaints (2019/2020: 10) were received through our whistle-blower hotline and all were followed up. One internal issue was identified and addressed in accordance with the applicable sanction policy.

During 2020/2021, we also made progress in preparing the firm for two other changes that will further improve our approach to quality: the roll-out of KCw and the introduction – at the end of 2022 – of a new international quality standard for audits:

- KCw – or **KPMG Clara workflow** – is our new eAudit system – it will make audits quicker, easier, improves quality and enables the application of the latest technologies. We see it as a vital step towards a fully data-driven audit. The system uses advanced data analytics, AI and next-level cloud technology, provided by Microsoft Azure, resulting in more insights and better risk management. KCw is currently being rolled out across KPMG, which will bring greater consistency to our audits. During the past year, we set up a transition support unit to help with implementation – KCw should be up and running by the end of next year. With the change to KCw, we are also updating to a new KPMG Audit Execution Guide – replacing the current KPMG International Audit Manual. This involves rewriting our audit methodology, one of the most significant changes we've made in the past 25 years.
- At the same time, we are also preparing for the introduction of the new **International Standard on Quality Management 1** (ISQM 1). The new standard shifts the focus from quality *control* to a firm's overall quality *management*. We do not expect significant changes to corporate governance, but ISQM 1 will change the way we document decision-making. KPMG will make the switchover at the beginning of October 2022 (by the start of the firm's 2022/2023 financial year).

Value to society

Part of Public Trust is making sure we make a positive contribution to society. We do this by sharing our knowledge and expertise – what we call 'thought leadership'. We also support good causes, particularly in education and training – an issue we believe is fundamental to the UN's current **Sustainable Development Goals** (SDGs), especially in areas such as gender equality. Where we can, we're also reducing our impact on the environment - by restricting flights and switching to green transport options. In the years ahead, we also plan to extend carbon emissions reporting to include scopes 1-3 [11] . Across KPMG, we are pursuing our **Impact Plan**, which sets out clear commitments in four areas: Planet, People, Prosperity and Governance; these commit us – among other things – to achieving net-zero carbon emissions by

11 Under the Greenhouse Gas Protocol, scope 1 relates to direct emissions from KPMG's own business operations; scope 2 to indirect emissions from the use of purchased energy; and scope 3 to emissions from the firm's value chain (i.e. emissions from clients, suppliers and other business partners in the course of their business with KPMG).

2030, to building an inclusive culture, and eliminating discrimination in the workplace. Importantly, the Plan also commits us to giving financial markets, clients and leaders 'clear, comprehensive, high-quality information' on the impacts of climate change on their business – a commitment that goes to the heart of our purpose as a company.

In thought leadership, over the past year, we:
- Published dozens of **studies and articles** addressing issues such as **healthcare**, **pensions**, **data management** and **ESG** reporting – we also issued a **report** on lessons to be learnt from the Dutch government's handling of the Covid-19 crisis.
- Organised regular webinars, courses and other events – and offered training and development for finance professionals through our **KPMG Learning Academy**.
- Continued to share our views with policymakers and other public stakeholders – in 2020/2021, notably, we provided **constructive feedback** on a new draft Future Accountancy Sector Act in the Netherlands and proposals to introduce a standard set of **Audit Quality Indicators** (AQIs) across the profession. From 2021, we are including both fraud and 'going concern' in the auditor's report for selected organisations.

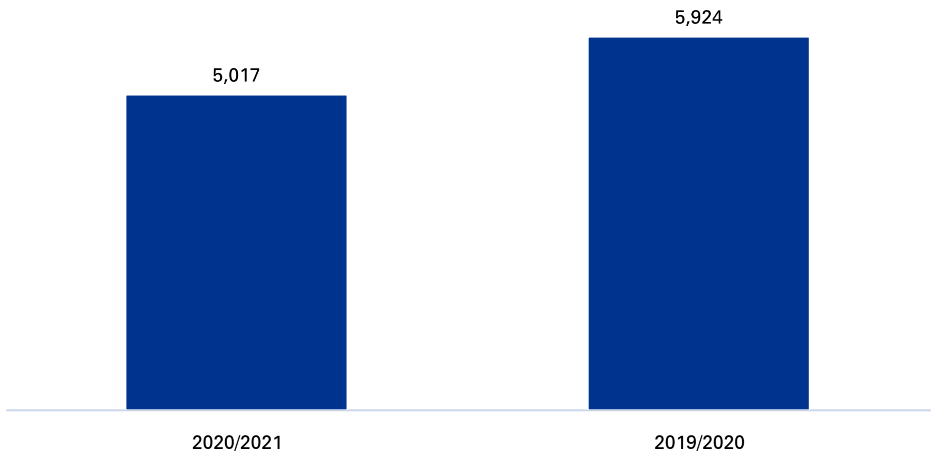
In 2020/2021, positive media coverage of KPMG in the Netherlands had a potential reach 2.73 billion readers - a sharp increase from just under 1.6 billion the year before.

We also supported a number of good causes in education, including:
- The **KPMG Jan Hommen Scholarship programme**, which provides funding for poorer students in vocational education. We support students for up to four years with bursaries worth EUR 2,500 a year; we also offer them coaching and mentoring. Students are selected following an initial traineeship and an three-day 'Empower Survival Camp'.
- The **Refugee Talent Hub**, which offers training to refugees with financial or IT skills. KPMG supports the Hub's Finance Academy; the Academy offers a five-month training programme to help refugees find jobs in the Netherlands.
- **JINC**, which helps disadvantaged youngsters into work – as part of the JINC programme, youngsters are introduced to KPMG, taught digital skills and shown how to apply for a job.

Our professionals also do pro bono work, which we support. In 2020/2021, KPMG employees volunteered just over 5,000 hours, lower than the previous year because of the Covid-19 pandemic. During the year, our pro bono projects included helping the charity Stichting Met je Hart ('With Your Heart' Foundation) with its IT operations, and support for the Fawaka sustainable business school in Amsterdam.

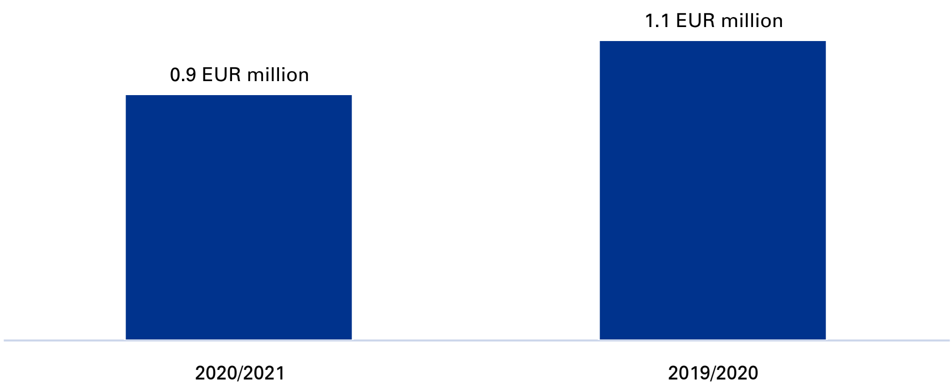
Giving back

Total volunteer hours



Total community donations

(cash + non-cash + volunteer hours)



As KPMG, we take a responsible approach to the environment. By offsetting our emissions, we have been carbon neutral now for more than ten years. Our goal is to be net zero by 2030, in part by encouraging more employees to use bicycles, electric cars or public transport. In 2020/2021, our net CO_2 emissions – after subtracting renewable energy – totalled 3,629 tonnes, down nearly 60% compared with 2019/2020 due mainly to the impact of Covid-19 (which resulted in office closures and less business travel). Gross emissions are shown below.

CO_2 emissions

Emissions (tCO2e: tonnes, CO_2 equivalent) [1]	2020/2021	2019/2020
Scope 1		
Natural gas used[3]	114	133
Leased vehicles – diesel[2]	279	1,063
Leased vehicles – petrol[2]	2,927	4,727
Total scope 1	**3,320**	**5,923**
Scope 2		
Purchased electricity – non-renewable[3]	37	47
Purchased electricity – renewable[3]	1,528	1,658
Leased vehicles - electric[2]	98	74
Total scope 2	**1,663**	**1,779**
Scope 3		
Rail travel	10	103
Air travel	160	2,743
Total waste (includes recycled water)	1	1
Recycled waste	86%	89%
Water used[3]	3	3
Total scope 3	**174**	**2,850**
Total gross emissions	5,157	8,894
Net CO_2 emissions	**3,629**	**7.236**

1 Emissions are measured using the Greenhouse Gas Protocol.

2 Cars owned privately by KPMG employees are not included in the table above.

3 Figures for natural gas, purchased electricity (both renewables and non-renewables) and water usage are given for the calendar year.

Brand value

In 2021, KPMG was again ranked the second most valuable Dutch brand (behind Shell). According to **Brand Finance**, however, the value of our brand fell by just over 20%, returning to its pre-pandemic level. Strong scores on innovation and use of technology were offset by a decline in well-being, an issue which has gained in importance during the Covid-19 pandemic. Read more about our approach to wellbeing in the **People** section. Through our regular client satisfaction surveys, we also measure brand attributes – whether clients recognise these attributes in their work with us. In the latest survey – for the first half of 2021 – 97% of clients said our five brand attributes [12] either 'fitted well' or 'mostly fitted' their experience of KPMG.

12 Our five brand attributes are: Expert, Global mindset, Forward-thinking, Value-adding and Passionate.

Audit quality indicators

Indicator	NBA reference	Performance 2020/2021	Performance 2019/2020
GPS and Pulse survey results related to coaching and audit quality	AQI 6.a	90%	87%
Culture survey	AQI 6.b	65%[1]	79%
Investments in development of new audit technologies and tools	AQI 3	3%	2%
Hours spent by partners on PIE engagements	AQI 1.a	8%	9%
Hours spent by partners on non-PIE engagements	AQI 1.b	7%	7%
Hours spent by IT and other specialists on PIE engagements	AQI 11.a	16%	16%
Hours spent by IT and other specialists on non-PIE engagements	AQI 11.b	5%	6%
Chargeable hours (as % of total hours worked)	AQI 2	64%	62%
Retention of audit professionals	AQI 5	87%	88%
Average training hours for each audit professional	AQI 4	214	196
Technical resources support (as % of total assurance FTEs)	AQI 7	7%	7%
Technical consultations (as % of all engagements)	AQI 8	14%	16%
Percentage of engagements involving EQCRs[2]	AQI 9	31%	30%
Hours spent on EQCRs (as % of total hours)	AQI 10	1%	1%
Number of restatements (as % based on auditor's reports issued)	AQI 14	1%	2%
Result of external inspections	AQI 12.a	100%[3]	NA
Result of internal inspections (% satisfactory rating) [4]	AQI 12.b	84%	78%
Independence violations	AQI 13	0.8%	0.4%

1 This figure is not directly comparable to the previous year because of a change in methodology.

2 The number of engagements during the year does not necessarily equate to the number of reports. An engagement may result in multiple reports. Moreover, reports may not be produced for engagements still active at the end of the financial year.

3 Read more about these inspections on the website of the AFM.

4 For more information about these Assurance Quality Performance Reviews, please see section Continuously improving quality.

The AQI table has been prepared in accordance with the guidelines from the **NBA**, the Royal Netherlands Institute of Chartered Accountants (or in Dutch: Koninklijke Nederlandse Beroepsorganisatie van Accountants). All figures have been rounded to the nearest percentage.

Abbreviations:
EQCR – Engagement Quality Control Review(er)
FTE – Full-time equivalent
GPS – Global People Survey
NA - not applicable
NBA – Royal Netherlands Institute of Chartered Accountants
PIE – Public Interest Entity Public according to Dutch law
All abbreviations used in this report may be found in the **Appendix**.

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

Stakeholder dialogue

We maintain constant dialogue with our stakeholders; this helps us understand their needs, build trust, define value creation, as well as identify specific risks and opportunities for our business. We engage with our stakeholders through regular meetings, conferences, events and surveys. Naturally, the number of in-person meetings with stakeholders has declined because of the Covid-19 pandemic; this was offset by a corresponding increase in online meetings.

Stakeholder groups (in alphabetical order)	Importance	Methods of engagement
Clients (and their stakeholders)	Clients pay fees in return for our products and services, delivering trust on their (non-) financial information for their stakeholders.	• Net Promoter Score /client satisfaction surveys (including client care interviews) • KPMG client events • 'Client Connect' visits by Board members or as part of Board training modules • Regular contact during engagements
Employees	Employees provide their time, skills and knowledge to the firm. In return, they receive salaries, benefits and opportunities for career advancement.	• Global People Survey (supported by regular Pulse surveys) • Continuous dialogue with Works' Council • Regular performance reviews • Internal communications • Training & education programmes • Diversity and inclusion groups • Collaboration with our KPMG Young Board
Equity partners	Equity partners provide the financial capital we need to run our business -– as well as management and technical skills. In return, they receive a share of our profits.	• Quarterly partner meetings to discuss financial and operating performance • General shareholder meetings and with the Management Board of Coöperatie KPMG U.A. • Regular performance reviews • Training & education programmes • Partners also participate in the GPS / pulse surveys
Graduates and professionals	We hire graduates and experienced professionals to support our business – in return, they have access to attractive new career opportunities.	• Detailed careers section on website • In-house days and other KPMG events
KPMG network	We maintain a close working relationship with KPMG International and other KPMG member firms.	• Regular dialogue with other KPMG member firms • Exchange of resources and expertise • Global projects, such as KCw and 'Connected, Powered, Trusted'
Professional bodies and academia	Professional bodies and academia provide insights into quality standards and possible improvements in our approach, systems and processes.	• KPMG representatives in professional associations and other bodies • KPMG staff active in universities and business schools

Stakeholder groups (in alphabetical order)	Importance	Methods of engagement
Regulators, politicians and other standard-setters	Regulators, politicians and standard-setters act on behalf of society; they provide our operating framework and independent assessment of our work.	• Regular inspections by the Dutch Financial Market Authority (AFM) and the US Public Company Accounting Oversight Board (PCAOB) • Participation in public conferences, debates etc. • Feedback on proposed legislation and rule changes (including current government proposals for audit quality review) • Meetings with AFM take place quarterly (or more frequently, if required).
Society and local communities	Society provides us with access to markets and labour, as well as our social 'licence to operate'.	• Engagement through support for community initiatives (e.g. Jan Hommen Scholarship, Refugee Hub) • Thought leadership – through publications, surveys and insight articles • Media appearances, press releases, and engagement with journalists
Suppliers and business partners	Suppliers provide products and services we need to run our business – we also work with business partners to develop new solutions.	• Regular engagement during activities / contracts

People

The world of work is changing rapidly – our success depends on attracting and retaining the brightest and the best. That means changing the way we work, creating an inclusive and innovative working environment, and offering opportunities for our professionals to grow and advance. Our ambition is to offer the 'best development experience'. Far from waging a 'war on talent', we want to nurture and develop the talent we have. We live by the adagium of *'love for talent'* and that love is mutual as talent knows their way to KPMG. Ultimately, we are a people-driven business. Everything we do – our strategy and performance – depends on the quality of our people.

Our priorities

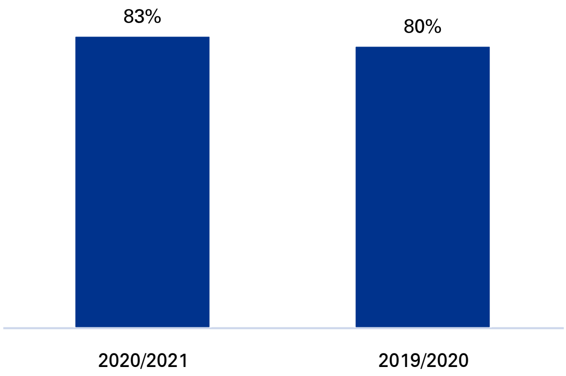
For 2020/2021, we set out four clear priorities for our People strategy:

- Enhance our Trust & Growth culture, supporting fast innovation and high performance
- Be an inclusive employer and embrace diversity
- Strengthen our leadership, and build an organisation ready for the future
- Fully engage the strengths of our people – by adapting to new ways of working, promoting team spirit, offering fit-for-purpose benefits and ensuring good health and well-being in the workplace: at the office and at home.

Key performance indicators

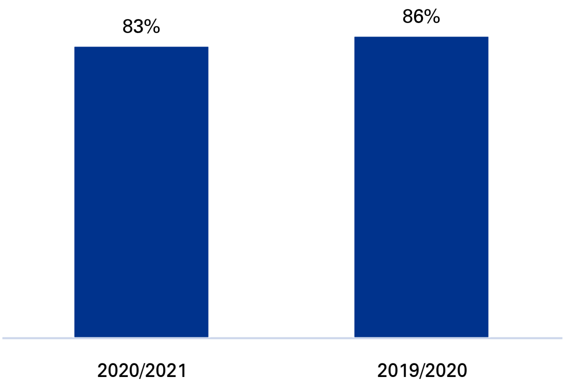
Employee engagement

Score out of 100, taken from our Global People Survey (GPS)



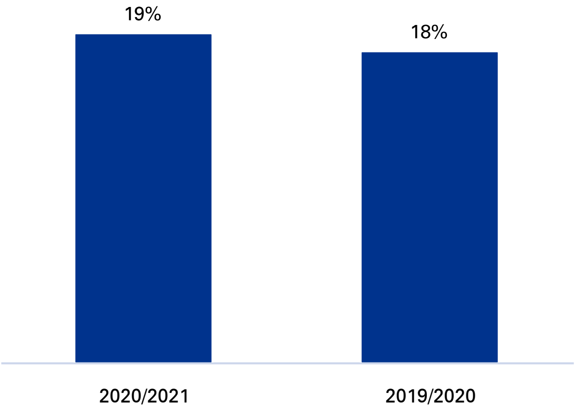
Retention rate

Percentage of staff still in employment at year-end



Gender diversity

Percentage of women at partner / director level



Material topics

- **Being a good employer** (including employee engagement, well-being, vitality, remuneration)
- **Inclusion & diversity** (gender, cultural diversity, unbiased processes, safe place to work, etc.)
- **Talent development** (training & education, career advancement, attraction and retention)

People - Our performance

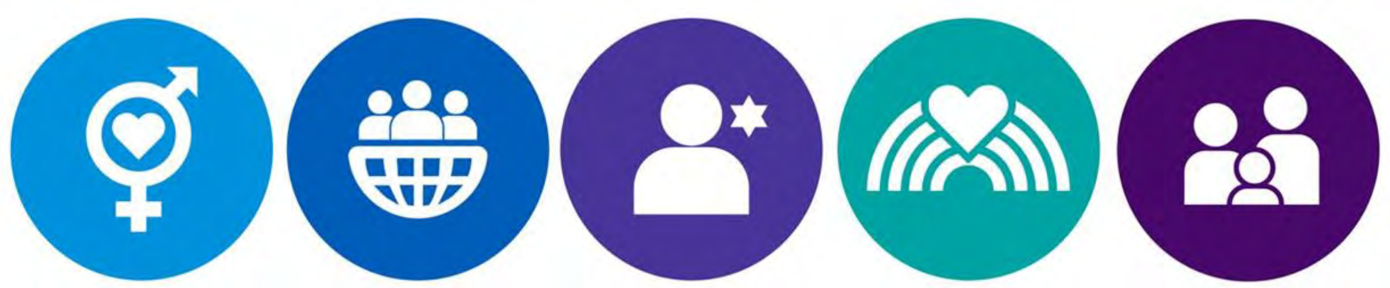
Trust & Growth culture

At the heart of our approach is our corporate culture – this is key to implementing our values and achieving our ambitions. We have defined five core values – and three cultural attributes we believe are vital to success: fast innovation, high performance and inclusive collaboration. These values guide the way we behave and the decisions we take; they are wired into our 'People' processes – into our performance reviews, for example, and into how we decide promotions and variable pay. They are built into our internal communications and people surveys – and form an important part of our dialogue with partners and directors. It is vital for us that partners and directors reflect and 'live' these values in their daily management.

Inclusion & diversity

We see **inclusion & diversity** as a business priority – that means we set targets and hold our leadership to account for performance. We also ask our leaders to set the 'right tone' for progress in this area. Building an inclusive work environment, we believe, helps attract and retain talent.

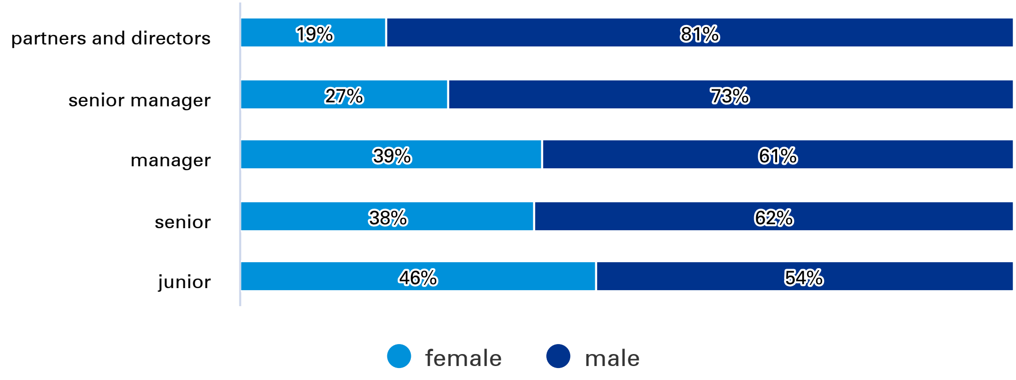
Our five Inclusion & Diversity communities: Gender, Cultural & International, Ability, LGTBQ+ and Generations



Over the past year, we have made further progress in 'unbiasing' - in other words, removing unconscious biases from our development, reward and promotion processes. We provide 'unconscious' bias training to our development Managers – and have piloted an Inclusion & Diversity Impact programme that will be rolled out to all partners and directors in 2021/2022.

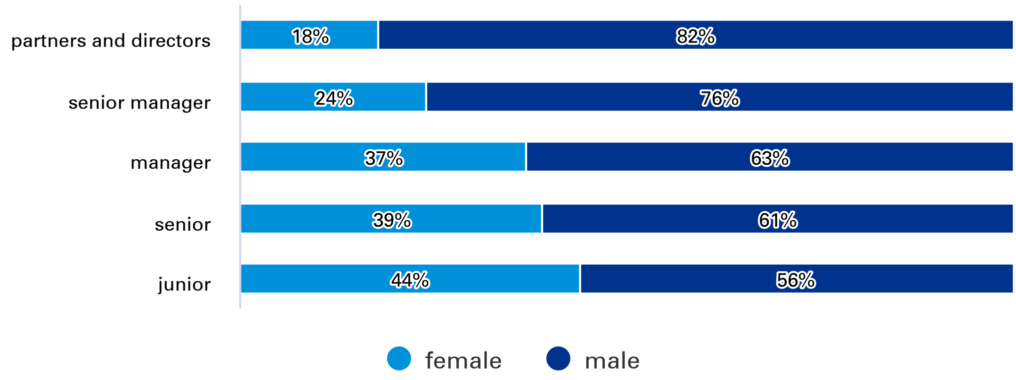
Gender distribution per level 2020/2021

based on headcount at 30 September 2021



Gender distribution per level 2019/2020

based on headcount at 30 September 2020



On gender diversity, we are making steady progress. In recruitment, women already account for 42% of our intake (virtually flat compared to last year: 43%). Even so, we lose too many talented women as they advance in the organisation. At the end of 2020/2021, women accounted for 19% of our partners and directors (2019/2020: 18%) – short of our target of 21%. 'Unbiasing' will help us address this – we're also actively sponsoring women approaching promotion.

At the same time, we're looking to advance cultural diversity within the firm. Currently, we have 73 different nationalities working at KPMG in the Netherlands. Our **Inclusion & Diversity** programme specifically addresses cultural diversity – we're also working with Amsterdam University on research projects to help improve the performance of Dutch companies in this area. Within KPMG, we've organised several initiatives to enhance cultural awareness - including our Ramadan challenge and International Week. Last year, an estimated 7% of our partners and directors had a non-European cultural background, compared with 6% the year before.

