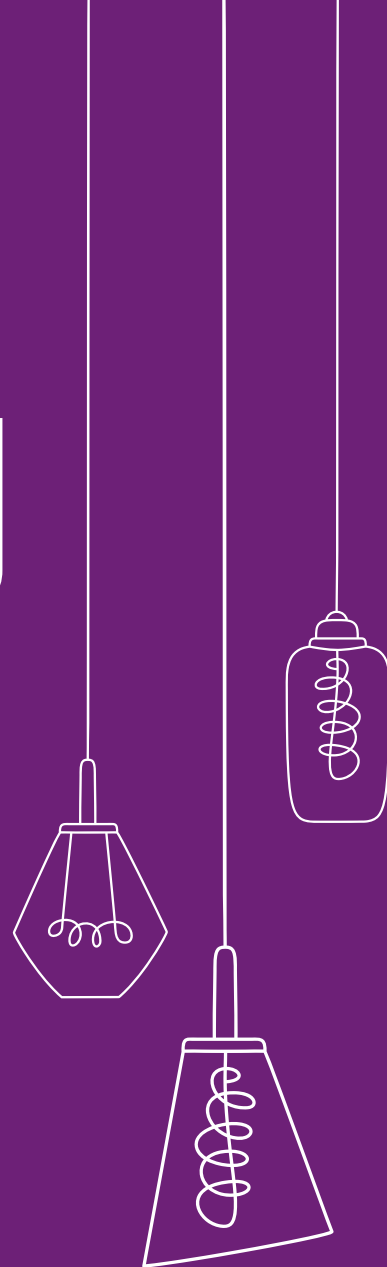




Outsourcing

Why? What? How? Where?



kpmg.ro





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Introduction

The year 2020 brought unprecedented challenges to the entire global economy. COVID is a catalyst for change that delivers **REAL AGILITY & FLEXIBILITY**.

Outsourcing non-core activities together with advanced technology are at the core of the new business models that have transformed the rules of the game in today's business world and are **NOW MORE RELEVANT THAN EVER!**

Consumer behaviour has changed and so have we! We place true value on being a real partner, not in traditional service delivery.

We are here to assist you.

The eExternalization of the key back-office activities will help you reduce expenses and risk, focus on your core business, enhance efficiency, standardize your processes and step into the future, thanks to our innovative solutions.

This brochure aims to address the business model proposed by us, by answering the main questions:

WHY?, WHAT?, HOW? WHERE?

Meet our KPMG in Romania Outsourcing HUB!



“

Romania has a wealth of outsourcing opportunities to offer. We provide you with a ticket in the front row!



Richard Perrin

Leader, Romania Outsourcing Hub

”

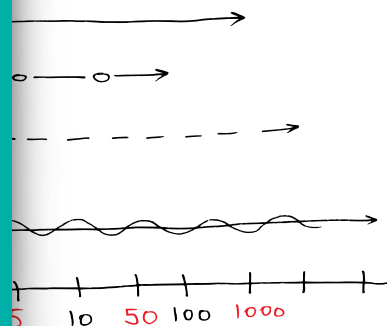
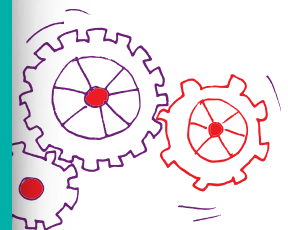
We offer a chance to unleash the creativity of your loyal teams in order to help you to reach your highest potential, and step into the future of working.



Cristina Ionescu

Operational Director, Romania Outsourcing Hub

”



Why accounting outsourcing?

Richard Perrin

Leader, Romania Outsourcing Hub



Efficiency Proposition

Key Objectives

Value enhancement

- Centralise key accounting activities and competences to a reputable and experienced firm.
- Measurable efficiency improvements.
- Standardisation of processes.
- Speed of decision making, as lean processes are used.
- Dedicated competence mix available, just-in-time.
- Employee related risks covered by KPMG
- Work remotely in client software.
- E-invoices as a service.
- KPI mix to fit client needs.
- Continuous efficiency monitoring and process optimisation.
- High adaptability to clients' needs.
- Allows companies to focus on key business and core competencies.
- Better use of support from IT applications.
- Addressing compliance issues and data security.






