



# Sustaining Trust



**KPMG South Africa  
Annual Integrated Report 2021**

# KPMG Values


Our Values represent what we believe in, and what's important to us as an organisation. They guide our behaviours day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:

 **Integrity** We do what is right.

 **Excellence** We never stop learning and improving.

 **Courage** We think and act boldly.

 **Together** We respect each other and draw strengths from our differences.

 **For Better** We do what matters.

KPMG's Values express the organisation's long-standing core beliefs. The language was updated in the previous year to make them bolder, simpler and more memorable to help each of us bring them to life every day.



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# About this report

## Making an informed assessment

Our KPMG South Africa (KPMG SA) voluntary Integrated Report is an expression of our commitment to transparency and open engagement with our stakeholders. Our aim is to enhance our stakeholders' understanding of how we have addressed past issues, how we are dealing with current and future challenges and how we are leveraging our resources and relationships to create sustainable value in the short (one year), medium (two to three years) and long (five years) term. We trust that our report will enable you to make knowledgeable and confident decisions when it comes to your working relationship with us.

## Providing a comprehensive overview

KPMG SA releases two formal public reports annually being our Annual Integrated Report (this report) and our Transparency Report (a separate but complementary report).

KPMG complies with the transparency objectives of the European Union's Regulation 537/2014. This regulation requires South African statutory auditors of public interest entities to publish annual transparency reports. Accordingly, information presented in this report is supplemented by our [Transparency Report 2021](#) published on 28 February 2022.

Both reports are available on our website. You can also email KPMG SA's Head of Communications in the office of the CEO, Dudu Ndlovu on [dudu.ndlovu@kpmg.co.za](mailto:dudu.ndlovu@kpmg.co.za) to obtain a copy of the report.

KPMG SA Integrated Report 2021	KPMG SA Transparency Report 2021
	
<p>Concise descriptions of our business model, strategy, risks, governance, performance and prospects in the context of our external environment and engagement with stakeholders.</p>	<p>Detailed descriptions of our systems of audit quality control, independence and risk management policies, audit approach, ethical standards, audit quality indicators and related governance processes.</p>

## Basis of preparation and presentation

Our reporting process for this Integrated Report has been guided by the principles and requirements contained in the International Integrated Reporting <IR> Framework (2021),

the King Code on Corporate Governance 2016 (King IV™) and the South African Companies Act, No. 71 of 2008. We have established an Integrated Report Steering Committee and working group to ensure that the presentation of information is complete, balanced, accurate and clear. The Committee has developed processes and work plans to establish a robust <IR> process with appropriate controls and oversight. The process and report is overseen by the Combined Assurance & Reporting Committee and reviewed and approved by the Policy Board.

## Approval process and materiality

The Policy Board is ultimately responsible for overseeing the integrity of this Integrated Report. In the Policy Board's opinion, this report has been prepared in accordance with the International <IR> Framework. We have applied the principal of materiality in preparing this report, which, in the Policy Board's opinion, provides a fair and balanced account of the firm's performance on those material matters that we have assessed as having a bearing on our capacity to create, sustain or erode value for all our stakeholders in the short, medium or long term. All issues identified as being material by the Policy Board have been disclosed in this report

We have assessed issues, risks and opportunities that significantly impact value creation not just for ourselves and our clients, but also for the public interest and the communities in which we operate. We have also considered the six capitals, as well the United Nations Sustainable Development Goals (UN SDGs) with which we have chosen to align. This approach reflects our core purpose to contribute to a trusted society by inspiring confidence and empowering change in our country as well as the countries in which other KPMG firms operate.

The KPMG SA Integrated Report for FY21 was independently reviewed by Isibani-ci (Pty) Ltd.

The Policy Board approved this report, being the KPMG SA Integrated Report FY21 on 12 April 2022.

## References to KPMG

Throughout this report, whenever we refer to 'KPMG SA' and 'the firm', we refer to the KPMG member firm in South Africa. The term 'KPMG Southern Africa' relates to the independent member firms operating in Southern Africa, while 'KPMG International' (KPMGI) refers to KPMG International Limited, a private English company limited by guarantee with which all KPMG member firms are associated. KPMGI does not provide services to clients. 'KPMG Global' refers to the global organisation of member firms of KPMG International Limited ('KPMG International'), each of which is a separate legal entity.

KPMG is a global organisation of professional services firms providing Audit, Tax and Advisory services.

KPMG is the brand under which the KPMG member firms operate and provide professional services. In this report, the terms 'KPMG' and 'KPMG firms' are used to refer to one or more of the member firms of KPMGI, each of which is a separate legal entity. No member firm has any authority to obligate or bind KPMGI or any other member firm vis-à-vis third parties, nor does KPMGI have any such authority to obligate or bind any member firm.

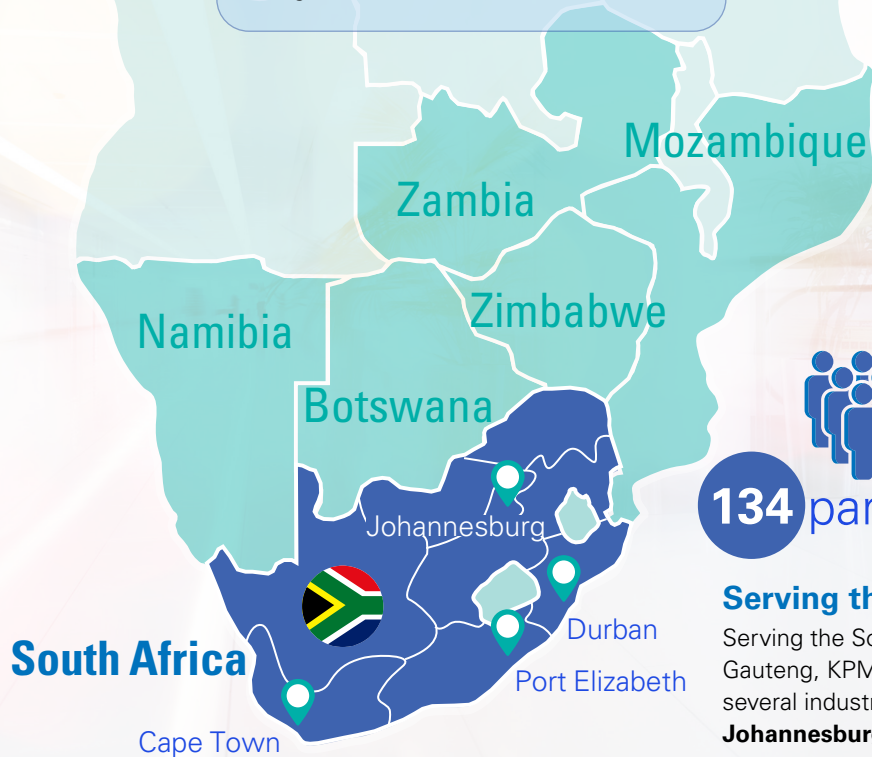
## Scope and boundary

This report covers KPMG SA's operations (see page 4 for details of where we operate). It reviews our strategy and business model, together with the most material risks and opportunities and outcomes faced by our business. It also covers our operational and governance performance for the financial year from 1 October 2020 to 30 September 2021. To enhance the reader's overview of our performance, where relevant we have included significant matters that arose after year-end.



# About KPMG Southern Africa

KPMG is well represented in Southern Africa. With South Africa as the largest and anchor practice of the region, we have a presence in most of the neighbouring countries where we regionally service the needs of our local and global clients. This comprises our offices in **Namibia, Zimbabwe, Botswana, Zambia, Mauritius** and **Mozambique**. We have an impressive Africa footprint of **24 practices** serving **54 countries**.



## Global KPMG organisation

**People** We're committed to creating a caring, inclusive and values-led culture, and providing our people with opportunities to grow.

More than **236 000** partners and employees globally

**By gender\***



**Americas**  
59 325

**EMA**  
126 483

**Asia Pacific**  
50 449

★ Business students have ranked KPMG as one of the 'World's Most Attractive Employers to Work For in FY21 again.' ★

\*KPMG is committed to inclusivity and better monitoring gender beyond the binary going forward. Headcount reported above is based on partners and staff employed as at 30 September 2021. EMA=Europe, Middle East and Africa, including India FY21: 1 October 2020 — 30 September 2021

**1 888** professionals

**134** partners

**Mauritius**

### Serving the South African market for over 125 years

Serving the South African market for over **125 years** and headquartered in Parktown, Gauteng, KPMG SA collectively has **134 partners** and **1 888 professionals** servicing several industries across our country's nine provinces. We operate from four offices across **Johannesburg, Cape Town, Durban** and **Gqeberha**.

### Our professional services include:

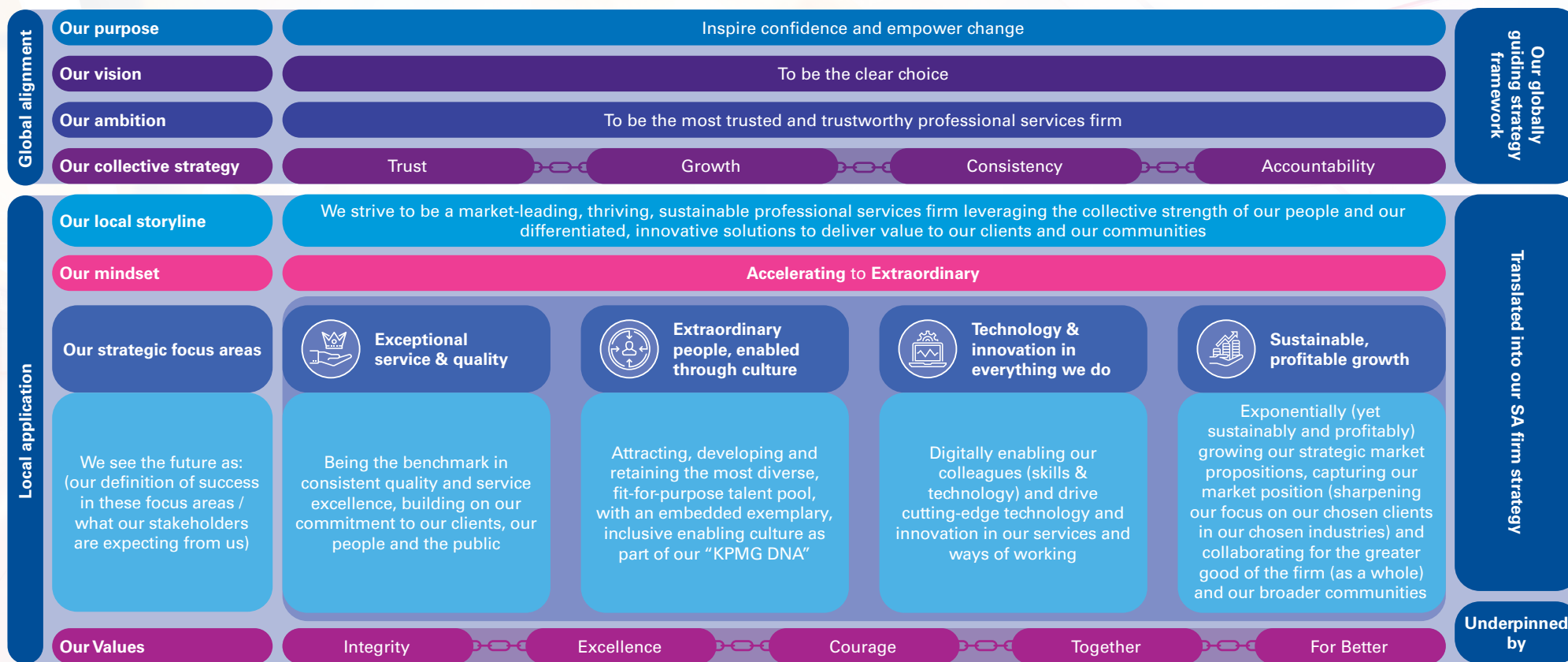
- Audit
- Tax & Legal
- Advisory

# Executive overview of the year

During 2021 the firm updated our strategic framework with a newly invigorated plan. While 'Welcome to Tomorrow' served us well during a time where we reset our business and transformed many of our processes, governance policies and ultimately our culture, as covered in prior year reports, we needed to look forward. We have now done so with an invigorated plan entitled 'Accelerating to Extraordinary'.

The plan expresses the ambitions and commitments we are making looking forward to ensure that we shift the dial from surviving to thriving without ever wavering on our commitments to serve the public interest.

The KPMG SA strategic framework is an extension of the KPMG global organisation's collective strategy as depicted at the top of the framework.



Key milestones classified under the four pillars of our strategic focus areas per our 'Accelerating to Extraordinary' plan were as follows:



### Exceptional service and quality

- First audit firm in South Africa to stop offering non audit related services to listed audit clients with effect from 31 March 2021\*
- Appointment of an executive sponsor to monitor values and culture
- Establishment of a steering committee to elevate and drive the values and culture mandate
- Investigated our internal value-orientations through a cultural diagnostic values assessment, the Barrett assessment
- From 1 October 2021, the seven Southern African KPMG firms will cooperate more closely regionally in our Audit, Advisory and Tax & Legal client delivery functions

### Audit\*\*

- Implemented the new Global Quality Framework which outlines how every partner and employee contribute to delivering high-quality audits across the KPMG Global Organisation
- Significantly advanced our implementation of the new International Standards on Quality Management (ISQM 1) in anticipation of the December 2022 effective date
- Our 2021 QPR results showed that 82% of the engagements reviewed received the highest quality rating (2020: 63%)
- Continued to operationalise KPMG Clara which provides a platform for sharing the latest technology enabled data analytics, artificial intelligence and robotic process automation in audit routines specific to our clients' industries
- All staff trained in a virtual environment on using KPMG Clara
- Continued KPMG SA sponsorship and participation in Audit Committee and CFO Forums

### Advisory

- Achieved a green rating in the QPR for FY21 – 84% (FY20: 48%)
- Centralised planning improved cross-utilisation of resources

### Tax & Legal

- Improved quality and turnaround processing times for our client engagement, acceptance and continuances processes with the team processing almost 1 500 related requests during the year.
- Achieved a green rating in the QPR

\* Non-audit services. We were the first firm to announce that we will cease all future non-audit related services for our JSE listed audit clients effective 31 March 2021. We have taken this step with the primary aim to improve the perception of auditor independence and protecting the interests of the public. We continue to provide services closely related to the audit which include services typically carried out by (or under the direction of) the auditor or require an IRBA registered auditor (with assurance status) to report on. These permissible services include among others reporting required by the auditor under law or regulation, reviews of financial information, agreed upon procedures engagements and reporting in terms of other assurance standards issued by the International Auditing and Assurance Standards Board. Services that would typically not be permitted include tax and advisory/consulting services that are not provided as part of the audit engagement. For existing, contracted non-audit-related services at 31 March 2021, that would no longer be permissible in terms of our new policy, sensible transition arrangements were agreed with our clients.

\*\* Refer to our separate Transparency Report for additional disclosure





### Extraordinary people, enabled through culture

- Maintained our level 1 BBBEE rating
- Market leading partnership with the Association for the Advancement of Black Accountants of Southern Africa (ABASA) upskilling and training small and medium black owned firms
- Revised approach to performance development
- Employed a more agile, opportunity-led promotions approach, with a continued focus on transformation targets, promoting 49 permanent colleagues through this approach in FY21
- Implemented a programme for people with disabilities, together with a workplace programme for the LGBTQ+ community
- Positive Global People Survey (GPS) results, particularly in terms of Collaboration; Values, Vision and Strategy, as well as Learning. Improvement in the following categories: Career Growth, Corporate Citizenship, Leadership
- Total African, Coloured, Indian (ACI) staff complement increased by 2% in 2021 and our Black partner representation increased by 3%
- Over 100 colleagues participated in the Emerging Leader programme

### Audit

- In the January 2021 SAICA ICT exam, two KPMG candidates obtained honours and were among the top 10 students

### Advisory

- Teams approved to provide all the accredited services as per the global framework, which covers 10 services lines across the Advisory specialisation areas

### Tax & Legal

- Launched the first two tiers of our Emerging Leader pilot and Lite Programmes targeted at junior colleagues



### Technology and innovation in everything we do

#### Audit

- Approximately 250 of 1 400 engagements transitioned to KPMG Clara, our cloud-based audit platform which, incorporates sector specific knowledge and best practice, as well as artificial intelligence to drive the automatic identification of expected and unexpected transactions within an audit
- Enabled the use of Business Process Mining Solutions to automatically identify missed controls or operational inefficiencies in client processes
- Enabled the use of the Complex Asset Impairment Tool – to dramatically increase the efficiency of complex impairment scenario analysis
- Our 10-person KPMG Clara Analytics Centre supported 170 engagements with implementing the data and analytics functionality on their KPMG Clara engagements
- Initiated use of the KPMG Forecast and Analytics Suite – web-based solutions developed in partnership with former strategic alliance partner McLaren
- Implementation of DataSnipper® resulted in increases in efficiencies of audit reconciliations of approximately 20% - 30%
- In the GPS, 89% of our people agreed that there is strong commitment to innovation at KPMG SA (FY20: 87%)

#### Advisory

- Partnered with the SAS (South African Analytics and Software) Institute to help our clients bridge the accounting and actuarial challenges of IFRS 17
- Reinvigorated our Microsoft strategic alliance in South Africa
- Africa-wide participation of emerging technology businesses in our Global Tech Innovation Challenge
- Entered into an Agreement with IBM for the delivery of technology-enabled internal audit services to clients, through outsourced, co-sourced or managed service engagements
- Expanded our Powered solution offering to include Powered HR
- Initiated our Oracle alliance, which is closely aligned to our Powered solution offerings

#### Tax & Legal

- Developed innovative solutions including Tax Reimagined and the Future of Tax
- Launched new innovative Tax solutions including the Digital Gateway (Global Platform) which provides one-stop access to KPMG's suite of tax technologies and supporting services as well as Digital Transformation (tax as an integral part of finance transformation via KPMG Powered Enterprise Solution)



### Sustainable, profitable growth

- Continued to win and deliver major assignments in remote working conditions
- Responded to an intensified focus on ESG with a range of solutions together with methodologies and IT systems
- Resilient financial performance – robust Audit and Tax revenues, good growth from Advisory
- Flat gross revenue, but net revenue growth of 6% year-on-year (y-o-y)
- Reduction of 4% y-o-y to central infrastructure spend
- Financial services sector revenue growth of 15% supported by the corporate sector revenue growth of 8% contributed 78% of the firm's revenue
- 10% of fee revenue expended in risk and quality measures

### Audit

- Revenue growth of 3% despite mandatory firm rotation changes
- In the financial services sector, we secured winning audits from two major banking institutions and two short-term insurers – one of which is South Africa's largest short-term insurer, as well as a shared value insurance company
- Within the corporate sector, we also succeeded in winning the accounts of a major retailer as well as an international infrastructure and resources company
- We have regained market share in the energy and natural resources sectors by winning mandates with some of South Africa's leading coal and heavy minerals mining companies

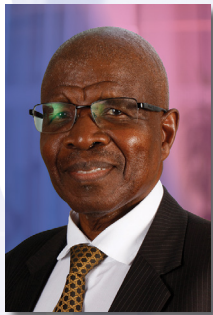
### Advisory

- Revenue growth of 12%
- Significant new project wins including a mining house unbundling, a central bank strategic project and work at a mobile telecommunications major and a diversified industrial group
- The Internal Audit, Risk and Compliances Services business unit successfully won the joint outsourced internal audit of a listed industrial giant

### Tax & Legal

- Revenue growth of 3%
- Onboarded 177 new clients
- Significant wins across Tax & Legal including mandates from various major listed counters and many more significant due diligence, voluntary disclosure programme and restructure assignments
- Accelerated our POPIA service offering which requires a multi-disciplinary approach between KPMG Legal Services and KPMG Digital Consulting (including Cyber Security and Technology Assurance)

# Message from our Chairperson



“We have made significant progress on our journey to restore the soul of KPMG SA as we strive to be a market-leading, thriving,

sustainable professional services firm. This is based on leveraging the collective strength of our people and our differentiated, innovative solutions to deliver value to our clients and our communities. Our progress is indicated by renewed client confidence, regained market share, an enhanced internal culture of trust, openness and accountability, a stronger governance framework and by the number of actions we have taken to reinvigorate our role in society.”

## Responding to COVID-19

The COVID-19 pandemic has lasted longer than anyone had predicted and proved to be an ongoing challenge in the past year. It has necessitated new ways of working and connecting. I am pleased to say that, with safety foremost, our people rose to the challenge. Backed by our robust IT systems, the transition to working from home and continuing to offer our clients the highest levels of service at all times, was seamless.

We were deeply saddened by the passing of two of our colleagues who succumbed to the pandemic. Our heartfelt sympathies, thoughts and prayers go out to the families and friends, as well as to our many colleagues who have lost loved ones. We also mourn the death of a colleague from cancer.

Nobody knows when the shadow of the pandemic will leave us, but what we do know is that we will continue to respond in an agile manner which prioritises safety at all times.

## Unrest in South Africa

The large-scale looting and unrest that followed the arrest of former president Jacob Zuma highlighted the extent to which COVID-19 has deepened the fragility of South African society. I am firmly of the view that political and business leadership need to show much more empathy. We can't just respond by saying that stronger intervention is needed by the police, we need to contribute. Our business is not only about revenue and profits, it's also about making a positive contribution to society and addressing the bigger challenges in our country. As leaders in our industry, we need to be in tune with society and the power that we have must be used to make a positive contribution.

## Serving the public interest

We were the first firm to announce that we would cease all future non-audit related services for our JSE listed audit clients effective 31 March 2021. We have taken this

step with the primary aim of improving the perception of auditor independence and protecting the interests of the public. For existing, contracted non-audit-related services at the effective date, that would no longer be permissible in terms of our new policy, such as tax and consulting services, sensible transition arrangements were agreed with our clients.

All our actions are guided by our Values. They drive our daily behaviours, guide our decisions and shape our ethical culture. Integrity is our core Value – we do what is right, in the right way, at the right time. We embody our Values of integrity and excellence in our commitment to quality. Together, we are making incredible strides for the better.

Public trust continues to be the highest priority for KPMG SA. We continue to work with the International Federation of Accountants, the Independent Regulatory Board for Auditors (IRBA), the South African Institute of Chartered Accountants (SAICA) and the Institute of Directors about how to address the issue of fraud, improved internal controls and other tools to promote the highest ethical standards.

Our 2021 inspection results indicate that our work to restore trust is now truly entrenched across the business. This is reflected not only internally, but also in the number of new clients who are requesting our services. We continue to work to deepen the systems of quality and evidentiary support.

As a country, we need to respond more swiftly and more boldly to gross unethical conduct. Audit firms' own professionals need to act as role models and show much more vigilance in upholding ethical standards. As business leaders, we can never say that we have done enough. We constantly need to check the resetting of culture in our own firms as well as in our clients. I can say with confidence that we have been effective in instilling ownership of integrity – “this will not happen under my name.”