Inclusion & diversity initiatives

To support Inclusion & Diversity, we take part in a number of external initiatives. These include the Ability Coaching programme, the Cross-Cultural Mentoring Programme and Talent to the Top, which seeks to promote more women into senior management positions across Dutch businesses. Find out more about our Inclusion & Diversity programme on our **website**.

Employer brand

Over the past year, we've also continued to invest in our 'employer brand' – this has been primarily through media and other public appearances. We want to raise our profile among jobseekers, many of whom perhaps would not previously have considered a career at a company like KPMG. At the same time, we've done more to support our current employees. Over the past year, we've organised social activities, designed a program for quarterly 'morale boosters', funded new office equipment for those working for home – and, of course, increased profit-sharing. We believe it's important that, especially during the pandemic, employees continue to feel engaged and 'connected'. In 2021, KPMG was named **LinkedIn Nr.1 top company** for career development in the Netherlands.

New ways of working & skills development

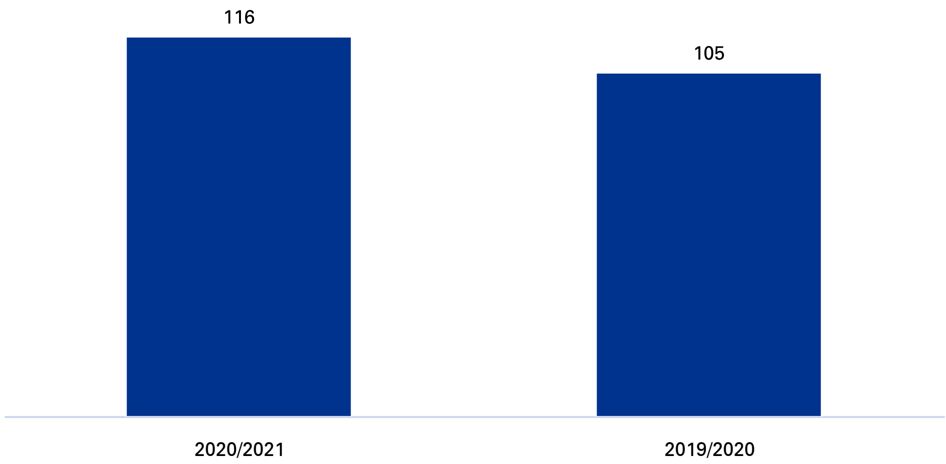
Post-Covid-19, we are adapting to new ways of working – we're spending less time in the office, and we're using digital more to stay in touch with each other and our clients. We are moving towards more 'hybrid' working, with employees splitting their time between home, office and client visits. This has implications for our offices. At Zwolle, for instance, we have already pioneered a new 'clubhouse' concept, which rethinks the way we work, learn, connect and interact in the office. We're extending the same concept at our main office in Amstelveen.

At the same time, we are investing in health and well-being, particularly mental health in the wake of the pandemic. We are also putting more emphasis on digital skills, ESG expertise and leadership capabilities – and targeted skills development programmes, such as the Connect, Collab and Inspire festival. We're also expanding e-learning – as part of a 'blended' approach that combines online with traditional in-person learning & development. These development programmes support innovation, and help us ensure we have the skills we need, especially in fast-growing areas like data management and analytics.

Increasingly, we see KPMG as a 'knowledge campus' through the training, personal development, mentoring and on-the-job coaching we offer our professionals throughout their careers with us. Over the past year, we continued to invest in training and development in spite of the Covid-19 crisis, reflected in the average training hours per employee.

Over the past year, we organised regular ‘leadership labs’ to support managers during the Covid-19 crisis. We realise that, with the pandemic, management styles must change. With remote working, managers need to be more proactive, more engaged; they need to show ‘empathetic leadership’. Our leadership labs helped managers think through these issues – how to innovate, for example, or how to stay close to their teams when working remotely.

Average training hours per employee



Measuring employee engagement

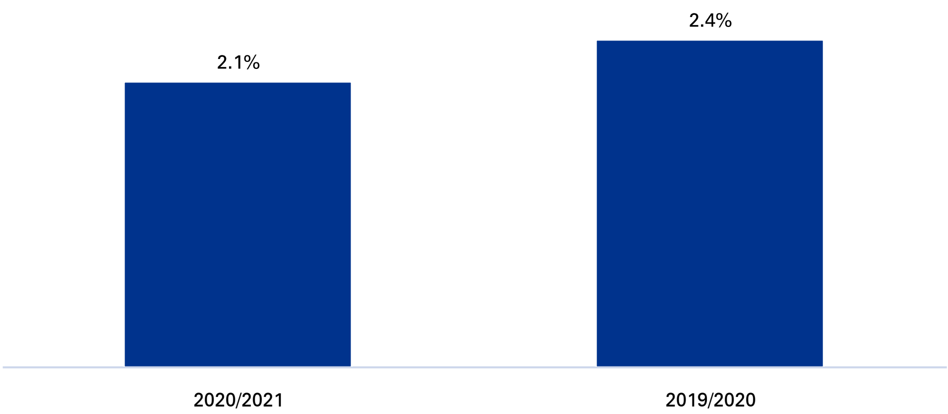
Across KPMG, we organise an annual Global People Survey (GPS). This survey measures employee engagement, as well as our performance in eighteen different areas – everything from trust, career growth, inclusion & diversity, and collaboration to reward & recognition, innovation and leadership. Our annual survey is supported by regular ‘pulse’ surveys, which have proved indispensable during the pandemic in taking meaningful action in response to the needs of our people.

Our last annual GPS took place in October 2020. For the Netherlands, the survey showed an increase in employee engagement to 83%, up from 80% the year before. This makes us the third highest ranking KPMG member firm in the international KPMG network. There were, however, lower scores for both learning and inclusion & diversity – the former possibly related to a lack of in-person training during recent lockdowns. Using these results, we identified both strengths to build on and ‘opportunities’ – areas we prioritised over the past year. Among these opportunities are: doing more to champion Inclusion & Diversity, extending learning and development programmes and supporting innovation. Our next survey went live in October 2021 and we expect the results by the end of the calendar year 2021.

Keeping our people safe during Covid-19

Over the past year, we continued to take measures to protect our people against Covid-19. Through our Vitality programme, we promoted good health and mental well-being. All our employees and equity partners were offered a medical check-up, including a Covid-19 antibody test. In our audit practice we rolled out a programme designed to make the workload more predictable and planning more flexible to accommodate individual needs. We also extended reimbursement for childcare, recognising that recent lockdowns were particularly tough for employees with young children.

Average absentee rate



Succession planning & performance

The 'Best development experience' finds its way into internal promotions. Part of that is making sure we have clear succession planning. We’ve put in place a detailed process. In 2020/2021, we ran a full cycle of this process; this involves identifying ‘successors’ for all key positions, and the development support they may need. Meanwhile, we have further strengthened what we call our ‘spike leadership’ approach. We believe that, by making the most of our talent, we also benefit our clients and society as a whole. To support succession planning, we have an extensive development programme, with training, regular reviews and goal-setting. We also have a rigorous partner admission process.

Clients

The past two years have been difficult for many businesses – Covid-19 has reshaped much of our economy. As the Covid-19 crisis develops, we do see opportunities for us to grow in sectors where we have recognised expertise, and where we can help clients adjust to the new reality. We will do this by continuing to roll out new products and services, and by helping clients digitalise their systems and processes. Increasingly, we are positioning ourselves in the Netherlands as *the* digital auditor. At the same time, internally, using data and technology will make us more efficient and, more importantly, free up time for our professionals to concentrate on what matters most – the personal contact with clients.

Our priorities

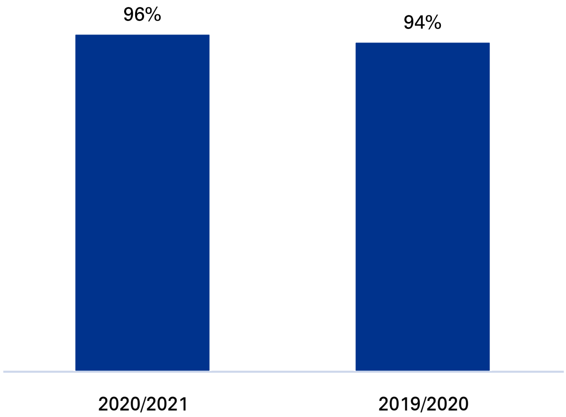
For Clients, we've identified four main priorities:

- Drive growth in key sectors – and strengthen our market orientation
- Offer a unique and consistent client experience across all industries
- Ensure we lead in selected product and growth areas
- Activate client teams to stay competitive in securing new audit rotation contracts

Key performance indicators

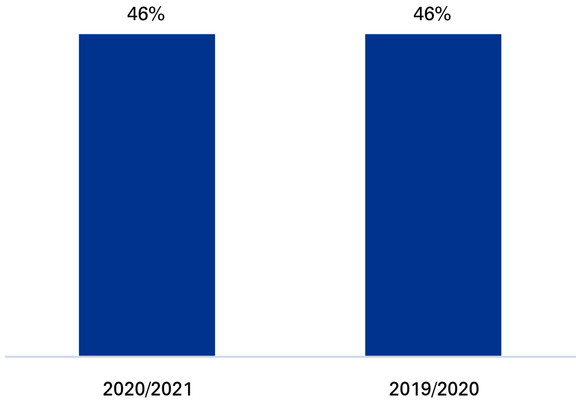
Client satisfaction

In general, how satisfied are you with the services provided by KPMG?



Net Promoter Score

How likely is it that you would recommend KPMG to others?



Material topic

- **Client satisfaction** (including client experience, growth areas, selected propositions)

Clients - Our performance

Business growth

With the Covid-19 crisis, our clients have had to adapt to profound changes in the economy. Many sectors are restructuring; we have seen an increase in digitalisation, pressure on supply chains and more regulation. Companies are also taking more interest in environmental, social and governance (ESG) issues, driven partly by new EU reporting rules. At the same time, the Dutch economy has rebounded strongly following the pandemic.

These trends have created new opportunities for us. Over the past year, we have increased our work with the government and public sector. We are also seeing more demand from industries like financial services, healthcare, consumer & retail and energy & natural resources.

During 2020/2021, our Deals advisory practice grew significantly. Many deals were put on hold at the beginning of the pandemic; as economic growth returned, so did company appetite for new mergers and acquisitions.

In response, we have deepened our sector, 'go-to-market' approach, revamped our IT audit, launched digital marketing campaigns aimed at smaller private businesses, and focused more on our global suite of '**Connected, Powered, Trusted**' services. We are also continuing to upgrade Sofy – a KPMG product that helps clients manage and analyse data in areas like governance, risk, compliance and tax management.

We are also taking a systematic and targeted approach to MFRs, or Mandatory Firm Rotation – the requirement for public companies to 'rotate' their audit firm at least once every ten years. Over the past year, we've seen companies change auditors more frequently. Legally, we cannot work with the same listed client on both audit and advisory – there are, however, plenty of opportunities for both our main business lines. In 2020/2021, we won all but one of the MFRs we took part in – companies cited the quality of our teams and our digital audit approach as reasons for choosing KPMG.

Connected, Powered, Trusted

Connected, Powered, Trusted – this is our definition of a truly digital organisation:

- *Connected* is about rebuilding your business around your customers to create a borderless organization, where people, data and technology interact for new levels of productivity and value creation.
- *Powered* is about harnessing the latest technologies, leading business practises and tested solutions for a smarter, faster path to nimble, scalable business functions and the right operating model.
- *Trusted* is about embeding a balanced approach to risk and regulation into your transformation journey, securing the stakeholder confidence that enables responsible growth, bold innovationo and high performance.

Client satisfaction and loyalty

We carry out regular surveys of our clients (covering Advisory, Audit and Business Assurance); these enable us to gauge client satisfaction and identify possible areas of improvement. Our surveys are based on online questionnaires and extensive, face-to-face, client care interviews. Through our surveys, we measure two main indicators:

- Client satisfaction – the degree to which clients are satisfied with our services
- Net Promoter Score (NPS) [13] – a measure of customer loyalty, based on whether clients would recommend our services

In 2021, we saw a further increase in client satisfaction, driven mainly by an increase for our advisory business. NPS remained stable. We continue to develop initiatives to reach our strategic goal for our clients pillar: a unique service experience.

13 Based on the international definition for NPS: percentage of promoters minus percentage of detractors. Promoters are those clients 'very likely' to recommend KPMG. Clients who said it was 'very unlikely' or did not provide an answer are classified as detractors. Clients responding 'likely' or 'neither /nor' are identified as passives and are not included in the calculation. By measuring loyalty rather than satisfaction, NPS is believed to be a better measure of future sales.

Supporting the Dutch government's response to Covid-19

Over the past year, we supported NOW – the Dutch government's financial bridging programme for companies affected by the Covid-19 crisis [14] . We also helped develop protocols for the Netherlands' vaccination roll-out and the creation of a Covid-19 dashboard to give policymakers better insight into how the pandemic was evolving. Our work is part of a KPMG healthcare practice that has been growing steadily over the past ten years in both Advisory and Assurance – worldwide, we now have more than 5,000 professionals working with the healthcare sector.

Growing demand in ESG & Sustainability

Over the past year, we have seen strong growth in **ESG & Sustainability** as more companies are integrating environmental and social issues into their processes and strategies – it is a trend that accelerated during the recent Covid-19 pandemic. Our Sustainability practice – the first to be created in the Netherlands – focuses on areas such as reporting, climate risk, circular economy, sustainable finance and supply chain transparency. We are also working with more companies on data management, target-setting and ESG-reporting – particularly with the introduction of the EU's new Corporate Sustainability Reporting Directive (CSRD) from the beginning of 2023. In October, KPMG announced worldwide investments of USD 1.5 billion in ESG services; the investments include training for all KPMG employees, expanding services on climate risk and decarbonisation, developing new technologies and supporting poorer countries in line with the **UN Sustainable Development Goals** (SDGs). In all areas, our ESG & Sustainability teams work closely together with the KPMG network.

14 The Temporary Emergency Bridging Measure for Sustained Employment (in Dutch, Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud, or NOW).

Digital & innovation

Business is becoming more digital – the recent pandemic has only accelerated that trend. We are convinced that technology is fundamentally changing the way many companies do business. We want to be clients' first choice when it comes to digitalisation. To do so, we are increasing the use of new digital technologies in audit and assurance. We are upgrading Sofy, rolling out **KCw**, focusing more on our **Connected, Powered, Trusted** services, and working with partners and allies to develop new solutions. At the same time, we want to make KPMG N.V. a truly digital firm – by digitalising our own internal processes and systems, investing in our cyber defences, and strengthening our approach to innovation. For us, it is using technology alongside the knowledge and expertise of our people that provides the most benefit, improving efficiency, speeding up our 'time to market' and generating new insights for clients.

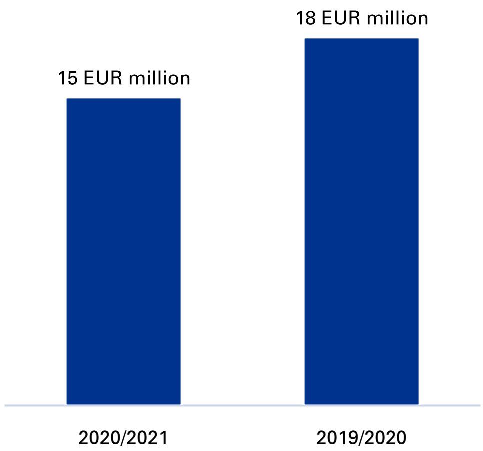
Our priorities

For 2020/2021, we set out three main priorities for the Digital & Innovation pillar of our strategy:

- Increase sales from digital and make sure we are fully aligned with KPMG's global strategy in this area
- Increase sales from our digital partnerships and alliances
- Transform KPMG N.V. into a 100% digital firm by strengthening our IT backbone, accelerating digital innovation in our assurance business and investing in our digital strategy for Advisory.

Key performance indicators

Total investment in innovation



(2019/2020 is excluding impaired assets)

Material topics

- **Vision & digital thought leadership** ('leading the debate', including on proposed audit reform in the Netherlands)
- **Innovation** (culture of innovation, development of new business models)
- **Partnerships & alliances** (key partnerships in IT, workflow, sales, etc.)

Digital & innovation - Our performance

Digital transformation at clients

Among clients, demand for our digital services is growing. In Advisory, revenue from our technology practice over the past two years has increased by nearly 20%. Across sectors, clients are also digitalising their processes and workflows – in everything from finance, tax and risk to supply chain management and data protection. In 2021, we put our Sofy product through a major technology upgrade. We also offer advanced products to clients – like **AI In Control**, part of KPMG Trusted Analytics, which helps clients verify the proper use of AI and algorithms.

At the same time, we are also looking to further develop products through our network of partnerships and alliances. Our key partners include Microsoft, ServiceNow, SalesForce and IBM. Working closely with partners gives us access to additional expertise and resources in areas such as cloud technology, cyber security and data analytics.

Alongside these partnerships, we are also working together with other KPMG member firms – adopting new audit solutions, for example, from KPMG's **Digital Assurance & Innovation** division (DANI) and implementing global projects like **KCw**. This allows us to reduce local spending on digital & innovation – in 2020/2021, our local investments totalled just over EUR 15 million, compared to EUR 17.7 million last year (excluding impaired assets).

Encouraging innovation

Over the past three years, we have invested EUR 81.4 million in innovation – 'fast innovation' is one of our three cultural attributes. We have innovation champions to support our Assurance, Advisory and Business Services divisions. In Assurance, much of our effort is focused on our North Star objective (more on that below). In Advisory, we're concentrating on client journeys and using data analytics. Increasingly, we are able to leverage the investments done by the KPMG international network, which is reflected in our local investments strategy.

During the year, we improved our innovation management process – InnoWay – to make it leaner and more effective. Employees can share ideas now through a single platform – so we don't duplicate efforts. The platform also helps break down silos within the firm, and charts innovation from ideas to practice. We also build 'trust' in from the very start – an approach we call 'Trust By Design'. As ideas develop, we work on controls and security that might be needed – that way, we avoid having to 'retrofit' controls, post-development, which can be costly.

Digital backbone

Over the past year, we have continued to digitalise our internal processes and systems. Our goal is to become 100% 'digitally-enabled' – and create what we refer to as our 'digital backbone'. As part of this, we stepped up use of technologies like artificial intelligence (AI) and machine learning. Increasingly, these technologies are becoming part of our daily work:

- In Assurance, we have brought our front and back offices together. Ultimately, our aim is to be able to conduct a fully digital audit by 2023 – our *North Star* objective.
- In Advisory, we have worked with clients on 'end-to-end' transformation projects, helping them digitalise their own processes and systems – which ties to our **Connected, Powered, Trusted** and Regulatory Driven Transformation services.

At the same time, we realise that increased use of digital brings new risks – consequently, we have invested more in our cyber defences to prevent security breaches and protect our own and our clients' data.

Governance and culture

We have taken important steps to strengthen our governance and impact in this area:

- In 2020/2021, we set up an Innovation and a Technology Board with representatives from across the firm to help us identify business opportunities and possible new digital solutions.
- And we refocused our Digital Investment Office on product and portfolio management.

These steps are supported by extensive training and skills development – vital, given the current skills shortages in areas like data management and analytics. This includes our Digital MBA programme and a fully-developed digital curriculum for all our professionals. In recent months, we have also increased internal communications to raise awareness of our digital strategy. Digital cuts two ways – it is a big part of the cultural change we require, but it can also support that change by bringing in new, more efficient working practices. During the year, we organised a four-day Innovation Week for all assurance seniors and trainees. And, in May, we held or Connect, Collab & Inspire festival for employees; the festival included keynote speeches, Tedtalks, demos and guest presentations from experts inside and outside KPMG.

Financial strength

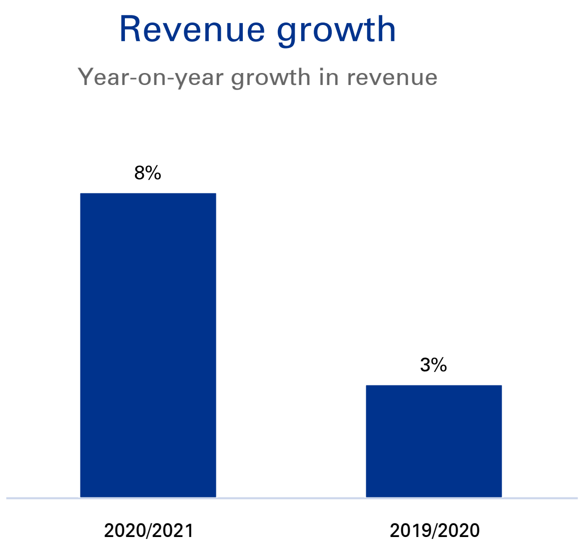
Our goal is to increase long-term profitability – and to balance a short-term focus with the need for future growth. To do this, we believe firmly in investing in our business – our investment programme is targeted at our five strategic focus areas. We're also looking at our operating model to find new ways of working more efficiently. As a company, we're determined to emerge from the current Covid-19 crisis ahead of the curve, stronger and fitter than before. In 2020/2021, despite continued uncertainty over the pandemic, we reported a strong increase in both revenue and profits.

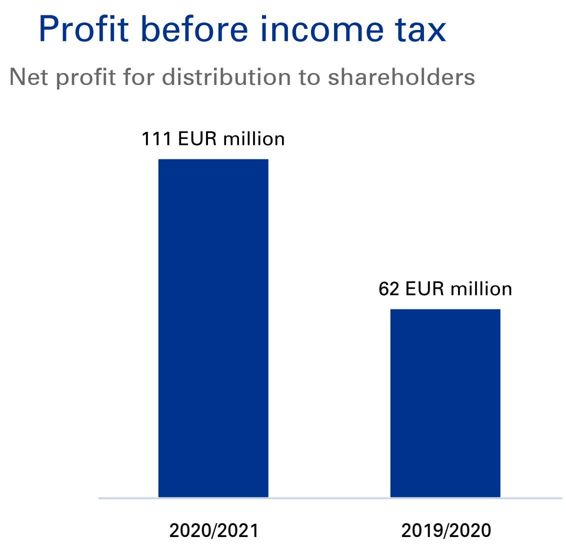
Our priorities

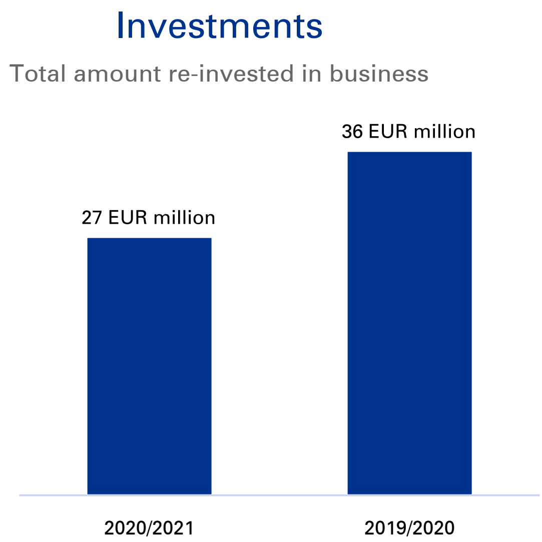
For the Financial strength pillar of our strategy, we identified three main priorities:

- Reshape our organisation to become more agile in the way we work – in both our front and back offices
- Continue sustainable growth
- Increase our international impact by aligning with the KPMG organisation's investment goals – and making the most of key global projects, such as **KCw**, **KPMG Impact** and **Connected, Powered, Trusted**.