Cost reduction

- Cost efficiency due to labor arbitrage.
- Process efficiency related cost reductions.
- Efficiency through competence mix.
- Scanning proposition for cost reduction.
- One pool of resources

Other benefits for the client

- Staffing flexibility
- Brings the benefits of the best practices in the area.
- Risk sharing - shifts certain responsibilities to the services provider.
- Reduces life cycle employee cost.
- Boosts competitiveness.
- Employee shortage related risks covered by KPMG



	Client's obstacles	Client's measures	KPMG's response
Feeling a loss of control over 	<ul style="list-style-type: none">- Company budgets.- Local people.- Decision making process.- Accounting information.	<ul style="list-style-type: none">- Strong sponsorship.- Benefits stated loud and clear.	<ul style="list-style-type: none">- Promise of full transparency.- Open communication.- Working with client's data in client's accounting software.
Consequences for local employment 	Reduced local headcount	Assist local employees in overcoming outsourcing consequences.	Assistance in dealing with the HR related matters.
Different goals in terms of 	<ul style="list-style-type: none">- Conducting business.- Interacting with stakeholders.	Goals alignment prior to outsourcing	Dedicate resources and activities to achievement of goals.
Local practices 	<ul style="list-style-type: none">- Varies from one location to another.- Uses different means of achieving the same result.	Harmonization of processes and standardization amongst locations.	Give support during harmonization and standardization of processes.
Routine of business and natural resistance to change 	<ul style="list-style-type: none">- Change of the current business model.- Resistance to change and its implications.	<ul style="list-style-type: none">- Open communication with its employees and other business partners.- Strong sponsorship to support the acceptance of the new business model.	<ul style="list-style-type: none">- Fair and honest business relationship.- Permanent communication with client's management.

Potential obstacles and counter measures



What to outsource?

Cristina Ionescu

Operational Director,
Romania Outsourcing Hub



KPMG acts as your partner for Finance & Accounting tasks

01. Vendor and Customer Master Data

- Master data creation and maintenance in the accounting software
- Analysis of vendor and customer performance
- Blocking / deletion
- Status update in the accounting software

02. Accounts Payable, including Dispute Management

- Receipt of invoices, conformity checking, sending for resolution and approval, blocking / unblocking, posting.
- Good receipt / invoice receipt (GR/ IR) clearing
- Payment proposal
- E-invoices as a service

- Calculation of the cost recognition for prepaid expenses
- Revaluation
- Reconciliation
- Archiving
- Dispute management activities



03. Accounts Receivable, including Collections

- Posting and reversal of invoices, posting of proforma invoices
- Calculation and posting of bad debts
- Posting and reversal of bills of exchange

- Revaluation
- Reconciliation
- Credit limit posting
- Client status
- Preparation and submission of payment reminders
- Preparation of summons letters
- Support during legal file preparation

04. Fixed Assets

- Asset and sub-assets creation
- Creation of assets in progress
- Monthly settlement for CAPEX projects
- Posting of assets entry
- Depreciation, calculation and posting
- Posting of disposals, scrapping
- Reconciliation
- Posting of stock count differences

05. Vendor and Customer Master Data

- Confirmation of payment proposal
- Petty cash register posting and revaluation
- Calculation and posting of various accruals
- Posting of capital movements
- Closing revenues and expenses
- Calculation and posting of retained earnings
- Carry forward procedures
- Payroll posting
- Posting of cost recognition for prepaid expenses
- Intercompany reconciliation
- Support during the preparation of financial statements for statutory and group reporting purposes

06. Bank Accounting

- Posting of incoming and outgoing payments
- Posting of bank commissions and interest
- Posting of loan movements
- Posting of f/x gains / losses
- Posting of netting of interunit transactions

The percentage of activities transferred varies with the process. Based on our experience and your demand, we can transfer between 90-100% of Accounts Payables, Accounts Receivables, Fixed Assets, General Ledger, Bank Accounting and Travel & Expenses. The remaining processes can be transferred up to similar percentages, upon the client's request.