## The accelerated use of digital technologies

One of the positives to emerge from the COVID-19 pandemic is that many businesses – including our own – have accelerated the use of Artificial Intelligence and digitisation. Currently, businesses all over the world are having to contend with supply chain challenges. Here, I believe the solution lies in technology. It's imperative that we use technology tools much more effectively than in the past and stay ahead of advances in machine learning. If we want to demonstrate agility and retain our competitive advantage, it's important we stay ahead of our clients in understanding the opportunities and the risks.

## Reinvigorating our role in society

In terms of legacy issues, while we are looking forward, closing out past issues, including our role in VBS Bank, the Gupta company audits and the South African Revenue Services (SARS) review, remains a priority. The former KPMG partner who led the VBS Mutual Bank audit has been criminally charged, together with fifteen others who were not KPMG personnel.

The Zondo Commission has finished its hearings and is in the process of finalising the last part of its report (Zondo Report). To date Parts I to III of the Zondo Report have been issued and the final Part IV is due to be released by 30 April 2022. There have been no adverse findings against KPMG SA in the parts that have been issued to date. KPMG will study the full Zondo Report once the final part is issued and take such further steps or actions as may be appropriate arising out of any findings affecting KPMG.

## Intensified focus on ESG

Given the high levels of social inequality around the world, together with growing concern about biodiversity loss and extreme weather events, environmental, social and governance (ESG) issues have taken centre stage. We are focusing on this more intensely than ever and have committed to our own targets and action plans, believing

that it is the right thing to do and that it makes sound business sense. We have a responsibility to do our part to help build a better, more sustainable society. ESG presents us with an opportunity to grow our firm in a way that helps us meet this responsibility.

ESG is what ties together the KPMG global organisation's Collective Strategy, Purpose and Values, our expertise and our talent. We have global scale and expertise as well as the ability to bring the right people together, supported by technology and partnerships, to Inspire Confidence and Empower Change in ESG.

At a global level, under the auspices of the International Business Council (IBC) of the World Economic Forum (WEF), in 2020 the leaders of the Big Four accounting firms came together to develop a reporting framework for ESG standards. The resulting WEF IBC Stakeholder Capitalism Metrics framework has 21 core metrics and 34 extended metrics, to track regressions or progressions in matters such as climate-related issues in line with the Task Force on Climate-related Disclosure (TCFD), the quality and the composition of governance structures, rates of stakeholder engagement, impacts on biodiversity, CO<sub>2</sub> emission rates, sustainable management of natural resources, anti-corruption practices, ethical supply chain management, pay equity, inclusion and diversity, value creation, community inclusion and technological innovation.

I welcome the announcement by the International Financial Reporting Standards (IFRS) of the formation of a new International Sustainability Standards Board (ISSB) to develop, in the public interest, a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs.

The drive to create a common accounting framework has been sparked by the need for investment groups to have a common system for measuring sustainability information in an area where there are currently a plethora of frameworks.

In addition, globally, there has been a major thrust by regulators to increase accountability for audit quality management – evidenced by the new International Quality Management Standards, effective in December 2022.

ESG is a broad group of issues that are being used in capital markets and by investors to evaluate and measure a company's total impact on society. By measuring a business's carbon footprint, diversity and inclusion, working conditions, tax strategy, and corporate governance structures, just to name a few indicators, businesses can monitor and ultimately change their behaviour and business models to help drive a more sustainable and a more equitable future. The challenges and opportunities that our clients are facing mean that the audit profession needs to constantly sharpen its focus to understand and respond to these in order to ensure capital markets are protected with financial and ESG reporting that carries integrity.

At KPMG SA we have responded to these new ESG developments with a range of solutions (described on page 68), together with methodologies and IT systems as well as training and monitoring.

Our ESG strategy is designed to support our clients in making a positive difference. Ultimately the key to a more sustainable world will be how we and our clients embed ESG in everything that we do – how we think about our jobs, our role and the solutions we implement.

## Aligning our actions with the SDGs

Another area where we are reinvigorating our role in society is in terms of the United Nations Sustainable Development Goals (UN SDGs). In his foreword to the SDG report 2021, UN Secretary General António Guterres said: "The global community is at a critical moment in its pursuit of the Sustainable Development Goals (SDGs). The global extreme poverty rate rose for the first time in over 20 years, and 119 to 124 million people were pushed back into extreme poverty in 2020."

To further embed our priority SDGs into our everyday business activities, we have incorporated these into an Impact Plan based on the WEF IBC Stakeholder Capitalism Metrics. Like the metrics, our Impact Plan is segmented into the four pillars of Governance, Planet, People and Prosperity.

Each of these is founded on specific actions. For example, we plan to reduce our impact on the environment to build a more sustainable and resilient future, amongst other actions, by achieving net zero carbon emissions by 2030. In terms of people, our aim is to create a caring, inclusive and values-led culture by valuing diversity; empowering women in the workplace, marketplace and community while protecting the health of our people – both physically and mentally. This has been a key focus for some time already.

Under Prosperity, our aim is drive purposeful business practices and good corporate citizenship by leading the profession in audit quality, driving a responsible tax practice and supporting education, lifelong learning and UNESCO's Global Education Coalition. Our governance ambition of putting our Values at the heart of the way we do things is based on our commitment to acting lawfully, ethically and in the public interest.

### Participating in COP26

From October 31 to November 12, 2021, the United Kingdom hosted the 26<sup>th</sup> UN Climate Change Conference of the Parties (COP26) in Glasgow. The COP26 summit brought together representatives from more than 200 countries to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. KPMG leaders from KPMG firms around the world were there to help other organisations understand how KPMG's climate change and decarbonisation credentials can help them realise a more sustainable, responsible future.

### Building back better

We recognise that in zeroing in on the public interest, we have to look beyond just our own firm in line with our purpose of inspiring confidence and empowering change. As a country we are good at policy, but not at implementation. Unlocking delivery of projects, such as with Operation Vulindlela (to 'open the way' in isiZulu and isiXhosa), President Cyril Ramaphosa's ambitious programme of resuscitating economic growth and streamlining policy implementation in a challenging environment requires expertise and proactive management. The aim of Vulindlela is to fast-track the implementation of high-impact reforms, addressing obstacles or delays to ensure execution of policy commitments.

In another contribution to the greater public good, we have teamed up with the Association for the Advancement of Black Accountants of Southern Africa (ABASA) upskilling and training small and medium black owned firms as an opportunity that the implementation of mandatory audit firm rotation presents.

Under the nationwide partnership, we have invited black audit professionals of all levels to be trained for, then work on, the major audits we perform. Once we have completed our own internal risk processes, team members from these firms will be integrated into our teams and will be trained on KPMG audit methodology, using our technology. We will take full responsibility for the quality of all work delivered by the staff members. They will be required to comply with our strict independence requirements and will also be provided with independence and ethics training. Two pilot firms have been mobilised.

### Paying tribute

KPMG SA is in a stronger position now that market permission has returned. We are heartened by the fact that our remedial actions are being recognised in

important quarters – by old and new clients, by industry bodies, by government and by civil society. This is largely due to our extraordinary people, who are playing an active role in embedding our Values into the KPMG DNA and championing the centrality of public interest.

An independent evaluation of the Policy Board confirmed that KPMG SA has made significant progress. I'm very excited by this, but it doesn't mean that we can be complacent. Our CEO Ignatius Sehoole's commitment to us being the most trusted and trustworthy professional services firm sets a high bar for KPMG SA's people and partners – old and new. Ignatius has been very effective in communicating with the various regulators and in embedding a culture whereby we serve the public, expect them to hold us to high standards and will continue to look for innovative ways to implement this. Thank you, Ignatius.

Thanks are also due to the independent non-executive members of the Policy Board whose objectivity, experience and expertise have considerably strengthened our governance structure. In particular, I would like to thank Imogen Mkhize, who resigned with effect from 30 June 2021 for personal reasons. Imogen was appointed to the Policy Board in 2019 and she has played a significant role in our renewal journey. We are very appreciative of the energy and commitment she displayed during her tenure.

Together. For Better. We have made considerable progress on the road to renewal and we are all committed to accelerating our journey in the year ahead.



**Prof. Wiseman Nkuhlu**  
Chairperson  
KPMG SA

# Message from our CEO



“Our operating context in the year under review continued to be challenging, with the world re-calibrating to the COVID-19

pandemic; increasing cyber-attacks and ransomware incidents; significant political events and unrest at home and abroad, as well as an alarming rise in extreme weather events and the drive towards carbon neutrality.”

## Refreshing our strategy

In response to the new reality, we have refreshed our 2025 strategy to shift the dial from surviving to thriving by accelerating to extraordinary. Our regional strategy is aligned to the KPMG global organisation’s collective strategy whereby our unchanged purpose is to inspire confidence and empower change, our vision is to be the clear choice and our ambition remains to be the most trusted and trustworthy professional services firm.

Our revised strategic pillars are:

- Exceptional service and quality
- Extraordinary people, enabled through culture
- Technology and innovation in everything we do
- Sustainable, profitable growth.

Recognising the need to be agile and given the rapid changes in the business environment, the strategy will be continually refined as we move forward.

We have weathered difficult times in the past and 2021 was no exception. While ‘extraordinary’ is a journey rather than a destination, I’m pleased to say that we have passed a number of milestones along the road to becoming the most trusted and trustworthy professional services firm.

This has been given impetus by our establishment of KPIs which are linked to each strategic initiative and are summarised on pages 5 of this report.

## Exceptional service and quality

Becoming the most trusted and trustworthy professional services firm depends on delivering exceptional service and quality, all the time, every time.

We have continued to instill a culture based on ethics and accountability which applies not just at work, but 24/7. We expect people not only to be trusted and trustworthy between eight and five when they are in the office or when they’re with a client, but even over

the weekend, in the evenings, in their private lives. You cannot be trusted sometimes and sometimes not because integrity is not a divisible game, you either have it or you don’t. Accordingly, as I always say to everyone at KPMG SA and everybody who wishes to join KPMG SA, when you are in KPMG SA or you join KPMG SA, you are actually making a lifestyle choice because you are agreeing that whether you are at home or not, as an individual who works for KPMG, you will at all times endeavour to be the most trusted and trustworthy.

The KPMG global organisation’s Values of Integrity, Excellence, Courage, Together, For Better are the ethos we live by, the lens through which we look at life and the lodestar guiding how we react in any given situation.

A culture shift does not happen overnight and while it’s difficult to measure, anecdotal evidence is suggesting our revised culture runs deep. It warms my heart to hear our people talk about what we as a firm stand for and to hear them say that working for KPMG SA is not just a career choice, but a lifestyle choice.

In building trust with the public, we are also building trust within the firm. People now feel that they can communicate openly without fear of reprisal when things are bothering them. This is a big step forward, because it gives us the opportunity to see what’s wrong and deal with it.

We are not building our culture for anybody else. We are doing it because this is who we are, this is how we identify ourselves and this is how we want to deliver on our vision.

This approach to culture is not only about doing the right thing ethically. It also makes clear business sense. A study in 2018 by Bank of America Merrill Lynch found that firms with a better ESG record than their peers produced higher three-year return, were more likely to become high-quality stocks and were less likely to have large price declines or go bankrupt. What this means is

that strong governance and culture not only make human sense, they also make commercial sense.

Ultimately, the public will decide whether we are serving their interest. I am confident that as insurmountable as it might have looked two years ago, we are going to get there, because we are determined, and we know we are doing the right thing.

An important step forward in building public trust was the decision to cease all future non-audit related services for our JSE listed audit clients' effective 31 March 2021. The shift will not affect the number of people in our consulting and tax advisory services divisions.

The provision of non-audit-related services to our JSE-listed audit clients, while technically permissible under current laws, regulations and International Federation of Accountants principles, understandably creates challenges in the public perception of auditor independence.

I am proud to say that we are the first auditing firm in South Africa to take this step.

In order to accelerate our journey to excellence further, we have worked closely with the Independent Regulatory Board of Auditors (IRBA) to update our audit processes and procedures to address the areas of concern and build our robust audit quality plan.

Our independent non-executive members of the Policy Board continue to hold the Exco and the firm accountable for all their actions. This revised governance structure is an essential part of implementing our full business and transformation strategy over time as we as we strive to become the benchmark in quality and service excellence, building on our commitment to KPMG SA's clients, people and the public.

## Extraordinary people, enabled through culture

Our focus over the past three years has been on upskilling and motivating our people internally to share our renewed sense of purpose. In addition, the need to identify, develop and retain new skills has gathered momentum as our operating environment has evolved, as we have acquired new clients and as we accelerate to extraordinary. Our aim is to serve the market with distinction, create exciting, purposeful careers and accelerate transformation.

Against this backdrop, we have in the year under review appointed twenty new partners within the business – fifteen internal promotions and five external appointments.

In line with our focus on transformation and diversity, 12 of our 20 new partners are transformation candidates, while 11 are women.

On behalf of the KPMG SA Executive Committee, I welcome them in joining our journey into an exciting future and am delighted to note that each individual shares our commitment to acting with integrity and the highest ethical standards. I also believe that their fresh skills and insights will support us in achieving our growth ambitions and will help the firm grow and deliver in our key markets.

These appointments demonstrate our commitment to reflecting the demographics of our operating environment; attracting, developing and retaining the most diverse, fit-for-purpose talent pool, as well as being acquisitive for selective skills in the market. The appointments also support our strategic focus within the various business units.

Driving transformation is key to the inclusive enabling culture we want to embed within the KPMG DNA. Acting with courage and integrity, we are finding viable solutions in our drive towards being more representative of the demographics of the profession and the country at large.

Among these is our partnership with ABASA to advance smaller, black-owned firms. Under this partnership, a dedicated ABASA committee will choose small black-owned firms to work with us on our assignments. This committee will work independently to on-board relevant smaller member firms and ensure those selected are correctly assessed in terms of their own business practices and have good standing memberships with not only ABASA but SAICA as well as IRBA.

In this manner, we hope to be able to deepen and broaden the development and growth of small black firms and give them access to complex assignments to which they would otherwise not be able to access. Our commitment to supporting training and delivering full market exposure to smaller black firms, under the KPMG brand, will allow them to gain stronger insight into a full spectrum of clients, which can then be taken back into their own firms to help support growth and development.

## Technology and innovation in everything we do

The COVID-19 pandemic highlighted the importance of digitisation and reinforced our commitment to digitally enable our colleagues and drive cutting edge technology in our services and ways of working.

Internally, we have accelerated our use of digital and technology tools and have also helped many of our clients make the transition to a virtual world.

Artificial Intelligence and digital applications are already driving socio-economic transformation, increasing efficient production and distribution of goods and services, opening-up new opportunities for income generation for millions of poor people, enhancing connectivity between people, societies, governments and businesses.



Whereas previous technological revolutions – most notably the industrial revolution – played out over a relatively long period of time, the speed of digital transformation is such that businesses need to move quickly if they are to achieve competitive advantage.

Globally, the KPMG organisation recognises that innovative technology companies are introducing tech breakthroughs that are transforming businesses and disrupting entire industries. In 2021 the inaugural KPMG Private Enterprise Global Tech Innovator competition was launched to recognise the fastest-growing tech innovators across the world. KPMG Africa hosted the Africa final and of the 75 businesses who entered, the top 10 were selected to pitch to a panel of judges. The Africa finalist was a digital ecosystem of three platforms connecting and enabling role players in the agricultural and food value chain to grow their businesses through an e-commerce marketplace.

We see significant growth opportunities both for our firm and our clients as we seek to build back better in a post-COVID world and we are making significant investments to leverage the power of technology.

### Sustainable, profitable growth

We are winning in the market and have signed up some brand-defining clients. We've won significant mandates in the financial services, insurance, automotive, mining and retail sectors. Among these clients are some who very publicly terminated our services when past legacy issues came to light. They have been sufficiently convinced with the new KPMG SA that they have now reappointed us. However, what I must emphasise in terms of rebuilding that public trust, is that it's a never-ending process. We continue to work very hard on instilling and cementing a new culture within KPMG that is sensitive to serving public interest and that is driven by our Values.

KPMG SA has been financially supported by KPMGI. I am pleased to report that given the progress we have made in regaining public trust, the level of support is expected to be normalised.

### Southern African integration

From 1 October 2021, the seven Southern African KPMG firms, including: South Africa, Botswana, Namibia, Mauritius, Mozambique, Zambia and Zimbabwe, cooperated more closely regionally in their Audit, Advisory and Tax & Legal client delivery functions.

We believe this journey will improve our regional competitiveness, ensure enhanced governance and operational effectiveness as well as give our clients enhanced access to a diverse pool of regional and cross-border expertise. At the same time, it will offer better career opportunities for our colleagues, helping them unlock greater opportunities than before.

There is no doubt that we have the combined expertise throughout the region, and we believe that this process of integration will enable us to support our ambition to becoming the most trusted and trustworthy professional services firm, not only in South Africa but within the Southern African Development Community.

We envision the process beginning with the Audit, Advisory and Tax client-facing functions who will begin working even more closely to cooperate across the region as we leverage our skills and expertise across Southern Africa to enhance our offering for existing and potential clients.

### The need for large-scale accounting reform

Not so long ago, the accounting profession in South Africa was voted the best in the world by the World Economic Forum for five years running. This was based on the profession's adoption of and contribution to, International Financial Reporting Standards, as well as International Standards of Reporting. I believe that because we've done it before, we can do it again.

This is important if we want to take our country out of junk status, rebuild it to investment level and improve the lives of all South Africans.

In his 2<sup>nd</sup> budget speech, the previous finance minister, Tito Mboweni, spoke about the need to establish a task team

to review the profession. However, this has not happened to date. As a profession, we have agreed on the changes, but there needs to be a concerted focus on rebuilding trust in the profession. This is particularly important in view of the fact that the audit profession, both locally and globally, continued to be buffeted by auditing scandals.

Yes, we are doing our bit, but it would be better for the profession if this were done on a wholesale basis. I appeal to Minister Godongwana to ensure that we continue to have a very strong and appropriate regulator. The profession needs it and the country desperately needs it for the sake of our economy.

### COVID-19

As in FY20, we prioritised the health and safety of our people through all the various twists and turns of the pandemic. The COVID Crisis Committee, established in FY20, continued to guide our response. Towards the end of FY21, before the fourth wave, we began a campaign to encourage our colleagues to return to the office for some days in the week, as part of a more hybrid working model which we believe will become more embedded in our future. This approach was relaxed with the onset of the fourth wave, but we will hope to return to it once infection levels reduce.

As a firm we anonymously polled our people as to their vaccination status. As at year end, 76% of our people were fully or partially vaccinated. We are evaluating the benefits of a more stringent vaccination policy and are consulting with our people for their views regarding this. We are experiencing increasing requirements from clients for our teams which service them to respect their mandatory vaccination policies. These will need to be taken into account, together with the various other market and legislative developments.

On behalf of the firm, I would like to extend my deepest sympathy to the friends and family of our colleagues who succumbed to COVID-19.

## Optimism is back in the boardroom

The Global KPMG CEO Outlook: Plugged-in, People-first, Purpose-led report was launched in mid-September 2021. Three themes emerged: the road to renewal and leaders' optimism about the path to growth; the importance of following through on a trusted purpose by driving bold environmental, social and governance programmes; as well as the determination of CEOs to instill new levels of digital agility.

For the South African edition, launched shortly after year-end, KPMG SA partnered with Business Leadership South Africa (BLSA). Fifty South African CEOs participated in the Forbes research conducted between May and July 2021. The overall regional insights align with the global sentiments of optimism in the business confidence turnaround back to pre-pandemic levels. Though the top risks may vary, digital prioritisation remains key to transforming organisations for the future.

I'm pleased to note that KPMG SA has already recognised this, which is incorporated into one of our four strategic pillars as outlined at the beginning of this message: Technology and innovation in everything we do.

## Appreciation

Our progress over the last year would not have been possible without the sage counsel and guidance of our Chairperson, Professor Wiseman Nkuhlu and our leadership team, as well as the dedication of our colleagues.

Having completed my second full year as Chief Executive Officer, I am deeply encouraged by the rejuvenated spirit of our people who have embraced our ambition of becoming the most trusted and trustworthy professional services firm with unstinting commitment and energy.

I know I can count on the same levels of commitment and energy as we move forward exponentially – yet sustainably and profitably – growing our strategic market propositions, sharpening our focus on our chosen clients in our chosen industries and collaborating for the greater good of the firm and our broader communities.

Like other South African CEOs, I too, am optimistic that together, through trust and agility, we can build back better.



**Ignatius Sehoole**  
Chief Executive Officer

KPMG SA



# Our Business model: How we create value

Our business model is designed to develop solutions, insights and perspectives by blending human capabilities, experiences, together with formal and informal training, locally and globally. In doing so, we transform knowledge and understanding of information, industries and business

trends into value for our clients and our people, as well as the capital markets. Our overarching aim is to provide streamlined solutions to complex business issues and enhance trust generally and specifically in capital markets while contributing to the greater public good.

This business model should be read in conjunction with the section on page 47 which outlines our top strategic business risks and opportunities, as well as the table on page 30 provides more specific details on the manner in which we create positive social impact.

## Resource inputs (FY21)



### Human capital

Our extraordinary people are our greatest competitive advantage, providing our clients with competitive, leading-edge solutions.

- Ongoing collaboration with key stakeholders
- Partnership with ABASA
- 1 888 colleagues and 134 partners
- 176 687 digital training hours
- 50 secondees from other KPMG firms
- 330 graduate recruits hired



### Intellectual capital

Our strong foundation of intangible assets includes our brand, culture, reputation, partnerships, technology and expertise and has been built up over many years.

- New 2025 strategy 'Accelerating to Extraordinary'
- Strong ethical culture: Ethics helpdesk, integrity screening and in-house ethics newsletter (Transparent Times), ethics management plan based on: risk assessment, training and awareness, embedding and monitoring / reporting
- Executive sponsor monitors value and culture
- 1 918 093 professional hours delivered to the market augments intellectual property and know-how in delivering solutions
- Access to locally adapted global methods, platforms, frameworks and accreditation processes embedded in our operational activities



### Social and relationship capital

Our relationships with a broad range of stakeholders help us to achieve our goal of sustaining trust.

- Ongoing collaboration with key stakeholders
- R36.8 million invested in CSI (including R19.2 million for volunteering initiatives)
- Partnership with ABASA
- Significant market engagement in proposals and pursuits, presentations and win/loss debriefs
- Client Care survey
- Alumni programme
- Audit Committee Forum
- CFO Forum
- Regional integration



### Manufactured capital (infrastructure)

Leading-edge technology solutions for the new world of work.

- Market-leading digital products and services, including KPMG Clara



### Financial capital (revenue)

Backed by a strong project pipeline of future work mandates we have a sustainable financial position.

- Focus on driving down infrastructure costs
- Partner equity build programme to strengthen balance sheet



### Natural capital

We are mindful of our impact on natural resources, focusing on reducing water and energy usage, as well as greenhouse gas emissions.