Key performance indicators







Material topics

- **Sustainable profit** (including supply chain and procurement, financial performance)
- **Regulatory changes** (ISQM 1 and additional reporting rules for clients)

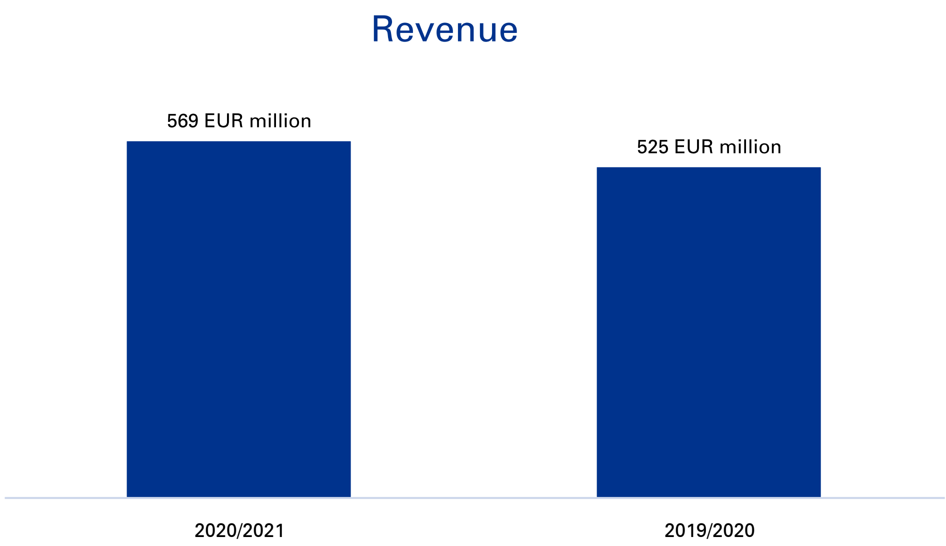
Financial strength - Our performance

Financial results

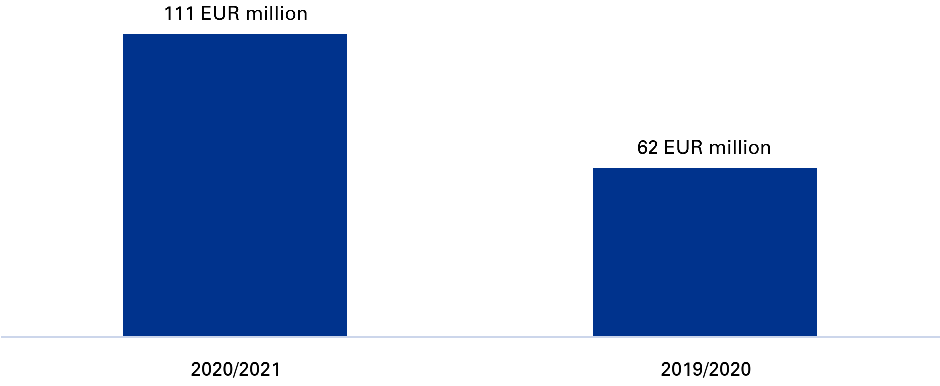
2020/2021 was again a year of considerable economic uncertainty. Despite this, clients and staff maintained their trust in us. As a result, over the past year, we were able to focus fully on our strategic priorities.

For 2020/2021, we reported a strong increase in both revenue and profit, due mainly to increased demand from clients for our services. With regard to variable costs, we spent less on travel, training and social activities during the pandemic. We also saw improved efficiency; our time spent on chargeable hours increased again. In addition, our 2019/2020 profit included a substantial one-off impairment (totalling just over EUR 20 million, linked mainly to our Digital Risk Platform (DRP)).

Revenue and profit



Profit before income tax



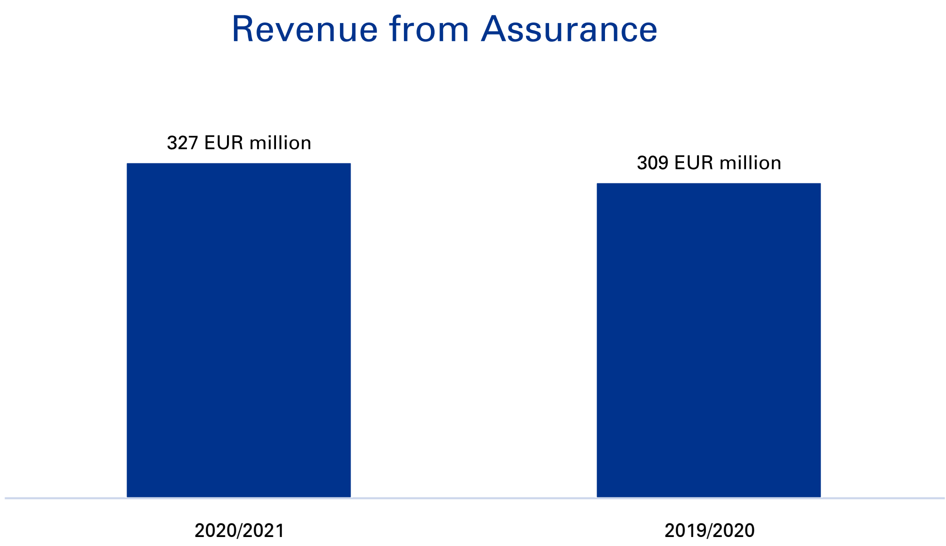
Our full financial statements are available **in the respective section**.

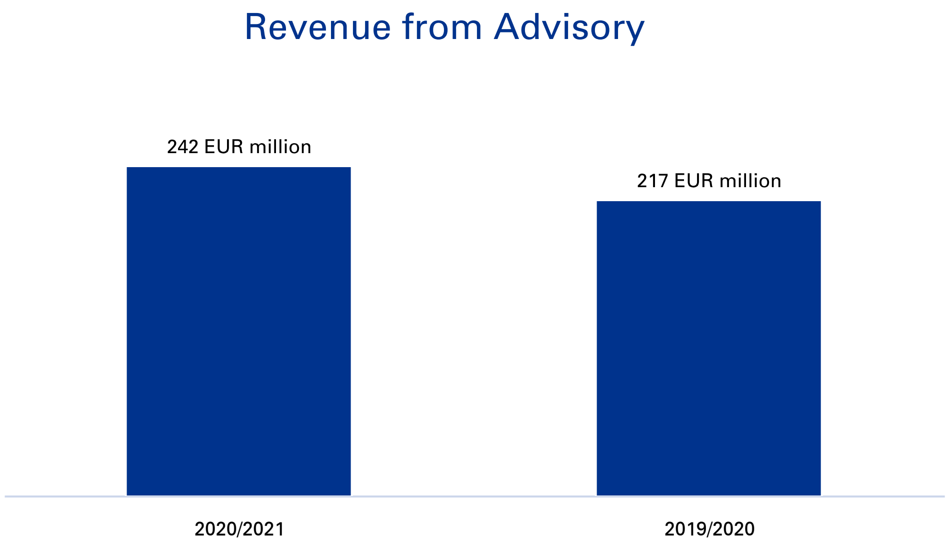
Our business lines

Revenue from our assurance business rose 6%, thanks to continued demand from both new and existing clients. This additional demand more than offset a decline in client disbursements, covering mainly travel costs. Operating profit was also up, as a result of increased efficiency from new smart audit technologies and the use of KPMG Centres of Excellence, including KPMG Global Services in India.

In Advisory, revenue was just under 12% higher, with our **Deals**, **Strategy & Operations** and **Technology** practices all posting strong growth. We saw increased client demand from infrastructure, government & health, consumer & retail and financial services – all among the sectors affected by the pandemic. Our digitalisation services were also in strong demand, underpinned by the KPMG Connected, Powered, Trusted product suite.

Revenue from our business lines





Employee expenses

During the year, our employee expenses increased by 10.4% – this was despite a decrease in professional staff. The increase in expenses was due mainly to higher variable pay and additional one-time bonuses. We also decided not to delay promotions or salary rises, despite the pandemic – a reflection of the firms higher profits. For 2021/2022, we have raised our recruitment targets to reflect increased client demand in both our assurance and advisory businesses.

Investment programme

During the year, we continued to invest in our business. After prudent first quarters, investment initiatives were being revalitalised in the second quarter. Overall, investments in the financial year were lower compared to the previous year because of these delays resulting from the Covid-19 pandemic, the effect of impaired assets and a shift in emphasis in digital & innovation to KPMG International initiatives. Local investments included:

- Smart audit technology, including the introduction of **KCw**
- Digital solutions in both Advisory (including Sofy) and Assurance

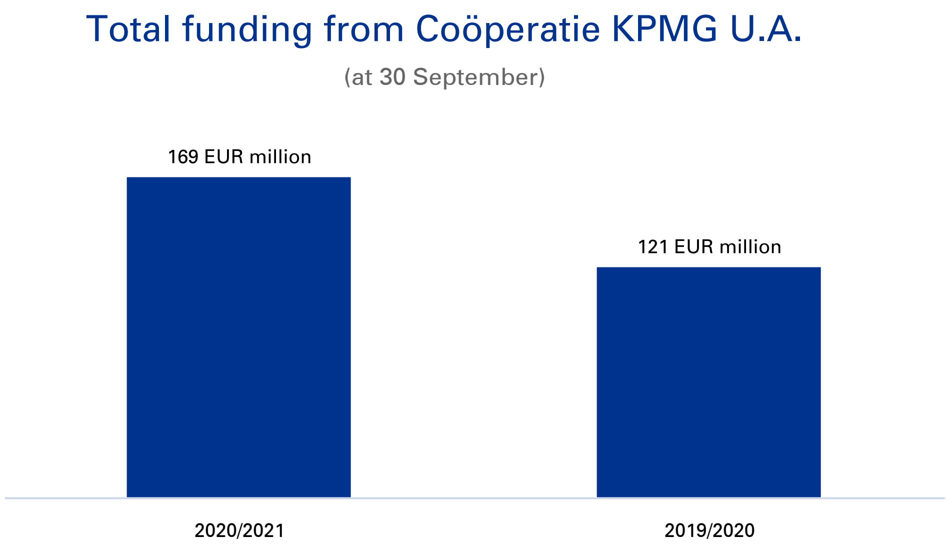
We also invested in expanding our portfolio of services, in line with KPMG's global objectives. Our focus was on technology, including cybersecurity and digital transformation.

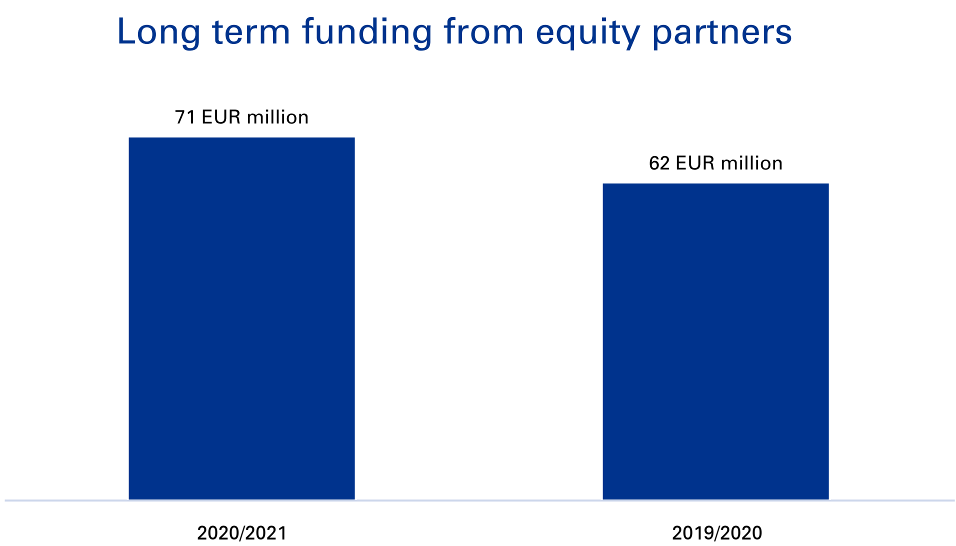
In 2020/2021, we spent EUR 1.1 million on intangible assets (mainly software and digital assets). Spending on property, plant and equipment amounted to EUR 3.5 million, mostly on home office equipment, investments in our new clubhouse concept and replacing out-of-service assets.

Capital position

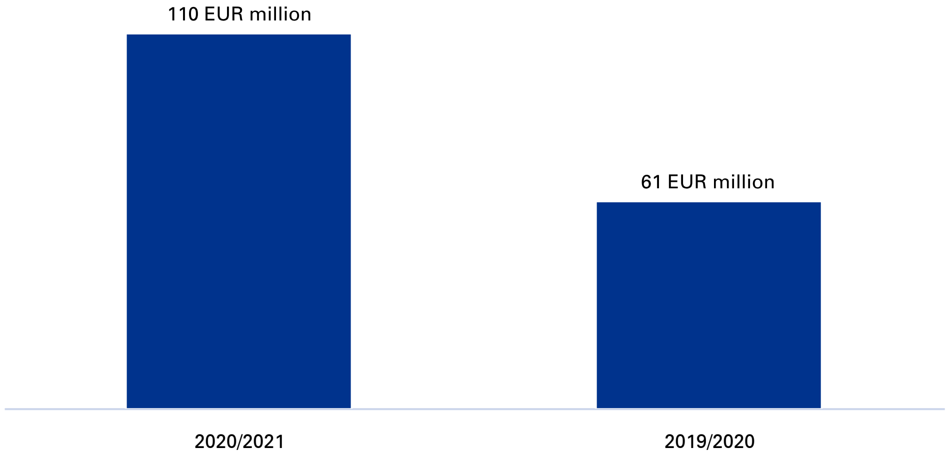
Our policy is to maintain a strong capital position, so that we retain the confidence of the firm's clients and creditors and can continue to invest in business growth. Most financing comes from contributions from our equity partners (up to EUR 180,000 from each partner, unchanged from 2019/2020). Partners also provide additional financing through mandatory and voluntary loans. In 2020/2021, our total funding rose by just over 40% – a result of increased working capital and profits that are only distributed at the end of the calendar year.

Funding from equity partners





Fees payable to equity partners



Higher financing from partners – and a continued focus on capital management – led to a significant increase in our cash balance (which more than doubled to EUR 165 million by the end of 2020/2021). Our solvency ratio, which includes equity and partner financing, was also higher, up to 35.5% from 28.3% the year before. Throughout 2020/2021, we maintained our unused EUR 50 million facility with our bank; this amount is available for either credit lines or guarantees. At the end of the year, our Board of Management considered our capital and cash position to be healthy, and able to withstand market volatility or operational losses within the business.

We do not foresee any material changes in our financing structure.

Business services

In 2020/2021, we continued to professionalise our Business Services function. We put emphasis on further improving quality, service and cost-effectiveness. Over the past year, we restarted – or accelerated – projects that had been put on hold because of the pandemic, including marketing automation, cyber security, the transition to **ISQM 1**, and the introduction of cloud technology. Where possible, we've improved efficiency by strengthening internal controls and combining processes.

Subsequent events

We sold our 15% shareholding in KPMG Investments Malta Limited to KPMG UK per 29 November 2021 for a total consideration of EUR 4.6 million. As part of this external sale, certain non-compete warranties have been provided.

Note on tax

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

Our approach to value creation

How we create value

As a company, our aim is to create value for stakeholders and society. This value may be economic, social or environmental in nature. For example, we provide quality products and services for our clients; we offer our employees a good working environment, with clear opportunities for career progression. Our work also supports economic growth and helps build trust in financial markets. To create this value, we draw on resources – most of all the skill, know-how and expertise of our people.

How to read our value creation model

The diagram below shows our value creation model (VCM) – it consists of three distinct sections: inputs, outputs and benefits. Inputs relate to the resources we need to operate our business; outputs and benefits show the value we aim to create for stakeholders and society; the centre shows our business activities. Our VCM is based on the **Integrated Reporting (IR) Framework**, published by the Value Reporting Foundation. Instead of the Framework's 'capitals', we have built the VCM around our five strategic focus areas as more relevant to our business.

Inputs

Public trust
- Relations with key stakeholders in society – including regulators, governments and civil society
- Compliance with laws and industry standards
- Maintenance of high quality standards and effective risk management
- Ethical and responsible approach to business

People
- Time, resources and professional knowledge of our professionals
- Diversity of our people – in terms of background, skills, approach and identity
- Investment in training and skills development
- Inclusive and supportive working environment

Clients
- Quality of our audits, strategic engagement and other products & services
- Speed and effectiveness of our processes and systems
- Knowledge, expertise and resources from the KPMG global network

Digital & innovation
- Investment in IT infrastructure, systems and new business models
- Culture that encourages innovation throughout firm
- Responsible use of data – and strong data security
- Partnerships with key suppliers, including ServiceNow, Microsoft and SalesForce

Financial strength
- Equity, debt and revenue allowing us to invest and grow

Business model

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

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

Skills & expertise
To deliver high-quality services, we rely on the knowledge, skills and expertise of our people.

Assurance & Advisory
Most of our revenue comes from our two main businesses: Assurance and Advisory.

Profits & value creation
From our business, we create value for our clients, shareholders, employees and for society as a whole.

Thought leadership
Through our thought leadership work, we contribute to public debates over key economic, social and environmental issues.

Technology & innovation
Increasingly, we are using data and new digital technologies to support our work – we also work with partners and allies to drive innovation.

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

Outputs

Public trust
Increased public trust and improved relations with key stakeholders

People
Better engaged, more diverse workforce – able to attract and retain key skills

Clients
Continued business growth and higher levels of customer satisfaction

Digital & innovation
Becoming a fully 'digital firm' – offering greater efficiency and more insights to clients

Financial strength
Higher operating income and profit

Benefits for society

Public trust
Increased trust in financial markets and corporate reporting

4 QUALITY EDUCATION
7 AFFORDABLE AND CLEAN ENERGY
10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

People
Creation of skilled, more employable workforce

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
10 REDUCED INEQUALITIES

Clients
Improved business decision-making among companies

3 GOOD HEALTH AND WELL-BEING
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Digital & innovation
Improved efficiency, innovation and secure use of data

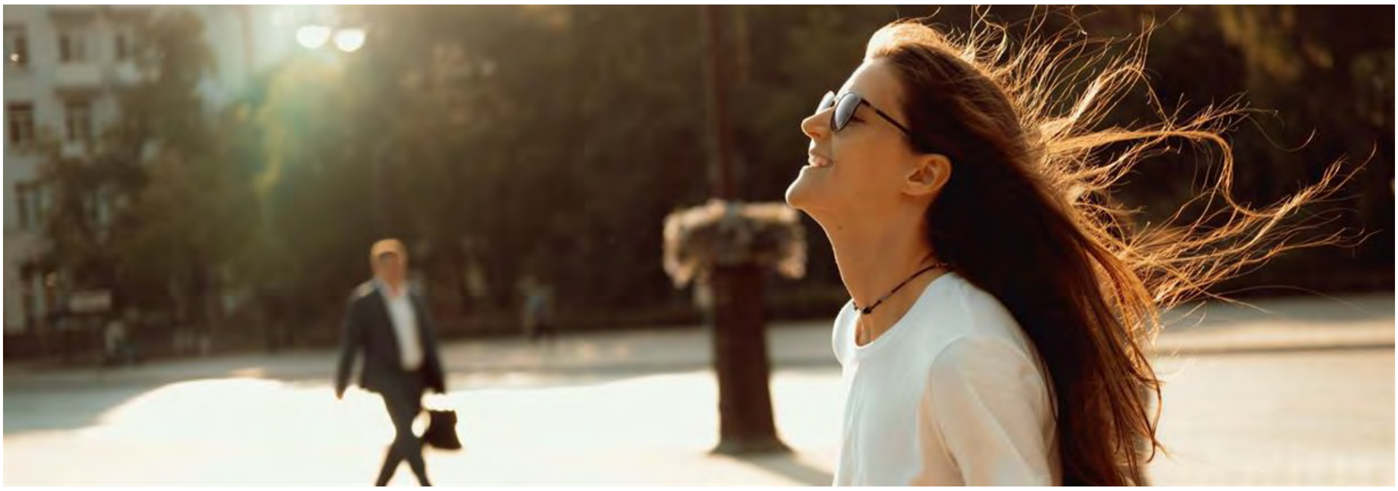
8 DECENT WORK AND ECONOMIC GROWTH

Financial strength
Contribution to continued economic growth

8 DECENT WORK AND ECONOMIC GROWTH

Outlook

In 2021, the economy began to recover from the Covid-19 crisis; that recovery should continue in 2022, with the Dutch economy expected to grow by around 3.2% (following +3.8% in 2021) [15] . Inevitably, some sectors will do better than others, including digital & IT, infrastructure and healthcare. Businesses will also have to contend with continued supply chain pressures and the end of government financial support. Certain trends will remain, post-Covid-19: the use of data and digital technologies, for example, more flexible working practices and increased emphasis on social and environmental issues.



As KPMG N.V., we have clear priorities, going into 2022, covering each of our five strategic focus areas; these priorities are included in our business plan for the new year: *Driving the Momentum Together*. This plan is about building on recent progress – and making sure we continue to add value for our clients, people and society as a whole.

During the new year, we will again be making significant investments in staffing, quality and innovation. We foresee a 5-10% increase in the number of staff across our business functions in 2021/2022 compared to 30 September 2021. We'll also make the most of our partnerships – and further integrate Business Services, in part through increased digitalisation. Key projects will be rolled out in cybersecurity and data management; we will also deploy our new, integrated service management platform.

15 Source: World Economic Outlook (International Monetary Fund, October 2021)

Priorities for 2021/2022

Public Trust
To continue to improve audit quality, make further progress towards our North Star objective and finalise the roll-out of **KCw**

People
To continue to attract and retain the best people - and invest more in leadership, culture and inclusion in a hybrid workplace

Clients
To strengthen growth in key sectors – and make expertise in ESG & Sustainability a key differentiator for KPMG

Digital & innovation
To design and build an effective IT backbone, and make sure we have the right skills in new data and digital technologies

Financial strength
To re-invent our target operating models, pursue long-term, profitable growth and continue to invest in innovation and people

Governance

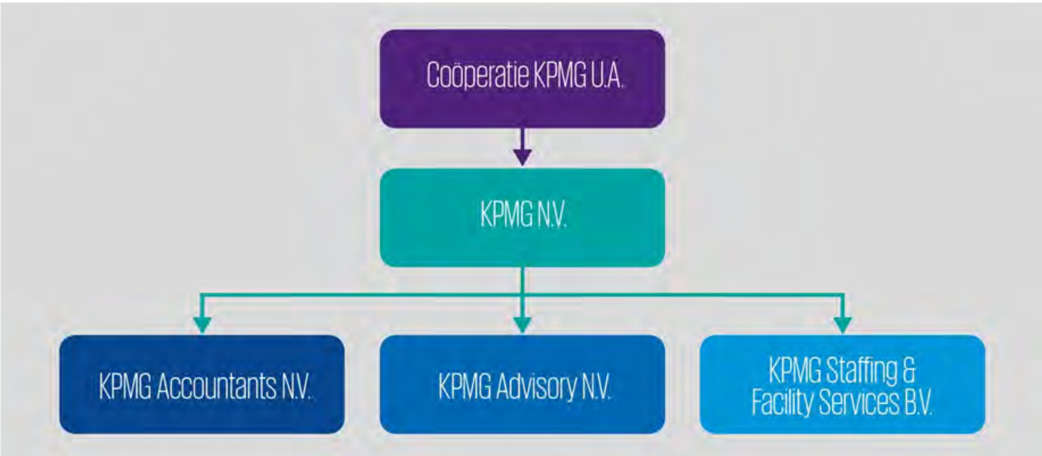
Governance

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

Legal structure

KPMG N.V. is, in effect, a holding company for our assurance, advisory and business services operations. All shares in KPMG N.V. are held by Coöperatie KPMG U.A.; individual equity partners are members of this cooperative through their professional companies. These partners provide services to KPMG clients under a management agreement with the cooperative. Under Dutch law, Coöperatie KPMG U.A. Board members are considered co-policymakers – which means they fall under the 'fit-and-proper' rule for Management or Supervisory Board members [16] .