Note: we will not take over operational activities, such as management of inventories or tax advice. Furthermore, the management responsibilities and the decision making process remain with you.



07. Taxes

- VAT posting and return preparation
- Corporate income tax calculation posting and return preparation
- Posting of local taxes
- Posting of the employee expense report
- Payment proposal for employees
- Reconciliation for employees' open items

09. Inventories

- VAT posting and return preparation
- Corporate income tax calculation posting and return preparation
- Posting of local taxes

08. Travel & Expenses

- Receipt of T&E reports and conformity checking
- Confirmation receipt of employee expense report and validation according to the Travel Policy
- Remittance for correction of the employee expense report



How to outsource?

Steps for transferring activities - overview

KPMG applies a well defined methodology to transfer activities. This methodology enables us to successfully guide the delivery of transformation initiatives with our clients, with minimum disruption to the client's activity.



01. Strategy

- Define the strategy for the transfer
- Decide on the activities in-scope for transfer
- Agree on timing and resources

02. Shadowing

- The KPMG team will shadow your accountants in order to understand their daily activities, challenges, means of posting etc.
- The shadowing period will include a month end closing
- Interfacing the accounting application with the Optical Character Recognition tool

03. Preparing

- KPMG will draft / update the process manuals that will detail all the activities to be carried out.
- Working in the test environment
- Identifying opportunities for improvement

04. Work in parallel

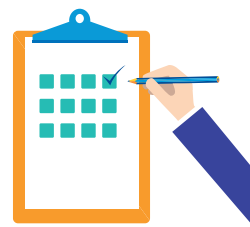
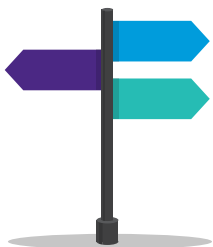
KPMG will start posting in the production environment, while your accountants will check the completeness and accuracy of our work

05. Go-live

We will work independently, with minimum support from your side

06. Efficiency improvements

We will start improving the efficiency of the activities transferred, where possible



01 Strategy

We will work together with you to obtain a high level understanding of your business, in order to deliver high quality services to your satisfaction.

We will assess with you which are the activities currently carried out and decide on their split between **“to be outsourced”** and **“to remain in-house”**.

We will decide on the timing and the resources needed to complete the transfer.

We will identify and discuss with you the main critical areas that need to be addressed in order to deliver an efficient transfer.

Both you and we will appoint a project manager to lead our teams and to ensure that the transfer is performed smoothly.

We will define the contractual terms.

02 Shadowing

Our teams will be introduced to each other and they will be informed about the scope of their cooperation.

KPMG’s team will be formed of experienced accountants, with significant technical knowledge.

While shadowing your accountants, KPMG’s team will review the process manuals provided by you, where appropriate, to identify areas where updating is required.

Our previous experience has shown to us that efficient shadowing of activities lasts for up to 2-4 weeks, depending also on the complexity of your business model. The shadowing period will include a month-end closing.

While shadowing, your accountants will transfer knowledge to our team in terms of technical requirements, legal aspects to be considered (e.g. VAT for categories of invoices), posting schemes, transactions to be used, flow of information, internal controls implemented, archiving of documentation etc.

We will interface your accounting software with the Optical Character Recognition tool we use in delivering services to our clients.

03 Preparing

After completing the shadowing activity, we will proceed with updating / preparing the process manuals to describe in detail the work we are going to carry out.

While updating / preparing the process manuals, we will contact your accountants for additional information needed, where appropriate.

If you benefit from a test environment, we will use it to post documents in order to familiarize ourselves with your accounting requirements and means of recording documents.

We will require access to the production environment of your accounting software, to prepare for the next stage.

We will assess together the existing backlog and will decide on how to deal with it.