- 8,7 million litres of water used
- Purchased electricity: 3.2 million MW, solar generated: 591 000 MW, representing approximately 15% of electricity used

**Our business activities – what we do**

We transform knowledge and understanding of information, industries and business trends into value for our clients and our people, as well as the capital markets. Our overarching aim is to provide streamlined solutions to complex business issues in the audit, tax and advisory fields while contributing to the public good.

**Our purpose:**  
to inspire confidence and empower change

### Aligning with SDG13: Climate Action

KPMG SA is committed to aligning with our global target of net zero carbon emissions by 2030. From a KPMG Global baseline of approximately 1.8 million tonnes carbon dioxide equivalent (tCO<sub>2</sub>e) in FY21 we reduced our emissions to 1.5 million tCO<sub>2</sub>e in FY21. During this period KPMG SA reduced our Scope 1,2 and 3 emissions by an estimated average of 23.7% reduction, emitting approximately 4 505 tCO<sub>2</sub>e in FY21. This represents 0.3% of our global emissions and approximately 0.01% of South Africa's approximate annual emissions.

The decrease is attributable mainly due to proportionate increased use of solar power and to the restrictions imposed by the COVID-19 pandemic. We are taking pragmatic steps to lock in these gains by implementing a hybrid work

week which will allow our colleagues to work from home more often, thereby decreasing our energy requirements. We are also taking steps to decrease our air travel and restrict our business trips to only what is absolutely necessary. In addition, we are recalibrating our procurement and supply chain policies so that our business partners and suppliers have to demonstrate practical steps taken to help achieve limiting global warming to 1.5 degrees.

In 2021, KPMG SA signed up to the Alliance for Climate Action South Africa facilitated by the World Wide Fund for Nature. We will work with the Alliance to identify decarbonisation opportunities and encourage others in our industry to follow our lead.



Case Study

Our outputs – what we produce

Audit, Advisory, Tax & Legal delivered 10 326 projects to 2 865 clients

### Value creation outcomes (FY21)

	<p><b>Human capital</b></p> <ul style="list-style-type: none"> <li>Highly skilled, diverse team with broad-ranging experience and skills</li> <li>Level 1 B-BBEE rating</li> <li>177 resignations that joined commerce and industry</li> </ul>	<ul style="list-style-type: none"> <li>L&amp; D structure bolsters the link between skills development and business through the connection created between HR specialists, L&amp;D specialists and function leadership in Audit, Tax, Advisory and Infrastructure</li> </ul>	
	<p><b>Intellectual capital</b></p> <ul style="list-style-type: none"> <li>Strong, open ethical culture</li> <li>Values embedded in everything we do</li> </ul>		
	<p><b>Social and relationship capital</b></p> <ul style="list-style-type: none"> <li>New client wins and mandates</li> <li>Strong pipeline of work at year-end to support FY22 budget</li> <li>Enhanced boardroom reputation through proposal and pursuit activity in both win and loss scenarios</li> <li>Improved brand position, as well as neutral and positive media coverage</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening of our trustworthiness and reputation</li> <li>Contributing towards building a vital foundation for the ongoing education of young South Africans</li> <li>Creating a culture of accountability within broader South African society</li> <li>Strong regional integration has enhanced service levels</li> </ul>	
	<p><b>Manufactured capital (infrastructure)</b></p> <ul style="list-style-type: none"> <li>Our global solutions help our clients to stay ahead of technological developments, as well as disruptive forces such as digitisation, and increasingly more complex regulatory requirements</li> </ul>		
	<p><b>Financial capital (revenue)</b></p> <ul style="list-style-type: none"> <li>Our Top 20 new engagements secured during FY21 were 27% as a percentage of total FY21 revenue, representing y-o-y growth of 13%</li> <li>Reduction in central infrastructure spend by 4% y-o-y</li> <li>1 918 093 billable hours to the market</li> <li>Increased revenue:                             <ul style="list-style-type: none"> <li>&gt; Audit: 3%</li> <li>&gt; Advisory: 12%</li> <li>&gt; Tax &amp; Legal: 3%</li> </ul> </li> </ul>		
	<p><b>Natural capital</b></p> <ul style="list-style-type: none"> <li>4 505 tCO<sub>2</sub>e greenhouse gas emissions, y-o-y reduction of 25%</li> </ul>		

SDGs impacted

# Exceptional service and quality

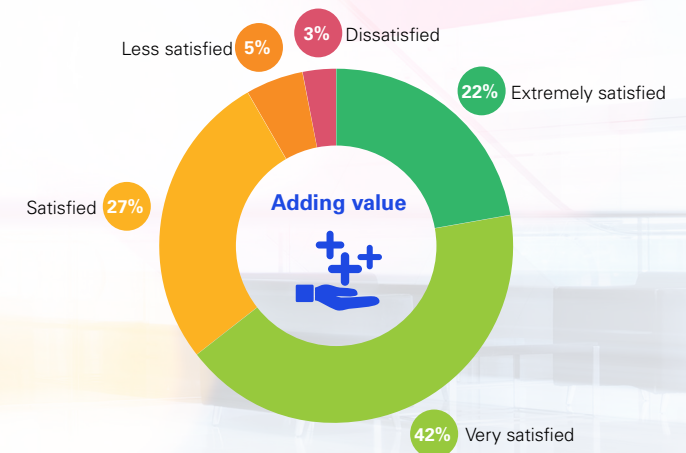
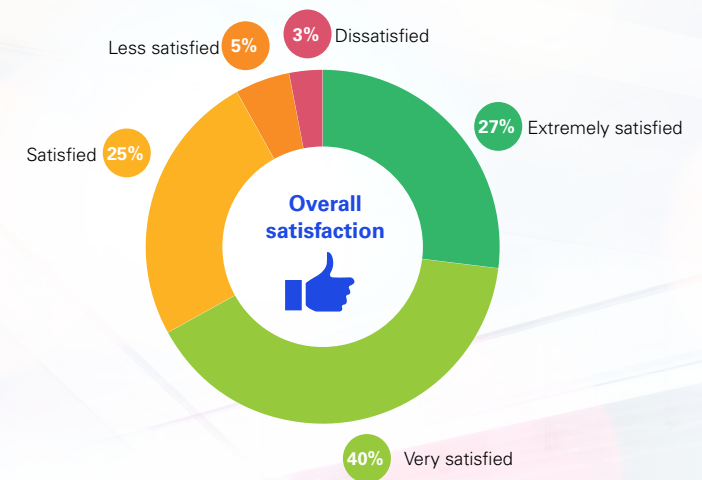
## Client Care survey

Our annual Client Care survey helps us assess our clients' view of our overall service offering. Their feedback helps us to maintain and enhance areas where they feel we are doing well, shape our developmental areas and be agile in our response to their challenges.

The recent culmination of our FY21 survey reveals that 92% (FY20 result: 93%) of our clients were satisfied or better with our total offering to them. Significantly, 27% of these clients, indicated a level of extreme satisfaction. An important metric for us is the relationship that our clients have with our firm and this year, 94% of our clients indicated a positive satisfaction in their relationship with the firm. If one adds in the fact that 90% of our clients would recommend our services to other clients, then the overall picture is a positive reward for the efforts put in by all staff at the firm. Pleasingly, technical expertise and reliability were perceived as two of the most important reasons for making use of our services.

The number of clients who were extremely satisfied in terms of their relationship with KPMG increased by 6% y-o-y; while those who perceived KPMG as adding value increased by 3% to 90%.

By understanding what our clients see as their highest priority risks in their operating environments over the coming years, helps us formulate proactive solutions to their challenges. In line with global trends, ESG and cyber security featured highly in our clients' assessment of local risk focus areas.



## Tone at the top principle


Our 'Tone at the Top' relates to the attitudes and conduct of the senior leadership team. Ultimately, the Tone at the Top sets the mood for the entire firm and determines how our stakeholders perceive us. Our leadership plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on accountability, quality, objectivity, independence, integrity, and ethics is essential in an organisation that conducts audits and other services on which stakeholders rely. At KPMG SA we promote a culture in which consultation is encouraged and recognised as a strength. We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

The KPMG Values are:

 **Integrity**  
We do what is right.

 **Excellence**  
We never stop learning and improving.

 **Courage**  
We think and act boldly.

 **Together**  
We respect each other and draw strengths from our differences.

 **For Better**  
We do what matters.

Our **Values** are aligned with those of the KPMG global organisation and lie at the heart of the way we do things. To do the right thing, the right way. Always. They drive our daily behaviours, guide our decisions, and shape our character. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose

sight of our principal responsibility to protect the public interest. And they propel us forward – through our work and the example we set – as we inspire confidence and empower change.

Any individual not willing to abide by our culture mindset does not fit into the newly refreshed soul of KPMG SA. Audit quality underpins the independence of the work that we do for our clients and is consequently the firm's key priority. Serving the public interest drives us as we perform in our daily work. We create an environment that is conducive to each member of our diverse teams boldly challenging anything that is questionable without any fear of reprisal. We now have systems that make this achievable.

## Leadership responsibility for quality

Leadership takes responsibility for ensuring that we are the 'clear choice' for clients, employees and society at large when it comes to leading the change or providing the foundation of trust and confidence needed to make the change.

To uphold the highest levels of quality and integrity in all areas of our work, we are investing cross-functionally in our processes, methodologies and systems. This is to ensure every piece of work we do consistently meets the standards expected of us and the profession, so that we build trust and grow in a manner of which we are proud.

We aim to:

- Undertake all activities in an environment of the utmost level of objectivity, independence, ethics and integrity.
- Deliver consistent, trusted results, specifically in terms of audit quality, within a global framework based on consistent execution of audits, in line with the requirements and intent of applicable professional standards and a strong system of quality controls

All areas of KPMG SA will experience a significant increase in focus on quality and integrity through the changes we are making to the way we measure performance, train

and develop our people, as well as the way in which we ensure our culture reflects our Values. Other related work currently underway includes the new global accreditation programme which ensures that Advisory professionals are fully versed in a solution before starting a client engagement. We also continue to drive discussions with stakeholders on the topic of responsible tax.

A continued measure of KPMG SA's commitment to quality is the fact that 10% of fee revenue was expended on risk and quality measures in FY21 (FY20: 7%). These initiatives include aligning with global best risk practice, independent risk reviews (of processes and during engagements) and establishment of core functions to monitor quality on an ongoing basis.

## Quality Performance Reviews (QPRs)

### Audit

The QPR programme assesses audit engagement level performance and identifies opportunities to improve quality based on the following:

- **Risk-based approach:** Each engagement leader in every KPMG firm is reviewed once in a 3-year cycle. A risk-based approach is used to select engagements. KPMG SA conducts the annual QPR Programme in accordance with KPMG International QPR instructions. The reviews are performed at KPMG SA level and monitored regionally and globally. Our Audit QPR reviews are overseen by a senior experienced KPMG lead reviewer independent from the SA firm.
- **Reviewer selection, preparation and process:** There are robust criteria for selection of reviewers. Review teams include senior experienced reviewers that are independent of KPMG SA. For the last four years, the South African QPR has been conducted exclusively by experienced individuals independent of KPMG in the Africa region and has included reviewers from the Global Audit Quality Monitoring Group. This comprises a team of partners, associate directors and senior managers experienced in performing programme reviews of listed

and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

- **Evaluations from Audit QPR:** Consistent criteria are used to determine engagement ratings and KPMG firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'. Partners who receive unsatisfactory ratings are subject to additional reviews and remedial actions, amongst other outcomes including performance evaluations and /or remuneration adjustments.

Our objective is to achieve the highest standard of audit quality and to be the most trusted and trustworthy audit firm in South Africa. To achieve this audit quality objective, we aim to reduce the number of audits with findings, especially on the audits of listed public interest entities.

One of the tangible measures of whether our audit quality has improved are the results of our internal QPR.

	FY21	FY20
Percentage of engagement leaders reviewed in audit	26%	31%
Number of engagements reviewed	17	27
Percentage results that showed engagements reviewed that were satisfactory	82%	63%

The areas of improvement identified in these audits did not lead to a restatement of the financial statements or require the audit report to be reissued. The issues identified have since been addressed.

- **Reporting:** Findings from the QPR programme are disseminated to the firm's professionals through written communications, internal training, and periodic partner and colleague meetings. These areas are also emphasised in subsequent monitoring and inspection programmes to gauge the extent of continuous improvement. Lead audit engagement partners are notified of unsatisfactory ratings on their respective cross-border engagements. Additionally, lead audit partners of parent companies are notified where a subsidiary or affiliate of their client group is audited by a KPMG firm where significant quality issues have been identified during the QPR.

#### Advisory and Tax & Legal

The overall assessment for Advisory was that the function is operating fully or substantially in accordance with KPMG's global policies and procedures. The issues identified were not major, in that they have little or no impact on the overall quality of the engagements. Our overall assessment as approved by the KPMG International review team is a Green rating for 2021. In terms of compliance assessment: 96% of the files reviewed were either fully compliant with policy or required some performance improvement, while under quality of work assessment: 97% of the files reviewed were either fully compliant with policy or required some performance improvement.

Tax & Legal's QPR results were positive, with 24 green ratings, two yellow ratings (indicating some level of improvement required) and no red ratings (indicating a significant level of improvement required) when assessing adherence to the firm's risk policies during client engagements. In terms of the quality of advice offered to clients, there were 25 green ratings and one yellow rating.

#### Risk Compliance Programme (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG firms globally. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, we perform a robust assessment programme that includes documenting quality controls and procedures, related compliance testing, reporting of exceptions, action plans and conclusions. The objectives of the RCP are to:

- Document, assess and monitor the extent to which the KPMG firm's system of quality control complies with Global Quality & Risk Management (GQ&RM) policies, as well as key legal and regulatory requirements.
- Help KPMG firms evaluate their compliance with relevant professional standards and applicable legal and regulatory requirements. Where deficiencies are identified, we develop appropriate action plans and monitor the status of each action item.

#### IRBA inspections

Subsequent to the reporting period of this Integrated Report, the IRBA concluded our eighth inspection cycle firm-wide review. As part of this inspection, the IRBA has highlighted areas for improvement that would further strengthen our system of quality control. We are currently in the process of completing our root-cause analysis and remedial action plans which, together with the IRBA inspection report, we will be shared with clients in early May 2022. We value the IRBA's comments as they contribute to continuous improvement of our system of quality management as we implement ISQM 1.

A continued measure of KPMG SA's commitment to quality is the fact that 10% of Audit fee revenue was expended on risk and quality measures in FY21 (FY20: 7%).

### Global Quality & Compliance Review (GQ&CR) programme

Each KPMG firm is subject to a GQ&CR conducted by KPMGI's GQ&CR team at various intervals based on identified risk criteria. The GQ&CR team performing the reviews is independent from the firm, is objective and has GQ&RM policies.

We have developed action plans to respond to all the findings of the GQ&RC and have agreed these with the GQ&RC team. Our progress on action plans is monitored by a Global GQ&RC Central Team.

### Non-audit services

The firm's operating structure, risk policies and monitoring procedures, linked to global best practices, create distinct protocols and in some case barriers to the provision of assurance as well as advisory services to the same client. During FY21, 10% of revenue earned from the audit function was comprised of ancillary non-audit services (FY20: 8%).

### Looking forward

For the audit business, the single most important driver in earning and maintaining Public Trust is audit quality. Audit quality is the ultimate measure of whether the firm is delivering audits that fully meet the standards of auditing set for the audit profession. Audit regulators around the world including the IRBA have been calling on the audit profession to make a marked difference in achieving audit quality. We will intensify our efforts in this regard. Additional information is disclosed in our [Transparency Report](#) issued separately.

We will continue to invest in the capacity and capabilities needed to serve the South African market throughout the Mandatory Audit Firm Rotation (MAFR) cycle.

In addition, we will work to enhance further results of the Global People survey which demonstrated 7% and 4% positive increases respectively in response to the statements: 'Partners demonstrate our Values in their everyday behaviour and actions' and 'At KPMG, we uphold our Values, even when under pressure'. Please refer to page 33 for further details about the GPS.





# Extraordinary people, enabled through culture

## Objectives

Our people underpin our business success. We cannot achieve our ambition of being the most trusted and trustworthy firm without their engagement with our business, with fellow colleagues and with this ambition. Against this backdrop, our key objectives are to:

- Attract, motivate and retain key talent
- Instill clear values and a strong Code of Conduct
- Develop a pipeline of inclusive leaders who will contribute to our public interest objectives
- Embrace transformation, diversity and inclusion.

In FY20 we launched a five-year learning and development strategic framework. Our FY21 performance against this framework is set out below:

- **KPMG as an aspirational employer**

We cemented our induction and onboarding process with a focus on the new joiner experience of the KPMG Culture and Values. We also continued to offer 100% digital learning opportunities for colleagues internally as well as through third party engagement.

- **Excellence in leadership and management**

Our virtual Pan Africa Leadership Development and Assessment Centres were rolled out successfully during FY21 as we continued to use KPMG approved methodologies to build our talent pipeline with candidates attending the Pan Africa Leadership Development and Assessment Centres and in line with transformation targets.

We also launched the first two tiers of our Emerging Leader programme targeting junior colleagues and supporting the growth and development of our leadership pipeline.

- **Fit for purpose learning and development (L&D) function**

The L&D operational model has been cemented with the role of performance consultants effectively in place as well as the establishment of our Learning Councils for a better governance structure and engagement with both business and people, performance and culture.

- **Enable performance and build talent**

We embarked on several learning initiatives throughout the year, specifically enhancing the internal offering through digital learning platforms as well as engaging third party providers to support our performance and talent building initiatives.

### Pan Africa Leadership Development and Assessment Centres FY21

	# of centres run	Average # of colleagues per centre
Development Centre	8	11 (max of 12 per centre)
Leadership Assessment Centre	7	12 (max of 14 per centre)
<b>Total</b>	<b>15</b>	

	# of colleagues who went through a centre
Development Centre	88
Leadership Assessment Centre	83
<b>Total</b>	<b>171</b>

## Achievements and milestones

- The launch of our holistic Wellbeing Strategy included engagement sessions on various topics such as breast cancer awareness, our COVID-19 vaccine programme which was extended to family and friends, the launch of the Chartered Accountants Medical Aid Fund (CAMAF) Wellness Club 'Lite'. In addition to physical health, sessions focused on mental, social and spiritual wellbeing
- Implemented agile working arrangements, providing colleagues with the flexibility to work at home, the office and at client hubs. We also designed an agile bot to help managers stay abreast of their team members' whereabouts
- Employed a more agile, opportunity-led promotions approach, with a continued focus on transformation targets, promoting 49 permanent colleagues through this approach
- Our refreshed approach to Performance Development (PD) meant focusing on performance conversations during mid- and year-end reviews, as well as striving to 'live' our Values of Excellence and Courage. In order to stay relevant and provide real time support to our colleagues, we launched a new series 'PD Like a Pro' and actively participated in the Global PD Working Group
- Successfully incorporated various digital modalities into our training approach, and these include podcasts, interactive and occasionally personalised eLearning modules, articles, virtual classrooms, and interactive PDFs
- Third party offerings continued in this year including Coursera for our Infrastructure colleagues
- Priority issues included cultural competence, improving representation across all levels to mirror the demographics of our country, as well as employment equity and women empowerment
- Leveraged Transformation and Inclusion Committees to enable a platform for more communication, awareness, and engagements and implemented a programme for people with disabilities, together with a workplace programme for the LGBTQ+ community
- Successfully executed the annual graduate and trainee induction and onboarding process in a completely remote manner; from laptop delivery to virtually facilitated sessions.
- In collaboration with an external service provider, we launched the first two tiers of our Emerging Leader Pilot and Lite programmes in FY21, targeting junior colleagues
- Continued our mentoring programme
- More than 98% of our colleagues were active on our BlueBucks recognition platform, with specific concentration of awards for our colleagues having been recognised for demonstrating KPMG's Values and behaviours and going the extra mile

- Launched the People Leader model – to provide an additional layer of pastoral care to colleagues as well as assisting to drive HR and wellbeing initiatives to support highly engaged teams and develop our top talent within the business unit. Held quarterly check in meetings with the 32 People Leaders in the firm.

## Recognition by Universum and SAGEA

The South African Graduate Employers Association (SAGEA) & Universum provide KPMG SA with student insights, market trends and important statistics annually. This allows us to understand how our brand is perceived and how we rank against our competitors.

Universum surveyed over 54 000 students between September 2020 and February 2021. We have moved up two ranks and were placed 6<sup>th</sup> on the list of 100 employers in the Business/Commerce category, making us the second highest ranked accounting firm.

We were also placed 7<sup>th</sup> in the 2021 SAGEA awards which are curated by graduates who have confirmed job offers. We have made significant strides since 2019 when we were placed 32<sup>nd</sup>. We were also ranked in the top 10 for Best Website, Best Online Media, and Best Integrated Campaign in both the 2020 and 2021 Candidate Insights Study.

Two members of the KPMG graduate recruitment team received Recruiters of the Year nominations. This is another significant step forward in our journey to becoming an employer of choice for graduates.

## Learning and development

Total learning hours FY21	FY21	FY20	FY19
Audit	129 339	115 063	110 041
Advisory	32 873	35 486	37 672
Tax & Legal	10 086	14 706	8 948
Infrastructure	5 295	4 966	8 887
<b>Total</b>	<b>177 593</b>	<b>170 221</b>	<b>165 548</b>

## Percentage split between digital and in person learning

	FY21	FY20	FY19
Digital	100%	61%	34%
In Person	0%	39%	66%

Learning and development initiatives included:

- **Clara workshops**

The KPMG Southern Africa audit population approximates 1 500 colleagues (from trainee to partner level). With full deployment on the horizon, we held nine virtual training workshops on Clara, KPMG's cloud-based digital audit platform covering our audit population as well as specialists supporting external audit. As at year end, 95% of our colleagues had been fully trained. We anticipate training the remaining 5% before the end of 2021.

- **Coursera KPMG learning programme for infrastructure colleagues**

We provided infrastructure colleagues, within the sub-Saharan Africa region, with access to the KPMG SA learning programme on Coursera (an open online learning platform). The programme targeted specific skills within the infrastructure function, focusing mainly on leadership, soft skills, specialisations and technology. Leveraging third-party offerings will remain part of our approach to upskilling our colleagues and ensuring their skills are relevant for both internal and external clients.

- **Everyone a Leader framework**

We continued to develop and motivate mentees. The mentoring programme will receive a refresh as many of these aspects are being incorporated into our formal PD process.

- **Emerging Leader programme**

Over 100 colleagues participated in the first two tiers of our Emerging Leader Pilot and Lite Programmes which are focused on developing and building leadership skills for our junior colleagues while growing our pipeline of future leaders. The programmes comprised the following elements:

- > Selection of the first tier, Emerging Leader Lite (ELL) colleagues at managerial levels and below, based on internal requirements including performance track record, assessment of potential and plotting them on the talent grid
- > Completion of an initial assessment, by all ELL participants, testing their leadership potential
- > Design of a KPMG success profile that factors in our Values, drivers behind our strategy and capabilities within our Everyone a Leader framework
- > Selection of the second tier, Emerging Leader Pilot (ELP) colleagues at managerial level from the ELL group, based on the outcome of the initial assessments
- > Completion of a second assessment by ELP participants, testing their individual competencies against the KPMG success profile competencies

- > Design of formal learning paths for each tier, targeting specific learning needs for the nominated colleagues in each tier, based on the outcome of the two assessments
- > Attendance of formal learning for both tiers – a virtually deployed, blended learning programme.