KPMG N.V. simplified legal structure



16 To qualify, Board members must demonstrate their 'fitness' in a number of areas, including governance, organisation, business conduct, and balanced and consistent decision-making as defined in the Audit Firms Supervision Act (Wet toezicht accountantsorganisaties) and the Audit Firms Supervision Decree (Besluit toezicht accountantsorganisaties).

External regulation

The audit profession in the Netherlands is regulated by two Acts:

- The **Audit Firms Supervision Act** [17]
- The **Auditors' Profession Act** [18]

The Authority for the Financial Markets (AFM) is responsible for overseeing audit firms in the Netherlands. To operate, all audit firms must have a licence from the AFM. KPMG N.V. maintains an active, two-way communication with the AFM. The AFM conducts regular inspections of KPMG N.V., as does the US Public Company Accounting Oversight Board (**PCAOB**); both the AFM and PCAOB carried out extensive inspections in 2021. Communication from the AFM on their inspections can be found **on their website**. The PCAOB is expected to publish its results next year.

We comply with all relevant laws and regulations, as well as policies and procedures issued by the Royal Dutch Institute of Chartered Accountants (**NBA**). In the Netherlands, audit clients – if they are classified as 'public interest entities (PIEs)' according to Dutch law – must change their auditor at least once every ten years (or two terms of five years). There is also a four-year 'cooling-off' period before a former auditor may be re-hired. We also endorse the principles and best practices in the **Dutch Corporate Governance Code**; we implement these to the extent they can be applied to an unlisted firm, such as KPMG.

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

For more information on our compliance with industry policies and procedures, see **How we assess and maintain quality**.

Board of Management and Supervisory Board

We have a two-tier management structure:

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

Currently, the Supervisory Board comprises five members – these members are all external and independent of the firm's management. All Supervisory Board members are appointed by the firm's shareholder (Coöperatie KPMG U.A.).

17 In Dutch: the Wet toezicht accountantsorganisaties (Wta).

18 In Dutch: the Wet op het accountantsberoep (WAB).

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

We aim for diversity among members of both our Board of Management and Supervisory Board; this diversity, we believe, makes for better long-term decision-making. Diversity is built into the rules of procedure for both the Board of Management and Supervisory Board. Under the rules, our aim is to have a minimum 30% women – or, if applicable, 30% men – on each Board.

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

Code of Conduct and other internal controls

Our formal system of governance is supported by a **Code of Conduct**; this Code applies to all KPMG member firms. All employees are required to abide by its provisions. As well as the firm's values, the Code sets out the firm's commitments in areas ranging from compliance with laws, regulations and standards, to maintaining quality, fair competition and independence. The Code also details employees' responsibilities – the conduct we expect of the people working for us. In addition to the Code, we have processes that allow personnel to report suspected violations without fear of retaliation; these include a dedicated whistle-blower 'hotline', open to third parties as well as KPMG employees.

Aside from the Code, we have extensive internal policies and controls; these cover areas such as quality, risk management, remuneration, document retention, data privacy, and a disciplinary policy that addresses potential breaches of rules, regulations or standards. IT security is overseen by a National IT Security Officer, who works closely with our IT services and the firm's Quality & Risk Management Group (QRMG). We also have a Supplier Code of Conduct – we ask all suppliers to acknowledge and comply with standards set out in the UN Global Compact. We make sure our partners and employees are up-to-date with all our internal controls – this is done largely through mandatory training. In 2020/2021, 84% of our Board members, partners and employees, for example, completed training on the firm's anti-corruption policies and procedures.

To guarantee client confidentiality, we have an annual affidavit / confirmation process that all KPMG professionals are required to complete. There are also established protocols governing technical consultations with our Department of Professional Practice (DPP); these include specific procedures to resolve any differences of opinion between KPMG professionals.

Members of our Board of Management

Stephanie Hottenhuis (female - born 1965)

CEO and Chair of the Board of Management

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

Rob Kreukniet (male - born 1962)

Chief Operating Officer

Rob joined KPMG in 1988. He worked for the firm in both Brazil and the Antilles, and was made a partner in 1996. Rob also served as KPMG's Chief Financial Officer in the Netherlands. He has fifteen years' experience as lead audit partner at Dutch-listed international companies, and has worked across various industries, including agriculture, consumer products, education and human resources. Rob was appointed KPMG N.V.'s Chief Operating Officer in 2015.

Marc Hogeboom (male - born 1967)

Head of Assurance

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

Edwin Herrie (male - born 1970)

Head of Advisory

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

Members of the Supervisory Board

Bernard Wientjes (male – born 1943)

Chair of the Supervisory Board (until 30 November 2021)
Member of the Assurance Quality Committee

Bernard was Chair of the Supervisory Board since 2015. For over thirty years, he ran his family business, manufacturing of plastic products for industry and the consumer. Between 2005 and 2014, Bernard served as Chair of VNO-NCW, the Dutch employers' federation. He is active in public life in the Netherlands as Chair of the Royal Association for the Chemicals Industry and the country's Social Insurance Bank. Bernard stepped down as Chair on 30 November, 2021.

Roger van Boxtel (male – born 1954)

Chair of the Supervisory Board (from 1 December 2021)
Member of the Remuneration & Appointment Committee
Member of the Assurance Quality Committee

After studying law, Roger began his career with VNG, the Dutch local government association. He later served as the Netherlands' Minister for Urban and Integration Policy. Roger was also party leader of D66 and a member of the Dutch Senate. He served as Chair of health insurer Menzis and president of the Dutch Railways before his appointment to KPMG N.V.'s Supervisory Board in June 2021. Roger succeeded Bernard Wientjes as Chair of the Supervisory Board on 1 December 2021.

Jolande Sap (female – born 1963)

Chair of the Assurance Quality Committee
Ad-interim Chair of the Remuneration & Appointment Committee
Member of the Audit & Risk Committee

In addition to her position at KPMG N.V. since 2015, Jolande is also Chair of the Supervisory Boards at Arkin and Fairfood and member of the Boards at the Dutch Emissions Authority, the Impact Economy Foundation and SAAT Triodos Bank. Furthermore, she is member of the Supervisory Board at KPN and non-executive director at Renewi plc. Jolande previously served as a member of the Dutch parliament and was leader of the GroenLinks party for two years. She is still closely involved in social issues linked to sustainability, healthcare, food supply and clothing.

Gosse Boon (male – born 1959)

Chair of the Audit & Risk Committee
Member of the Assurance Quality Committee

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

Claartje Bulten (female – born 1975)

Member of the Audit Risk Committee
Member of the Assurance Quality Committee

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

Letter of the departing chair of the Supervisory Board

The coronavirus pandemic and its unpredictable consequences were necessarily the central theme of the firm's 2019/2020 report. At the time, there was cautious optimism, fuelled by positive reports about possible vaccines, which offered the prospect of society returning to normal from the summer of 2021. While the optimism about vaccines proved justified, we underestimated the persistence of the virus. Consequently, both within the KPMG organisation and in its contacts with the outside world, the past year was again significantly affected by the pandemic.

Given the severity of the virus, the Supervisory Board is pleased with the Board of Management's extraordinary efforts to do whatever they could to support employees in their changed working conditions.

The Supervisory Board is also pleased that KPMG's long-term strategy has not been negatively influenced by the consequences of the pandemic. On the contrary, the focus on public trust, in a society where mistrust seems to be the trend, is more important than ever. In today's uncertain world, providing trust is vital. The accountant, whose very job is to provide assurance, can be a beacon of trust. To achieve this, the accountant's reliability must be beyond doubt. The accountant must also be in tune with developments in society.

Ensuring reliability requires an uncompromising focus on quality. The Supervisory Board pays significant attention to this issue through our Audit Quality Committee, comprising all Supervisory Board members. It is gratifying to note that, over the past year, measures of quality have improved considerably.

KPMG's advisory branch can also look back on a good year. Strong growth in engagements - despite the economic contraction resulting from the pandemic - had a highly positive impact on both revenue and results. In these uncertain times, it appears that KPMG's knowledge and advisory skills are greatly appreciated.

The huge developments in digitalisation present an enormous challenge for the business community in general, and this includes consultancy organisations like KPMG. Of course, digitalisation requires major investments in people and knowledge. The Supervisory Board strongly supports the Board of Management in its ambitions not only to retain but also to strengthen KPMG's leading position through additional substantial investments in this area. Clearly, that these efforts must be continued in the coming year.

One challenge on the horizon, both for Assurance and Advisory, is a lack of staff. The *'love for talent'* will play an extremely important role in the coming years as KPMG seeks to strengthen and expand its market position. This is why the firm's approach to diversity and inclusion is one of the most important items on the Supervisory Board's agenda. The Supervisory Board notes that – although more work is needed – KPMG has made genuine progress with diversity in recent years.

Effective governance is a prerequisite for any company - all the more so for a partner organisation such as KPMG. The partner-owners who form a cooperative, the Board of Management, Supervisory Board, Works Council and KPMG International, are all extremely important for the optimal functioning of the company. Each of these bodies has its own role and responsibility. Maintaining a proper balance - and keeping a well-honed, critical eye on each other - are important conditions for success. The Supervisory Board is pleased to note that there is ample critical capacity and trust within the current governance. The Supervisory Board considers monitoring this to be one of its most important tasks.

The Supervisory Board is therefore grateful for its many contacts, over the past year, with all the 'players' in KPMG's governance. Generally, consultations were held in a transparent and accessible manner against the background of a shared vision on the firm's present and future.

In the past year, both Harry van Dorenmalen and René Steenvoorden came to their end of their mandates on the Supervisory Board. The Supervisory Board is grateful for their commitment to KPMG. Roger van Boxtel, who joined the Supervisory Board in June, became my successor as Chair from the beginning of December 2021.

The new year will again pose many challenges. It is still unclear how long the pandemic will continue to affect society. Partly because of this, there is significant uncertainty about economic developments. It is therefore pleasing that KPMG has strengthened its position both internally and externally during the past year in an exceptionally difficult climate, thanks to the enormous efforts of all its employees. The Supervisory Board would like to express its great appreciation to all who have contributed to this.

Bernard Wientjes, departing chair of the Supervisory Board

Supervisory Board report

Functioning of the Supervisory Board

Role and responsibilities

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

The Supervisory Board also advises the Board of Management on KPMG N.V.'s supporting organisation, including the internal risk controls in place as part of the firm's **Enterprise Risk Management Framework**. The Supervisory Board's responsibilities are laid down fully in KPMG N.V.'s Articles of Association and the Board's own rules of procedure, available online. [19]

Consultation with stakeholders

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

Composition and committee memberships

At the end of 2020/2021, our Supervisory Board comprised five members. These members complied fully with the profile description set out in the Supervisory Board Rules. Taken together, the Board has considerable expertise in management, finance, IT, risk & compliance, sustainability, government and human resources. On 30 November 2021, Bernard Wientjes stepped down after six-and-a-half years as Chair of the Supervisory Board; he has been succeeded by Roger van Boxtel.

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19 These rules of procedure are compliant with the Audit Firms Supervision Act and measures introduced by the Royal Dutch Institute of Chartered Accountants as part of its 2014 Public Interest Report. For more information, see https://www.nba.nl/globalassets/projecten/in-het-publiek-belang/in_the_public_interest_summary_and_measures.pdf

Details of Board members, their appointment and committee memberships are provided in the table below:

Members	Date of first appointment	Dates of first term	Dates of second term	Committee memberships
Bernard Wientjes[1]	1 May 2015	2015-2019	2019-2021	• Assurance Quality (member)
Gosse Boon	1 August 2016	2016-2020	2020-2024	• Audit & Risk (Chair) • Assurance Quality (member)
Roger van Boxtel[1]	1 June 2021	2021-2025	NA[3]	• Remuneration & Appointment (member) • Assurance Quality (member)
Claartje Bulten	1 September 2020	2020-2024	NA[3]	• Audit & Risk (member) • Assurance Quality (member)
Jolande Sap[2]	19 August 2015	2015-2019	2019-2023	• Assurance Quality (Chair) • Remuneration & Appointment (member, acting as Chair from beginning of September 2021) • Audit & Risk (member)

1 Please note Bernard Wientjes stepped down as Chair of KPMG N.V.'s Supervisory Board on 30 November 2021 and was succeeded by Roger van Boxtel.

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

3 NA = Not applicable

Following members did not prolongue their first term in 2020/2021:

Harry van Dorenmalen	1 September 2017	2017-2021	NA[1]	• Remuneration & Appointment (Chair) • Assurance Quality (member)
René Steenvoorden	1 September 2017	2017-2021	NA[1]	• Assurance Quality (member) • Audit & Risk (member)

1 NA = Not applicable

Currently, we have two vacancies on the Supervisory Board (one for the Chair of the Remuneration & Appointment Committee and one for a member of the Audit & Risk Committee). Appointments will be made to these vacancies as soon as possible.

Independence

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

Diversity

The Supervisory Board aims for diversity in its membership in terms of age and gender, as well as educational, professional and cultural backgrounds. Board members should also complement each other in these areas. Diversity is built into our profile description for Supervisory Board members. We believe diversity strengthens the Board's ability to carry out its role successfully. At the end of 2020/2021, 40% of KPMG N.V. Supervisory Board members were women, ahead of the firm's 30% target.

Training & education

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

All non-essential courses were put on hold this year because of the Covid-19 pandemic. There is also an extensive induction programme for new Supervisory Board members.

Board evaluation

The Supervisory Board undergoes an annual assessment; this assessment is carried out by the Supervisory Board itself – members of the Board of Management are not present. During the assessment, attention is paid to:
- Functioning of the Supervisory Board, its committees and members
- Interaction between members and with the Board of Management
- Composition, profile and any need for additional training.

The assessment also focuses on events during the year from which lessons may usefully be learnt. It takes place during the financial year under consideration. Immediately after the assessment, Supervisory Board members decide on focus topics for the following year. The Supervisory Board and Board of Management also hold a joint session to assess their interaction.

In October 2021, the Supervisory Board carried out its annual assessment of the Board of Management. As part of this, interviews were held with Board of Management members to determine progress against agreed targets. Results from this assessment have been discussed with Board of Management members.

Supervisory Board activities

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

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

Meetings in 2020/2021

During the year, the Supervisory Board held seven meetings. Each meeting began with a closed preparatory session. Meetings were well attended. Overall, the attendance rate was 99%; no member was frequently absent.

The meetings dealt with a number of topics – some identified as part of the Board's annual planning, others relating to events or developments during the year. The Board's agenda is determined by its tasks and responsibilities, regulatory and /or social developments and specific areas of focus relevant to the firm. Principal topics discussed in 2020/2021 were:

- Covid-19: several informal meetings were held with the Board of Management to discuss the effect of the pandemic on the firm's organisation and planning investments
- Public trust: regular 'deep dives' were organised to discuss issues related to public trust (as these affected our businesses, digital & innovation and markets)
- Trust & Growth strategy: the Board regularly reviewed progress with the firm's strategy, focusing particularly on quality and digital & innovation)
- Integrated annual report: the Board discussed the **external auditor's report** prior to publication (in the presence of both the auditor and the Board of Management).

Supervisory Board committees

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

Assurance Quality Committee (AQC)

Responsibilities	• Overseeing the firm's system of controls affecting audit quality, independence, integrity and stakeholder / public interest • Advising the Board of Management on quality performance • Approving its long-term vision and strategy to further improve the approach to quality. All Supervisory Board members are also members of the AQC; Supervisory Board meetings are held in the presence of Board of Management members.
2020/2021 meetings and other activities	The AQC held six meetings during the year; the main topics discussed were: • Recent policy developments in the Dutch accountancy sector (including proposed standards issued by the Quartermasters, Committee on Accountancy Monitoring (MCA) and the Commission on the Future of Accountancy (CTA). • KPMG's North Star project to fully digitalise audit processes • Outcomes of **Quality Performance and Engagement Quality Control Reviews** • Annual ratings for the firm's equity partners with respect to quality • (Results from) inspections conducted by the Netherlands' Authority for the Financial Markets (AFM) and the US Public Company Accounting Oversight Board (PCAOB) • Implementation of **KPMG Clara workflow** (KCw) and the switch to **ISQM 1**.

“KPMG N.V.’s stated ambition is to be a leader in assurance. Part of this is taking an active role in the public debate in the Netherlands over audit quality. Over the past year, the AQC has provided regular feedback on the government’s reform proposals. Being a leader is also about maintaining the highest possible quality standards. As the AQC, we are very glad to see encouraging improvements over the past year in both internal and external quality measures. This is a reflection, partly, of quality coaching and the hard work of the firm’s Engagement Quality Control Review (EQCR) teams. During the past year, we also oversaw the firm’s progress with its North Star project, and its work with the government on financial support for business during the Covid-19 crisis. Where possible, we urged the Board of Management to be generous with its pricing, particularly for companies hardest hit by the pandemic. At the same time, we were pleased to see new contracts won as part of recent mandatory firm rotations, and the continued roll-out of the KPMG Clara Workflow (KCw), though we realise that KCw will put further pressure on workload - an issue we are monitoring closely, particularly with regard to its possible impact on employee well-being and audit quality.”

— Jolande Sap, Chair of Supervisory Board’s Assurance Quality Committee

Audit & Risk Committee (ARC)

Responsibilities	• Monitoring functioning of the firm's Enterprise Risk Management framework, as well as compliance with laws and regulations (including GDPR[1]) • Overseeing financing of operations, financial reporting, the firm's tax position and use of IT. • Advising on accounts, budgets and investments, and monitoring delivery of the Trust & Growth strategy • Nominating, selecting, assessing and maintaining dialogue with the external auditor[2]
2020/2021 meetings and other activities	The ARC met seven times in 2020/2021 (in the presence of the Chief Operating Officer (COO), the CFO and the Head of the Internal Audit & Compliance Office; representatives from the external auditor were also present at several meetings, where appropriate). One closed meeting took place involving the ARC and the external auditor. The main topics discussed during the year were: • Review of financial performance, tax, insurance, budgets and functioning of both **Enterprise Risk Management** (ERM) and 'soft controls' • Increased importance of cybersecurity as part of the firm's overall digital strategy • Development of digital assets • Continued improvements in IT General Controls • Findings from internal audit and follow-up actions • External audit scope, approach and fees, as well as findings from the auditor's annual management letter[3] • Annual accounts and annual integrated report for 2020/2021 • Monitoring of GDPR

1 EU's General Data Protection Regulation

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

3 In its management letter, BDO Audit & Assurance B.V. did not identify any significant deficiencies in the firm's internal controls. The ARC took note of remarks made previously concerning IT general controls and discussed with management actions for addressing these remarks.

> "Over the past year, we have seen an increase in demand for KPMG N.V.'s services, particularly in the wake of the Covid-19 pandemic. The result was a very strong financial performance for the firm, strengthened by an increase in utilization, most notably in Advisory. At the same time, the ARC is aware of the additional work pressure on employees as a result of this extra demand. We also discussed investment with management, particularly in priority areas, such as digital & innovation. As the ARC, we welcomed the increase in management attention and spending on cybersecurity - an area that we will continue to focus on in the coming year. During 2020/2021, we also saw further improvements in IT General Controls, which in the past has been an area of concern. Over the last year, as usual, we reviewed the firm's annual accounts, and key findings from the external auditor - we were pleased that the auditor did not identify any significant deficiencies in KPMG N.V.'s internal controls. The ARC also noted that findings from internal and external audit were successfully followed up."
>
> — Gosse Boon, Chair of the Supervisory Board's Audit & Risk Committee

Remuneration & Appointment Committee (RAC)

Responsibilities	• Overseeing remuneration, selections and (re)appointments • Monitoring compliance with policies in this area • Reviewing performance of Board of Management members • Advising the Supervisory Board on the appointment or dismissal of external auditors
2020/2021 meetings and other activities	The RAC held six meetings during the year; at these meetings, the principal topics of discussion were: • Results of the annual **Global People Survey** (and follow-up actions) • Overview of the firm's '**People agenda**', including performance development, culture, and inclusion & diversity • Appointment of a new Supervisory Board Chair and one-year extension of Chief Operating Officer's term • Remuneration policy with regard to the firm's equity partners • Effective partnership and talent retention (addressing 'leaking pipeline') • Strategic workforce management and future skills needs • **Succession planning** (including employability of partners past the age of 62)

"The RAC focused on several important appointments this year - not in the least the new Supervisory Board Chair, Roger van Boxtel, who took over from Bernard Wientjes at the beginning of December 2021. The Committee also worked hard to fill two other positions after Harry van Dorenmalen and René Steenvoorden both ended their terms on the Board. During the year, we also decided on a one-year extension to Rob Kreukniet's term as the firm's Chief Operating Officer - we expect to appoint a new COO in 2022. Aside from appointments, the Committee discussed other topics, including the results from the latest Global People Survey and changes to the remuneration policy for equity partners. Considerable attention was also paid to inclusion & diversity. We urged management to step up efforts on gender diversity - to address the 'leaking pipeline' issue and increase the number of women at partner-director level. As the RAC, we also discussed future skills needs, the importance of succession planning and the firm's broader 'People Agenda', as well as the challenge the firm faces in retention and recruitment."

— Jolande Sap, acting Chair of the Supervisory Board's Remuneration & Appointment Committee

For further details of committee memberships, please visit **our website**.

Remuneration report

Across KPMG N.V., we have a clear, consistent approach to remuneration – professionals are entitled to both a fixed salary and performance-related or 'variable' pay; this variable pay is decided using three basic criteria:

- Maintaining quality standards
- Professional performance
- Positive impact on the firm's five strategic focus areas (public trust, clients, people, digital & innovation and financial strength).

Of these, the most important is quality – as a matter of policy, we won't reward employees who underperform in this area.

For all our professionals, performance is assessed against pre-agreed annual goals – these goals are linked to KPMG's culture, **values** and global behaviours. Performance is graded; these grades then determine both the 'growth path' for individuals, and their subsequently their remuneration. As a company, we regularly benchmark our remuneration to ensure we remain competitive.

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

Our equity partners have a different remuneration structure – each year, they receive a share of profits, also adjusted for performance (starting with quality). Our **Board of Management** and **Supervisory Board members** receive fixed amounts – they are not eligible for variable pay.

Partners

Our equity partners receive profit share through KPMG Coöperatie UA. In 2020/2021, partners received on average EUR 735,000, compared with EUR 410,000 the previous year – a reflection of higher company profits. Pay for partners is determined by two factors: the company's profit for the year and personal performance.

Management monitors closely any partners scoring 4 or 5 (the two lowest grades). Where necessary, individual improvement plans are put in place. This process is overseen by the Supervisory Board.

Certain partners – in both Assurance and Advisory – are subject to 'clawbacks'; this allows the firm to recover part of their annual management fees in the case of 'demonstrably culpable conduct'. A deferred profit-sharing scheme is also in place for assurance partners (in line with measure 3.5, published by the Royal Netherlands Institute for Chartered Accountants).

Over the past year, the clawback policy was not applied.

Sharing profit with employees

In 2020/2021, we also introduced measures to share profits with employees (as well as equity partners); these measures included:

- Success-sharing benefit (issued in March 2021)
- Success-sharing benefit4all (issued in September 2021)
- Bond scheme (for those applying)
- Enhanced variable pay

These payments were intended to reward employees following the recent pandemic and to enable them to share in the firm's increased profits for the year.

Board of Management

Members of the Board of Management receive fixed compensation; they are not eligible for variable pay. Instead, remuneration is based on past levels of partner pay, market trends and professional responsibility. Equity partners serving as members of the Board of Management are excluded from profit sharing.

Performance is assessed using financial and non-financial indicators – the latter including public trust, client satisfaction, corporate responsibility and other social criteria.

The Supervisory Board designs the remuneration policy for the Board of Management which is subsequently approved by the General Meeting of KPMG N.V. (in the form of the board of Coöperatie KPMG U.A.). Remuneration levels for individual Board members is made in accordance with this policy. The Supervisory Board is responsible for this. When determining performance evaluation, the Supervisory Board considers quality, public interest, long-term value creation, people management and the prospects for sustainable business growth (based on advice from the Board's Remuneration & Appointment Committee).