We will identify improvement opportunities that will be implemented after the go-live. The improvement opportunities will be discussed with you.



04 Work in parallel

You will grant us access to your accounting application, in the production environment.

We will start carrying out activities and posting in the production environment, in parallel with your accountants. Our aim is to carry out most of the activities / postings, under the supervision and review of your accountants.

We will carry out a month-end closing, under your supervision.

We will adjust the process manuals with the latest information obtained.

We will provide you the process manuals for review and approval.

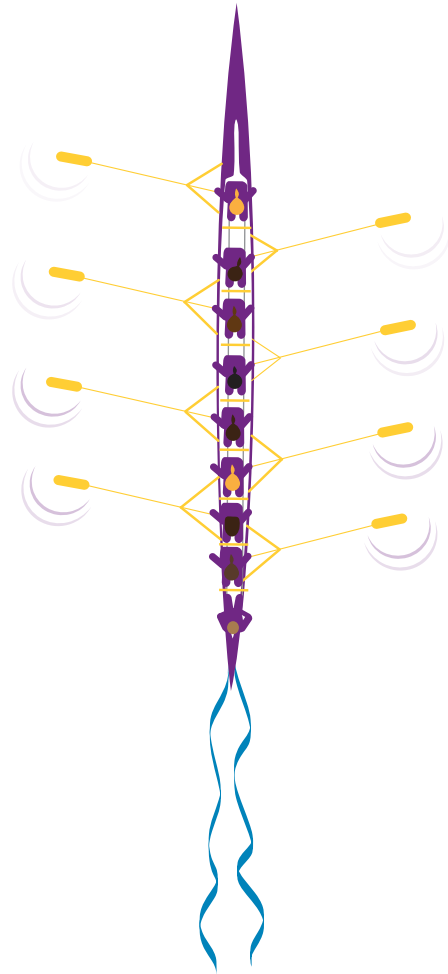
We will prepare and sign the Service Level Agreement to govern our business relationship.



05 Go-live

The transfer is completed, all the agreed tasks are transferred to us and we will start working independently.

Access to the accounting software for your accountants will be removed, when you decide that this can be done.



06 Improvement opportunities

We will start implementing the improvement opportunities we identified during the Preparing phase.

For some of the improvements, we might require your assistance.

The improvements we implement will be agreed with you.

The improvements might be related, but not limited to, potential automations, changes in current processes, segregation of duties, implementation of internal controls, reports to be prepared etc.

KPMG uses an Optical Character Recognition tool to **enhance** your profit



**We use the client's accounting software,
linked with a customised scanning
solution:**

- Market Leader in Intelligent Document Processing
- Facilitates various means of providing documentation (e-mail, SharePoint, smartphones etc.).
- Reduces posting time.
- Increases posting accuracy.
- Reduces associated costs.
- 99.9% accuracy.
- Timeline: 24h.

**The outsourcing success will be our
common achievement**

We will support by:

- Setting clear goals and a clear sponsorship framework.
- Defining clearly the timeline for accomplishing transformation.
- Defining the sourcing and operating model.
- Communicating the new operating model.
- Allocating resources for a successful transition.
- Appointing key personnel responsible for implementing the new operating model.
- Undertaking continuous monitoring and improvement.

Where to outsource?

Romania at a glance

Romania overview:

- Population: 19,317,984
- Official language: Romanian
- Highest growth rate in EU: 2019 - 4.1 %

Romanian Outsourcing Market – General Information

Covid response:

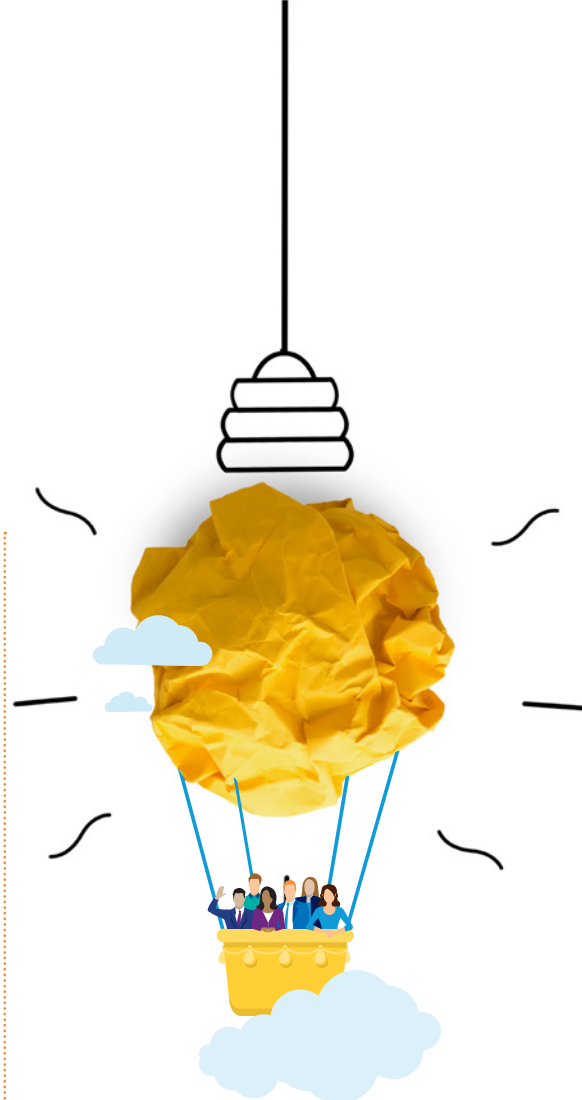
The Romanian Business Services Industry quickly adapted to the COVID 19 context, as the concept of outsourcing is intrinsically based on working remotely.

The sector was perhaps the best prepared for remote work. All service level agreements were honoured, with no disruption to quality or timelines.

The sector is expected to record an accelerated growth, as we expect the cost pressure the global economy will experience to be financed by the savings that the outsourcing industry can produce.

Romania's competitive advantage

- Solid educational system, with a strong focus on IT and finance & accounting.
- Competitive edge of the Romanian work force due to cultural compatibility and a high standard of foreign language skills.
- High value services provided with competitive costs.



Past drivers



Reducing operation costs



Improved process performance



Economies of scale

Current and future drivers



Innovation



Differentiation



Cost efficiency



Process re-engineering

Outsourcing footprint

• Cluj Napoca •

- HP (GEBOC)
- Genpact
- Evalueserve
- Office Depot
- Bombardier Transportation
- Emerson
- E.ON International SSC

• Timișoara •

- S&T
- WIPRO
- Oracle
- Bosch Service Solutions
- Continental Automotive
- Accenture
- Hella

• Iași •

- Amazon Development Center
- Continental Automotive
- Ness
- XL World
- Xerox

• București •

- P&G Procurement Center
- WIPRO
- Huawei
- Honeywell
- Vodafone
- Michelin
- Allianz
- Deutsche Bank
- DB Schenker
- Kellogg's

- HP
- IBM GDC
- Oracle EMEA
- Microsoft
- WNS Global Services
- OMV Petrom Global Solutions
- Societe Generale EBS
- Genpact
- Ericsson GSDC
- S&T