- **Continuing Professional Development (CPD)**

We introduced the CPD framework, which includes the following, to our Audit colleagues:

- > **Plan** – an initial assessment of development needs
- > **Act** – completion of actual CPD interventions meeting the KPMG input-based requirements
- > **Reflect** – quarterly reflection on old and new development areas.

- **Open PD programme**

We continued to run our PD processes through our Open PD programme aligned to KPMG Global. Our PD processes were supported by our PD Like a Pro series providing ongoing support and guidance to colleagues throughout the year. We implemented further enhancements to the engagement review forms, thereby enabling colleagues to link specific individual goals to each engagement review form while providing Performance Managers with improved oversight over their appraisees.

## Partner appointments

A formal partner admission process was approved by the Nomination and Remuneration Committee. The process provides an enhanced candidate experience for all senior level appointments and also sets out clear lines of accountability every step of the way. This enables quality appointments and onboarding of candidates.

There is no longer a pass/fail Partner Assessment Centre (PAC) at the point of promotion to partner. The PAC has been brought forward to an earlier stage in the leadership assessment process and is now called the Leadership Assessment Centre (LAC). At the time of partner assessment, a portfolio of evidence is consolidated and reviewed to assess a candidate's personal case readiness. It remains a requirement that all internal partner candidates must attend a LAC before being considered for admission as a partner of KPMG SA.

In FY21, there were 20 admissions to partner (55% female compared to 45% male and 60% generic black ((with 40% generic white)). Overall, the gender split of the partners has become 5% more balanced when compared to FY20 with 63% male partners and 37% female partners in FY21. In terms of race it is 2% more balanced when compared to FY20, with 66% generic white partners and 34% generic black partners in FY21.

## Developing future talent

We contribute to the development of future leaders in the auditing profession by attracting and developing talented individuals and through participating in the South African Institute of Chartered Accountants (SAICA) training programme and the IRBA's Audit Development Programme (ADP). The following table compares the overall KPMG and SAICA pass rates in the SAICA Assessment of Professional Competence (APC) and Initial Test of Competence (ITC) examinations:

Pass rates for the exam dates below	KPMG current period	KPMG prior period	SAICA current period	SAICA prior period
December 2020 APC*	45%	61%	43%	57%
April 2021 ITC*	82%	71%	64%	59%
September 2021 ITC*	65%	82%	59%	64%

\* The ITC and APC exam dates were affected by the COVID-19 pandemic in both 2020 and 2021. In 2020, the second sitting of the ITC exam was written in November while in 2021, the first sitting was in April and the second was written in September. This exam is usually scheduled for June on an annual basis. The 2020 and 2021 APC exams were written in December.

We are proud of our KPMG candidates who were recognised by SAICA as being honours students and/or featured in the SAICA ITC top ten students. In 2020, one KPMG candidate was on the Assessment of Professional Competence (APC) honours roll, while in the January 2021 ITC exam, two KPMG SA candidates obtained honours and were among the top 10 students.

However, in view of the poor pass rates for the APC exam, in 2021 we embarked on an internal programme to assist our APC candidates in preparing for the exam which complements the professional programmes they are required to attend. We have received very favourable views from our APC candidates on the supplementary topic material presented.

During the most recent monitoring visit in respect of the ADP, the IRBA has acknowledged that KPMG continues to be a significant contributor of registered candidate auditors (RCAs) on the ADP.

## Global mobility approach

The KPMG Global Mobility programme builds this base of skills in the KPMG global organisation through the various programmes and opportunities that are available to our partners and staff. This is also a great opportunity for our newly qualified chartered accountants to gain international experience and as the SAICA qualification is still a very prestigious qualification, it is highly regarded among KPMG firms.

The Global Mobility function manages all of the international assignments (and temporary international moves) globally on behalf of all KPMG firms. This includes structure of

compensation, allowances and benefits provided, processes and the administration of assignments. This is also done through the use of technology. We have a Global Mobility International Assignment Policy (incorporating personal temporary international moves), which establishes standard terms and conditions that apply globally to all international assignments and personal temporary international moves.

## Short-term assignments

Due to the COVID-19 pandemic and travel restrictions imposed on people traveling from South Africa, we were not able to send as many short-term assignees to other KPMG firms as we did in previous years for the audit busy season programme. However, we were still able to set-up virtual assignment arrangements with Australia, Canada, Germany, Netherlands, Switzerland and the United Kingdom KPMG firms through an inter-firm agreement where the assignees remained in South Africa but worked for the other KPMG firms remotely. We had a total of 38 short-term assignees who worked remotely this past financial year. We had one assignee who was fortunate enough to travel Germany, five assignees who were fortunate to travel to Hungary and six to the United States to assist those KPMG firms with the audit busy season before travel restrictions were implemented in the various countries. We also had a total of seven assignees from KPMG India that assisted our Audit business remotely.

	Inbound	Outbound
Tax	0	0
Audit	7	49
Advisory	0	1
Infrastructure	0	0
<b>Total</b>	<b>7</b>	<b>50</b>

## Long-term assignments

During FY21 we managed to arrange seven new long-term assignments where the assignees were able to physically travel to their respective host country locations. The total assignees that are actively on assignment in the various host countries during the financial year are as follows:

	Inbound	Outbound
Tax	0	1
Audit	4	22
Advisory	5	7
Infrastructure	0	4
<b>Total</b>	<b>9</b>	<b>34</b>

One of the highlights for the year was to get new Global Mobility technology up and running. Technology for the application process has been developed through a system called Success Factors and is the same software that we have used for our OpenPD performance development. The use of the new Success Factors software went live on 1 July 2021 and KPMG SA is currently the top user of the new technology for our assignment application process.

### Ongoing business optimisation

Given lower than planned audit revenues and gross margins in our audit business, we reviewed the overall business structures, headcount and operating model and costs in this function against local and global benchmarks. The review highlighted lack of alignment between the current and foreseeable work stream, particularly in a specific grouping within the audit function. Accordingly, we took the difficult decision to retrench five partners in a process guided by Section 189 of the Labour Relations Act, 1995 (LRA).

### Recruitment

Attracting the right talent remains one of our key priorities and we are very encouraged that the firm continued to attract its fair share of talent from across the country’s universities. We believe that KPMG SA’s response to the challenges of our past has been key in getting students to choose our firm. In addition, our agile working approach is popular with our prospective talent pools. Our recruiting team is creating new ground-breaking virtual campaigns in conjunction with the universities to recruit our future talent.

The Graduate Recruitment Team places trainees in all four regions each year (Cape Town, Durban, Gqeberha and Johannesburg). Each region has a designated recruiter for every year group. An important indicator of the quality of the people that we attract is the number of students who have signed with KPMG SA and are selected by the various universities to complete their first year as academic trainees at the country’s top universities. The numbers over the past three years are as follows:

Year	Number of academic trainees
FY21/2	17 trainees from two office locations
FY20/1	22 trainees from two office locations
FY19/20	23 trainees from two office locations

Encouragingly, given that we do not only rely on graduate talent, an increasing number of outside senior audit professionals are actively approaching KPMG SA to be part of our future. In addition, there has been a pleasing increasing trend whereby professionals who have previously left the firm are returning. This indicates that we are seen to be acting on our promise to do the right thing. Our clear ambition of being the most trusted and trustworthy firm talks directly to their desire to continue serving the public interest through a career in the audit profession.

### Attrition rates

We proactively monitor our attrition rates on a monthly basis and will continue to benchmark these rates against our functional attrition targets which are incorporated as a key performance indicator (KPI) in our partner scorecards.

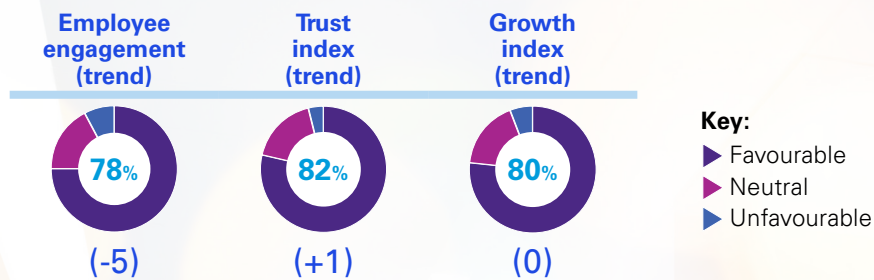
	FY21	FY20
<b>Black</b>	12%	8%
<b>White</b>	11%	10%
<b>Other</b>	17%	11%
<b>Male</b>	13%	9%
<b>Female</b>	10%	9%

Attrition rates for men and women were 13% and 10% respectively (FY2020: 9% for both men and women). A general industry historic benchmark of 18% attrition has reduced in the last two years because of the economic uncertainty generated by COVID-19.

### Employee Engagement Global People Survey Results

The Global People Survey (GPS) is a critical part of KPMG’s engagement strategy across the global organisation. Conducted annually, it invites KPMG SA people from around the world to tell us how they are feeling about KPMG. It enables us to measure levels of employee engagement, understand what drives engagement and helps us gain vital insights into how we can make KPMG SA a more inclusive, supportive, client-oriented and values-based firm. In FY21, the completion rate for KPMG SA was 84%. The survey was coupled with a Barrett Culture Values Assessment (CVA) to support our listening strategy and culture ambition, as well as exploring how the Barrett CVA findings align with our GPS results. Encouragingly, the values-driven question: ‘Partners demonstrate our Values in their everyday behaviour and actions’, improved by five points y-o-y. In addition, Trust, Growth and Career Growth increased by one point when compared to the previous survey.

Results of the key drivers, which enable leaders to determine motivation and engagement levels, are set out below.



32 of the question items in the 2021 GPS survey had moved to a new response style as compared to 2020 and this created a new baseline score. In general there was a five-point decline on our engagement score across KPMG SA. Engagement scores were impacted by fatigue resulting inter alia from COVID-19 environmental conditions. However, working groups are doing deeper analysis on root causes and mitigations.

### Colleague wellbeing

We continued to prioritise our people's wellbeing, launching a new strategy in 2021 and rolling out various wellbeing initiatives. These focused on all aspects of wellbeing, from physical and emotional to financial and physical. We conducted two wellbeing surveys which provided valuable feedback in terms of areas where our people require additional support.

### The Colleague Business Forum

The objective of the forum is to increase the level of colleague involvement through a two-way process of information-sharing and consultation on appropriate business and people-related matters. Discussions in FY21 related to complex matters included transformation initiatives, performance management, colleague bonus calculations and determinants, as well as business performance and restructures.

## Transformation

KPMG's Transformation efforts are aligned with the principles set out in the Broad Based Black Economic Codes, South Africa's transformation legislative provisions and supports the Sustainable Development Goals (SDG's), namely ending poverty (1), Quality Education(4), Gender Equality (5), Good Jobs and Economic Growth(8) and, Reduced Inequalities (10). We recognise the critical business role we play in strengthening and shaping the country's economy and we remain committed to giving full effect to ensuring growth, creating employment, driving empowerment and supporting equitable outcomes. The objectives of our 2021 transformation strategy included:

- Accelerating the promotion and creation of an inclusive and culturally competent workplace by improving the representation of previously disadvantaged under-represented groups at KPMG SA (in all occupational levels and categories).
- Ensuring legal compliance to procedural and substantive requirements of the Employment Equity Act and other related legislation.
- Improving gender representation, inclusion and participation of women at all levels.
- Developing and implementing strategies to improve and maintain a positive BBBEE score in order to make a meaningful contribution to economic and social development and to remain relevant and competitive in the markets that we serve.

### Workforce demographics for FY21

Our approach to improving transformation outcomes is informed by good governance, a diligent recruitment and retention strategy, regular monitoring and holding leaders accountable. We recognise that our work to build a truly representative and inclusive organisation will continue to have room for improvement. Accordingly, we monitor progress and evaluate outcomes to ensure that we are meeting our objectives. Our transformation progress in respect of South Africa's under-represented groups, namely African, Coloured, Indian and women during 2021 was steady, with improvements across many of our categories despite COVID-19 and turbulent market forces.

### Workforce representation in terms of ethnicity

	FY 21			FY20		
	African, Coloured, Indian	White	Other	African, Coloured, Indian	White	Other
Partners	34%	61%	5%	31%	66%	3%
Permanent colleagues	61%	35%	4%	56%	40%	4%
Graduate trainees	74%	25%	1%	73%	26%	1%
<b>Aggregate Total</b>	<b>64%</b>	<b>33%</b>	<b>3%</b>	<b>63%</b>	<b>34%</b>	<b>3%</b>

### Talent by gender

	FY 21			FY20		
	Female	Male	Total	Female	Male	Total
Partners	35%	65%	7%	33%	67%	6%
Permanent colleagues	61%	39%	54%	66%	34%	43%
Graduate trainees	51%	49%	40%	50%	50%	51%
<b>Proportionate Total</b>	<b>56%</b>	<b>44%</b>	<b>100%</b>	<b>56%</b>	<b>44%</b>	<b>100%</b>

We are committed to becoming an employer of choice for the diverse communities we serve. Highlighting this commitment, our total Black (ACI) staff complement increased by 2% in 2021 and our Black partner representation increased by 3%.

We acknowledge that our work to build a truly representative and inclusive organisation is never complete and that there will always be room for improvement. Under our renewed Transformation and Inclusion strategy, we have established new targets for FY22 to FY25.

Several governance structures maintain close scrutiny of the progress made in recruiting and retaining female partners and employees. A dedicated Women’s Network is responsible for driving the firm’s female empowerment agenda. Deliberate workforce planning strategies prioritise women empowerment and giving preference to under-represented women as first line beneficiaries in employment and advancement opportunities. Women comprise 56% of our current workforce and 51% of our FY21 graduate intake. In terms of partners, 35% of our partners are women.

### Our Transformation Scorecard

Our BBBEE efforts contribute significantly to the growth and participation of previously disadvantaged groups in the country – thus leading to economic growth. The higher our BBBEE score, the better our chances to leverage various opportunities and maintain a competitive position in the market. We were able to maintain a favourable Level 1 BBBEE rating for the fifth consecutive year.

Steady and sustainable improvements have been achieved in the firm’s ownership element, with an increase in the number of Black partners and resulting in an increase to 31% total Black ownership and 15% Black female ownership to an increase of 25%, taking Black ownership to 31% and Black female ownership to 15%. Our management control element reflects a stable improvement with a new score of 14,83 compared to the FY20 score of 14,69. Skills development spend remained stable despite COVID-19 disruptions. This is attributable to our investment in disability learnerships and our commitment to supporting the Valuable 500 pledge, a global industry initiative designed to place disability on the executive agenda and address the exclusion of persons with disabilities in the workplace.

COVID-19 had a negative impact on our enterprise development partners who found it difficult to continue their operations during the COVID-19 lockdown period. While we provided financial assistance in the form of grants to assist our enterprise development partners during this time, our Enterprise Development score was negatively impacted.

In terms of the overall score, we continued to exceed the industry averages, increasing our score by two points y-o-y.

Scorecard elements <sup>^</sup>	Target score	KPMG SA's score	Industry average score*
Ownership**	25.00	24.70	23.90
Management control	19.00	14.83	12.20
Skills development	20.00	18.83	18.90
Enterprise and supplier development	42.00	37.47	43.20
Socio-economic development	5.00	5.00	5.00
<b>Total</b>	<b>111.00</b>	<b>100.82</b>	<b>103.10</b>
Black ownership percentage***	51.00%	30.96%	36.30%

**Key:**

<sup>^</sup> Defined as per Broad-Based BEE scorecard



\* The industry average is an internal calculation of our major competitors

\*\* Ownership score considers black ownership, youth ownership, female ownership and the entry of new black directors into the partnership




\*\*\* Black ownership considers the voting rights and economic interests (profit share, earnings etc.) of both male and female black (ACI) partners

## Societal impact

As a professional services firm, our most significant social impact is through our work. Upholding the highest level of ethics and professional competence is our primary responsibility to society. Our initiatives in terms of ethics are set out on pages 31 - 33 of this report. However, as a responsible corporate citizen, we also need to be responsive to society's pressing needs. Colleague involvement in our response was facilitated by the implementation of an online platform for colleague volunteering: KPMG Cares and a KPI whereby each employee is expected to volunteer 7.5 hours. Our employee volunteering time amounted to a monetary equivalent of R6.5 million. Our responses to society in FY21 are set out in the following table:

SDG impacted	Activity	Outputs	Outcomes
 <p>2 ZERO HUNGER</p>	<ul style="list-style-type: none"> <li>• Winter Blanket Drive</li> <li>• July Social Unrest Food relief</li> <li>• Christmas Drive</li> </ul>	<ul style="list-style-type: none"> <li>• Blankets were distributed to the Senior Citizens HomeSunshine Association for disabled Children, Abraham Kriel Orphanage</li> <li>• The Kya Sands Informal settlement</li> <li>• Non-perishables to the value of R97 000 were delivered to Gift of the Givers who continue to assist those families affected by the COVID-19 crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Alleviation of hunger</li> </ul>
 <p>4 QUALITY EDUCATION</p>	<ul style="list-style-type: none"> <li>• KPMG family for literacy, (a global flagship citizenship programme with a mission to eradicate childhood illiteracy)</li> <li>• Thuthuka bursary scheme for students who want to become Chartered Accountants</li> <li>• KPMG SA bursaries</li> <li>• Enactus (the world's largest experiential learning platform)</li> </ul>	<ul style="list-style-type: none"> <li>• 4 000 books delivered to 10 schools</li> <li>• R3.7 million to Thuthuka</li> <li>• R10 million to KPMG bursaries</li> <li>• Contribution of rent to Enactus amounting to R244 000</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance employability</li> <li>• Expand the skills pool from which KPMG SA can draw</li> </ul>



SDG impacted	Activity	Outputs	Outcomes
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>Gender Based Violence (GBV) awareness and action sessions for staff in collaboration with Sonke Gender Justice</li> <li>16 Days of Action online volunteer campaign on KPMG SA Cares</li> <li>Continuing volunteer opportunities for anti-GBV</li> </ul>	<ul style="list-style-type: none"> <li>6 online sessions for staff focusing on gender and GBV</li> </ul>	<ul style="list-style-type: none"> <li>Pre and post intervention surveys showed positive increase in awareness, consciousness, and action</li> </ul>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> <li>SAICA Enterprise Development (staff mentoring of SMMEs)*</li> <li>Hope Factory (staff mentoring of entrepreneurs) *</li> </ul> <p>*See page 46 for further details</p>	<ul style="list-style-type: none"> <li>12 KPMG mentors of 20 SMMEs</li> <li>30 KPMG SA mentors of 45 participants</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to building an inclusive, equitable and prosperous South Africa</li> </ul>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<ul style="list-style-type: none"> <li>Support of Democracy Works Foundation</li> <li>Support of National Business Initiative</li> </ul>	<ul style="list-style-type: none"> <li>Support of Youth Leadership Fellowship</li> <li>Support of Transparency in Corporate Reporting Initiative and Benchmark Report on Understanding the Private Sector's Approach to Anti-Corruption</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening South Africa's democracy through the development of a cohort of ethically conscious young leaders focused on social justice, diversity, and inclusion</li> <li>Deepening accountability and transparency in the public and private sectors</li> </ul>

## Embedding ethics across all operations

We have invested in culture as a collective strategic priority, with values at the heart thereof. Accordingly, we have embedded our Values in policies, processes, portals and all documents. The embedding of our Values is now overseen by the Values Steering Committee, including an independent non-executive member of the Policy Board and members of the Executive Committee.

Our ethics programme is aimed at:

- Developing moral sensitivity and ethical decision-making among KPMG professionals
- Creating and sustaining an organisational culture supportive of ethics
- Promoting professional self-reflexivity.

The programme is based on:

- Prioritising the public interest in decision-making
- Creating a culture in which it is comfortable to raise and address ethics concerns
- Ensuring that time and resource pressure do not undermine professional integrity
- Making certain that all colleagues are treated in an ethical manner
- Responding to unethical behaviour in a timely, appropriate manner.

Our induction sessions explain the importance of ethics at KPMG SA, warns of the obstacles to professional integrity and explains what ethics means in KPMG SA through the use of our Code of Conduct. New employees are also provided with resources, including the Ethics Helpdesk and the local and international hotlines for reporting unethical behaviour. In 2021 ethics training focused on practising ethics skills – such as moral sensitivity and reasoning – that, together with technical skills, produce quality work in service of the public and also help to grow confidence in the profession.

## Ethics training sessions

Sessions completed for FY21	24
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Venue	No. of Sessions	Attended
Johannesburg	12	1 095
Cape Town	2	177
Durban	1	82
Gqeberha	1	19
Namibia	1	43
Mauritius	3	382
2 <sup>nd</sup> year trainees*	2	274
Zambia	1	100
Botswana	1	55
<b>Total</b>	<b>24</b>	<b>2 227</b>

\*Ethics is part of the second year curriculum and it is mandatory to attend.

## Reinforcing our Values

In FY21, our Values were reinforced in the following ways:

- Colleagues were continually reminded of our Values through screensavers
- The weekly CEO communication linked news in the firm, commercial wins, and internal campaigns to different KPMG Values
- Colleagues on the BlueBucks platform – visible to all our people – were recognised in relation to our Values
- New colleagues in KPMG were introduced to our Values through a number of online induction sessions, including a discussion on the meaning of these values
- All colleagues are reminded of our Values during the annual ethics training session. As part of the session, colleagues participate in exercises during which they need to apply KPMG's Values to practical scenarios containing ethics concerns

- Through the KPMG Ethics & Values Marshal programme, colleagues can volunteer to be trained to act as ethics and values 'points of contact' within their regions or business units
- In FY21, we investigated our internal value-orientations through a cultural diagnostic values assessment, the Barrett assessment
- Our ethics newsletter includes articles on ethics in general, on ethics in audit and professional services, and links to ethics-related articles in the media. Topics included:
  - > Ethics lessons from 2020 for audit and accounting
  - > The revised International Ethics Standards Board for Accountants® (IESBA) code and what it means
  - > The ethics of vaccination
  - > Including moral development in your New Year's resolutions
- We facilitated a virtual 'ethics hour' on Global Ethics Day. Topics under discussion included global ethics priorities and the KPMG Global Code of Conduct, revised in 2020.

## Aligning with the SDGs



To reinforce our commitment to this SDG, we took the following steps:

- An article on ethics in the accountancy profession was jointly published in the Mail & Guardian and Accountancy SA
- A session on ethics was presented to a client's employees as part of their Fraud Awareness Week
- A session on business ethics was presented for students in the Democracy Works programme
- A lecture on ethics in accounting was recorded and provided to universities.