For details of the Board's annual remuneration, please refer to our **Financial Statements**.

Supervisory Board

Members of the Supervisory Board receive annual fees. In 2020/2021, the Chair received EUR 72,000; all other members EUR 55,000-57,500. For the last six months of the previous year, Board members had accepted a 15% reduction in fees – in line with a similar pay cut for members of the Board of Management.

In Control statement

The measures and procedures that serve as the basis for the system of quality controls for KPMG Accountants N.V., as outlined in this report, aim to provide a reasonable degree of assurance that the statutory audits carried out by the firm comply with relevant laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Board of Management has considered:

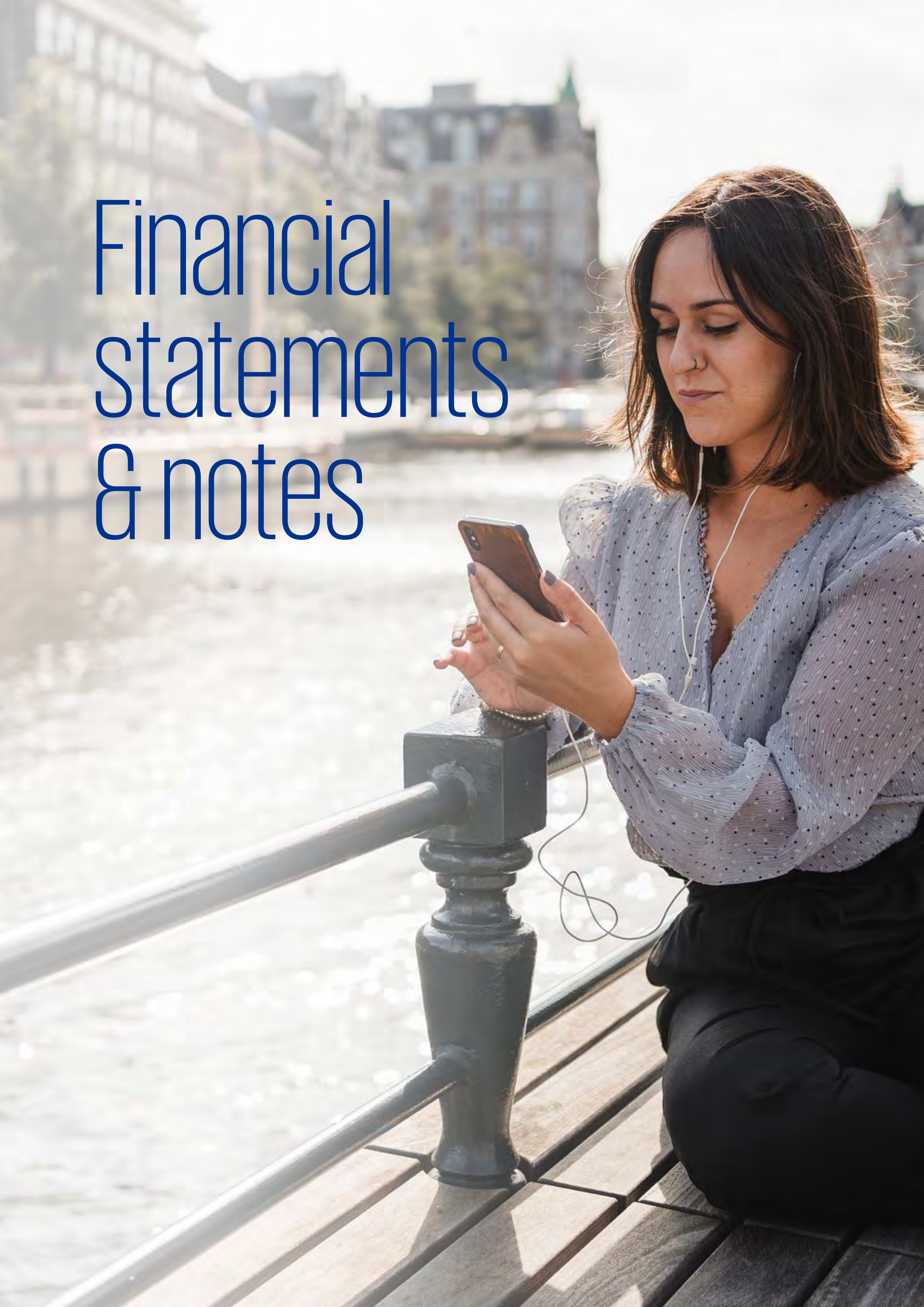
- The design and operation of the system of quality controls, as described in this report;
- The findings from the various compliance programmes operated by the firm (including the KPMG International compliance programmes and local compliance monitoring programmes);
- Findings from regulatory and internal 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 is in place to ensure that our professionals maintain their level of knowledge and skills, including continuous professional education.

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

Amstelveen, 15 December 2021
Signed:
Stephanie Hottenhuis, Marc Hogeboom, Rob Kreukniet, Edwin Herrie

Financial statements & notes



Financial statements & notes

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 September 2021

		2020/2021	2019/2020
		EUR 1,000	EUR 1,000
Revenue	5	**568,672**	525,444
Other income	6	**23,420**	24,150
Total operating income		**592,092**	549,594
Costs of outsourced work and other external charges		**49,277**	54,708
Employee benefits expenses	7	**301,971**	273,426
Depreciation and amortisation	5, 13, 14	**36,162**	41,349
Net impairment loss	13	**–**	19,855
(Reversal of) impairment on trade receivables	16	**-365**	90
Other expenses	8	**85,474**	91,309
Operating expenses		**472,519**	480,737
Operating result		**119,573**	68,857
Finance income	9	**30**	1,523
Finance expenses	10	**-8,113**	-8,678
Profit before income tax		**111,490**	61,702
Income tax expense	11	**1,275**	818
Fees payable to Coöperatie KPMG U.A.	12	**110,215**	60,884
Profit and total comprehensive income for the year		–	–
Profit and total comprehensive income attributable to:			
— Owners of the Company		–	–
— Non-controlling interest		–	–

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

Consolidated statement of financial position as at 30 September 2021

(before appropriation of results)

EUR 000		30 September 2021		30 September 2020*	
Assets					
Non-current assets					
Intangible assets and goodwill	13	**14,246**		15,734	
Property, plant and equipment	14	**148,888**		158,867	
Other financial assets	15	**77**		–	
Deferred tax assets	11	**2,801**		2,542	
			166,012		177,143
Current assets					
Contract assets	5	**32,257**		27,993	
Receivables	16	**97,469**		97,040	
Cash and cash equivalents	17	**164,594**		85,181	
Assets held for sale	18	**256**		–	
			294,576		210,214
Total assets			**460,588**		387,357

EUR 000		30 September 2021		30 September 2020*	
Equity and liabilities					
Equity	19				
Share capital		**5,500**		5,500	
Share premium		**15,800**		15,080	
Reserves		**6,396**		6,396	
Profit for the year		**–**		–	
Total equity			**27,696**		26,976

EUR 000		30 September 2021		30 September 2020*	
Non-current liabilities					
Loans and borrowings	20	**155,099**		151,364	
Employee benefits	21	**2,500**		2,584	
			157,599		153,948
Current liabilities					
Loans and borrowings	20	**122,549**		86,994	
Trade and other payables	23	**51,816**		51,398	
Employee benefits	21	**44,878**		23,480	
Provisions	22	**813**		514	
Contract liabilities	5	**55,237**		44,047	
			275,293		206,433
Total liabilities			**432,892**		360,381
Total equity and liabilities			**460,588**		387,357

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

* The presentation of the 2019/2020 figures has been adjusted for comparison purposes. Unbilled services are included in contract assets (previously in receivables) and advance billings/payments are included in contract liabilities (previously in trade and other payables).

Consolidated statement of cash flows for the year ended 30 September 2021

		2020/2021	2019/2020*
		EUR 1,000	EUR 1,000
Profit for the year		**-**	-
Adjustments for:			
Income tax expense	11	**1,275**	818
Impairment trade receivables and contract assets	16	**–**	90
Depreciation and amortisation	13, 14	**35,992**	41,233
Net impairment loss	13	**–**	19,855
Finance income	9	**-30**	-1,523
Finance expenses	10	**8,113**	8,678
Cash flows before movements in working capital and provisions		**45,350**	69,151
Change in contract assets	5	**-4,264**	4,348
Change in receivables	16	**-685**	17,227
Change in other assets	15	**-16**	2
Change in contract liabilities	5	**11,190**	3,235
Change in trade and other payables	23	**-210**	-8,240
Change in provisions	22	**299**	-7,129
Change in employee benefits	21	**21,314**	-5,769
Cash flows from operating activities		**72,978**	72,825
Interest and bank charges paid		**-3,838**	-3,171
Interest received		**30**	1,523
Income tax paid		**-906**	-938
Net cash from operating activities		**68,264**	70,239
Acquisition of property, plant and equipment	14	**-3,474**	-4,080
Investment in software	13	**-1,134**	-10,122
Loans to equity accounted investees		**–**	-473
Net cash used in investing activities		**-4,608**	-14,675
Addition to share premium by partners		**2,230**	2,010
Net (repayment)/proceeds of loans and borrowings from partners	20	**53,422**	8,559
Net (repayment)/proceeds of loans and borrowings from former partners	20	**-5,700**	4,149
Interest paid to Coöperatie KPMG U.A. re partners and former partners	10	**-4,324**	-4,646
Repayment of share premium to Coöperatie KPMG U.A.		**-1,510**	-1,870
Payment of lease liabilities		**-29,005**	-36,413
Net (repayment)/proceeds of employee bonds	20	**644**	-51

		2020/2021	2019/2020*
Net cash (used in)/from financing activities		**15,757**	-28,262
Net change in cash and cash equivalents	17	**79,413**	27,302
Cash and cash equivalents at 1 October	17	**85,181**	57,879
Cash and cash equivalents at 30 September		**164,594**	85,181

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

* The presentation of the 2019/2020 figures has been adjusted for comparison purposes, due to changes in presentation in the balance sheet, where unbilled services are included in contract assets (previously in receivables) and advance billings/payments are included in contract liabilities (previously in trade and other payables).

Consolidated statement of changes in equity

Transactions attributable to owners of the Company

	Share capital	Share premium	Reserves	Profit for the year	Total equity
	EUR 1000	EUR 1000	EUR 1000	EUR 1000	EUR 1000
Balance at 1 October 2019	5,500	14,940	5,472	924	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
Additions by partners	–	2,010	–	–	2,010
Balance at 30 September 2020	**5,500**	**15,080**	**6,396**	**–**	**26,976**
Balance at 1 October 2020	**5,500**	**15,080**	**6,396**	**–**	**26,976**
2019/2020 Result appropriation	–	–	–	–	–
Total comprehensive income for the year					
Profit/(loss) for 2020/2021	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	–
Transactions with owners of the Company recognised directly in equity	–	–	–	–	–
Contributions and distributions					
Repayment	–	**-1,510**	–	–	**-1,510**
Additions by partners	–	**2,230**	–	–	**2,230**
Balance at 30 September 2021	**5,500**	**15,800**	**6,396**	**–**	**27,696**

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

Notes to the consolidated financial statements

1 General

1.1 Reporting entity

KPMG N.V. (the Company) is the holding company of companies that operate in the 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 is 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 of 1 October 2020, KPMG International has been a private English company limited by guarantee (KPMG International Limited).

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

1.2 Reporting period

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

The financial statements for 2020/2021 were approved for issue by the Board of Management on 7 December 2021.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Functional currency

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

2.3 Use of estimates and judgements

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 30 September 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 11 Deferred tax assets: assumptions include the availability of future taxable profit against which deductible temporary difference and tax losses carried forward can be utilised;
- Note 13 Intangible assets: in the impairment test of intangible assets and goodwill, and key assumptions are included relating to underlying recoverable amounts, including the recoverability of development costs;

- Note 5 and 16 Measurement of unbilled services and trade receivables: in the measurement of ECL allowance for trade receivables and contract assets, key assumptions relate to the determination of the weighted-average loss rate;
- Note 22 Provision for claims/legal proceedings: in the recognition and measurement of provisions and contingencies, key assumptions relate to the likelihood and magnitude of an outflow of resources;
- Note 24 Financial instruments and associated risks: key assumptions relate to the measurement of fair values as described below.

Measurement of fair values

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

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

When measuring the fair value of an asset or a liability, management uses market observable data as far as possible. Fair values are 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.

Management 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 the consolidated financial statements

The Group has adopted the following new standards, interpretations and/or amendments to a standard with a date of initial application of 1 October 2020 unless otherwise stated:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform.

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

3 Significant accounting policies

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

3.1 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021, and have not been applied in preparing these consolidated financial statements. They will be applied as of 1 October 2021 or later:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform Phase 2;
- Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements 2018-2020. The amendments in IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current. The amendments clarify how the classification of liabilities as current or non-current should be determined;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies. The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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

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

3.2 Consolidation principles

3.2.1 Business combinations

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

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

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

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

Any consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. If not, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are 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 26 List of subsidiaries.

3.2.4 Loss of control of subsidiaries

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

3.2.5 Transactions eliminated on consolidation

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

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

3.2.6 Investments in equity accounted investees (associates)

The Group's investments in equity accounted investees comprise 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 significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term loans, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations to fund the investee's operations or has made payments on behalf of the investee.

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

3.3 Foreign currency

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

3.4 Hedge accounting

When derivative financial instruments are used to hedge exposure to foreign exchange risks of 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 fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.5.2 Classification and subsequent measurement

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

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

A financial asset is measured at 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; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

All financial assets not classified as measured at 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 as this best reflects the way in which 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.

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 in general 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: 5 to 8 years;
- Office furniture and equipment: 5 to 8 years depending on the lease term;
- Buildings: up to 15 years depending on the lease term;
- Lease cars: 4 to 5 years depending on the lease term.

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

3.7 Leases

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

Lessee accounting

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

The Group 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 either the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements or modifications of the lease liability.

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

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

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

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

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

The Group has elected not to 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 disclosure on right-of-use assets, refer to Note 14;
- For disclosures regarding interest expenses on lease liabilities, refer to 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;
- 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, it is considered an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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

3.8 Intangible assets and goodwill

3.8.1 Goodwill

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

3.8.2 Intangible assets

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. If not, 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 licenses with an indefinite useful life, as follows:
- Customer relationships 5 years;
- Order books 3 months;
- Software 5 to 8 years;
- Software under construction is not amortised until ready for use or sale.

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

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 contract assets 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 contract liabilities.

3.10 Impairment

3.10.1 Intangible and tangible assets

The carrying amount of the Group’s tangible and intangible assets with a definite useful life is reviewed in case there is an objective indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. In the event that the recoverable amount is lower than the carrying amount an impairment loss is 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.

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

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

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

3.10.2 Financial assets measured at amortised cost

The Group recognises loss allowances for expected credit losses (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 low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

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

At each reporting date, the Group assesses whether financial assets carried at 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 experienced by the borrower or issuer;
- A breach of contract such as a default or being more than 90 days overdue;
- The restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security due to financial difficulties.

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. In addition, credit-impaired or defaulted loans are assessed individually.

3.11 Employee benefits

3.11.1 Short-term employee benefits

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

3.11.2 Pension schemes

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

3.11.3 Long-term employee benefits

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

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

3.12 Provisions

A provision is 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. That means it does not adjust the promised amount of the consideration for the effects of a significant financing component if the Group expects, at 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. Furthermore, under such contracts services provided do not create an asset with an alternative use to the Group as they relate to facts and circumstances that are specific to the customer and, in the event that a contract is terminated by the customer, the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

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

Revenue recognition

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

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

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

Software as a Service (SaaS) licenses

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

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

Revenue recognition

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

3.14 Other income

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

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

3.15 Finance expenses

Finance expenses comprise interest payable on borrowings, which is calculated using the effective interest method, interest on leases, which is calculated using the 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 KPMG regulations and management agreements, partners are entitled to a variable contractual fee as a compensation for services performed. This variable fee is equal to the profit after tax of KPMG N.V. before deducting the variable fee and 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

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

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;
- Taxable temporary differences arising on the initial recognition of goodwill.

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. For the financial year 2020/2021 the tax rate applied was 25% for 2021 and 25% for 2022 and later years (2019/2020: 25% for 2020 and 21.7% 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 in the event that certain criteria are met.

3.19 Principles for presentation of the consolidated cash flow statement

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

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

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

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

Corporate income taxes, 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 and current 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, which have been identified based on the way operations and financial information are organised and financial information is reported to the Board of Management:

- 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.

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.

Information about reportable segments

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

Segmentation 2020/2021	Assurance	Advisory	Total reportable segments	Other segments and intersegment eliminations	Total
Net sales	309,840	210,538	520,378	-	520,378
Income	298,530	221,822	520,352	-975	519,377
Operational result	93,188	76,336	169,524	-84,929	84,595

Total

	Assurance	Advisory	Total reportable segments	Other segments	Total
FTEs					
Partners	86	53	139	6	145
Other professionals	1,590	1,036	2,626	-	2,626
Support staff	147	59	206	513	719
Total FTEs	1,823	1,148	2,971	519	3,490

Segmentation 2019/2020	Assurance	Advisory	Total reportable segments	Other segments and intersegment eliminations	Total
Net sales*	287,018	184,125	471,143	54	471,197
Income*	276,264	195,350	471,614	-911	470,703
Operational result*	82,484	30,734	113,218	-80,852	32,366

	Assurance	Advisory	Total reportable segments	Other segments	Total
FTEs					
Partners	82	52	134	8	142
Other professionals	1,614	1,166	2,780	–	2,780
Support staff	116	52	168	511	679
Total FTEs	1,812	1,270	3,082	519	3,601

*The comparative information was restated to align with current year's presentation.

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

EUR 000	2020/2021	2019/2020
Net sales and income		
Net sales	**520,378**	471,197
Adjustment internal revenue	**-1,001**	-494
Income	**519,377**	470,703
Client related expenses	**49,295**	54,741
Consolidated revenue	**568,672**	525,444

EUR 000	2020/2021	2019/2020
Operational result		
Operational result	**84,595**	32,366
Extraordinary results	**-2,119**	-570
IFRS 16 adjustments	**2,273**	3,193
Fees payable to the Cooperative	**34,824**	34,110
Other	**–**	-242
Consolidated Operating result	**119,573**	68,857

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

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

Operational result for internal reporting purposes is exclusive of extraordinary results such as the effects of IFRS 16, the advanced fees paid to the Cooperative and one-off items of income and expense, which are included in consolidated operating result.

5 Revenue

Revenue streams

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

EUR 000	2020/2021	2019/2020
Revenue from contracts with customers	**568,672**	525,444

Disaggregation of revenue from contracts with customers

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

EUR million	Wta audits	Other financial statement audits	Other assurance services	Total assurance services	Advisory services	Total
FY 2020/2021						
OOB clients (Wta)	**67**	**4.5**	**7.4**	**78.9**	**–**	**78.9**
Non-OOB clients (Wta)	**117.2**	**15**	**10.5**	**142.7**	**11.5**	**154.2**
Other audit clients	**–**	**51.1**	**6.6**	**57.7**	**9.3**	**67**
Other clients	**–**	**–**	**12.5**	**12.5**	**256.1**	**268.6**
Total	**184.2**	**70.6**	**37**	**291.8**	**276.9**	**568.7**
Of which revenue is related to:						
Assurance	**184.2**	**70.6**	**36.4**	**291.2**	**36**	**327.2**
Advisory	**–**	**–**	**0.6**	**0.6**	**240.9**	**241.5**
Total	**184.2**	**70.6**	**37**	**291.8**	**276.9**	**568.7**
FY 2019/2020						
OOB clients (Wta)	70	4.9	5.8	80.7	–	80.7
Non-OOB clients (Wta)	107.8	20.3	10.7	138.8	8.9	147.7
Other audit clients	–	46.8	5.6	52.4	3.9	56.3
Other clients	–	–	7.6	7.6	233.1	240.7
Total	177.8	72	29.7	279.5	245.9	525.4
Of which revenue is related to:						
Assurance	177.8	72	29.1	278.9	29.9	308.8
Advisory	–	–	0.6	0.6	216	216.6
Total	177.8	72	29.7	279.5	245.9	525.4

Contract balances

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

EUR 000		2020/2021	2019/2020
Trade Receivables which are included in 'Receivables'	16	**88,084**	83,045
Contract assets		**32,257**	27,993
Assets held for sale	18	**256**	–
Contract Liabilities	23	**-55,237**	-44,047

The contract assets primarily relate to unbilled services in relation to contracts with customers, amounting to EUR 32,157 as at 30 September 2021 (30 September 2020: EUR 27,926). Unbilled services are subject to a first pledge in favour of Coöperatie KPMG U.A. as security for loans advanced.

The remainder of the contract assets are related to costs to fulfil contracts where the Group performs set-up activities to deliver Software as a Service (SaaS licenses). These costs were determined based on the cost price of consulting hours related to the set-up activities performed before the go-live date of the SaaS licenses. These contract assets are amortised over the period that the SaaS license is provided to the customer. The amount of amortisation of contract assets during the period ended 30 September 2021 was EUR 170 (30 September 2020: EUR 116). The amortisation expenses relate partly to contract assets formed during the financial year and partly to existing contract assets as at the start of the financial year.

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

An amount of EUR 1 has been recognised as revenue for the period ended 30 September 2021 (EUR 147 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 assurance and advisory services. This relates to housing expenses and IT services charged externally, primarily to Meijburg & Co and KPMG international, which occupy buildings leased by the Group. Furthermore, the Group employs personnel working for KPMG International at KPMG Staffing & Facility Services B.V. These costs are rebilled in full to KPMG international.

7 Employee benefits expenses

The average salary per FTE increased by 13.4% (2019/2020: increase 2.2%), mainly as a result of higher variable pay and additional one-time payments. Total employee expenses increased by 10.4% (2019/2020: increase 4.9%).

EUR 000	2020/2021	2019/2020
Salaries and other employee benefit expenses	**253,622**	223,481
Social security costs	**31,302**	30,441
Pension costs	**15,753**	16,603
Long-term employee benefits	**73**	320
Severance expenses	**1,221**	2,581
	301,971	273,426

Number of staff and partners

Average FTE	2020/2021	2019/2020
Professional staff	**2,626**	2,780
Support staff	**604**	569
Support staff for KPMG International	**115**	110
	3,345	3,459
Partners	**145**	142
	3,490	3,601

8 Other expenses

EUR 000	2020/2021	2019/2020
Other employee expenses	**24,464**	27,530
Travelling and representation expenses	**10,150**	13,773
Housing expenses	**5,889**	7,076
Office and IT expenses	**13,947**	14,919
Other expenses	**31,024**	28,011
	85,474	91,309

Other employee expenses decreased as a result of lower costs of hiring third parties, due to cost reduction measures following the Covid-19 outbreak (full year effect), and lower expat transfer costs. Travel and representation expenses also declined after the Covid-19 outbreak. Office and IT expenses decreased due to lower telephone expenses, both as a result of a decreased number of FTEs and a movement to working from home following the Covid-19 outbreak.

Other expenses included in other expenses mainly relate to contributions to KPMG International, insurance expenses, AFM fees and advertising and marketing expenses. Total litigation expenses (including related legal expenses and movements in provisions) included in other expenses amount to EUR 1.1 million (2019/2020: EUR 1.4 million).

An amount of EUR 5.6 million is recognised in the other expenses (employee expenses and IT expenses) related to research and development costs (2019/2020: EUR 11.0 million).

9 Finance income

EUR 000	20202021	2019/2020
Foreign exchange results	**28**	554
Other finance income	**2**	969
	30	1,523

10 Finance expenses

EUR 000	2020/2021	2019/2020
Interest expense on employee bonds	**105**	186
Interest expense due to Coöperatie KPMG U.A.	**4,324**	4,646
Foreign exchange results	**375**	–
Unwinding of discount on provisions	**10**	5
Changes in fair value of loans to associated company	–	898
Interest on lease liabilities	**2,112**	2,283
Interest and bank charges	**1,187**	660
	8,113	8,678

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 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, 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 2020/2021, the average tax rate was 24.7% (2019/2020: 24.4%).