KPMG

our values

— We do what is right —

INTEGRITY

— We never stop learning and improving —

EXCELLENCE

— We think and act boldly —

COURAGE

— We respect each other —

TOGETHER

— We draw strength from our differences —

— We do what matters —

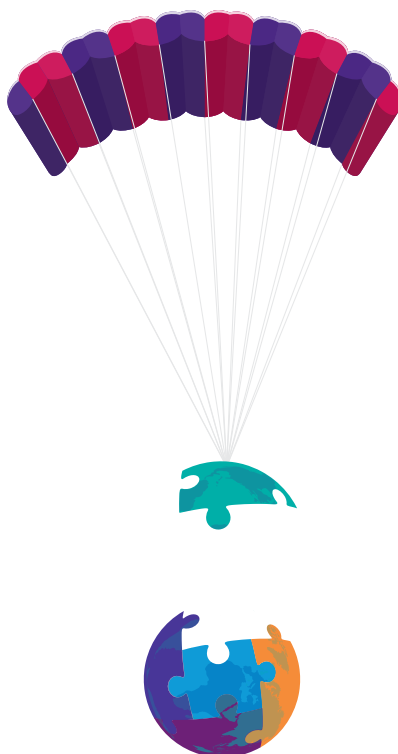
For Better

Our values

KPMG in Romania offers Audit, Tax and Advisory services to a large range of organisations from the private and public sectors. We assist firms and organisations in meeting their compliance requirements and help them, to develop, restructure and access financing, adding value to our clients' business. We have specialised staff with different skills and backgrounds, and we are flexible – **we adapt our services and develop new ones to meet the needs of clients as market conditions change.**

KPMG in Romania is a member firm within the global KPMG network, which has offices in **155 countries** and **62,000 staff worldwide**. So we combine detailed local knowledge with the international skills and experience we can draw on from other KPMG firms.

KPMG in Romania opened its first office in 1994 and now employs **more than 800 professionals**, including both local and expatriate staff, in Bucharest, Timisoara, Cluj, Iasi and Constanta. KPMG in Moldova opened in 1997 in Chisinau. Both are member firms of KPMG International, a private English company.



KPMG is committed to integrating environmental best practice into all of our business activities. We take our environmental responsibility seriously, and, through a program of continuous improvement throughout all our operations, we are working to reduce further our carbon emissions.

KPMG in Romania considers itself a responsible company and has implemented an Environmental Policy since 2008. One of our recent achievements in this area is the **ISO 14001 certification obtained in 2009, demonstrating that KPMG in Romania meets the requirements.**

And we didn't stop here. To find out more about our actions, including volunteering, tree planting, donations, education and much more, please visit our website **www.kpmg.ro**.

KPMG – a trusted outsourcing partner

We are proud of what we have accomplished so far in KPMG in the provision of both outsourcing services and advisory services in connection with the outsourcing industry. Consequently, we strongly believe that KPMG can bring you the required value and deliver results efficiently, because:

- We have previous experience in providing outsourcing services. We have been providing Finance & Accounting services to our clients for many years so far. We have a database of more than 170 clients.
- We have our own Shared Service Centre, the Audit Delivery Academy. With a headcount of roughly 150 FTEs, we provide services to KPMG offices in five European countries: Belgium, Denmark, Sweden, France and Romania.

- KPMG is the strategic consultant for the Association of Business Service Leaders in Romania, an Association whose members are outsourcing companies which operate in the Romanian market. This position helps us to gain insights into the latest market trends and the business of companies providing services to various industries, as well as a good overview of the market in terms of the processes, trends, challenges and benefits of outsourcing.
- We are the number one outsourcing advisor. KPMG International was named 2016 Global Outsourcing Leader by the International Association of Outsourcing Professionals (IAOP). Furthermore, KPMG worldwide has a long history of providing outsourcing services to its clients.

KPMG – our commitment to our outsourcing clients

We treat clients' businesses as if they were our own. We deliver services with diligence and responsibility.

We can work in our clients' accounting tools, to avoid disruption in their activities and additional investments in accounting software and IT infrastructure.

We deliver services with lower costs than the costs our clients would incur by running their own Finance & Accounting Department.

We bring value added to our clients through providing qualitative services and through continuous improvement.

We deliver easy transition without business interruption.

Services are provided in the language of the client.

Our commitments to our clients are numerous and depend on their business model. **We ...**

Match the working schedule of our clients.

Treat your requests as a priority. We respond to your "regular" e-mails / requests in a business day and to "urgent" e-mails in two hours, considering the normal working schedule agreed with the client.

Post all the documents received in a maximum of two working days.

Aim for a maximum 3% of parked documents that need to be clarified before posting, 6 months after the go-live.



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Leader,
Romania Outsourcing Hub

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