## Results from our Global People Survey

Feedback from the 2021 results suggests that our ethics and Values remain strong. We do need to focus a bit more on driving inclusion and diversity.

Category	Question Item	KPMG SA Overall 2021	KPMG SA Overall 2020
Leadership commitment to ethics	Partners demonstrating values	81%	+5
Ethics awareness	I know what I need to do to live the Values in my day to day work	94%	0*
	The people I work for demonstrate honest and ethical behaviour (added this one)	88%	+3
Ethics commitment	I am treated with dignity and respect	88%	+2
	Partners actively champion inclusion and diversity	74%	-3
Public interest mindset	KPMG makes a positive impact on society	79%	+2
Feasibility of ethical conduct	At KPMG we uphold our Values, even when under pressure	81%	+2
Willingness to report misconduct	I believe I can report unethical practices without fear of negative impact on me	80%	+1

\*0 is a consistent score with no change.

## Looking forward

Our competitors can replicate our process and possibly even our technology, but they cannot replicate our people, which is why we place such a high priority on them. Looking forward, our strategic priorities include:

- Enhancing our Engagement Review Form (ERF) platform
- Expanding our Performance Development series – PD like a Pro
- Further embedding the LAC in the promotion process from senior manager to associate director
- Employing survey-based tools such as the 360-feedback tool to gather feedback on individual behaviour at leadership level
- While there were improvements with regard to 'feasibility of ethical conduct' and 'responsibility and accountability' in our GPS, we will continue to focus on these areas in the year ahead
- Maintaining our level 1 BBBEE certification
- Reviewing our mentoring programme to give colleagues the opportunity to volunteer as a mentor and also to request a mentor.

# Technology and innovation in everything we do

## Global Innovations

- 56** innovation locations globally, with 12 opened in the last two years
- 30m+** virtual client and colleague meetings held each month using Microsoft Teams; global roll-out completed 2 years ahead of schedule
- 23** KPMG Insights Centres enabling KPMG global firms to adopt consistent hybrid/virtual working practices

### Creating value through strategic alliances and driving innovation

KPMG has more than **26** global and multi-firm strategic alliances, and has been recognised through **13** analyst accolades in the past year including:

A leader in IDC MarketScape:  
WW Microsoft Implementation  
Services 2021



A leader in IDC MarketScape:  
Digital Strategy Consulting  
Services 2021



A leader in The Forrester Wave™:  
Global AI Consultancies, Q1 2021



A leader in HFS Services:  
Top 10 Evaluation 2021



Go to [home.kpmg/analystaccolades](https://home.kpmg/analystaccolades) for a full list of industry analyst accolades of the last year.

## Achievements and milestones

- In FY21, approximately 250 of 1 400 engagements transitioned to KPMG Clara, KPMG's cloud-based audit platform
- By the end of the 2021 calendar year, all KPMG SA audit staff were trained in a virtual environment on using KPMG Clara
- During FY21 our 10-person KPMG Clara Analytics Centre supported 170 engagements with implementing the data and analytics functionality on their KPMG Clara engagements
- Initiated use of the KPMG Forecast and Analytics Suite – web-based solutions developed in partnership with former strategic alliance partner McLaren
- Implementation of DataSnipper®, an audit tool that enables engagement teams to extract, search, document and review PDF documents and perform automatic reconciliations between large volumes of client data across multiple sources of information and underlying source documents using Optical Character Recognition (OCR). Initial increases in efficiencies are approximately 20%-30%.

## Technology-enabled solutions

The business landscape is characterised by constant change. Against the backdrop of new markets and business models, technological developments, and disruptive forces such as digitisation, and increasingly more complex regulatory requirements, KPMG SA is committed to being at the forefront of change and helping to lead the future. Our global solutions are set out below:

### Harnessing the power of predictive analytics

The Complex Asset Impairment Tool (CAIT) is a one-of-a-kind solution that assists with the assessment of impairment of non-financial assets such as goodwill or intangible assets. CAIT offers the following capabilities:

- An overview of imported impairment models and key figures
- Stress testing over imported impairment models
- Insights on the probability of material impairment using a user-defined range of values
- Visualisation of the potential error range and growth for chosen metrics
- Benchmarking of imported forecasted revenue and sustainable growth rate against other companies.

### Leveraging specialist solutions

The KPMG Global organisation has several proprietary accredited software audit tools in our arsenal of technology solutions that we also use in executing our engagements:

- Our Tax specialists make use of GL CUBE, ETRA and Tax Intelligence Solution (TIS) – an integrated suite of tax data and analytics tools, dashboards, methodologies and insights that facilitate sustainable tax management
- The KPMG IFRS 9 Risk and Impairment Solution (IRIS), which is designed to estimate, dissect, and challenge underlying model assumptions and expected credit loss numbers on an account level, has been successfully utilised in a number of financial services engagements
- SPIRAL is another solution built in-house to cater to the needs of our engagement teams tasked with performing audit procedures over financial instruments. SPIRAL is a bespoke, automated valuation tool that offers enhanced valuation assurance of the entire portfolios of financial instruments, including derivatives. It also allows for peer-group benchmarking of hard to price positions, data verification, market risk, sensitivity analysis and valuation model verification, creating a more consistent valuation approach and robust data analysis across entire financial instrument portfolios

- KLASS, our proprietary, cloud-based global reserving technology capability, is leveraged by teams throughout the world to support our review of reserving liabilities in certain financial services clients, based on standard actuarial techniques. Advanced data diagnostics can be produced to identify trends, anomalies and outliers to deliver higher quality by adopting a consistent approach throughout the world. It also enhances efficiency through built-in actual versus expected and roll-forward functionality, thereby ensuring speedy turnaround
- KPMG's Intelligent Platform for Automation (KIPA) is a global library of 400+ robotic process automation assets which we use engagements to perform standard, routine audit procedures and tasks. The power of KIPA lies in its ability to enable us to crowdsource information from KPMG firms globally.

### Ensuring privacy and data security

KPMG's Information Protection Group undertakes periodic security assessments of the KPMG Clara for Clients application. Assessments comprise vulnerability scans and penetration testing and adhere to current industry-best practices. In addition, weekly automated vulnerability scans occur on all internet-facing systems and interfaces.

In terms of data security in the Cloud, the global organisation has a long-standing relationship with Microsoft and is among their global alliance partners. The KPMG and Microsoft global alliance combines our deep global audit experience with Microsoft's advanced security features and industry-leading compliance capability.

### Governance

The use of software audit tools (SATs) has grown across the firm, with audit engagement teams effectively deploying tools developed both globally and locally, customising KPMG firms' tools and acquiring tools from third parties and/or KPMG specialists.

Policies have been established to drive consistency in the quality and risk management reviews of technology solutions developed by KPMGI's, KPMG firms or licensed from third parties.

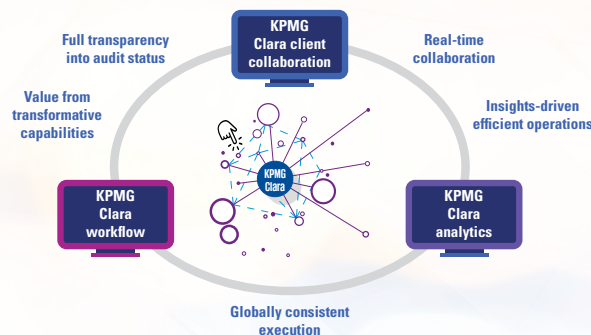
These policies effectively require every solution to be reviewed and approved in accordance with certain requirements that ultimately ensure that SATs used by engagement teams to obtain sufficient appropriate audit evidence have been accredited. All SATs are required to be evaluated and tested for the ability of its design to effectively achieve its purpose and its consistent operation. The implementation of these policies, including a Southern Africa SAT Governance Committee, enhances our system of audit quality controls. The Southern African SAT Governance Committee provides oversight over the SAT process for the Southern African region and comprises members of the Audit & Assurance Quality Council.

### Developing and deploying KPMG Clara

KPMG Clara is the KPMG global organisation's smart and intuitive technology platform that is driving globally consistent execution. As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through a data-enabled workflow. The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualisation. We have continued to work closely together with KPMGI to develop and deploy KPMG Clara. The platform is evolving as technologies like artificial intelligence, blockchain and cognitive abilities transform audit delivery. Some of the key benefits that KPMG SA's clients receive with this smart audit platform include:

- Full transparency into the status of an audit
- Real-time collaboration
- Insights-driven efficient operations
- Globally consistent execution
- Value from our transformative capabilities
- More meaningful engagement between our clients and audit teams.

We have now integrated our existing data and analytics technology capabilities into KPMG Clara. This helps enhance audit quality by leveraging data, and technology to provide meaningful general ledger insights throughout the audit.



### KPMG Clara workflow

KPMG is replacing eAudit with a new workflow and revised audit methodology embedded into the KPMG Clara smart audit platform. Phased full deployment of KPMG Clara workflow commenced across the KPMG global organisation in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits. Enhanced scaling capability will be delivered for our least complex audits with global transition being completed by 2023.

The web-enabled KPMG Clara workflow guides audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and clearly drives audit quality and consistency across the global organisation of KPMG firms. Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow can also facilitate monitoring of audit execution at the engagement level.

### Looking forward

- In FY22 50% of the engagement hours will transition to KPMG Clara, with full deployment in FY23 coinciding with the adoption of the new risk assessment standard ISA 315 from January 2022.
- We will continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, integrate existing audit applications into a single platform and develop new capabilities to digitise additional audit processes.
- The Going Concern Forecasting Tool (GCFT) complements CAIT and is due to be released for use to Southern Africa in January 2022. GCFT allows engagement teams to review common, pre-calculated KPIs such as current and debt ratios (but also allows users to define their own KPIs) and view the performance of these KPIs over all past and future forecasted years for which financial statement information has been imported, increasing efficiencies and reducing the probability of human error in recalculations. The evaluation of an entity's ability to continue as a going concern is a key assessment in every financial statement audit, regardless of industry, and the release of the GCFT is expected to significantly assist engagement teams with this aspect of their audit engagement.

# Sustainable, profitable growth

## Our objectives

While our simple but bold global ambition – to be the most trusted and trustworthy professional services firm, and to use that trust to gain market share across each of our markets globally – was drafted more than three years ago, it has more than stood up to the moment that we're in.

KPMG SA's opportunity pipeline remains robust, highlighting our success in building trust through agility. Clients, and potential clients have saluted the changes KPMG SA has made and recognised our work to redefine the heart and soul of KPMG SA. We are also playing a role in helping to shape the future of the accounting profession. Our non-audit service policy, as mentioned in the Chairperson's report, has defined how we engage with our JSE listed audit clients. We have seen notable wins in the market based on our targeted opportunities and this confirms that we are playing an essential role in the market.

We can confidently say we have met our objectives to retain and grow our client base. These included, and will continue to include, as key focus areas:

- Multidisciplinary collaboration within regulatory frameworks
- Continuing to win significant tax and advisory opportunities at non-audit clients in addition to audit clients through our commitment to quality and public trust, technical innovation, deepened sector expertise and our global connectivity
- Creating strong and consistent brand recognition across target markets in Southern Africa
- Retaining clients by being their trusted advisor
- Focusing on client matters that require solutions in the future for example ESG, digitisation and technology.

## Revenue growth

Our client facing business units, most notably in Advisory, improved revenue levels, experiencing growth of 12%. Nevertheless, we experienced headwinds in achieving our target margin as investment time, focus on quality and generally tough economic conditions prevail, especially in Audit. At a firm-wide level we were able to generate savings from areas such as travel, printing, and entertainment in our operating costs, largely due to COVID-19. This resulted in an improved y-o-y financial performance. While these savings were significant, they are not expected to be maintained going into 2022 where we hope to have a less restricted operating environment.

Advisory was the standout performer for the year, with double digit growth across their service lines. This was largely underpinned by the delivery of prior year investments in the Digital Consulting and Deal Advisory businesses, complemented by our Risk Consulting business. The latter has delivered consistent performance for many years, largely providing specialist support to our audit businesses.

Similarly, Tax & Legal also showed strong growth, with the Corporate Tax business delivering strong y-o-y growth to complement our employee, compliance and Tax audit support teams.

From a sector point of view, in financial services, KPMG SA secured new audit mandates from two major banking institutions and two short-term insurers – one of which is South Africa's largest short-term insurer, as well as a shared value insurance company. Within the corporate sector, we also succeeded in winning the accounts of a major retailer as well as an international infrastructure and resources company.

Audit is continuing to respond to mandatory audit firm rotation (MAFR). The impact of the market defining wins as just described is now being realised, and we look forward to further growth. However, the addition of new clients is tempered by those out of which we have to rotate. This rotation is pressurising audit margins, given the additional time required in transitioning into new clients and the learning costs associated with the delivery of a new audit methodology. This will remain an area of focus for improvement and resolution with clients going forward.

**Sector prioritisation and focus**

We go to market by sector, with our sector leaders driving our growth strategies across various Priority Accounts identified within the sector. Each Priority Account has a dedicated lead partner who focusses on implementing an account strategy developed in consultation with the entire client service team. We expect our sector leaders and lead partners to offer the most appropriate KPMG services and latest thought leadership to our clients during the year.

In addition, we have developed a sub-saharan African regional sector programme to align with the needs of our clients.

The Africa Sector Programme is governed by the Africa Board and regional senior partners, as well as regional Heads of Clients and Markets, who support the Africa sector leads and experts on the continent.

Our KPMGI colleagues and Europe, Middle East and Africa (EMA) regional team, working closely with the sector leadership networks, understand the potential of African markets. Involving both specialists from the various KPMG service lines and KPMG’s global alliances, enables us to provide clear views of Africa-wide opportunities together with innovative solutions. The Africa focus sectors are:

- Automotive
- Consumer and retail
- Energy and natural resources
- Financial services
  - > Asset/fund management
  - > Banking and capital markets
  - > Insurance

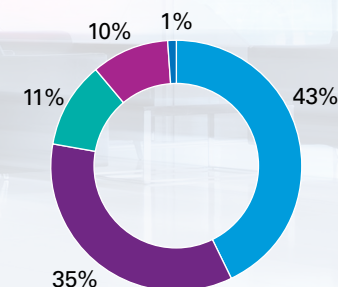
- Government
- Healthcare and life sciences
- Industrial manufacturing
- International development
- Private enterprise
- Telecommunications, media and technology
- Transport and infrastructure.

Financial services sector revenue growth of 15% supported by corporate sector revenue growth of 8% contributed 78% of the firm’s revenue.

**Sector performance**

	FY20 (million)	FY21 (million)	Growth rate
<b>Financial services</b>	R 539	R 621	↑ 15%
<b>Corporate</b>	R 694	R 751	↑ 8%
<b>Government &amp; Public Sector</b>	R 23	R 25	↑ 6%
<b>Energy &amp; natural resources</b>	R 207	R 201	↓ 3%
<b>Interfirm</b>	R 202	R 171	↓ 15%

**Sector contribution to firmwide revenue**



**Note:** • Private enterprise is a channel for going to market and its numbers are incorporated in the sectors above.  
 • Other non-priority sector revenues are excluded from the above.



Through KPMG's established Game Changer Programme, initiated in 2019, we have implemented extensive measures to leverage these new market opportunities. This has been a unique opportunity for us to grow our client relationships and ensure strong account management.

Through our pipeline, qualification and opportunity management framework, we cannot and will not, do anything during either phase of our relationship with clients and potential clients that could challenge our independence or quality of an outgoing or incoming audit. When it comes to tenders in which we participate, we continue to remain selective. Our Game Changer Programme enables us to be strategic in terms of market engagement. We are committed to ensuring that we do not compromise on quality while establishing KPMG SA as the clear choice for our clients and our people, simultaneously working to enhance trust in our profession.

## FY21 revenue

Our financial performance was resilient based on our agility during the ongoing global pandemic. Audit and Tax & Legal revenues remained robust with the Advisory business achieving pleasing growth from innovative products and services.

Function	Net revenue FY21 (R'000)	Net revenue variance (%)	Net revenue FY20 (R'000)
Audit*	871 749	3%	846 943
Advisory	617 280	12%	550 113
Tax	280 668	3%	272 442
<b>Total</b>	<b>1 769 697</b>	<b>6%</b>	<b>1 669 498</b>

\*Audit revenue excludes fees attributed to our specialists in Advisory and Tax & Legal who support Audit amounting to R153 million in FY21.

Gross revenue reflects revenue invoiced to the market, including disbursements and other third-party costs, excluding VAT. During FY21 we invoiced R1 903 billion to the market in gross revenue (FY20 R1 874 billion). This enhances our disclosure from prior years and aligns better with the industry norm.

Net revenue represents fees earned with our employed resources only and is reduced by disbursements and third-party costs.

Our net revenues increased by 6% y-o-y showing a pleasing return on our installed capacity and ability to leverage our human capital in the market.

## Key financial highlights

	FY21	FY20
Value of top 20 new engagements secured	R526.3m	R410.2m
Revenue earned from new clients	R77.3m	R34.9m
MAFR wins	R486.3m	R231.3m
New clients secured as a percentage of revenue	4.4%	2.1%
MAFR wins as a percentage of revenue	27%	14%

Our project and opportunity pipeline supports our sustainable profitable growth ambition in the medium term and is testimony to a strong return to market for KPMG SA.

## Cost model

The infrastructure operating model, our core internal support function, managed to contain cost growth despite inflationary pressures. Continued improvement in efficiency and a reduction in vacant office space has seen many of the legacy costs reduced. Central infrastructure spend reduced by 4% from FY20.

## ISO compliance

The firm currently complies with and is certified in the following three ISO standards:

- Health and Safety (ISO 45001)
- Quality (ISO 9001)
- Environmental (ISO 14001).

Annual surveillance is performed with a re-certification completed every three years; the most recent re-certification review was conducted shortly after year-end, in November 2021.

## Support from KPMG International

KPMGI continues to support the local firm's endeavours to achieve excellence in risk and quality. KPMGI does not provide professional services to clients. Many of the resources from other KPMG firms, so instrumental in assisting the firm achieve its objectives, have since returned to other assignments or home countries, and whilst support remains in the form of oversight from KPMGI and its related entities, KPMG SA is able to operate effectively with mostly local resources.

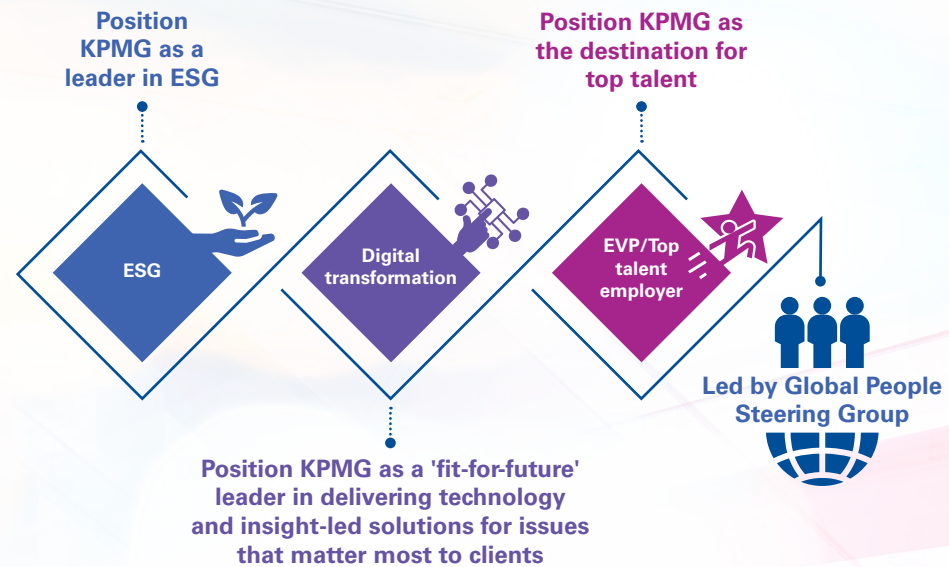
## Looking forward

In FY21, based on insight and research, KPMG worked with an external agency focusing on developing globally consistent brand positioning.

Leveraging off insights-led approach in the three main pillars as outlined in the diagram below, the outcomes are to:

- Drive significant higher brand consideration among markets/sectors
- Improve credibility and uniqueness for KPMG colleagues
- Generate positive associations to key growth drivers.

The brand messaging and narrative emphasise how we see a world of opportunity – one where enterprises and individuals have the insights they need to transform and succeed. The plan will be rolled out across the global organisation in FY22.



# Stakeholder engagement

## Overview of engagements in 2021

The COVID-19 pandemic continued to be of major concern to KPMG SA and to our stakeholders. Given our strategy of constantly monitoring changes in the operating environment that could potentially impact our stakeholders, we were able to respond swiftly and effectively to developments as they unfolded.

We continued to focus on building trust as we engaged with our stakeholders based on the principles of materiality, inclusivity and responsiveness. We are open to all inputs from our stakeholders and value these as representing opportunities to appreciate other perspectives and familiarise ourselves with issues of which we may not be aware.



## Responding to our stakeholders

The following tables summarise expectations and issues raised in the year by key stakeholders.



Profile/description	Methods of engagement	Key concerns and expectations	Our response
<ul style="list-style-type: none"> <li>• South African global businesses</li> <li>• Local businesses ranging from SMEs and family businesses to large enterprises</li> <li>• Private equity</li> </ul>	<ul style="list-style-type: none"> <li>• Senior management meetings to update on supplier performance and delivery governance</li> <li>• Audit committee meetings and formal presentations</li> <li>• Update letters and external reports</li> <li>• Dissemination of thought leadership</li> <li>• Industry forums</li> <li>• Client satisfaction surveys</li> <li>• Industry-focused webinars and thought leadership events</li> <li>• Technology driven events due to COVID-19</li> <li>• Leadership meetings with public sector.</li> <li>• Client satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment to being the most trusted and trustworthy</li> <li>• Value added at a project level</li> <li>• Impact of COVID-19 on service delivery</li> <li>• Impact on public trust on stakeholder relationships</li> <li>• Policy Board and non-executive director engagements with stakeholders</li> <li>• Brand acceptance in the market and public sector specifically</li> <li>• Understanding market drivers, including civil society expectations, regulatory changes and technology disruptions</li> <li>• Regular and transparent communication</li> <li>• Continuity of client service teams</li> <li>• Remaining relevant in the market in a multidisciplinary way, despite current staffing constraints</li> </ul>	<ul style="list-style-type: none"> <li>• Policy Board Charter reviewed against the recommendations of the IODSA</li> <li>• Regular client meetings by engagement partners and senior leadership</li> <li>• Deploy leading-edge technology solutions</li> <li>• Develop client-centric strategies that are validated with our clients to achieve their objectives</li> <li>• Build effective relationship through dedicated client service teams and participate in engagement/opportunity debriefs through focused account plans that are aligned with our clients</li> <li>• Tax &amp; Legal alerts on hot topics and key amendments issued to clients</li> <li>• Monitor our market profile through effective social media monitoring tools</li> <li>• Segmented and targeted client portfolio plan</li> <li>• Cross-functional collaboration to provide competitive solutions within regulatory frameworks</li> <li>• Technological innovation and sector expertise through global connectivity</li> <li>• Webinars and virtual events</li> <li>• Our viewpoints and insights provide fresh inspiration and perspectives. Examples of our annual Thought Leadership include:                         <ul style="list-style-type: none"> <li>&gt; KPMG’s Annual Insurance Survey</li> <li>&gt; The Ten Key Regulatory Challenges</li> <li>&gt; The South African edition of the CEO Outlook (in collaboration with BLSA)</li> </ul> </li> <li>• Recently published thought leadership reports focused on themes like ESG, The Future of Tax; Technology in the Audit and Private Enterprise.</li> <li>• Surveys have been disseminated on topics such as Cyber security, ESG risks in Banks and new surveys on various topics are in progress.</li> <li>• Visit the <a href="http://www.KPMG.co.za">www.KPMG.co.za</a> website to view our Thought Leadership publications</li> </ul>

Tax & Legal hosted a virtual Budget Event on 25 February 2021 attended by 490 people. In the build-up to the event, we prepared sound bites relating to budget predictions, some of which were quoted in media articles. The event was followed by media interviews, post-budget discussion and presentations. Various Tax and Legal professionals contributed articles on many different media platforms.