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

EUR 000	2020/2021	2019/2020
Profit before tax	**111,490**	61,702
Expenses related to early retired partners	**-1,436**	-2,995
Tax-exempt income	**-197**	-4,550
Non-deductible expenses	**1,433**	2,535
Temporary differences	**-412**	-2,478
Taxable profit	**110,878**	54,214
Of which taxable by:		
KPMG N.V.	**6,217**	2,521
Coöperatie KPMG U.A.	**1,016**	983
Practice companies of the individual equity partners	**103,645**	50,710

11.1 Amounts recognised in profit or loss

EUR 000	2020/2021	2019/2020
Current tax expense		
Current year	**1,532**	615
Adjustments for prior years	**2**	-29
	1,534	586
Deferred tax expense		
Recognised deductible temporary differences	**-259**	232
Tax expense on continuing operations	**1,275**	818

11.2 Movement in deferred tax balances

EUR 000	Net balance at 1 October	Recognised in profit or loss (see 11.1)	Net balance at 30 September	Deferred tax asset	Deferred tax liability
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	–
2020/2021					
Intangible assets	**–**	**–**	**–**	**–**	**–**
Property plant and equipment	**2,310**	**-333**	**1,977**	**1,977**	**–**
Jubilee benefits	**210**	**35**	**245**	**245**	**–**
Lease liabilities	**22**	**557**	**579**	**579**	**–**
Deferred tax balance	**2,542**	**259**	**2,801**	**2,801**	**–**

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 362 of the amount recognised in profit or loss relates to changes in enacted or substantially enacted tax rates (2019/2020: an increase of EUR 183).

11.3 Current tax balances

As of financial year 2014/2015, Coöperatie KPMG U.A. is head of the fiscal unity for income tax purposes. For this reason, 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 payable to the partners, through Coöperatie KPMG U.A., is remuneration for professional services performed and entrepreneurial risk. Partners must make their own pension arrangements and pay social security costs from this fee.

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

In addition to their management fee, the practice companies of the partners also received expense allowances amounting to a total of EUR 96 (2019/2020: EUR 95), car allowances amounting to EUR 2,059 (2019/2020: EUR 2,198) and interest on financing totalling EUR 4,324 (2019/2020: EUR 4,646). These costs are shown in the statement of profit or loss and other comprehensive income under other expenses and finance expenses, respectively.

13 Intangible assets and goodwill

EUR 000	Goodwill	Customer relationships and similar items	Software	Internally developed software	Licences	Total
Balance at 1 October 2019:						
Cost	6,395	1,586	16,738	19,757	544	45,020
Accumulated amortisation and impairment	–	1,586	9,371	2,991	16	13,964
Carrying amount	6,395	-	7,367	16,766	528	31,056
Movements during 2019/2020:						
Additions	–	–	901	9,221	–	10,122
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 September 2020	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 September 2020	**6,395**	**–**	**6,279**	**2,532**	**528**	**15,734**
Movements during 2020/2021:						
Additions	–	**–**	**461**	**673**	–	**1,134**
Amortisation	–	**–**	**-1,624**	**-998**	–	**-2,622**
Disposals cost	–	**–**	**-335**	**-1,985**	–	**-2,320**
Disposals accumulated amortisation	–	**–**	**335**	**1,985**	–	**2,320**
Balance at 30 September 2021	**6,395**	**–**	**5,116**	**2,207**	**528**	**14,246**
Cost	**6,395**	**–**	**17,765**	**3,971**	**544**	**28,675**
Accumulated amortisation and impairment	–	**–**	**12,649**	**1,764**	**16**	**14,429**
Balance at 30 September 2021	**6,395**	**–**	**5,116**	**2,207**	**528**	**14,246**

Software

Software mainly relates to backoffice systems. The remaining period of amortisation as at 30 September 2021 is 2 to8 years (30 September 2020: 2 to 8 years).

Internally developed software

Internally developed software mainly relates to digital risk software. During 2020/2021 an amount of EUR 673 was capitalised (2019/2020: EUR 9,221).

Impairment loss

In 2020/2021, no impairment loss was recognised with respect to intangible fixed assets (2019/2020: a loss of EUR 20,211).

Impairments 2019/2020

The majority of the total impairment loss in 2019/2020 relates to the internally developed advanced digital risk platform DRP (EUR 18,418). In addition, an amount of EUR 1,401 is related to innovation software. Furthermore, EUR 392 of the total impairment loss in 2019/2020 is related to internally developed valuation software.

In 2019/2020, a reversal of impairment of EUR 356 was recognised with respect to intangible fixed assets, related to the internally developed digital risk software Sofy.

Impairment testing for cash-generating units containing goodwill

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

EUR 000	30 September 2021	30 September 2020
KPMG Advisory	**6,395**	6,395

On an annual basis, the Group carries out impairment tests on capitalised goodwill, which are based on the estimated cash flows of the related CGU. The CGU represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segment as reported in Note 4 Segment reporting. The recoverable amount of the relevant CGU is determined on the basis of its value in use. Determination of the value in use is performed by using estimated future cash flows, based on the 2021/2022 business plan approved by the Board of Management and further financial projections for the financial years through 2023/2024. Cash flows after this period are extrapolated by using a growth rate to calculate the terminal value.

The key assumptions in the cash flow projections are:

- Total revenue growth and result development: based on historical performance, expected future market developments, and the 2021/2022 business plan. For the period 2021/2022, a revenue growth of 11% is included, and for the period thereafter, a growth of 0%;
- A discount rate of 8.3% (2019/2020: 10.8%) to calculate the present value of the estimated future cash flows, to which pre-tax discount rates have been applied. The pre-tax discount rates are determined on the basis of the individual post-tax weighted average cost of capital calculated;
- An indefinite growth rate of 0% (2019/2020: 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, which took a change in the pre-tax weighted average cost of capital into consideration. An increase of 5 percentage point 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

EUR 000	Fixtures fittings and alterations	Computers and communication equipment	Office furniture and equipment		Lease cars	Buildings	Total		
	Owned	Owned	Owned	Right of use	Right of use	Right of use	Owned	Right of use	Total
Balance at 1 October 2019									
Cost	12,160	7,112	7,733	–	–	–	27,005	–	–
Accumulated depreciation and impairments	7,398	3,076	5,119	–	–	–	15,593	–	–
Carrying amount	4,762	4,036	2,614	82	31,317	116,506	11,412	147,905	159,317
Movements during 2019/2020:									
Additions	798	1,609	1,673	455	24,346	7,877	4,080	32,678	36,758
Depreciation	-1,118	-1,877	-727	-128	-16,723	-15,071	-3,722	-31,922	-35,644
Disposals cost	-20	-1,490	-2,493	–	-1,564	–	-4,003	-1,564	-5,567
Disposals accumulated depreciation	20	1,490	2,493	–	–	–	4,003	–	4,003
Balance at 30 September 2020	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 September 2020	4,442	3,768	3,560	409	37,376	109,312	11,770	147,097	158,867
Movements during 2020/2021:									
Additions	**985**	**480**	**2,009**	**–**	**20,255**	**1,829**	**3,474**	**22,084**	**25,558**
Depreciation	**-948**	**-1,584**	**-791**	**-91**	**-16,625**	**-13,331**	**-3,323**	**-30,047**	**-33,370**
Disposals cost	**-2,076**	**-1,327**	**-1,529**	**–**	**-2,167**	**–**	**-4,932**	**-2,167**	**-7,099**
Disposals accumulated depreciation	**2,076**	**1,327**	**1,529**	**–**	**–**	**–**	**4,932**	**–**	**4,932**
Balance at 30 September 2021	**4,479**	**2,664**	**4,778**	**318**	**38,839**	**97,810**	**11,921**	**136,967**	**148,888**
Cost	**11,847**	**6,384**	**7,393**	**537**	**72,187**	**126,212**	**25,624**	**198,936**	**224,560**
Accumulated depreciation and impairments	**7,368**	**3,720**	**2,615**	**219**	**33,348**	**28,402**	**13,703**	**61,969**	**75,672**
Balance at 30 September 2021	**4,479**	**2,664**	**4,778**	**318**	**38,839**	**97,810**	**11,921**	**136,967**	**148,888**

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 Other financial assets

EUR 000	30 September 2021	30 September 2020
Profit share derivative of the employee bonds	**77**	–

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.

16 Receivables

EUR 000	30 September 2021	30 September 2020
Trade receivables	**89,140**	85,030
Due from equity accounted investees	**–**	211
Other receivables	**3,147**	4,503
Prepayments	**5,182**	7,296
	97,469	97,040

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

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

16.1 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 of EUR 711 (2019/2020: net of expected credit losses of EUR 771). In the statement of profit or loss and other comprehensive income a profit of EUR 365 (2019/2020: loss of EUR 90) has been recognised under impairment on trade receivables (2019/2020: under impairment on trade receivables).

16.2 Other

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

17 Cash and cash equivalents

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

18 Assets held for sale

The Group holds a 15% interest in KPMG Investments Malta Ltd (30 September 2020: 15%). The other 85% of the shares are held by other KPMG member firms (30 September 2020: 85%). The activities of KPMG Investments Malta Ltd mainly consist of the delivery of computer software and professional services.

During the financial year 2020/2021, management committed to a plan to sell its share in KPMG Investments Malta Ltd.The investment is therefore classified as held for sale.
The Group sold its 15% shareholding in KPMG Investments Malta Limited to KPMG UK per 29 november 2021.

The investment was accounted for using the equity accounting method and had a value of nil. The Group's share in the profit or loss from continuing operations, other comprehensive income and total comprehensive income of associates in 2020/2021 up to the date of classification as held for sale amounts to EUR nil (2019/2020: EUR nil). As at 30 September 2021, EUR 256 trade receivables were due from KPMG Investments Malta Ltd (30 September 2020: EUR 211).

19 Equity

19.1 Share capital

The Company has an authorised capital of EUR 20,000 (2019/2020: EUR 20,000), which is divided into 800 shares of EUR 25 each (2019/2020: 800 shares of EUR 25 each). The issued share capital consists of 220 (2019/2020: 220) shares at a nominal value of EUR 25 each (2019/2020: EUR 25 each), representing a total nominal value of EUR 5,500 (2019/2020: 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.

19.4 Appropriation of profit

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

20 Loans and borrowings

EUR 000	30 September 2021	30 September 2020
Non-current loans and borrowings		
Loans payable to Coöperatie KPMG U.A. (partners)	**42,185**	32,952
Loans payable to Coöperatie KPMG U.A. (former partners)	**1,568**	1,771
Lease liability	**111,346**	116,641
Total non-current loans and borrowings	**155,099**	151,364
Current loans and borrowings		
Employee Bonds	**2,531**	1,874
Loans payable to Coöperatie KPMG U.A. (partners)	**93,794**	49,605
Loans payable to Coöperatie KPMG U.A. (former partners)	**4,051**	9,548
Lease liability	**22,173**	25,967
Total current loans and borrowings	**122,549**	86,994
	277,648	238,358

20.1 Employee Bonds

Since the financial year 2018/2019, employees have had the opportunity to participate in short-term employee bonds with a maturity of one year, a one-year EURIBOR + 3% base rate interest and a variable surplus based on the realised profit before tax of KPMG N.V. In 2021, 2,568 bonds with a nominal value of EUR 1 were issued, of which 86 bonds were redeemed early (2020: 1,865 bonds with a nominal value of EUR 1, of which 27 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 1.2% (2019/2020: 3.1%). Partners participate in a mandatory loan programme totalling EUR 23.9 million as at 30 September 2021 (30 September 2020: EUR 22.6 million), bearing an interest of 8.0% (2019/2020: 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 2021 was EUR 37.6 million with an interest rate of 4.5 to 7.0% depending on the duration of the loan (30 September 2020: EUR 31.1 million with an interest rate of 3.0 to 8.0%).

Movements in financing by partners:

EUR 000	2020/2021	2019/2020
Balance at 1 October	**82,557**	73,998
Fees to partners under management agreements	**110,215**	60,884
Interest due to Coöperatie KPMG U.A. relating to partners	**4,127**	4,631
Other movements (net withdrawal)	**-60,920**	-56,956
Balance at 30 September	**135,979**	82,557

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 3.3 years (2019/2020: 3.2 years). These liabilities are not interest bearing. The average interest on current loans payable to former partners is 0.9% (2019/2020: 2.4%).

20.4 Lease liability

Lease liabilities are payable as follows:

EUR 000	30 September 2021			30 September 2020		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**24,460**	**2,287**	**22,173**	28,707	2,739	25,968
Between one and five years	**64,407**	**4,873**	**59,534**	64,471	5,303	59,168
More than five years	**56,052**	**4,241**	**51,811**	62,623	5,151	57,472
	144,919	**11,401**	**133,518**	155,801	13,193	142,608

21 Employee benefits

EUR 000	30 September 2021			30 September 2020		
	< 1 year	**> 1 year**	**Total**	< 1 year	> 1 year	Total
Long-term employee benefit obligations	**215**	**2,500**	**2,715**	315	2,584	2,899
Short-term employee benefit obligations	**44,663**	**–**	**44,663**	23,165	–	23,165
	44,878	**2,500**	**47,378**	23,480	2,584	26,064

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

Movements in long-term employee benefits:

EUR 000	2020/2021	2019/2020
Balance at 1 October	**2,899**	3,090
Utilised	**-263**	-307
Addition	**69**	111
Unwinding of discount	**10**	5
Balance at 30 September	**2,715**	2,899

22 Provisions

Movements in provisions in 2020/2021:

EUR 000	Claims and legal proceedings
Balance at 1 October	514
Utilised	-201
Additions	500
Released	–
Exchange rate differences	–
Balance at 30 September	813

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 involve estimation uncertainty. In general, such proceedings are long-term in nature and estimates are therefore revised from time to time. The amounts provided for include legal expenses and are presented net of expected reimbursements from the insurance company where appropriate.

The periods within which provision is expected to be utilised are as follows:

EUR 000	30 September 2021			30 September 2020		
	< 1 year	> 1 year	Total	< 1 year	> 1 year	Total
Claims and legal proceedings	813	–	813	514	–	514

23 Trade and other payables

EUR 000	30 September 2021	30 September 2020
Trade payables	**7,732**	8,597
Tax and social insurance contributions	**29,459**	29,595
Other current liabilities	**5,918**	6,255
Accruals	**8,707**	6,951
	51,816	51,398

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

Advance billings are presented under contract balances in Note 5.

Trade payables decreased mainly due to cash management decisions following the Covid-19 outbreak which resulted in excess cash and the consequent decision to pay trade payables early. Other current liabilities are at a normal level. Accruals have primarily been made to cover housing expenses, charges for third-party services still to be paid and insurance premiums; the increase of which mainly relates to third-party services.

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 financial year it was KPMG N.V.'s policy not to trade in financial instruments.

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

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

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

The Board of Management evaluates and confirms the policy for mitigating each of these risks as 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 tested on a regular basis against changes in market conditions and the Group's business activities.

24.1.2 Concentrations of risks

The operational activities of the Group relate to a diversity of clients and suppliers predominantly in the Netherlands. As a result, the concentration of risks for the operations of the Group is limited, except for the geographic risk. Funding of operations is arranged by a diversity of partners through Coöperatie KPMG U.A. and an additional bank's credit facility. The Group has current accounts of over EUR 63 million at the same bank (2019/2020: over EUR 16 million), and it notes that this results in a concentration of risks associated with this bank. The bank is also one of the Group's clients for professional non-audit services. The Group has confirmed that from an independence perspective this is allowed, as all transactions with the bank are at arm's length. The Group closely monitors the credit rating of the bank (A+ according to S&P Global).

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 banks rated BBB or higher, 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.

24.2.1 Trade and other receivables and contract assets

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

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

The recoverable amount of unbilled services and trade receivables is estimated on an ongoing basis. The important factors to be considered when estimating unbilled services and trade receivables are historical performance, the terms and conditions of the contract and the progress and results of the work performed. Both macro-economic factors, including the resulting 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, with the main driver being the instrument type. In addition, the Group actively monitors the economic environment in the Netherlands.

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

24.2.2 Exposure to credit risk

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

EUR 000	30 September 2021	30 September 2020
Unbilled services	**32,157**	27,926
Trade receivables	**89,140**	85,030
Due from equity accounted investees	**–**	211
Other receivables	**3,147**	4,512
Cash and cash equivalents	**164,594**	85,181
Assets held for sale	**256**	–
	289,294	202,860

Loss allowance

Debtor and unbilled services ageing analysis:

EUR 000	30 September 2021		30 September 2020	
	Gross	Loss allowance	Gross	Loss allowance
Not yet due: age 0-15 days	**79,677**	**72**	71,165	120
Overdue: age 16-180 days	**40,409**	**530**	39,301	142
Overdue: age 181-365 days	**1,235**	**70**	1,635	120
Overdue: age over 365 days	**972**	**68**	1,885	437
	122,293	**740**	113,986	819

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

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

EUR 000	2020/2021	2019/2020
Balance at 1 October	**819**	911
Added	**684**	526
Written off	**-434**	-523
Released	**-329**	-95
Balance at 30 September	**740**	819

24.2.3 Cash and cash equivalents

Aa at 30 September 2021, the Group held cash and cash equivalents of EUR 164,594 (30 September 2020: EUR 85,181). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated on average A, based on ratings by Moody's Investor Services, S&P Global Ratings and Fitch Ratings (ranging from A- to AA). Impairment on cash and cash equivalents is measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

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. In the financial year 2019/2020, the Group further strengthened its cash-management procedures by implementing increasing focus on debtor collection and WIP management, as well as cash controls, which was maintained in the financial year 2020/2021.

The Group has a combined credit and guarantee facility of EUR 50,000 (2019/2020: EUR 50,000), of which no drawdown was made (2019/2020: 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 to certain covenants in connection with the credit facility made available by the bank. These covenants relate to the maintenance of a certain tangible net worth, EBITDA, asset coverage and sales coverage. During and at the end of the financial year, the Group complied with all covenant requirements.

Summary of financial liabilities:

EUR 000	Carrying amount	Contractual cash flow	Due within 1 year	Due between 1 and 5 years	Due after 5 years
30 September 2021					
Loans and borrowings from partners	**141,598**	**166,679**	**102,303**	**37,441**	**26,936**
Loans and borrowings from employee bonds	**2,531**	**2,531**	**2,531**	**–**	**–**
Trade and other payables	**107,053**	**107,053**	**107,053**	**–**	**–**
Employee benefits	**45,632**	**45,632**	**44,820**	**184**	**628**
Lease liability	**133,518**	**144,919**	**24,460**	**64,407**	**56,052**
	430,332	**466,814**	**281,167**	**102,032**	**83,616**
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

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 maintain 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 and current partners. Financial assets of the Group consist primarily of investments in non-current assets, trade receivables and cash and cash equivalents. Trade and other receivables do not bear interest.

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

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

EUR 000	Effective interest rate	<1 year	>1 year < 2 years	>2 years < 3 years	>3 years < 4 years	>4 years < 5 years	Longer than 5 years	Total carrying amount
2020/2021								
Fixed-rate interest:								
Coöperatie KPMG U.A.	**0.0%**	**-801**	–	–	–	–	**7,270**	**6,469**
Current account Coöperatie KPMG U.A. relating to partners	**1.2%**	**-72,400**	–	–	–	–	–	**-72,400**
Loans payable to partners	**6.3%**	**-20,593**	**-4,290**	**-6,439**	**-4,328**	**-10,487**	**-23,911**	**-70,048**
Loans payable to former partners	**0.7%**	**-4,051**	**-423**	**-319**	**-186**	**-102**	**-538**	**-5,619**
Lease liability	**7.6**	**-22,173**	**-22,162**	**-17,116**	**-11,839**	**-8,417**	**-51,811**	**-133,518**
Variable rate interest:								
Cash and cash equivalents	**-0.5%**	**164,594**	–	–	–	–	–	**164,594**
Employee bonds	**8.1%**	**-2,531**	–	–	–	–	–	**-2,531**
		42,045	**-26,875**	**-23,874**	**-16,353**	**-19,006**	**-68,990**	**-113,053**
2019/2020								
Fixed-rate interest:								
Coöperatie KPMG U.A.	0.0%	3,899	611	611	611	611	6,539	12,882
Current account Coöperatie KPMG U.A. 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

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 currency on a limited basis, and assets and liabilities are usually denominated in euros.

When derivative financial instruments are used to economically hedge exposure to foreign exchange risks associated with 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 2020/2021 (2019/2020: no effect), and no effect on equity (30 September 2020: no effect).

24.5 Fair value

The principal methods and assumptions used to estimate the fair values of financial instruments are set out below. For all instruments below, the fair value measurement is based upon level 3, unobservable inputs. There were no transfers of levels during 2020/2021 to other levels of fair value measurement input.

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

	Financial assets at fair value through profit or loss		Financial assets at fair value through OCI		Financial assets at amortised cost		Other financial liabilities	
EUR 000	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
2020/2021								
Other financial assets	–	–	–	–	–	–	–	–
Total financial assets	–	–	–	–	–	–	–	–
Loans payable to (former) partners	–	–	–	–	–	–	**141,598**	**141,598**
Employee bonds	–	–	–	–	–	–	**2,531**	**2,531**
Total financial liabilities	–	–	–	–	–	–	**144,129**	**144,129**
2019/2020								
Other financial assets	–	–	–	–	–	–	–	–
Total financial assets	–	–	–	–	–	–	–	–
Loans payable to (former) partners	–	–	–	–	–	–	93,876	93,876
Employee bonds	–	–	–	–	–	–	1,874	1,874
Total financial liabilities	–	–	–	–	–	–	95,750	95,750

24.5.1 Cash and cash equivalents

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

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 the carrying amount.

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

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 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 2020: up to EUR 180 per partner), and partly in the form of loans.

Average financing per partner (excluding other reserves) amounted to EUR 1,092 as at 30 September 2021, compared with EUR 731 as at 30 September 2020. Total financing by partners as at 30 September 2021 amounted to 35.5% of total assets (30 September 2020: 28.3%). The increase mainly relates to short-term loans.

The Group may repurchase shares from Coöperatie KPMG U.A. and sell them back to Coöperatie KPMG U.A. in connection with partners who are leaving or joining the Group. These transactions are carried out at nominal value plus a share premium. As from financial year 2015/2016, the Group started strengthening its capital structure, which included an increase in long-term partner financing through its shareholder.

25 Leases

25.1 Leases as Lessee

The Group leases office buildings, cars and office equipment. The leases typically run for a period of 5 years for cars, 5-15 years for buildings and 5 years for office equipment. Lease payments are indexed depending on the contracts: for cars usually once a year; and for buildings after 3 years upon contract start date to reflect market rentals. For certain leases, the Group is restricted from entering into sub-lease arrangements.

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

25.1.1 Right-of-use-assets

EUR 000	Cars	Buildings	Office equipment	Total
2020/2021				
Balance at 30 September 2020	**37,376**	**109,312**	**409**	**147,097**
Depreciation charge for the year	**-16,625**	**-13,331**	**-91**	**-30,047**
Additions to right-of-use assets	**20,255**	**1,829**	**–**	**22,084**
Disposals	**-2,167**	**–**	–	**-2,167**
Balance at 30 September 2021	**38,839**	**97,810**	**318**	**136,967**
2019/2020				
Balance at 30 September 2019	31,317	116,506	82	147,905
Depreciation charge for the year	-16,724	-15,071	-128	-31,923
Additions to right-of-use assets	23,086	7,877	455	32,678
Disposals	-1,564	–	–	-1,564
Balance at 30 September 2020	37,376	109,312	409	147,097

25.1.2 Amounts recognised in profit or loss

EUR 000	2020/2021	2019/2020
Interest on lease liabilities	**-2,112**	-1,183
Income from sub-leasing right-of-use assets presented in 'Other Income'	**2,346**	2,445

25.1.3 Amounts recognised in the statement of cash flows

EUR 000	2020/2021	2019/2020
Total cash outflow for leases	**29,005**	36,413

25.1.4 Extension options

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

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

25.2 Leases as Lessor

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

Rental income recognised by the Group during 2020/2021 amounted to EUR 2,346 (2019/2020: EUR 2,445).

26 List of subsidiaries

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

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

During the reporting period, KPMG-gebouw Amstelveen II Holding B.V. was liquidated.

There have been no other changes in shareholdings.

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

27.1 Other commitments

The Group has long-term property leases for which the service costs are excluded from the lease liability and right-of-use asset in the consolidated balance sheet. In addition, the Group has commitments that are exempt from recognition in the balance sheet in accordance with IFRS 16, such as for personal computers and IT services, and commitments under long-term sponsorship agreements. The total of these commitments as at 30 September 2021 amounted to EUR 31,172 (2019/2020: EUR 23,937).

Non-cancellable commitments:

EUR 000	30 September 2021			30 September 2020		
	Service costs related to property	**Other contracts**	**Total**	Service costs related to property	Other contracts	Total
Within 1 year	**2,104**	**7,093**	**9,197**	2,153	3,279	5,432
Between 1-5 years	**5,122**	**6,927**	**12,049**	5,619	3,625	9,244
After 5 years	**8,121**	**–**	**8,121**	9,254	7	9,261
	15,347	**14,020**	**29,367**	17,026	6,911	23,937

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

EUR 000	30 September 2021	30 September 2020
Within 1 year	**2,834**	3,175
Between 1 and 5 years	**5,256**	8,231
After 5 years	**7,994**	11,739
	16,084	23,145

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

EUR 000	2020/2021	2019/2020
Properties	**2,126**	2,153
Cars	**119**	755
Other contracts	**3,279**	2,349

27.2 Tax Group

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

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

27.3 Guarantees

The Group has a combined credit and guarantee facility of EUR 50,000 (2019/2020: EUR 50,000), of which no draw down was made (2019/2020: no draw down) in the form of guarantees.

The Group issued a letter of comfort relating to a facility of USD 600 million (2019/2020: USD 600 million) for KPMG International. In this letter of comfort the Company confirmed that it is a member of KPMG International and that it will pay its contribution in accordance with the Articles of Association of KPMG International and the 'Membership Agreement'. The letter of comfort has a duration of 5 years as of November 2016.

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

28 Collaboration agreements and related parties

28.1 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.

28.2 Related parties

28.2.1 Parent company

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

Transactions between the Group and Coöperatie KPMG U.A. during 2020/2021 can be specified as follows:

EUR 000	2020/2021	2019/2020
Management fees	**-110,215**	-60,884
Interest paid to Coöperatie KPMG U.A.	**-4,324**	-4,646
Repayment of share premium	**-1,510**	-1,870

As at 30 September 2021 the following positions relate to Coöperatie KPMG U.A.:

EUR 000	30 September 2021	30 September 2020
Loans received from Coöperatie KPMG U.A.	**141,598**	93,876

28.2.2 Key management

Board of Management

As at 30 September 2021, 3 members of the board of management (2019/2020: 3 members) indirectly hold 2% (2019/2020: 2%) of shares in the Group in aggregate.

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

EUR 000 (if applicable)	S. Hottenhuis	R.P. Kreukniet	M. Hogeboom	E. Herrie	Total
2020/2021					
FTEs (pro rata)	**1.0**	**1.0**	**1.0**	**1.0**	**4.0**
Management fees	**–**	**719**	**719**	**719**	**2,157**
Short-term employee benefits	**823**	**–**	**–**	**–**	**823**
Post-employment benefits	**25**	**–**	**–**	**–**	**25**
Other short-term benefits	**13**	**14**	**11**	**15**	**53**
Total	**861**	**733**	**730**	**734**	**3,058**

	S. Hottenhuis	R.P. Kreukniet	E. Eeftink	M. Hogeboom	E. Herrie	Total
2019/2020						
FTEs (pro rata)	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

In 2019/2020, 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 'Covid quarters' of 2019/2020, by 15%. The reason was to demonstrate their solidarity with all those working at KPMG. To this end, the reduced amount was added to the budget for variable pay for employees.

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

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

	S. Hottenhuis	R.P. Kreukniet	M. Hogeboom	E. Herrie	Total
30 September 2020					
Equity contribution in Coöperatie KPMG U.A. 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

*Relates to employee bonds.

Supervisory board

Supervisory board members received a total remuneration of EUR 361 (2019/2020: EUR 289). Remuneration can be specified as follows:

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

	B.E.M. Wientjes	G. Boon	H.J. van Doren-malen	L.J. Griffith	J.C.M. Sap	R.A. Steen-voorden	C. Bulten	Total
2019/2020								
FTEs (pro rata)	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

In 2019/2020, all members agreed to a pay cut of 15% over the last two quarters of 2019/2020 in line with the Board of Management, as outlined above. The aim was to demonstrate their solidarity with all employees working at KPMG. The total amount of this combined pay cut of both the Supervisory Board and the Board of Management, wasprovided to all employees through the regular variable pay process.

28.2.3 Equity accounted investees

The following amounts relate to equity accounted investees:

EUR 000	30 September 2021	30 September 2020
Trade receivables	256	211

As at 30 September 2021, the equity accounted investee is classified as held for sale.

29 Subsequent events

The Group sold its 15% shareholding in KPMG Investments Malta Limited to KPMG UK per 29 November 2021 for a total consideration of EUR 4.6 million. As part of the external sale, certain non-compete warranties have been provided by the Group.

Company statement of financial position

(before appropriation of results)

EUR 000		30 September 2021		30 September 2020	
Assets					
Non-current assets					
Investments in subsidiaries	31	**25,264**		30,999	
Deferred tax assets		**2,801**		2,542	
			28,065		33,541
Current assets					
Amounts due from group companies		**48,877**		44,906	
Cash and cash equivalents	32	**162,969**		84,230	
			211,846		129,136
Total assets			**239,911**		162,677

EUR 000		30 September 2021		30 September 2020	
Equity and liabilities					
Shareholders' equity	33				
Share capital		**5,500**		5,500	
Share premium		**15,800**		15,080	
Legal reserves		**2,207**		2,533	
Other reserves		**4,189**		3,863	
Profit for the year		**–**		–	
Shareholders' equity			**27,696**		26,976
Non-current liabilities					
Loans and borrowings	34		**43,753**		34,723
Current liabilities					
Loans and borrowings	34	**97,845**		59,153	
Amounts owed to group companies		**49,155**		20,511	
Tax and social insurance contributions		**21,462**		21,314	
			168,462		100,978
Total liabilities			**212,215**		135,701
Shareholders' equity and liabilities			**239,911**		162,677

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

Company statement of profit or loss and other comprehensive income for the year ended 30 September 2021

EUR 000	2020/2021	2019/2020
Share in results from participating interests after tax	**15,040**	13,971
Other results after tax	**95,175**	46,913
Contractual fees payable to Coöperatie KPMG U.A.	**-110,215**	-60,884
Net result after tax	–	–

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

Notes to the company financial statements

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

30 Basis of preparation

30.1 General

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

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

30.2 Accounting policies

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity method. For further information, 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 for the provision of Group financing.

31 Non-current financial assets

Non-current financial assets represent investments in group companies. Movements in these investments during the 2020/2021 financial year were as follows:

EUR 000	2020/2021	2019/2020
Balance at 1 October	**30,999**	24,155
Share in results	**15,040**	13,971
Dividends received	**-20,775**	-7,127
Balance at 30 September	**25,264**	30,999

A summary of the main subsidiaries is provided in Note 26 List of subsidiaries of the notes to the consolidated financial statements. A full list of subsidiaries, joint ventures and associates is filed with the Chamber of Commerce in Amsterdam, the Netherlands.

32 Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and bank balances that are freely available. The interest rate applicable in 2020/2021 was 0.5% negative (2019/2020: 0.0%).

33 Shareholders' equity

Movements in equity can be specified as follows:

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

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

33.1 Share capital

The Company has an authorised capital of EUR 20,000 (2019/2020: EUR 20,000), which is divided into 800 shares of EUR 25 each (2019/2020: 800 shares of EUR 25 each). The issued share capital consists of 220 (2019/2020: 220) shares at a nominal value of EUR 25 each (2019/2020: EUR 25 each), representing a total nominal value of EUR 5,500 (2019/2020: EUR 5,500). All of the shares are fully paid up.

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

33.2 Legal reserves

The legal reserve for participating interests, which amounts to EUR 2,207 (2019/2020: EUR 2,533), pertains to participating interests that are measured at net asset value. The reserve is equal to the share in the results and direct changes in equity (both of which are calculated on the basis of the Company's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that the Company has been entitled to since the first measurement at net asset value, and less distributions that the Company may affect without restrictions. 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.

33.3 Other reserves

The other reserves contain the profits of previous years.

33.4 Appropriation of profit

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

34 Loans and borrowings

EUR 000	30 September 2021		30 September 2020	
Partners				
Non-current loans Coöperatie KPMG U.A.	**42,185**		32,952	
Current loans Coöperatie KPMG U.A.	**93,794**		49,605	
		135,979		82,557
Former partners				
Non-current loans Coöperatie KPMG U.A.	**1,568**		1,771	
Current loans Coöperatie KPMG U.A.	**4,051**		9,548	
		5,619		11,319
Total loans and borrowings		**141,598**		93,876

Movements in financing by partners can be specified as follows:

EUR 000	2020/2021	2019/2020
Balance at 1 October	**82,557**	73,998
Fees paid to partners under management agreements through Coöperatie KPMG U.A.	**110,215**	60,884
Interest due to partners	**4,127**	4,631
Other movements (net withdrawal)	**-60,920**	-56,956
Balance at 30 September	**135,979**	82,557

Other movements refer mainly to amounts withdrawn by partners.

For further explanation on 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.

35 Financial instruments

For general information on financial instruments and associated risks, refer to Note 24 Financial instruments and associated risks of the consolidated financial statements.

35.1 Exposure to credit risk

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

EUR 000	30 September 2021	30 September 2020
Amounts due from group companies	**48,877**	58,388
Cash and cash equivalents	**162,969**	84,230
	211,846	142,618

35.2 Liquidity risk

Summary of financial liabilities:

EUR 000	Carrying amount	Contractual cash flow	Due within 1 year	Due between 1 and 5 years	Due after 5 years
30 September 2021					
Loans and borrowings	**141,598**	**166,679**	**102,303**	**37,441**	**26,936**
Total	**141,598**	**166,679**	**102,303**	**37,441**	**26,936**
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

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

36 Related parties

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

36.1 Parent company

Please refer to Note 28.2.1 Parent Company of the consolidated financial statement for information with respect to Coöperatie KPMG U.A.

36.2 Subsidiaries

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

The transactions can be specified as follows:

EUR 000	Received contractual fees	Received dividend	Expenses charged
2020/2021			
KPMG Accountants N.V.	**55,567**	**7,436**	**5,272**
KPMG Advisory N.V.	**48,641**	**13,339**	**4,776**
Total	**104,208**	**20,775**	**10,048**
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

In addition to the above, on behalf of its subsidiary KPMG Staffing & Facility Services B.V., KPMG N.V. pays various expenses such as employee expenses and other operating expenses. These payments amounted to EUR 322 million in 2020/2021 (2019/2020: EUR 306 million).

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

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

EUR 000	30 September 2021	30 September 2020
KPMG Accountants N.V	**6,481**	10,544
KPMG Advisory N.V.	**42,396**	34,363
KPMG Staffing & Facility Services B.V.	**-49,155**	-20,511

36.3 Key management

Please refer to Note 28.2.2 Key management of the consolidated financial statement for information related party information with respect to key management.

37 Liabilities not recognised in the company statement of financial position

37.1 Guarantees

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

The Company has a combined credit and guarantee facility of EUR 50,000 (2019/2020: EUR 50,000), of which no draw down was made (2019/2020: no draw down) in the form of guarantees.

The Company issued a letter of comfort relating to a facility of USD 600 million (2019/2020: USD 600 million) for KPMG International. In this letter of comfort the Company confirmed that it is a member of KPMG International and that it will pay its contribution in accordance with the Articles of Association of KPMG International and the 'Membership Agreement'. The letter of comfort has a duration of 5 years as of November 2016.

37.2 Tax group

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

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

38 Number of partners

On average in 2020/2021, 145 (2019/2020: 142) FTE partners were active for the Company under management agreements.

39 Remuneration of the Board of Management

Details of the remuneration of members of the Board of Management are disclosed in Note 28.2.2 Key Management to the consolidated financial statements.

40 Auditor's remuneration

The remuneration of the Company's auditors for the 2020/2021 financial year was EUR 0.4 million (2019/2020: EUR 0.4 million), of which EUR 0.3 million is related to the audit of financial statements of the Company (2019/2020: EUR 0.3 million).

Amstelveen, 15 December 2021

Board of Management:	Supervisory Board:
S. Hottenhuis (chair)	R.H.L.M. van Boxtel (chair)
R.P. Kreukniet	G. Boon
M.A. Hogeboom	C.D.J. Bulten
E.G. Herrie	J.C.M. Sap

Other information

Independent auditor's report

Please refer to the report of 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.

Independent auditor's report

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

A. Report on the audit of the financial statements 2020/2021 included in the annual report

Our opinion

We have audited the financial statements for the year ended 30 September 2021 of KPMG N.V. based in Amstelveen. The financial statements comprise the consolidated financial statements and the company financial statements.

WE HAVE AUDITED	OUR OPINION
The consolidated financial statements comprise: 1. the consolidated statement of financial position as at 30 September 2021; 2. the notes comprising a summary of the significant accounting policies and other explanatory information. 3. the following statements for 2020/2021: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and	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 2021 and of its result and its cash flows for 2020/2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU- IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
The company financial statements comprise: 1. the company balance sheet as at 30 September 2021; 2. the company profit and loss account for 2020/2021; and 3. the notes comprising a summary of the applicable accounting policies and other explanatory information.	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 2021 and of its result for 2020/2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Basis for our opinion

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

We are independent of KPMG N.V. in accordance with the 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 € 5,600,000. 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 € 280,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

Our group audit mainly focused on significant group entities. We consider an entity significant when:
- it is of individual financial significance to the group; or
- the component, due to its specific nature or circumstances, is likely to include significant risks of material misstatement, whether due to fraud or error of the group financial statements.

To this extend, for the purpose of the audit of group financial statements, we performed audit procedures to all of the group entities, being;
- KPMG Accountants N.V.;
- KPMG Advisory N.V.;
- KPMG Staffing & Facility Services B.V.

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

B. Information in respect of our opinion

The information below and our findings in respect of going concern, fraud risk, non compliance and key audit 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.

Going concern

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

Our audit procedures in relation to going concern consists of:

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

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

Our focus on the risk of fraud and non-compliance

Our risk assessment

As described in section "Risk Mitigation and controls" of the Integrated Report, KPMG performs an internal risk analyses (including fraud, corruption and compliance) as part of the annual enterprise risk assessment.

We analysed KPMG's internal risk analysis to obtain an understanding of KPMG's risk assessment, the processes for identifying and responding to the risks of fraud and the internal controls that management has established to mitigate these risks. We discussed KPMG's risk assessment and challenged these with management and those charged with governance. For this, we also made use of our questionnaire about compliance, as completed by management of KPMG N.V.

Furthermore we have performed our own risk assessment procedures to identify potential risks of material misstatement due to fraud and non-compliance with laws and regulations that are not yet identified by the internal risk analyses performed by KPMG. We also specifically evaluated whether fraud risks factors are present, based on the framework of the fraud triangle during several team discussions. As part of this assessment, we specifically assessed how fraud risks can arise in the revenue recognition as part of the unbilled revenue process and reflected this in our risk assessment and audit approach.

Our audit is not aimed specifically at detecting fraud. In planning our audit procedures, we took into account the risk that the financial statements might contain material misstatements as a result of fraud and error.

Our response to the risk of fraud

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

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

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

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

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

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

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

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

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

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

Our key audit matter

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

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

The key audit matter “completeness and valuation of the provision for claims and legal proceedings”, which was included in our prior year’s auditor report is not considered a key audit matter for this year. The degree of estimation uncertainty in 2020/2021 is considered to be low compared to last years. Also, the key audit matter “Impairment intangible fixed assets” is no longer a key audit matter for this year as the Board of Management of KPMG N.V. decided in 2019/2020 to suspend further investments in the digital risk platform and terminated the contracts with developer and customer. Furthermore, the key audit matter “Covid-19 Pandemic” is no longer a key audit matter for this year because the impact and consequences on KPMG’s going concern assumption including the degree of estimation uncertainty in certain areas of the financial statements 2020/2021 is considered to be low.

REVENUE RECOGNITION AND VALUATION OF UNBILLED SERVICES	OUR AUDIT APPROACH
The existence of revenue and valuation of unbilled services (presented as contract assets or contract liabilities in the financial statements) is a key audit matter due to its significance and the fact that revenue recognition and valuation of unbilled services are subject to estimates of individual partners regarding the expected time to finalize fixed price engagements and realization of unbilled services. Because the risk of fraud in revenue recognition is a presumed risk in our audit based on audit requirements, combined with the fact that revenue is a key business driver for KPMG, we consider revenue recognition to be a key audit matter. The disclosure from KPMG N.V. on the revenue recognition and valuation of unbilled services is provided in notes 3.9, 3.13 and 5 to the financial statements.	We evaluated the revenue recognition process to ensure the policy is in accordance with IFRS 15. We also evaluated the internal controls related to revenue recognition and valuation of unbilled services. Our audit procedures included, amongst others, assessing the appropriateness of the company's revenue recognition accounting policies and performing substantive procedures relating to the recognition of revenue, including the timing of revenue recognition, calculation of deferred revenue and valuation of unbilled services. We performed substantive procedures for revenue including reconciliation with authorized engagement letters, substantive procedures with respect to credit notes after balance sheet date and substantive procedures regarding the accuracy of hourly rates. We have performed detailed testing of hours being spend, analysis of realization rates per engagement, analysis whether the balance of the work in progress at year-end is invoiced in the next financial year and tested the unbilled services by performing retrospective testing on the balance as of 30 September 2020. We discussed the findings of these analysis with the responsible management. Our audit procedures resulted in sufficient and appropriate audit evidence to mitigate the risk of material misstatements related to the existence of revenue and/or the valuation of unbilled services.

C. Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Introduction
- Our business
- Strategy & value creation
- Governance
- Appendix

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

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

We have read the above mentioned Other information and have viewed the videos as included by links to KPMG's website. We have not read or viewed information as linked/referred to external websites. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

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

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

D. Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of KPMG N.V. on 9 March 2021, as of the audit for financial year 2020/2021 and have operated as statutory auditor ever since the financial year 2016/2017.

E. Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determine the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

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

Den Haag, 15 December 2021

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

N.W.A. van Nuland RA

Assurance report of the independent auditor

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 2020-2021 of KPMG N.V.

Our opinion and conclusion

We have audited the below mentioned non financial indicators ('NFI's), item 1) till item 11), as included in the non-financial information as defined in Appendix 'Reporting principles' in the Integrated Report 2020-2021 of KPMG N.V., based in Amstelveen (hereafter: 'The non-financial information'). An audit is aimed at obtaining a reasonable level of assurance.

The non-financial information includes:

1. CO2 Emissions (see table CO2 emissions);
2. Total number of employees (FTE's) (see section Organisational structure);
3. Percentage of employee engagement score (see section People);
4. Client satisfaction and Net Promotor Score (NPS) (see section Clients);
5. Quality Performance Reviews (QPR's) (see section Public trust);
6. Number of engagement quality controls reviews (EQCR's) (see section Performance of effective and efficient audits);
7. Community donations (see section Giving back);
8. Number of statutory audits conducted for (non) public interest entities (PIEs) (see section Organisational structure);
9. PIE Entity listings (see Appendix - List of public interest entity clients);
10. Average absentee rate (average during the year) (see section Measuring employee engagement);
11. Audit Quality Indicators (see section Audit Quality Indicators):
    - GPS and Pulse survey results related to coaching and audit quality (AQI 6a).
    - Investments in development of new audit technologies and tools (AQI 3);
    - Partner involvement (PIE) (AQI 1.a);
    - Partner involvement (Non-PIE) (AQI 1.b);
    - Hours spent by IT and other specialists (PIE) (AQI 11.a);
    - Hours spent by IT and other specialists (Non-PIE) (AQI 11.b);
    - Chargeable hours (AQI 2);
    - Retention of audit professionals (AQI 5);
    - Training hours per audit professional (AQI 4);
    - Technical resources support (AQI 7);
    - Technical consultations (AQI 8);
    - Results from external inspections (AQI 12a);

- ◦ Results from internal inspections (AQI 12b).

In our opinion, the non-financial information NFI’s item 1) till item 11) in the Integrated Report 2020-2021 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 NFI’s; and
- the thereto related events and achievements for the year 2020-2021

in accordance with the reporting criteria as included in section B. of this assurance report.

Basis for our opinion

We have performed our audit in accordance with Dutch law, including the Dutch Standard 3810N, ‘Assurance-opdrachten inzake maatschappelijke verslagen’(Assurance engagements relating to sustainability reports). Our responsibilities under this standard are further described in the section “Our responsibilities for audit of the non-financial information as defined in the Integrated Report 2020-2021 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)’ (ViO, Code of ethics for professional accountants, a regulation with respect to independence) and other relevant independence requirements 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, Dutch code of ethics).

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 11).

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 (NFI’s 1 till 11) are (based on) the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) and the applied supplemental reporting criteria as disclosed in section Non-financial information of the Integrated Report 2020-2021.

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 ‘B. Reporting criteria’, including the identification of stakeholders and the definition of material matters. The choices made by management regarding the scope of the non-financial information are summarized in Appendix ‘Reporting principles’ in the Integrated Report 2020-2021.

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 of the non-financial information

Our responsibility is to plan and perform the audit 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.

We apply the ‘Nadere voorschriften kwaliteitssystemen)’ (NVKS, regulations for quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our audit included among others:
- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the non-financial information;
- 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 NFI's item 1) till item 11):
    - Interviewing employees at KPMG N.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 NFI;
- Reconciling each individual NFI 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.

Please note that we have not performed the mentioned audit procedures in this assurance report on the other NFI's as included in the Integrated Report 2020-2021 and consequently do not provide assurance on these other NFI'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.

Den Haag, 15 December 2021

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

N.W.A. van Nuland RA

Appendix

Appendix

Welcome to the appendix section of our 2020/2021 Integrated report. This appendix provides further information on the following topics:

- Our **reporting principles**
- List of our **Public Interest Entity (PIE) clients**
- **Segmentation of our revenue and other income**
- **Abbreviations** used in this report

Reporting principles

Purpose

This report provides an overview of KPMG N.V.'s business, strategy and performance. It explains how KPMG N.V., over time, creates value for its stakeholders both as an employer and as a provider of professional services. This report has been written for all KPMG N.V. stakeholders (including employees, the firm's partners, clients, policymakers, regulators, suppliers and other business partners etc.).

Scope

This report covers KPMG N.V. and its subsidiaries. **KPMG Meijburg & Co.** is a separate KPMG member firm, and is therefore not included in the scope of this report, unless otherwise stated. Contents relate to KPMG N.V.'s 2020/2021 financial year, which runs from 1 October 2020 to 30 September 2021.

Content

Content is based on extensive internal reporting. Where external sources are used, this is indicated clearly in the text. Content focuses on issues material to KPMG N.V. and its stakeholders, based on the outcome of the firm's annual materiality assessment. Our reporting process is overseen by a project team, led by our Corporate Affairs department. All content is reviewed by the firm's Board of Management and Supervisory Board prior to publication. Except for the Financial Statements, figures used in the report are rounded to the nearest million or billion; in some cases, rounded figures are used to calculate percentages.