## People



Profile/description	Methods of engagement	Key concerns and expectations	Our response
<b>Partners</b>  <b>Colleagues</b>	<ul style="list-style-type: none"> <li>• Transparent Times, an internal publication</li> <li>• Ethics training</li> <li>• Colleague Connect sessions (virtual)</li> <li>• Colleague communications (e-mails, on-screen-pop-up messaging)</li> <li>• Business unit meetings (virtual)</li> <li>• Culture, ethics and support workshops</li> <li>• Wellbeing sessions</li> <li>• Annual Global People Survey</li> <li>• Pulse surveys</li> <li>• Counselling and career development/ performance management</li> <li>• Weekly CEO newsletter</li> <li>• Online portal (COVID-19 and Me)</li> </ul>	<ul style="list-style-type: none"> <li>• Time and resource pressure</li> <li>• Need for transparency and speed at which information is cascaded to colleagues</li> <li>• Job security, promising future and career plans</li> <li>• Strong leadership and clear strategy, with accountability, and aligned culture</li> <li>• Diversity</li> <li>• Public interest and values-driven organisation</li> <li>• Remuneration and incentives/ accountability aligned with market and strategic key performance indicators</li> <li>• Firm's response to COVID-19 crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Article on time and resource pressure published in the TT</li> <li>• Pressure scenario in the annual ethics training, requiring attendees to demonstrate moral sensitivity and apply moral reasoning to stress situations</li> <li>• Revised Performance Development approach</li> <li>• Investment in disability learnerships and support for the Valuable 500 pledge (see page 28 for further details)</li> <li>• Ethics workshops and engagements</li> <li>• Holistic wellbeing strategy launched</li> <li>• Continued with implementation of our comprehensive remedial plans, together with culture alignment programmes</li> <li>• Volunteering programme enabled our people to participate in social investment activities, promoting colleague engagement and an enhanced sense of purpose during the pandemic</li> <li>• Virtual firm-wide Connect sessions with all our colleagues, as well as central and BU action plans</li> <li>• Annual Global People Survey central and business unit specific action plans</li> <li>• COVID Crisis Committee continued to guide the firm's response to the pandemic</li> <li>• Formal online recognition scheme (BlueBucks)</li> </ul>

## Regulators/professional associations



### Profile/description

- Independent Regulatory Board for Auditors (IRBA)
- Institute of Internal Auditors (IIA SA)
- JSE
- PCAOB
- SAICA
- SARB

### Methods of engagement

- Responding to formal investigations and inquiries
- Formal inspections and findings reports
- Meetings and presentations
- External reports

### Key concerns and expectations

- Ability to deliver consistent high-quality audits, compliant with standards and regulations
- Upholding of professional ethical standards including independence and ethical conduct
- Market concentration with the auditing and auxiliary and professional services sector
- Advancing transformation within the South African context

### Our response

- Enhancement of leadership and governance
- Entrenchment of quality and risk management reforms  
Acceleration of diversity and transformation programmes disability
- Ongoing commitment to transparency, sustainability principles and UN SDGs in external reporting
- Continuing to strengthen our relationships with regulators
- Monitoring the impact and adoption of mandatory audit firm rotation in South Africa

## Government



### Profile/description

- South African Revenue Services (SARS)
- African Development Bank
- Auditor General of South Africa (AGSA)
- Ministry of Finance
- Development Bank of SA (DBSA)
- Ministry of Communications
- Industrial Development Corporation (IDC)

### Methods of engagement

- Formal meetings, presentations and engagements
- One-on-one meetings, and engagements
- Ongoing updates of thought leadership reports
- Invites to virtual events

### Key concerns and expectations

- Update on legacy issues and analysis of the primary causes of underlying issues
- Queries about the firm's professional standards and ethics in nature and quality of work undertaken on the above entities
- Details about the audit quality on work performed on behalf of Auditor General's office
- What is the extent of external investigations and inquiries?
- Update on the management of association risk regards continued business relationship with KPMG SA
- Update on regulatory and public trust on KPMG SA

### Our response

- Drew a line and established a legacy period
- Undertook a primary root cause analysis, investigated all identified issues concerning the firm.
- Committed to appropriate remedial plans, supporting external investigations and sought to implement consequential actions accordingly
- Coherent and extensive stakeholder engagement programme
- Seek to embed client and engagement acceptances
- Setting a convincing future strategic direction for the firm that reflects our Values and Culture
- KPMGI oversight including Policy Board level oversight, reporting and governance reforms
- Pre-issuance reviews, including enhanced QPRs and regulatory compliance reviews (IRBA, JSE)

## Business associations



### Profile/description

- Audit Committee Forum (ACF)
- Business 4 South Africa (B4SA)
- Business Unity South Africa (BUSAs)
- Business Leadership South Africa (BLSA)
- Black Management Forum (BMF)
- Banking Association South Africa (BASA)
- Association for the Advancement of Black Accountants of Southern Africa (ABASA)
- African Women Chartered Accountants
- Institute of Directors SA (IoDSA)
- Institutional investors
- South African Auditing Profession Trust Initiative (SAAPTI)

### Methods of engagement

- Pro-bono work
- Meetings and presentations
- Written correspondence
- External reporting.
- COVID-19 business response

### Key concerns and expectations

- Assist with business response to the COVID-19 crisis
- Zero tolerance approach to corruption
- Ability to deliver constantly high-quality audits, compliant with standards and regulations
- Upholding of professional standards, including independence and ethical behaviour
- Advancing transformation within South African context
- Highest possible ethical standards
- Sharing lessons learned with the wider business community
- Supporting big business's COVID-19 response through our risk planning programme
- Supporting a campaign to pay Small, Medium and Micro Enterprises (SMMEs) in 30 days

### Our response

- We are the voluntary sponsor of the ACF and provide our senior resource pro bono to help set the agenda for and run the ACF in conjunction with the Institute of Directors and we develop and distribute guidance for audit committee members across the country.
- We are the voluntary sponsor of the CFO Forum in conjunction with SAICA

## Society



### Profile/description

- Social justice institutions
- Anti-corruption and ethical leadership organisations
- Non-profit organisations
- Faith-based communities
- Media
- Political stakeholders
- General public
- Environmental organisations like WWF

### Methods of engagement

- Civil Society Community Response and Recovery Forum and working groups
- Media interviews
- Press releases
- Context meetings
- Memberships

### Key concerns and expectations

- Entrepreneurial development
- Transparency and continued accountability
- Commitment to ethical and authentic reform
- Demonstrable cultural shift towards a public interest centric organisation
- Responsiveness to societal concerns, especially as a result of the COVID-19 pandemic
- KPMG's role in broader professional reform
- Resource scarcity and climate change

### Our response

- The graduate recruitment team participated in the 2021 Enactus Virtual Career Fair for FY21 and showcased a personalised video
- Participation in the SAICA Enterprise Development programme (see below for further details)
- Participation in the Hope Factory's Socio-Economic Development Flagship programme (see next page for further details)
- Heightened citizenship activities through mobilisation of human and financial resources (especially in response to COVID-19)
- Support for Alliance for Climate Action

### The SAICA Enterprise Development volunteer programme

The aim of the SAICA Enterprise Development (SAICA ED) volunteer programme is twofold: firstly, to address the unemployment of previously disadvantaged accounting graduates and secondly, to assist with the growth and development of SMMEs.

The programme operates as follows: Unemployed black accounting graduates are recruited into SAICA ED on annual renewable contracts for a period of two years to provide accounting and back-office support to black SMMEs with a turnover of up to R20 million per annum. The graduates' work is overseen by SAICA's Small and Medium Accounting Practices (Chartered Accountants who run their own accounting firms). This enables SMMEs to gain

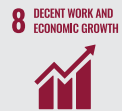
access to a service that they would not necessarily afford, while unemployed graduates gain experience.

In partnership with the SAICA ED, KPMG SA is running a volunteer ESD programme in which KPMG personnel volunteer a certain amount of their time to the development and upliftment of SMMEs across South Africa. The aim and objectives of the programme are to:

- Provide SMMEs with finance and business management skills training
- Implement financial management structures and controls
- Coach for better decision making

- Develop financial interpretation, as well as cash management and budget management skills.

The first six-month programme began in June 2021 and involves SMMEs from a range of industries ranging from petroleum wholesalers, ICT and construction, to renewable energy, waste management and agriculture. While the second programme, which began just after year-end in October 2021, mainly involves SMMEs from the ICT sector, there are a few from other industries such as marketing and manufacturing.



Case Study

### The Hope Factory volunteer programme

The Hope Factory is a socio-economic development programme run by SAICA which targets township communities and individuals with the aim of developing informal traders to become established businesses. The programme, which takes place over 18 months, comprises mentoring and training sessions under three pillars – personal, business and financial development. A total of 30 KPMG SA staff have volunteered their time and expertise as trainers and coaches for the 2021/2022 programme. Industries covered included beauty, catering, construction, events, manufacturing, stationery and training.



Case Study

### Looking ahead: Embedding stakeholder engagement into our business

Recognising that we do not operate in a vacuum, but in a dynamic environment, embedding stakeholder engagement into our business is a strategic priority. Our aim is to listen, understand and respond appropriately. Accordingly, we have established several avenues for engagement and will continue to assess opportunities where we can expand these to work more closely with our stakeholders. The work we embarked on in FY21 to benefit society under the auspices of SAICA, highlights this approach. So too, does our

response to the COVID -19 pandemic which prioritised safety and which was agile enough to mitigate the challenges posed by rapid developments.

Looking forward, we will continue to view stakeholder engagement not as a burden, but an opportunity to enhance trust, our service offerings, as well as our systems and processes.



# Our material risks and opportunities

## Defining material matters

We define our material risks and opportunities as matters that can substantively affect the ability of our firm to create value over the short, medium and long term within the context of the UN SDGs, the six capitals and our strategy. The process of determining material matters is summarised in the subsequent paragraphs and on page 2.

## Enterprise risk management (ERM)

The implementation of our ERM policy and framework continues to mature. Our strategic risk register, which documents inherent and residual risk status, controls and mitigating actions, has been used and reported on throughout the year to the Risk, Quality and Compliance Committee. This oversight has been strengthened by completing bottom-up or functional risk workshops and developing risk registers that merge our strategic responses to operational matters. This ensured improved accountability by executive and functional leaders across the firm.



# Linking our material risks and opportunities to our strategic responses

The following table outlines our top strategic business risks and opportunities. It links these to the key actions we have taken over the past year to mitigate risks or capitalise on opportunities and sets out how these actions augment our overall strategy.

**Note:** The risk number indicates the ranking

Risk and risk trend

Risk and risk trend	Opportunity	Our response	Alignment with KPMG's Values	Alignment with the UN SDGs
<p><b>1</b></p> <p>Public trust and social licence to operate</p> <p>↓</p>	<ul style="list-style-type: none"> <li>Ensure our behaviour fully acknowledges the public-interest nature of our work and rebuilds public trust</li> <li>Understand the social and political context in which we operate to avoid being perceived as naïve, detached or arrogant</li> <li>Ensure we have, and are seen to have, the right governance and accountability models in place</li> <li>Contribute to restoring the reputation of the chartered accountancy and Auditing profession as guardians of ethics, transparency and accountability</li> </ul>	<p>Exceptional service and quality</p> <p>Extraordinary people enabled through culture</p>	<p><b>For Better</b> We do what matters.</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> <p>Social and relationship capital</p>
<p><b>2</b></p> <p>Transformation and inclusion</p> <p>■</p>	<ul style="list-style-type: none"> <li>Continue to contribute to the transformation of the Auditing, Accounting, Advisory and Tax profession in South Africa, in terms of qualified professionals</li> <li>Play a meaningful role in the transformation of South Africa's economy and society</li> </ul>	<p>Extraordinary people enabled through culture</p>	<p><b>Courage</b> We think and act boldly</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>10 REDUCED INEQUALITIES</p> <p>Social and relationship capital</p>
<p><b>3</b></p> <p>Audit quality</p> <p>↘</p>	<ul style="list-style-type: none"> <li>Perform audits of high quality in line with applicable standards</li> <li>Create an environment that supports the above, including Policy Board and committee-level oversight, with robust quality-control processes and structures aligned with global audit standards</li> </ul>	<p>Exceptional service and quality</p> <p>Extraordinary people enabled through culture</p> <p>Technology &amp; innovation in everything we do</p> <p>Sustainable, profitable growth</p>	<p><b>Integrity</b> We do what is right.</p>	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>4 QUALITY EDUCATION</p> <p>Social and relationship capital</p>

Risk is: ↑ Increasing ↓ Decreasing ■ Stable ↘ Trending down

Risk and risk trend



Opportunity

- + Restore the morale and motivation of our people and enable a culture centered on public interest and quality in everything we do.
- + Maintain succession planning and effectively invest and empower leadership across the business to ensure development for key roles
- + Attract and retain the talent needed to drive our strategy
- + Manage and remain responsive to regulations that impact our business model, including mandatory audit firm rotation, restrictions on non-audit services and independence
- + Ensure sound relationships and constructive engagement with audit and other regulators, responding actively and appropriately to regulatory input
- + Effectively manage litigation, regulatory investigations and any other matters that could impact the reputation and stability of the firm

Our response



Alignment with KPMG's Values

**Excellence**  
We never stop learning and improving.

**Excellence**  
We never stop learning and improving.

**Integrity**  
We do what is right.

Alignment with the UN SDGs



Risk is: ↑ Increasing ↓ Decreasing ■ Stable ↘ Trending down

Risk and risk trend



Risk is: ↑ Increasing ↓ Decreasing ■ Stable ↘ Trending down

Opportunity

- + Accept and retain only those clients who are consistent with our Values
  - + Deliver services that are, and are perceived to be, legal, ethical and in compliance with professional standards and our core competencies
  - + Be aware of the socio-political landscape when undertaking work in the public and private sectors to ensure that the public interest is always served
- 
- + Anticipate, respond to, and capitalise on disruptive and innovative technologies for the firm and our clients across all sectors (e.g. robotics, internet of things, data and analytics, artificial intelligence, block chain, automation and social media enablement)
  - + Match skills and solutions quickly and effectively to growth areas
- 
- + Protecting confidential client and personal data from cyber-attacks or failures of internal controls enhances trust and reputation

Our response

Alignment with KPMG's Values

**Excellence**  
We never stop learning and improving.

**Integrity**  
We do what is right.



Risk and risk trend



Opportunity

- + Grow professional leaders who can contribute to the economy and society of our country by providing education, employment, service delivery, poverty eradication, reduction in crime and corruption, leadership, governance and upliftment of human dignity
  - + Focus on serving business and society and playing a key role in helping to create a positive future for South Africa and the accounting profession
  - + Implement agile change-management processes as well as a business model that is agile enough to adapt to external and internal influences
  - + Execute our strategy against our business plan and objectives in a period of rapid change
  - + Ensure enough resources for strategy execution and effective change management
  - + Communicate and engage with relevant stakeholders on our strategic plan
- 
- + Having a trusted leadership, enforcing effective governance principles, leading the firm into increased success
  - + Implementing effective succession planning

Our response



Exceptional service and quality



Extraordinary people enabled through culture

Alignment with KPMG's Values

**Together**  
We respect each other and draw strengths from our differences.



Alignment with the UN SDGs



Exceptional service and quality



Extraordinary people enabled through culture

**Integrity**  
We do what is right.



Risk is: ↑ Increasing ↓ Decreasing ■ Stable ↘ Trending down

Risk and risk trend



Risk is: ↑ Increasing ▼ Decreasing ■ Stable ↘ Trending down

Opportunity

- Ensure financial sustainability of the firm through effective cost control and financial management
- Execute our strategy against our business plan and objectives in a period of rapid change
- Ensure enough resources for strategy execution and effective change management
- Ensure coordination and cooperation across Southern Africa for potential clients

Our response



Exceptional service and quality



Extraordinary people enabled through culture



Technology & innovation in everything we do



Sustainable, profitable growth



Exceptional service and quality



Extraordinary people enabled through culture



Technology & innovation in everything we do



Sustainable, profitable growth



Exceptional service and quality



Extraordinary people enabled through culture



Technology & innovation in everything we do



Sustainable, profitable growth

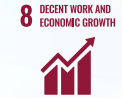
Alignment with KPMG's Values

**Excellence**  
We never stop learning and improving.

**For Better**  
We do what matters.

**Excellence**  
We never stop learning and improving.

**Integrity**  
We do what is right.



Alignment with the UN SDGs

Risk and risk trend



Opportunity

- Implement sustainable practices to enhance our environmental footprint
- Roll out our environmental strategy
- Improve our environmental measuring and monitoring
- Absorb the consequences of extreme events/natural disasters, e.g. COVID-19
- Perform tax and advisory services of high quality in line with applicable standards and principles
- Create an environment that supports quality tax and advisory services, including Policy Board and committee-level oversight, with robust quality-control processes and structures aligned with global standards
- Effectively manage the MAFR process by identifying potential clients and rolling the MAFR conversation out
- Build capability of smaller firms (see page 46)
- Strengthen the trust of KPMG firms and KPMG globally in the South African firm

Our response

Technology & innovation in everything we do

Sustainable, profitable growth

Exceptional service and quality

Extraordinary people enabled through culture

Technology & innovation in everything we do

Sustainable, profitable growth

Sustainable, profitable growth

Exceptional service and quality

Sustainable, profitable growth

Alignment with KPMG's Values

**For Better**  
We do what matters.

**Excellence**  
We never stop learning and improving.

**Excellence**  
We never stop learning and improving.

**Excellence**  
We never stop learning and improving.

**Integrity**  
We do what is right.

Alignment with the UN SDGs



Risk is: ↑ Increasing ↓ Decreasing ■ Stable ↘ Trending down

# Remuneration philosophy and policy

## Overview

Aligned with the best practices set for the global organisation by KPMG International, our reward philosophy aims to pay market-leading rewards where individual and firm performance, exceeds expectations.

## Colleague remuneration

Our annual salary review includes a detailed comparative market review using market data received from salary surveys, which form the basis of our internal salary bands.

Salary bands are reflective of the different service lines in the firm and individual levels of responsibility. Affordability is a key factor in our remuneration differentiation, together with our principles of fairness, relevant experience of colleagues and a detailed transformation and gender review.

Salary and bonus decisions are made by the function heads and People Exco, thereby ensuring a consistent application of the agreed principles. Exco provides final sign-off on the recommendations

## Partner remuneration

Partner KPIs are measured through the balanced scorecard approach using the following factors:

- Quality and compliance (public trust)
- People
- Clients
- Financial strength
- Career development goals
- Assessment of our KPMG Values and Behaviours.

Partner assessments are conducted by function heads in conjunction with the head of People and CEO and incorporate both intra-function and inter-function calibration. A transformation and gender analysis is undertaken prior to the final determination of individual performance payments.

## Gender and racial pay parity

We are passionate about creating an inclusive and collaborative culture where everyone is supported to reach their potential and appropriately rewarded for their contribution. We have robust processes and monitoring in place to ensure that our people are treated and paid fairly, meeting both our legal and moral obligations. While diversity is key to our people value proposition, we do not remunerate based on gender, race or any other diversity characteristic. Instead, remuneration is based on our core value of excellence.

Our approach to promotion and progression aims to ensure that a diverse group of talent progresses through the firm. However, we recognise that the full impact of this approach will take time to show in our data.

Our gender 'pay gap' differentials across the categories we monitor are all 15% or less in favour of males as compared to females. Our ethnicity 'pay gap' is 4% when comparing white generic to black generic. This continues to be an area of focus.

Regarding our partners admitted in the past five years, there is no gender pay gap differential and an ethnicity 'pay gap' differential of 1%.



## Policy Board, Exco and partner remuneration

Together with the individual skills and experience, the role and performance of a partner is appropriately recognised and rewarded. Partner role profiles are used to enable the link in role, performance and reward most effectively. There are three groups of partner role profiles where each category has three levels based on the degree of accountability exercised:

- Clients and Markets where partners spend 60% or more of their time delivering services to clients
- Technical/Specialists where partners provide a specialist expertise to clients with no delivery target
- Business Management or Business Leadership defined roles through leading a significant part of the business.

Partner role profiles are reviewed each year taking into account the overall level, role and responsibilities of each partner and the relative level of accountability in role which translates into the salary bands. The differential in partner remuneration relates to the consequence of driven behaviours and the displayed values in accordance with the Partner Quality and Compliance Sanction Policy.

Partner earnings, before tax, as set out in the next column, are disclosed based on actual performance relating to the earnings of the specific financial year.

## Remuneration disclosure

As set out in the table below Partner earnings, before tax, are disclosed based on actual performance relating to the earnings of the specific financial year.

Policy Board and Exco remuneration	FY21	FY20
	Average	Average
Executive management <sup>1</sup>	R4.7m	R4.5m
Independent non-executive Policy Board members <sup>2</sup>	R2.7m	R2.3m

<sup>1</sup> Executive management are Policy Board and Executive Committee Members, excluding our Non-Executive Directors and Chairperson

<sup>2</sup> During FY21, the remuneration was evaluated for the Independent non-executive Policy Board members based on their required participation in sub committees of the Policy Board at KPMG SA which resulted in an increase in the average number

Partner remuneration <sup>3</sup>	FY21	FY20
	Range	Range
	R2.1m to R5.2m	R2.0m to R5.1m

<sup>3</sup> Excluding the Executive Management and KPMG members from outside South Africa

# Governance

## Policy Board composition, structure and progress report

During the financial year to 30 September 2021, the Policy Board, the governance and oversight body of KPMG SA, comprised four independent non-executive members (and three after Imogen Mkhize's resignation due to personal reasons on 30 June 2021), two directors from the executive committee and eight directors elected by KPMG SA's body of partners. It is supported by several sub-committees that are focused on specific functional governance areas of the business. While the executive committee (Exco) is responsible for the day to day running of the business, it is accountable to the Policy Board.