Financial information

Financial Statements are prepared in accordance with the International Financial Reporting Standards (**IFRS**), as adopted by the European Union, and with Section 2:362 (9) of the Dutch Civil Code. All financial performance data is presented in euros (EUR), the firm's functional currency. For more information, see **Note 2 to the consolidated Financial Statements (Basis of preparation)**.

Non-financial information

This report complies with the Core option of the Global Reporting Initiative (**GRI**). A GRI content index is available separately on this website via 'Downloads'. In compiling the report, KPMG N.V. also takes into account other non-financial reporting frameworks, including the **Integrated Reporting Framework**, published by the Value Reporting Foundation (**VRF**)[20] . Throughout the report, all numbers per FTE are based on average FTE for the year as a whole, unless stated otherwise.

External assurance

External assurance for this report was provided by BDO Audit & Assurance B.V. See the **independent auditor's report**. KPMG N.V. works closely with its external auditor to strengthen its reporting, and improve internal data collection and verification processes.

For this report, BDO Audit & Assurance B.V. provided reasonable assurance on the following indicators:

- CO_2 emissions table (see **table CO_2 emissions**)
- Total number of employees (FTEs) (see section **Organisational structure**)
- Percentage of employee engagement (see section **People**)
- Client satisfaction and Net Promoter Score (NPS) (see section **Clients**)
- Quality Performance Reviews (QPRs) (see section **Public trust**)
- Number of engagement quality controls reviews (EQCRs) (see section **Performance of effective and efficient audits**)
- Community donations (see section **Giving back**)
- Number of statutory audits conducted for (non) public interest entities (PIEs) (see section **Organisational structure**)
- PIE entity listings (see **Appendix - List of public interest entity clients**)
- Average absentee rate (average during the year) (see section **Measuring employee engagement**)
- Following audit quality indicators: 1a, 1b, 2, 3, 4, 5, 6a, 7, 8, 11a, 11b, 12a and 12b. As explained in section **Audit Quality Indicators**.

Please note that BDO Audit & Assurance B.V. provided assurance on the PDF version of this report.

20 The VRF was created in June 2021 with the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB).

Materiality assessment

Our materiality assessment is conducted each year to identify our material topics; The table below compares results from our 2019/2020 assessment with the current year:

Material topics 2019/2020	Equivalent 2020/2021
Integrity & independence	Integrity & independence (unchanged)
Quality & transparency	Quality & transparency (unchanged)
Societal impact	Societal impact (unchanged)
Regulatory environment	Regulatory change
Employee engagement	Included under 'Being a good employer'
Diversity & inclusion	Inclusion & diversity
Best development experience	Included under 'Being a good employer'
Succession planning	Included under 'Being a good employer'
Strong culture	Included under 'Being a good employer' and Quality & transparency
Client satisfaction	Client satisfaction (unchanged)
Vision & thought leadership	Vision & thought leadership (unchanged)
Strong & trustworthy brand	Included under 'Public trust'
Innovation & new insights	Innovation
Partnerships & alliances	Partnerships & alliances (unchanged)
Digital transformation of organisation	Included under 'Innovation'
Sustainable profit	Sustainable profit (unchanged)
Operational excellence	Included under 'Sustainable profit'

Note on availability of resources and inputs

Our business relies on certain resources being available – these are detailed in our **value creation model**. Inevitably, changes to our business environment may affect the availability of these resources. We see the principal risks in this respect as follows:

- A shortage of key skills in certain areas leading to loss of business (including digital, data management, availability of trained accountants, staff turnover in our 'Deals' department etc.)
- Continued disruption to clients as a result of the Covid-19 pandemic and /or withdrawal of government financial support for certain sectors
- Continued risk of cyber attacks, with increased remote working and online communications with clients
- 'Change risk' with the emergence of new ways of working and increased digital communications with clients and other business partners.

For further information, see **strategic risks & controls**.

UN Sustainable Development Goals (SDGs)

Through our businesses, we contribute to the UN Sustainable Development Goals (**SDGs**); these contributions are shown in our **value creation model**. The table below maps our SDG contributions to our five strategic focus areas:

SDG	Underlying SDG target	Our contribution	Relevant strategic focus area
SDG3: Good health & well-being	Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all (3.8)	Technical support / advice for the roll-out of the Dutch Covid-19 vaccination programme and creation of national Covid-19 dashboard	**CLIENTS**
		Internal policies to support good health and well-being in the workplace	**PEOPLE**
SDG4: Quality education	By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university (4.3)	KPMG Jan Hommen Scholarship to provide financial support to students at vocational colleges in the Netherlands Support for the Refugee Talent Hub, which offers training to refugees with financial or IT skills.	**PUBLIC TRUST**
SDG5: Gender equality	End all forms of discrimination against all women and girls everywhere (5.1) Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life (5.5)	KPMG policies and initiatives to eliminate discrimination in the workplace and support greater gender diversity	**PEOPLE**
SDG7: Affordable and clean energy	By 2030, increase substantially the share of renewable energy in the global energy mix (7.2)	Increase in use of renewable energy as part of a wider programme to reduce the firm's CO_2 emissions	**PUBLIC TRUST**
SDG8: Decent work and economic growth	Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors (8.2)	Support for KPMG clients through advisory business to digitalise systems processes, and introduce new technologies	**DIGITAL & INNOVATION**
	Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7% Gross Domestic Product (GDP) growth per annum in the least developed countries (8.1)	Support for economic growth by helping clients take opportunities to expand their business operations	**FINANCIAL STRENGTH**
SDG10: Reduce inequalities	By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status (10.2)	KPMG policies and initiatives to eliminate discrimination in the workplace and support greater diversity	**PEOPLE**
	Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations (10.5)	Improving confidence of financial markets in company reporting and disclosures through independent audits	**PUBLIC TRUST**
SDG12: Responsible consumption and production	By 2030, achieve the sustainable management and efficient use of natural resources (12.2)	Increase in use of renewable energy as part of a wider programme to reduce the firm's CO_2 emissions	**PUBLIC TRUST**

SDG	Underlying SDG target	Our contribution	Relevant strategic focus area
	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle (12.6)	Advising clients on strategies to reduce climate impact and transition to more responsible, low-carbon business models	**CLIENTS**
SDG13: Climate action	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries (13.1)	Advising clients on strategies to strengthen resilience to climate change and natural disasters	**CLIENTS**

For more information on the SDGs, please see: https://sdgs.un.org/goals

Development and use of KPIs

As part of our reporting, we identified a number of key performance indicators (KPIs) for each of our five strategic focus areas; details of our performance against these KPIs are included elsewhere in this report.

Strategic focus area	Chosen KPI	Performance 2020/2021	Performance 2019/2020	Reference
Public trust	• Assurance Quality Performance Reviews	84%	78%	**Public trust**
	• Advisory Quality Performance Reviews	98%	99%	**Public trust**
	• Partner involvement	8%	9%	**Public trust**
	• Brand value (year-on-year change)	USD 12.2 billion	USD 14.8 billion	**Public trust**
People	• Employee engagement	83%	80%	**People**
	• Retention rate	83%	86%	**People**
	• Diversity at partner and director level (% women)	19.2%	18.6%	**People**
Clients	• Clients satisfaction	96%	94%	**Clients**
	• Net Promoter Score	46%	46%	**Clients**
Digital & innovation	• Total investment in innovation	EUR 15 million	EUR 18 million (excl. impaired assets)	**Digital & innovation**
Financial strength	• Revenue growth	8%	3%	**Financial strength**
	• Profit before income tax	EUR 111 million	EUR 62 million	**Financial strength**
	• Investments	EUR 28 million	EUR 36 million	**Financial strength**

List of public interest entity clients

The following list represents 141 public interest clients as at 30 September 2021 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 Dutch Audit Firms Supervision Act, or in Dutch: Wta 'organisaties van openbaar belang').

ABN AMRO Levensverzekering N.V.
ABN AMRO Schadeverzekering N.V.
Accell Group 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.
Cairn CLO III B.V.
Centrale Ziektekostenverzekering NZV N.V.
Cetin Finance 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.
Douro Finance B.V.
Dryden 32 Euro CLO 2014 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.
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 2015-XVI B.V.
Jubilee CLO 2016-XVII B.V.
Jubilee CLO 2017-XIX B.V.
Karlou B.V.
Kiadis Pharma N.V.
Koninklijke Bibliotheek
Koninklijke DSM N.V.
LeasePlan Corporation N.V.
Lifetri Verzekeringen N.V.
LSP Life Sciences Fund N.V.
Madrileña Red de Gas Finance B.V.
Malin CLO B.V.
Menzis N.V.
Menzis Zorgverzekeraar N.V.
N.V. Levensverzekering-Maatschappij "De Hoop"
Nationale-Nederlanden Bank N.V.
Nationale-Nederlanden Levensverzekering Maatschappij N.V.
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
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. (new name seems to be Almunda Professionals N.V.)
OCI N.V.
OHRA Ziektekostenverzekeringen N.V.
Onderlinge Levensverzekering-Maatschappij 's Gravenhage U.A.
Onderlinge Verzekering Maatschappij Donatus 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.
PPF Financial Holdings B.V.

Qiagen N.V.
R.K. Woningstichting 'Ons Huis'
Robeco Afrika Fonds N.V.
Robeco Customized US Large Cap Equities N.V.
Robeco Sustainable Global Stars Equities Fund N.V. (prevouisly known as Robeco Global Star Equities Fund N.V.)
Robeco Umbrella Fund I N.V.
Robeco US Conservative High Dividend Equities N.V.
Rolinco N.V.
RoodMicrotec N.V.
Royal Schiphol Group N.V.
Stichting 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.
VVAA Schadeverzekeringen N.V.
Wereldhave N.V.
Woningstichting Eigen Haard
Woningstichting Wierden en Borgen
Woonstichting Lieven de Key
Yarden Uitvaartverzekeringen N.V.
Credit Europe Bank N.V.
CTP N.V.
Enel Insurance N.V.
FBN Finance Company B.V.
IJsbeer Energie Europa B.V.
Klaverblad Levensverzekering N.V.
Onderlinge Waarborgmaatschappij CZ groep U.A.
Postnl N.V.
Unilever Finance Netherlands B.V.
Woningborg N.V.
Vivoryon Therapeutics N.V.

Segmentation of revenue and other income

Audit and advisory fees

The tables below provide a breakdown of the firm's revenue for 2020/2021 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 Dutch Audit Firms Supervision Act (in Dutch: **Wta**) article 1p 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.

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 2020/2021.

Article 13(2)(k) of EU Regulation 537/2014:

i. 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;
ii. Revenues from the statutory audit of annual and consolidated financial statements of other entities;
iii. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm;
iv. Revenues from non-audit services to other entities.

(in EUR million)		2020/2021		2019/2020	
i	OOB clients (Wta)	**67.0**	**11%**	70.0	13%
ii	Non-OOB clients (Wta)	**117.2**	**20%**	107.8	20%
iii	Other audit clients	**48.9**	**8%**	50.6	9%
iv	Oher clients	**359.0**	**61%**	321.2	58%
Total		**592.1**	**100%**	549.6	100%

Roman numbers indicate the combinations for the summary table

KPMG N.V. 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	67.0	85%	iii	4.5	6%	7.4	9%	**78.9**	100%	-	0%	-	0%	**78.9**
Non-OOB clients (Wta)	ii	117.2	76%		15.0	10%	10.5	7%	**142.7**	93%	11.5	7%	-	0%	**154.2**
Other audit clients				iv	51.1	76%	6.6	10%	**57.7**	86%	9.3	14%	-	0%	**67.0**
Other clients							12.5	4%	**12.5**	4%	256.1	88%	23.4	8%	**292.0**
Total		**184.2**	**31%**		**70.6**	**12%**	**37.0**	**6%**	**291.8**	**49%**	**276.8**	**47%**	**23.4**	**4%**	**592.1**

Assurance 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	67.0	85%	iii	4.5	6%	7.3	9%	**78.8**	100%	-	0%	-	0%	**78.8**
Non-OOB clients (Wta)	ii	117.2	81%		15.0	10%	10.5	7%	**142.7**	98%	2.4	2%	-	0%	**145.1**
Other audit clients				iv	51.1	86%	6.6	11%	**57.7**	97%	1.9	3%	-	0%	**59.6**
Other clients							12.0	27%	**12.0**	27%	31.8	71%	0.8	2%	**44.6**
Total		**184.2**	**56%**		**70.6**	**22%**	**36.4**	**11%**	**291.2**	**89%**	**36.1**	**11%**	**0.8**	**0%**	**328.1**

Advisory 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	0.1	100%	**0.1**	100%	-	0%	-	0%	**0.1**
Non-OOB clients (Wta)	ii	-	0%		-	0%	-	0%	**-**	0%	9.1	100%	-	0%	**9.1**
Other audit clients				iv	0.1	1%	-	0%	**0.1**	1%	7.4	99%	-	0%	**7.5**
Other clients							0.5	0%	**0.5**	0%	224.3	99%	0.8	0%	**225.6**
Total		**-**	**0%**		**0.1**	**0%**	**0.6**	**0%**	**0.7**	**0%**	**240.8**	**99%**	**0.8**	**0%**	**242.3**

Shared Service 2020/2021		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	-	0%	**-**	0%	-	0%	-	0%	**-**
Non-OOB clients (Wta)	ii	-	0%		-	%	-	0%	**-**	0%	-	0%	-	0%	**-**
Other audit clients				iv	-	0%	-	0%	**-**	0%	-	0%	-	0%	**-**
Other clients							-	0%	**-**	0%	-	0%	21.7	100%	**21.7**
Total		**-**	**0%**		**-**	**0%**	**-**	**0%**	**-**	**0%**	**-**	**0%**	**21.7**	**100%**	**21.7**

Roman numbers indicate the combinations for the summary table

KPMG N.V. 2019/2020		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	70.0	87%	iii	4.9	6%	5.8	7%	**80.6**	100%	-	0%	-	0%	**80.6**
Non-OOB clients (Wta)	ii	107.8	73%		20.3	14%	10.7	7%	**138.8**	94%	8.9	6%	-	0%	**147.7**
Other audit clients				iv	46.8	83%	5.6	10%	**52.4**	93%	3.9	7%	-	0%	**56.3**
Other clients							7.6	3%	**7.6**	3%	233.1	88%	24.2	9%	**264.9**
Total		**177.8**	**32%**		**71.9**	**13%**	**29.8**	**5%**	**279.5**	**51%**	**246.0**	**45%**	**24.2**	**4%**	**549.6**

Assurance 2019/2020		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	70.0	87%	iii	4.9	6%	5.7	7%	**80.6**	100%	-	0%	-	0%	**80.6**
Non-OOB clients (Wta)	ii	107.8	76%		20.3	14%	10.7	8%	**138.8**	98%	2.2	2%	-	0%	**141.0**
Other audit clients				iv	46.8	88%	5.6	11%	**52.4**	99%	0.8	1%	-	0%	**53.2**
Other clients							7.1	20%	**7.1**	20%	26.9	76%	1.4	4%	**35.4**
Total		**177.8**	**57%**		**71.9**	**23%**	**29.2**	**9%**	**278.9**	**90%**	**29.9**	**10%**	**1.4**	**0%**	**310.1**

Advisory 2019/2020		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	-	100%	**-**	100%	-	0%	-	0%	**-**
Non-OOB clients (Wta)	ii	-	0%		-	0%	-	0%	**-**	0%	6.7	100%	-	0%	**6.8**
Other audit clients				iv	-	0%	-	0%	**-**	0%	3.1	100%	-	0%	**3.1**
Other clients							0.5	0%	**0.5**	0%	206.2	99%	1.2	1%	**208.0**
Total		**-**	**0%**		**-**	**0%**	**0.6**	**0%**	**0.6**	**0%**	**216.0**	**99%**	**1.2**	**1%**	**217.9**

Shared Service 2019/2020		Wta audits			Other financial statements audits		Other Assurance services		Total Assurance services		Advisory services		Other services		Total
OOB clients (Wta)	i	-	0%	iii	-	0%	-	0%	**-**	0%	-	0%	-	0%	**-**
Non-OOB clients (Wta)	ii	-	0%		-	0%	-	0%	**-**	0%	-	0%	-	0%	**-**
Other audit clients				iv	-	0%	-	0%	**-**	0%	-	0%	-	0%	**-**
Other clients							-	0%	**-**	0%	0.1	0%	21.5	100%	**21.6**
Total		**-**	**0%**		**-**	**0%**	**-**	**0%**	**-**	**0%**	**0.1**	**0%**	**21.5**	**100%**	**21.6**

Abbreviations used in this report

AFM	Dutch Authority for the Financial Markets (in Dutch: Autoriteit Financiële Markten)
AI	Artificial intelligence
AQC	Assurance Quality Committee (Supervisory Board)
AQIC	Audit Quality Improvement Council (internal)
AQI	Audit quality indicator
ARC	Audit & Risk Committee (Supervisory Board)
BoM	Board of Management
Bta	Dutch Audit Firms Supervision Decree (in Dutch: Besluit toezicht accountantsorganisaties)
CEAOB	Committee of European Auditing Oversight Bodies
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CSRD	Corporate Sustainability Reporting Directive
CTA	Commission on the Future of Accountancy
DANI	Digital Assurance & Innovation division
DPP	Department of Professional Practice (internal)
EQC	Engagement quality control
EQCR	Engagement Quality Control Review(er)
ERM	Enterprise Risk Management
ESG	Environment, social and governance
EU	European Union
EUR	Euro
FTE	Full-time equivalent
GDP	Gross Domestic Product
GDPR	EU General Data Protection Regulation
GPS	Global People Survey
GRI	Global Reporting Initiative
HR	Human resources
IAASB	International Auditing and Assurance Standards Board
IEA	International Energy Agency
IESBA	International Ethics Standard Board for Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IR	Integrated Reporting
ISQC 1	International Standard on Quality Control 1 (quality management standard for firms performing audits on financial statements or other assurance)
ISQM 1	International Standard on Quality Management 1
KCw	KPMG Clara workflow
KPI	Key performance indicator
MCA	Committee on Accountancy Monitoring
MFR	Mandatory Firm Rotation
NA	Not applicable
NBA	The Royal Netherlands Institute of Chartered Accountants (in Dutch: De Koninklijke Nederlandse Beroeporganisatie van Accountants)
NGO	Non-governmental organisation

Non-PIE	Non-Public Interest Entity according to Dutch law (equivalent, in the Netherlands, to OOB, Organisaties van Openbaar Belang according to Dutch law)
NOW	Dutch government's temporary Emergency Bridging Measure for Sustained Employment (in Dutch, Tijdelijke Noodmaatregel Overbrugging voor Werkbehoud)
NPS	Net Promoter Score
OOB	Organisatie van Openbaar Belang
PCAOB	Public Company Accounting Oversight Board (US)
PIE	Public Interest Entity according to Dutch law (equivalent, in the Netherlands, to OOB, Organisaties van Openbaar Belang according to Dutch law)
QPR	Quality performance review (internal review to ensure engagement comply with relevant professional standards)
QRMG	Quality & Risk Management Group (internal)
RAC	Remuneration & Appointment Committee (Supervisory Board)
SASB	Sustainability Accounting Standards Board
SDG	UN Sustainable Development Goals
VCM	Value creation model
ViO	Verordening inzake de onafhankelijkheid van accountants bij assurance opdrachten – or Regulation concerning the independence of accountants in assurance engagements
VNO-NCW	Dutch employers' federation (product of merger between the former Verbond van Nederlandse Ondernemingen (VNO) and the Nederlands Christelijk Werkgeversverbond (CNW)
VRF	Value Reporting Foundation
Wta	Dutch Audit Firms Supervision Act (in Dutch: Wet toezicht accountantsorganisatie)
WAB	Dutch Auditors' Profession Act (in Dutch: Wet op het accountantsberoep)

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GRI content index

Global Reporting Initiative content index

Standard	Disclosure	Section
GRI 2: General disclosures 2021		
The organisation and its reporting practices		
2-1	Organisational details	Our business
2-2	Entities included in the organization's sustainability reporting	About this report
2-3	Reporting period, frequency and contact point	About this report, Reporting principles
2-4	Restatements of information	n/a
2-5	External assurance	Independent auditor's report, Reporting principles – External assurance
Activities and workers		
2-6	Activities, value chain and other business relationships	Our approach to value creation
2-7	Employees	Organisational structure
2-8	Workers who are not employees	n/a
Governance		
2-9	Governance structure and composition	Governance, Members of our Board of Management, Supervisory Board report
2-10	Nomination and selection of the highest governance body	Governance, Supervisory Board report
2-11	Chair of the highest governance body	Governance
2-12	Role of the highest governance body in overseeing the management impacts	n/a
2-13	Delegation of responsibility for managing impacts	n/a
2-14	Role of the highest governance body in sustainability reporting	n/a
2-15	Conflicts of interest	Functioning of the Supervisory Board - Independence
2-16	Communication of critical concerns	Governance – Code of conduct and other internal controls, Public trust – Our performance
2-17	Collective knowledge of the highest governance body	Supervisory Board report
2-18	Evaluation of the performance of the highest governance body	Functioning of the Supervisory Board – Board evaluation
2-19	Remuneration policies	Remuneration report
2-20	Process to determine remuneration	Remuneration report
2-21	Annual total compensation ratio	n/a

Global Reporting Initiative content index (continued)

Standard	Disclosure	Section
GRI 2: General disclosures 2021		
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Letter from our CEO
2-23	Policy commitments	Public trust – Our performance, Governance – Code of conduct and other internal controls
2-24	Embedding policy commitments	Public trust – Our performance, Governance
2-25	Process to remediate negative impacts	n/a
2-26	Mechanisms for seeking advice and raising concerns	Governance – Code of conduct and other internal controls
2-27	Compliance with laws and regulations	Governance – External regulation
2-28	Membership associations	n/a
Stakeholder engagement		
2-29	Approach to stakeholder engagement	Stakeholder dialogue
2-30	Collective bargaining agreements	n/a
GRI 3: Material topics 2021		
3-1	Process to determine material topics	Strategy & value creation – Materiality
3-2	List of material topics	Strategy & value creation – Materiality, Reporting principles – Materiality assessment
3-3	Management of material topics	Strategic pillars

Global Reporting Initiative content index (continued)

Strategic pillar	Material topic	GRI disclosure	Section
	Integrity & independence	**205-1** Operations assessed for risks related to corruption	People – Our performance
		205-2 Communication and training about anti-corruption policies and procedures	People – Our performance
		205-3 Confirmed incidents of corruption and actions taken	People – Our performance
Public trust	Quality & transparency	**KPMG** – AQIs	Public trust - Audit quality indicators
	Societal impact	**203-1** Infrastructure investments and services supported	n/a (through Advisory engagements)
		203-2 Significant indirect economic impacts	n/a
	Being a good employer	**401-1** New employee hires and employee turnover	n/a
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	n/a
		401-3 Parental leave	n/a
People	Inclusion & diversity	**405-1** Diversity of governance bodies and employees	People, Members of our Board of Management, Functioning of the Supervisory Board
		405-2 Ratio of basic salary and remuneration of women to men	People
		406-1 Incidents of discrimination and corrective actions taken	n/a
	Talent development	**404-1** Average hours of training per year per employee	People – Our performance
		404-2 Programs for upgrading employee skills and transition assistance programs	Digital & innovation - Our performance
		404-3 Percentage of employees receiving regular performance and career development reviews	Remuneration report
Clients	Client satisfaction	**KPMG** – NPS	Clients – Our performance
Digital & innovation	Vision & thought leadership	**KPMG**	CEO Letter, throughout the report
	Innovation	**KPMG**	Digital & innovation - Our performance
	Partnerships & alliances	**KPMG**	Digital & innovation - Our performance
Financial strength	Sustainable profit	**201-1** Direct economic value generated and distributed	n/a
		201-2 Financial implications and other risks and opportunities due to climate change	n/a
		201-3 Defined benefit plan obligations and other retirement plans	n/a
		201-4 Financial assistance received from government	n/a
			n/a

(n/a: not applicable)

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