Against the backdrop of our ongoing commitment to ethical and effective governance, our governance structure and practices have been designed to support our ambition of becoming the most trusted and trustworthy professional services firm in South Africa.

Consistent with the previous reporting period, our governance model seeks to ensure that our Policy Board, in consultation with the Exco, sets the strategic direction of the firm effectively and that it maintains adequate, independent oversight of strategy execution through close monitoring of performance and the control environment.

The Policy Board is supported by a number of committees focused on key functional governance areas. Exco reports to the Policy Board and has two directors that sit on the Policy Board. The Policy Board has several invitees to ensure sufficient engagement and discussion at board level.

KPMGI has an observer who attends Policy Board meetings. This brings a specialist skill set, thereby supporting best practice, ensuring greater connectivity

with the rest of the KPMG global organisation and sharing a wealth of experience.

Our governance bodies as at 30 September 2021 are shown on page 59, while our Policy Board and Exco members are shown on pages 60 and 61.

### Policy Board structure

KPMG SA is the collective trading name for KPMG Incorporated (KPMG Inc) and KPMG Services Proprietary Limited (KPMG Services). The partners of KPMG SA are directors in one or both of KPMG Inc and KPMG Services and as directors they have delegated, without abdicating, responsibility to the Policy Board in accordance with the memoranda of incorporation of each company. The Policy Board therefore acts as the committee of the board of directors of each entity. The Policy Board considers issues common to both entities. When matters arise requiring a vote that are specific to one entity, then the Policy Board members who are directors of that entity will vote in respect of such matter; for example, in the context of matters relating to the audit business, only Policy Board members who are directors of KPMG Inc will vote on such matters.

### Policy Board composition

KPMG SA has recognised the merits of having a balanced board and the value to be derived from diversity, independent views and advice informed by relevant skills and experience. No individual member has dominance or unfettered power on the Policy Board.

In terms of the memoranda of incorporation of KPMG Inc, and KPMG Services elections were held during September 2021 to elect six partner elected members to the Policy

Board<sup>1</sup>. All the existing members of the Policy Board, other than the Independent Non-Executive Members and the CEO and CEO nominated member, ceased to hold office as members of the Policy Board on 30 September 2021. The six newly elected members took office as members of the Policy Board from 1 October 2021.

We are proud of the calibre and experience of our non-executive and independent Policy Board members:

- Our Chairperson, Professor Wiseman Nkuhlu, is a leader acknowledged for his life-long commitment to the auditing and accounting profession.
- Ansie Ramalho, our Policy Board lead independent member, plays an important role with leading the Policy Board in the absence of the Chair; serving as a sounding board for the Chair; chairing discussions and decision-making of the Policy Board where the Chair has a conflict of interest; facilitating the performance assessment of the Chair.
- Professor Benjamin Marx, previously an independent member of several board committees, was appointed as a Policy Board member and chair of our Audit Quality Committee (effective 11 November 2019). His expertise in the accounting and auditing fields, and his independence brings objective and impartial oversight to the key audit quality initiatives of the firm.
- Imogen Mkhize, our most recent independent non-executive, who was appointed as a Policy Board member on 11 November 2019 resigned for personal reasons effective 30 June 2021. We have decided not to appoint a replacement for now. The situation will be re-assessed in our next financial year or when circumstances change.

<sup>1</sup>The memoranda of incorporation were amended at the AGMs in August 2021 to reduce the number of Partner-elected Directors from 8 to 6.

- Our CEO, Ignatius Sehoole, continues driving home the message to our people, clients and stakeholders that we are working to establish KPMG SA as the most trusted and trustworthy professional services firm.

Consistent with good governance practices, representation of Exco members on the Policy Board is restricted to our CEO and one other Exco member – our Executive Head of People, Transformation and Citizenship.

Other Exco members and general counsel may attend by invitation for all or part of Policy Board meetings to report back on functional matters, but they do not vote on any Policy Board decisions.

#### **Policy Board Charter and effectiveness**

Our governance structures and processes are aligned to our purpose, vision and strategy. Our Policy Board has a board charter and work plan and its committees also operate with terms of reference and work plans. Committees report back to the Policy Board after their meetings. The company secretary, Essop Sather, completed his contract on 28 February 2021. He was replaced by Donna Matthews, initially on an interim basis, with a full-time appointment made with effect from 3 June 2021.

Good governance requires accountability by those charged with directing and controlling the firm. In line with the previous year, the Lead Independent member led the Policy Board and its committees through a formal performance assessment process. The assessments of the performance of the Chair and the Lead Independent member were part of the evaluation process. These are incorporated into the comprehensive report on the activities of the Policy Board and its committees in the sections that follow. The report describes current-year developments and achievements, as well as future focus areas, with the latter informed by the results of the performance assessments. In addition, we assessed the application of recommended practices in King IV™ considered relevant to the firm which confirmed that substantial progress has been made. In 2021, further formal assessments were conducted under the guidance of lead independent member to firstly review the Board Charter and test it against the best practice recommendations of the IODSA's General Guidance Note on Board Charters and Secondly, to review governance arrangements between KPMG SA and its sub-licensees. Generally speaking, KPMG SA was found to be in compliance with the guidance issued by the IODSA and that the governance arrangement between KPMG SA and its sub-licensees applied the practices as recommended in King IV™.

Generally speaking, KPMG SA was found to be in compliance with the guidance issued by the IODSA.

## Policy Board and committee meeting attendance

Attendance register at Policy Board and sub-committee meetings from 1 October 2020 to 30 September 2021

	Policy Board		Combined Assurance and Reporting Committee		Risk, Quality and Compliance Committee		Public Interest, Social & Ethics Committee		Transformation Oversight Committee		Audit Quality Committee		Nomination and Remuneration Committee	
	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special
Total number of meetings held during the year	5	10	4	3	4	0	4	1	4	0	4	0	5	1
Chairperson	Wiseman Nkuhlu		Benjamin Marx		Ansie Ramalho <sup>4</sup>		Ansie Ramalho		Nosisa Fubu <sup>1</sup>		Benjamin Marx		Imogen Mkhize <sup>2</sup>	
<b>Actual attendance/possible maximum attendance of meetings</b>														
<b>Independent Non-Executive</b>														
Wiseman Nkuhlu	5/5	10/10	4/4	3/3	4/4		3/4	1/1	4/4		4/4		5/5	1/1
Ansie Ramalho <sup>6*</sup>	5/5	8/10			4/4		4/4	1/1	3/4		3/3		5/5	1/1
Benjamin Marx <sup>5·</sup>	5/5	9/10	4/4	3/3	4/4		3/3				4/4		2/2	
Imogen Mkhize <sup>2</sup>	3/4	8/9									3/3		3/3	1/1
<b>Elected Partners</b>														
Zola Beseti	5/5	9/10	3/4	3/3					3/4					
Mohammed Hassan	5/5	10/10					4/4	1/1						
Giuseppina Aldrighetti	5/5	10/10	4/4	3/3										
Coenraad Basson	5/5	10/10							4/4		4/4			
Kashmira Bhana	5/5	10/10			4/4									
Nosisa Fubu <sup>1</sup>	3/5	6/10					4/4	1/1	3/4				3/3	1/1
Modise Maseng <sup>3</sup>	1/2	5/7	-/2	1/3										
<b>Executive Directors</b>														
Ignatius Sehoole	5/5	8/10	4/4	2/3	4/4		3/4	1/1	4/4		4/4		5/5	1/1
Makgotso Letsitsi	5/5	10/10					4/4	1/1	4/4				5/5	1/1
<b>KPMGI observers</b>														
Andrew Cranston <sup>7</sup>	5/5	6/10												

<sup>1</sup> N Fubu resigned as Chairperson of the Transformation Oversight Committee effective 31 July 2021

<sup>2</sup> I Mkhize resigned from the Policy Board effective 30 June 2021

<sup>3</sup> M Maseng resigned from the Policy Board effective 31 March 2021

<sup>4</sup> A Ramalho appointed interim Chairperson of the Risk, Quality and Compliance Committee from 4 November 2020 and appointed Chairperson of this committee from 12 May 2021

<sup>5</sup> B Marx joined the Public Interest, Social and Ethics Committee as an invitee from 16 February 2021

<sup>6</sup> A Ramalho joined the Audit Quality Committee as an invitee from 4 February 2020

<sup>\*</sup> A Ramalho appointed Chairperson of the Nomination and Remuneration Committee from 25 August 2021

<sup>·</sup> B Marx joined the Nomination and Remuneration Committee as an invitee from 25 August 2021

<sup>7</sup> A Cranston – KPMGI observer attends Policy Board meetings only

## Committees' purpose and responsibilities

 <b>Policy Board</b>	 <b>Combined Assurance and Reporting Committee</b>	 <b>Risk, Quality and Compliance Committee</b>	 <b>Public Interest, Social and Ethics Committee</b>	 <b>Transformation Oversight Committee</b>	 <b>Audit Quality Committee</b>	 <b>Nomination and Remuneration Committee</b>
<p>Acts as the focal point of governance for KPMG SA and assumes accountability for its performance as well as its impact on ESG matters. The Policy Board's governance responsibilities include:</p> <ul style="list-style-type: none"> <li>• Steering KPMG SA and setting its strategic direction</li> <li>• Approving policy and planning to give effect to the direction set</li> <li>• Overseeing and monitoring implementation and execution of the strategy and planning</li> <li>• Ensuring accountability for performance by various means including reporting and disclosure.</li> </ul>	<p>Directs and oversees that combined assurance (comprising the various assurance functions and services) results in an effective control environment and integrity of internal and external reporting.</p>	<p>Directs and oversees the management of enterprise-wide risk in order to support KPMG SA in setting and achieving our strategic objectives. In particular, the committee directs and oversees compliance with applicable laws and non-binding rules, codes and standards, including quality standards as they pertain to advisory and tax service delivery. The oversight of audit quality has been delegated by the Policy Board to a dedicated sub-committee with separate terms of reference (Audit Quality Committee).</p>	<p>Ensures that the governance outcomes of having an ethical culture and legitimacy are realised in respect of KPMG SA by directing and overseeing:</p> <ul style="list-style-type: none"> <li>• The cultivation of characteristics and conduct by members of the Policy Board and its sub-committees to ensure that they display integrity, competence, responsibility, accountability, fairness and transparency</li> <li>• KPMG SA's conduct as an ethical organisation</li> <li>• KPMG SA's reputation as a responsible corporate citizen.</li> </ul>	<p>Directs and oversees the transformation strategy and its outcomes within KPMG SA.</p> <p>“Transformation” in this context means striving towards having a KPMG SA which reflects in the composition of its ownership, management, staff, procurement and enterprise and skills development, the reality of the race and gender demographics of the South African population. Transformation is an aspect of what is normally covered by the Public Interest, Social and Ethics Committee. Due to the focus that is required in this area, the Transformation Oversight Committee was established.</p>	<p>Ensures the design, implementation and monitoring of a system of quality management within KPMG SA to consistently deliver quality audits, and to evaluate the effectiveness of the system annually.</p> <p>Oversees all audit quality matters and assesses policies, projects and practices aimed at enhancing audit quality.</p>	<p>Assists the Policy Board in overseeing the quality and integrity of the Nomination and Remuneration practices.</p> <p>Also assists the Policy Board with:</p> <ul style="list-style-type: none"> <li>• Appointments to the Policy Board and Committees (including the CEO, executive committee nominee, partner elected members and independent non-executives)</li> <li>• Determining the suitability of individuals appointed to oversee key management functions</li> <li>• Determining the reward (remuneration plus benefits) philosophy of KPMG SA.</li> </ul>

Policy Board



Chancellor of the University of Pretoria  
Trustee of the African Union COVID-19 Response Fund

**Prof. Wiseman Nkuhlu**  
Independent Non-executive Chairperson

BCom(UFH) MBA (New York) CA(SA)  
DCom(hc)(UFS)  
DCom(hc)(US)  
DCom(hc)(UCT)  
DCom(hc)(UP)  
DAccSci(hc)(UNISA)



Recently appointed Chairperson to the King Committee on Corporate Governance  
Professional NED

**Ansie Ramalho**  
Independent Non-Executive Member

B.Iuris LLB



Chairperson for the Ethics Institute  
Member of Rhodes University Board of Governors

**Note:** Resigned with effect from 30 June 2021

**Imogen Mkhize**  
Independent Non-Executive Member

BSc Information Systems (Rhodes University)  
MBA (Harvard Business School)



Professor at University of Johannesburg (Head of Department of Accounting)

**Prof. Benjamin Marx**  
Independent Non-Executive Member

M.Compt Accounting (cum laude),  
PhD CA (SA)



**Ignatius Sehoole**  
Chief Executive Officer  
Qualified CA(SA), Dip (General Management) from Ashridge Management College (UK), BAcc (Hons), BAcc degree

Independent Non-executive members



**Giuseppina Aldrighetti**  
Elected director



**Coenraad Basson**  
Elected director



**Kashmira Bhana**  
Elected director



**Zola Beseti**  
Elected director



**Nosisa Fubu**  
Elected director

**Note:** Resigned with effect from 31 July 2021



**Mohammed Hassan**  
Elected director



**Modise Maseng**  
Elected director

**Note:** Resigned with effect from 31 March 2021



**Makgotso Letsitsi**  
Executive: Transformation and Citizenship

*Post year-end the Policy Board election cycle introduced new elected directors to serve office in terms of our Policy Board Charter and memoranda of incorporation.*

## Executive Committee



**Ignatius Schoole**  
Chief Executive Officer



**Gavin de Lange**  
Chief Operating Officer



**Joelene Pierce**  
Head of Financial  
Services Sector



**Makgotso Letsitsi**  
Head of Transformation  
and Citizenship



**Ron Stuart**  
Head of Clients  
and Markets



**Jan Vliegthart**  
Country Risk  
Management Partner



**Devon Duffield**  
Head of Audit



**Mritunjay Kapur**  
Head of Advisory

Subsequent to year-end Mritunjay returned to his home office. Marlene Pappas has taken over as Acting Head of Advisory. Mritunjay will resume the role as Head of Advisory again in May 2022



**Joubert Botha**  
Head of  
Tax & Legal



**Ed Belstead**  
Cape Town  
Managing Partner



**Ugen Moodley**  
Durban  
Managing Partner  
Subsequent to year-end  
Ugen was also appointed as  
Head of Public Sector



**Boitumelo Ngutshane**  
Head of Priority Accounts



**Safeera Loonat**  
Head of Energy Sector

# Segmental overview: Audit

## Achievements and milestones

- All KPMG SA audit staff have now been trained in a virtual environment on using KPMG Clara.
- Implemented our new Global Quality Framework which outlines how every partner and employee contribute to delivering high-quality audits.

## Our objectives

In turbulent times, transparency is more important than ever. That is why over the past year, while dealing with the impact of the global pandemic and difficult trading conditions, we have worked hard to innovate, enhance audit quality and advance the profession. Our ambition is simple but bold: to become the most trusted and trustworthy professional service firm in South Africa. This aim is impossible without delivering quality audits. Quality is what our profession is built on, and it is why we are relentless in our approach to delivering it.

## Our processes

We have consistently rolled out new technology and better ways of working – some forced by the pandemic and others aligned with our audit quality initiatives.

The continued deployment of KPMG Clara, discussed on page 36 of this report, is a key element of our Audit Quality Plan and key milestone on our journey to innovate, digitalise and transform the audit process. It is one of the largest transformations KPMG has undertaken across the global organisation.

By the end of the 2021 calendar year, all KPMG SA audit staff had been trained in a virtual environment on using KPMG Clara. Training on all the various technology tools discussed on page 25 took place virtually using the latest available tools, from Microsoft Teams and Teams Live, Adobe Connect for virtual classrooms, and a catalogue of proprietary online training delivered through our online KPMG Business School powered by SAP Success Factors.

KPMG Clara provides the most up to date means of planning, executing and monitoring that every audit team delivers their audits in full compliance with the auditing standards. KPMG Clara also provides a platform for sharing the latest technology enabled data analytics, artificial intelligence and robotic process automation in audit routines specific to our clients' industries. In short, it is a complete revolution in how we drive and deliver on audit quality, innovation and efficiency – driving real insights for clients.



### Our response to our clients’ digital transformation requirements

Through the various stages of the digital transformation process, clients move from Platform as a Service to a Software as a Service technology environment which leverages the power of predictive analytics, artificial intelligence, robotics and blockchain.

2021 The re-imagined audit experience begins	2023 Data- and automation-driven audit	2025+ Real-time, continuous and knowledge-driven audit
<ul style="list-style-type: none"> <li>• Diverse enterprise resource planning systems</li> <li>• Need for standardisation re data handling, recording, processes and controls</li> <li>• Start of automation/ digitisation projects</li> </ul>	<ul style="list-style-type: none"> <li>• Fully cloud enabled</li> <li>• Enhanced automation = enhanced data quality</li> <li>• Streamlined business models and processes</li> </ul>	<ul style="list-style-type: none"> <li>• Business platforms are unified with customers, suppliers etc</li> <li>• Consolidated but distributed ledgers</li> <li>• Real-time access to data and transactions</li> <li>• Predict and compare in real-time</li> </ul>



### Our audit methodology

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many companies are experiencing significant financial uncertainty. We have issued guidance to our teams on conducting audit procedures in a remote working environment, raising awareness of key audit risks such as going concern and impairments, and provided reminders of the importance of exercising professional scepticism and taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, or a fraud risk.

### Client evaluation

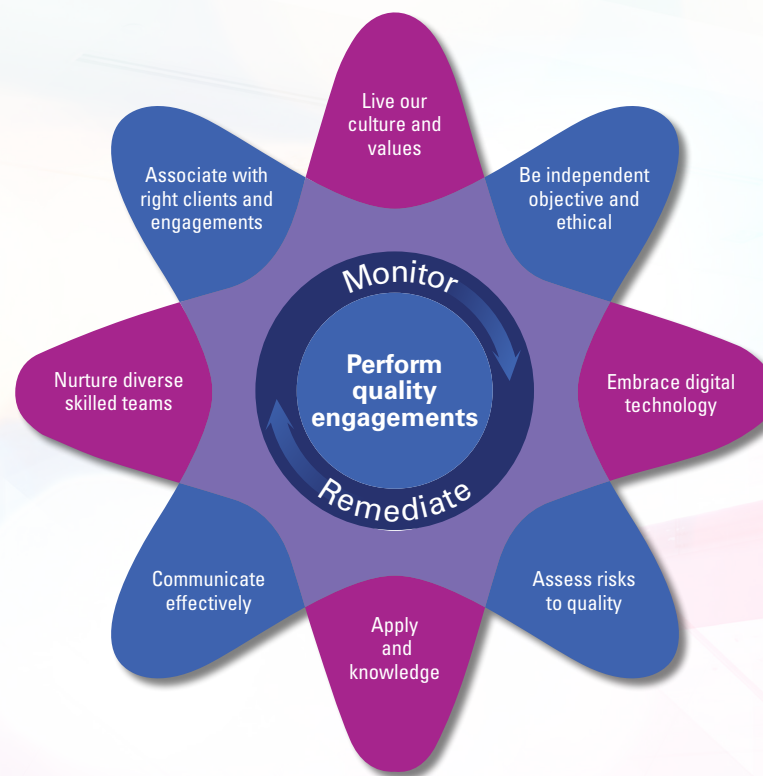
We understand the importance of our client acceptance processes and undertake an evaluation of every prospective client. We decline to act for a client where we are unable to deliver to our expected level of quality or would not be willing to be associated with them.

### Engagement evaluation

Each prospective engagement is required to be evaluated to identify potential risks. A range of factors are considered as part of this, including potential independence and conflict of interest issues (using KPMG’s web-based global conflicts and independence checking system – Sentinel™); the intended purpose and use of engagement deliverables; public perception, whether the services would be unethical or inconsistent with our Values; and factors specific to the type of engagement. For audit services, these include the competence of the client’s financial management team and the skills and experience of individuals assigned to staff the engagement.

### Our Global Quality Framework

Driving improvements in audit quality relies heavily on exceptional people always doing the right thing, not taking shortcuts and being able to speak up without fear of repercussions. Our new Global Quality Framework outlines how every partner and employee contribute to delivering high-quality audits.



### Our performance

Y-o-y revenue growth stood at 3% (FY20 – FY21).

#### Revenue

	FY21	FY20
Fees* net of disbursements (R'000)	871 749	846 943

\*Audit revenue excludes fees attributed to our specialists in Advisory and Tax & Legal who support Audit.

### Engaging and empowering our people

We recruit, train, develop and support high achievers who are passionate, principled and committed to audit quality. Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. We also recruit significant numbers at an experienced hire and partner level.

We are recruiting and training professionals who specialise in software cloud capabilities and artificial intelligence and who can bring leading technology capabilities to our smart audit platform. We provide training on a wide range of technologies to ensure that field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform high quality audits.

### Our transformation landscape

Inclusion, diversity and equity are core to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live the KPMG Values, and do what is right.

### Transformation and diversity profile

	Audit								Grand total
	Female			Male					
	Black	Other	White	Female total	Black	Other	White	Male total	
Colleagues	387	4	151	542	298	13	151	462	<b>1 004</b>
Partners	8		12	20	17	2	31	50	<b>70</b>
	395	4	163	562	315	15	182	512	<b>1 074</b>

**Note:** the data above excludes contractors.

### Looking forward

A key element of our Audit Quality Plan is the implementation of the new International Standards on Quality Management (ISQM 1) which requires us to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system annually. We are well advanced to be ready for the December 2022 effective date.



# Segmental overview: Advisory

## Achievements and milestones

We completed our annual QPRs for 2021 together with our submission to KPMG International. The criteria for file selection continues to be high risk engagements, new and innovative services, newly appointed partners, complex engagements, and partners that have received negative ratings in prior years. For the 2021 review, our selection coverage was at 53% (2020: 62%) of the engagement leaders. In terms of the results of our review:

- Compliance assessment: 96% of the files reviewed were either fully compliant with policy or required some performance improvement.
- Quality of work assessment: 97% of the files reviewed were either fully compliant with policy or required some performance improvement.
- Furthermore, our overall assessment is that Advisory is operating fully or substantially in accordance with KPMG International's policies and procedures. Our overall assessment as approved by the global team is a green rating for 2021.

## Our objectives

During FY21 Advisory worked with South Africa's leading businesses to create and protect the sustainable value of their business, with services in risk consulting, digital consulting and deal advisory.

By embedding trust and technology into everything we do, we integrated innovative approaches and deep industry expertise to deliver real results. To build trust and grow market share, we focused on our client's most critical issues and contributed to the global KPMG Collective Priorities. We continued to accelerate the execution of our Collective Strategy, striving for greater consistency and collaboration across borders and focusing on the market and our clients.

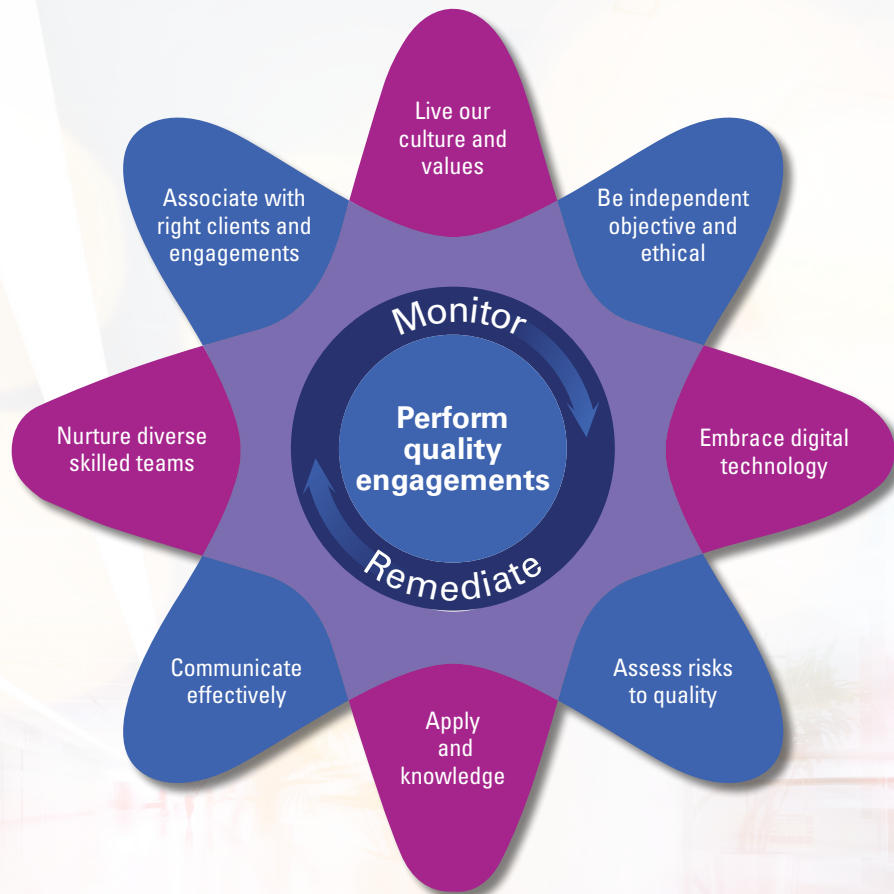
Advisory continued to demonstrate a relentless focus on quality and integrity while navigating the impact of the COVID-19 pandemic and the subsequent lockdowns. Clients demonstrated their trust in Advisory by awarding us large engagements.

In FY21 the Digital Consulting and Deal Advisory teams provided significant Capital Markets and Separation support with the demerger of a major player in the energy sector and the subsequent listing of a coal mining company. In addition, the Internal Audit and Risk Consulting Services business unit successfully won the joint outsourced internal audit of a major industrial group.

## Our processes

Our Global Quality Framework is our commitment to delivering high-quality service, applying KPMG methodologies and procedures, and following professional standards. It was developed to create global consistency with a cross-functional approach aligned to new ISQM1 standards. It helps us tell Advisory's compelling quality story to our people, clients, regulators and the wider public. Underpinned by our collective strategy and our Values, the Global Quality Framework describes how our commitment to integrity and quality is at the heart of the way we do things in Advisory at KPMG SA. The approach relies on exceptional people having access to the right knowledge at the right time and harnessing industry leading technology in every client engagement.

## The Global Quality Framework



**Assessment:** Working with the right clients is fundamental to our business. Accordingly, we ensure that we assess the reputational and financial risks of working with a prospective client. Our Quality and Risk Management Manual provides stringent guidelines on our client acceptance processes and requires the Lead Partner to exercise their professional judgement in the acceptance processes. In addition to the Lead Partner, the client assessment is further approved by multiple other partners, including the Risk Management Partner. When approving specific engagements, it is important to understand the reasons for the client's request, whether there is a rational purpose for the engagement, the intended use of the KPMG report once issued, and the ultimate beneficiaries of the report. This assists in evaluating various risks factors for the engagement. There have been occasions where we were not satisfied with the engagement details and or responses to questions, ultimately resulting in the engagement being declined.

**Accreditation:** This supports the global organisation's strategy of driving trust and growth. Accreditation of specific service lines facilitates the achievement of consistency across the business and protect and enhance the KPMG brand. KPMG in the SADC region has fully adopted and implemented the global accreditation objectives. We have been approved to provide all the accredited services as per the global framework, which covers 10 services lines across the advisory specialisation areas. KPMGI has approved over 100 professionals across these 10 service lines. Due to changes in our teams, there is a constant update on the accreditation of professionals, the skills and competence required to receive accreditation status.

**Risk oversight meetings:** Managing client and engagement risks on very large projects is a key priority. To this end, we have implemented a formalised risk oversight meeting process, where engagement teams have the opportunity to meet regularly with the SA firm's Risk Management partner in a structured format to discuss key concerns, seek guidance, and improve risk controls related to engagements.

### Our ESG solutions

Although the profile of ESG has been steadily rising, COVID-19 has accelerated the agenda. Businesses are being asked to account for their impact on the planet and society – and must go beyond profits to stay relevant and competitive. Climate change, for example, is widely accepted as a threat to humanity and this is only one part of the concern related to wider environmental, social and related governance threats. Now, more than 90% of the world’s economy is signed up to net zero targets.

For meaningful action to be taken and tangible progress to be demonstrated, ESG must be embedded into a business at all levels. We can help our clients achieve this by offering a range of solutions, from reporting to carbon services which incorporate carbon tax and strategies for implementing net zero, together with impact measurement and assurance.

**ESG to be the watermark running through KPMG**

In FY21, we launched our new global ESG plan that includes a global investment of more than US\$1.5 billion over the next three years to focus on five priority areas:

- Solutions**
- Talent**
- Supporting developing nations**
- Collaborations and alliances**
- Listening and taking action**

In FY21, we launched **KPMG: Our Impact Plan** clarifying our commitments and actions across four important categories: planet, prosperity and governance. Find out more at [home.kpmg/ourimpactplan](https://home.kpmg/ourimpactplan)

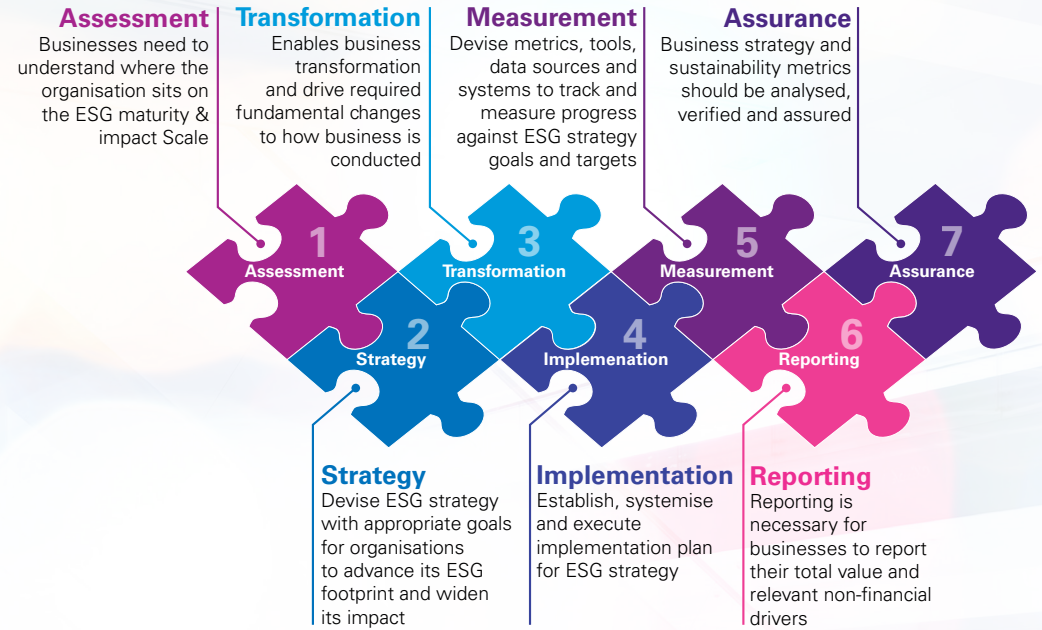
### Our performance

Yo-y growth was robust, reflecting an increase of 12% (FY20 to FY21)

#### Revenue

	FY21	FY20
Fees net of disbursements (R'000)	617 280	550 113

### Our KPMG Global organisation’s ESG framework



## Engaging and empowering our people

### Transformation and diversity profile

	Female			Female total	Male			Male total	Grand total
	Black	Other	White		Black	Other	White		
Colleagues	126	5	79	210	128	16	64	208	<b>418</b>
Partners	8		8	16	6	3	9	18	<b>34</b>
	134	5	87	226	134	19	73	226	<b>452</b>

**Note:** the data above excludes contractors.

### Looking forward

- We will continue to work with, and expand, our engagements with KPMG alliance partners. We are developing and implementing mutually beneficial service delivery models for clients with KPMG's alliance partners such as Microsoft, SAS and Oracle.
- KPMG Sustainability Services enables clients to develop future-fit businesses. We will continue to drive our commitment and investment in the ESG agenda through our multidisciplinary, global team comprising of specialists in environmental management, health and safety, socio-economic development, assurance, and monitoring and evaluation. We will continue to benefit from collaboration across the numerous other KPMG service lines and geographies. We have broad geographical experience and diverse industry exposure. We aim to provide tailored, integrated, individual solutions based on a thorough, holistic understanding of our client's challenges.
- Our Southern Africa integration will bring together the skills and capacity across the region and enhance our delivery model to be more effective and efficient.
- The Deal Advisory team is in the process of expanding their Transaction Services team as the market opens and deal flow increases.
- With the imminent due date for IFRS 17, our Insurance clients are looking at KPMG SA to help with the implementation of robust solutions and processes to help report on a complex accounting standard. KPMG has partnered with the SAS Institute to help our clients bridge the accounting and actuarial needs through two unique solution offerings:
  - > IFRS 17 Managed Services – a hosted IFRS 17 solution combined with the firm's actuarial, finance and managed service operational excellence to help manage the IFRS 17 analytical and reporting burden. This allows for a fully outsourced IFRS 17 service which will lead to lower long-term maintenance effort and cost for our clients.
  - > IFRS 17 Express – supporting our clients with a faster on-premise implementation and onboarding using our globally developed pre-configured workflows. The workflows and methodologies were developed in collaboration with Allianz and SAS in Germany and being deployed globally.
- Through these offerings we position our clients at the centre of an alliance ecosystem which we believe addresses the most pressing issues faced by their finance and risk functions on their IFRS 17 journey.
- A weekly Deals Board has been implemented, whereby Advisory leadership challenges the scope, pricing and risk attached to all engagements more than R5 million. There have been potential engagements declined as we continue to take a responsible view of what we can and should deliver to clients.

# Segmental overview: Tax & Legal

## Achievements and milestones

- Achieved a green rating in the 2021 QPR.
- Shortlisted for the International Tax Review Europe, Middle East and Africa Tax Awards 2021. This award celebrates the leading tax and transfer pricing firms and lawyers across Europe, Middle East and Africa. We were nominated for:
  - > Tax firm of the Year: for the firm that demonstrates exceptional performance and impact in advising clients on direct and indirect tax matters in its jurisdiction, as part of cross-border matters or as domestic deals, cases or projects.
  - > Transfer Pricing firm of the Year: for the firm that demonstrates exceptional performance and impact in advising clients on transfer pricing matters.
- We onboarded 177 new clients in FY21.
- During December 2020, we launched our Southern African Future of Tax Self-Assessment Survey which involved sending 509 questionnaires to our clients.
- On the back of the findings described above we hosted a very successful Future of Tax webinar. The webinar was attended by organisations across Southern Africa and included a round table discussion with key industry players. During the webinar the South African Revenue Services presented their vision and journey of modernisation to a future revenue authority.
- We accelerated our POPIA service offering which requires a multi-disciplinary approach between KPMG Legal Services and KPMG Digital Consulting (including Cyber Security and Technology Assurance). The POPIA services rendered in 2021 included:
  - > Privacy impact assessments to determine the impact of POPIA on clients' business operations, systems and products

- > Privacy gap assessments to determine clients' POPIA compliance gaps and make pragmatic recommendations for remediation
- > The design and implementation of privacy compliance programmes (including the drafting of agreements, policies and procedures, privacy notices and consent forms)
- > The monitoring of privacy controls
- > Support in the design of data breach response plans
- > The design and implementation of privacy training and awareness programmes.

## Our objectives

Our Tax & Legal practice offers a wide range of services and contains distinct, specialised business units focusing on areas including corporate income tax, value added tax, international tax, transfer pricing, employees' tax, expatriate tax, technology, tax management and tax compliance. In line with providing multidisciplinary solutions to our clients we have an expanded tax and legal team that includes corporate law and legal advisory services, immigration services and customs and excise advisory services.

We are committed to providing clients with the highest quality tax and legal advice tailored to their specific needs, business and circumstances. We continuously strive for excellence and are uncompromising in our goal of building trust. Key to this is active citizenry, which we view as important in establishing trust between taxpayers on the one hand and other stakeholders including governments on the other hand.

The principle of Responsible Tax\* (<https://home.kpmg/xx/en/home/services/tax/business-tax/responsible-tax.html>) in everything we do resonates across the entire team. One of our key objectives in FY2021 was to achieve a green rating in the 2021 Quality Process Review (QPR) which we were successful in doing as indicated in the table on the following page.

\* please refer



### Our processes

Rigorous client and engagement acceptance and continuance policies and processes are vital to our ability to provide high-quality professional services. Such policies and processes also help protect the reputation of the firm and support the KPMG brand. Our Responsible Tax principles are embedded within all our risk policies and processes.

We operationalised our tax and legal risk management team in FY20. This team is responsible for all pre-engagement processes and manages a centralised, standardised risk request process. The team enables client-facing colleagues to spend less time on pre-engagement processes and more time on delivering high-quality professional services to our clients.

Consequently, the quality and turnaround processing times for our client engagement, acceptance and continuances processes have improved, with the team processing almost 1 500 related requests during the year.

One of the challenges we face is that we operate in a highly competitive industry where our competitors are not only auditing firms, but also boutique service providers and law firms. A large part of our revenue is non-annuity. Our response is to focus on business development and actively market ourselves, apply Responsible Tax principles in everything we do and provide our clients with business-focused solutions which give them a competitive advantage.

### Our performance

Tax and Legal reflected bottom line y-o-y growth of 3% (FY20 to FY21).

#### Revenue

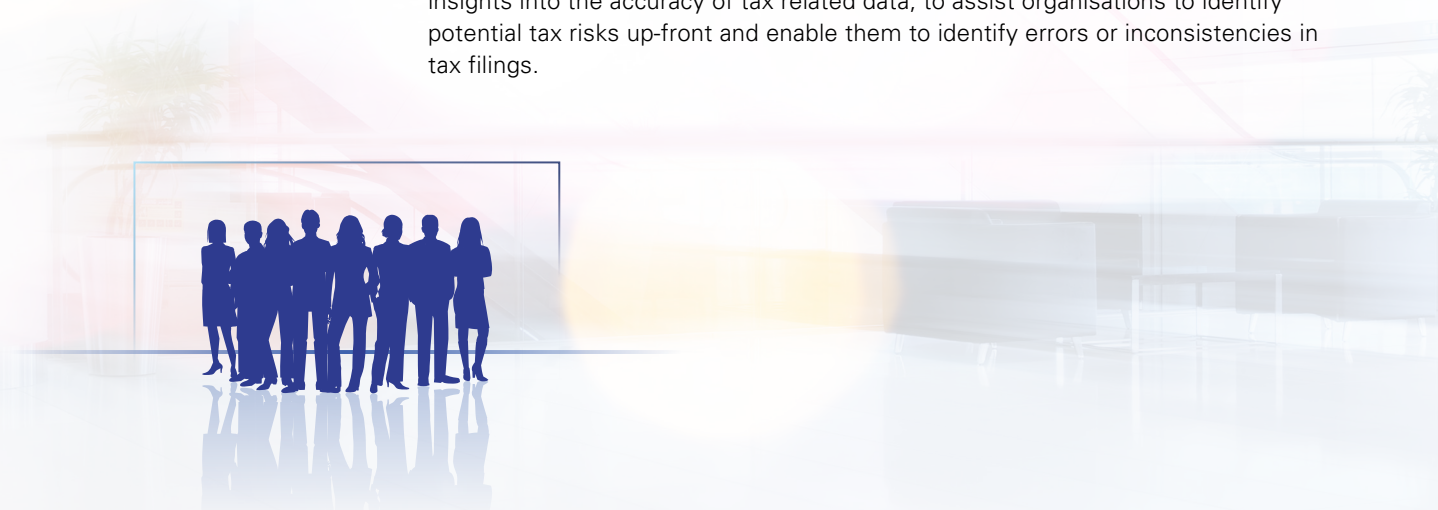
	FY21	FY20
Fees net of disbursements (R'000)	280 668	272 442

### Our technology solutions

The evolving nature of the business environment increases the risk and challenges faced by business leaders. Despite these challenges, stakeholders are demanding more from business leaders, who in turn, are demanding more from their functional leaders.

The tax function, as the primary interface between organisations, revenue authorities and governments, is taking a prominent role in business transformation. Changes in tax laws and policy across the globe are further impacting, changing and disrupting the operating structure of many multinational organisations. The pandemic has increased the pace for digital transformation of tax, where tax authorities around the globe and in South Africa are seeking to collect information from ERP solutions and other internal core systems in real-time by electronic means. We achieve this through the following:

- Insight Related Tax solutions (such as value-added and employee tax): Provide insights into the accuracy of tax related data, to assist organisations to identify potential tax risks up-front and enable them to identify errors or inconsistencies in tax filings.



- Compliance related solutions: Assist organisations to calculate, prepare or file tax returns and other reporting requirements, such as learnerships more effectively, accurately and in an automated way.
  - Process management related solutions: These solutions, such as transfer pricing, help to manage either a specific process or an end-to-end process, by making the right information available to the right person at the right time, including benchmarking around the world.
  - Platforms/components: Hardware or software solutions (for example: VAT and transfer pricing) which typically are built into tax technology software, or which enable or facilitate the automation of compliance to improve data gathering.
- In FY21, we developed the following:
- Tax Reimagined: A technology-enabled holistic approach that assists organisations in developing and implementing a customised target operating model for their tax and finance functions that enables them to reduce costs, mitigate risks, improve quality and drive more strategic value across the organisation.
  - Future of Tax: Includes technology solutions and assists clients in defining a Future Tax Function fit for their organisational purpose, including reviewing the tax strategy and ensuring that it aligns with the overall business strategy and developing an oversight model for tax reporting across all countries and territories.
  - Digital Gateway (a global platform): KPMG's cloud-based platform, providing one-stop access to KPMG's suite of tax technologies and supporting services this combines our investments in machine learning, data analytics, powerful visualisations and AI technologies on a central platform. KPMG Digital Gateway provides a wealth of tools to assist clients with regulatory change, turn data into value, streamline compliance and planning, while enabling effective collaboration across tax, legal and finance functions.
  - Digital Transformation (tax as an integral part of finance transformation via KPMG Powered Enterprise Solution): Back office roles (finance etc.) have always been challenged to do more with less. This is no different for tax. The pandemic has increased the pace for digital transformation of tax, whereby tax authorities around the globe and in South Africa are seeking to collect information from ERP solutions and other internal core systems in real-time by electronic means. From our experience, majority of Tax Functions have a data challenge from a quality, readily availability and relevance perspective. Accordingly, we have developed an integrated service offering, combining Tax and Finance expertise and transformational assets, to deliver on transformation projects. The tax component, includes enhancing and implementing tax rules, tax logic and tax conditions to optimise the use of 'tax data' which is then aligned with organisations specific 'tax business scenarios' to ensure that quality is maintained and tax reporting is timeous.

### Engaging and empowering our people

Higher than anticipated staff attrition was successfully addressed by focused recruitment. Overall, Tax and Legal exceeded the transformation targets set at the beginning of FY21, particularly the transformation targets set at the Associate Director, Senior Manager and Supervisor levels were exceeded.

Our key concerns include the loss of Tax and Legal professionals resulting in loss of experience, knowledge and skills, together with the retention of transformation colleagues. We are addressing these concerns through focused actions to address employee engagement and the implementation of specific colleague development and growth programmes and plans.

## Transformation and diversity profile

### Tax & Legal

	Female			Female total	Male			Male total	Grand total
	Black	Other	White		Black	Other	White		
Colleagues	53	0	37	90	34	3	12	49	<b>139</b>
Partners	2	0	7	9	1	1	9	11	<b>20</b>
	55	0	44	99	35	4	21	60	<b>159</b>

**Please note:** the data above excludes contractors.

### Looking forward

We will continue to provide innovative multidisciplinary solutions to ensure the highest quality professional services. We will focus on our clients' specific needs, business and circumstances, remain uncompromising in our Values and actively apply Responsible Tax to build trust between taxpayers and other stakeholders including governments.

Our future focus areas include the following:

- Retaining, rewarding, recognising, developing and growing our people
- Focused transformation goals and initiatives
- Specific go to market strategies which focus on multidisciplinary solutions and initiatives such as:
  - > Advisory and consulting services including dispute resolution, asset management and structuring.
  - > Compliance services supported by innovation and technology
  - > Appropriate, relevant technology solutions across all services lines
- Assisting clients with developing the tax function of the future that is appropriate and in line with their business and specific needs
- Growing our legal services which will include POPIA, GDPR, competition law advisory and compliance services
- Working closely and maintaining the high levels of interaction with KPMG global that will allow us to stay abreast of global developments, international best practice and technology solutions
- Working closely with other functions to ensure improved and differentiated service delivery and solutions.



# Glossary

<b>ABASA</b>	Association for the Advancement of Black Accountants of Southern Africa	<b>Clara</b>	A KPMG 'smart' audit platform based on Microsoft Azure
<b>ACF</b>	Audit Committee Forum, a joint initiative between KPMG and The Institute of Directors in Southern Africa (IoDSA)	<b>DBSA</b>	Development Bank of South Africa
<b>ACI</b>	African, Coloured, Indian	<b>DPP</b>	Department of Professional Practice
<b>ADP</b>	Audit Development Programme	<b>DRA</b>	Dynamic risk assessment
<b>AGSA</b>	Auditor General of South Africa	<b>ED</b>	Enterprise Development
<b>AI</b>	Artificial intelligence	<b>EI</b>	Engagement Index
<b>APC</b>	Assessment of Professional Competence	<b>ERM</b>	Enterprise Risk Management
<b>AQ</b>	Audit quality	<b>ESG</b>	Environmental, social and governance
<b>B4SA</b>	Business for South Africa	<b>EMA</b>	Europe, Middle East and Africa
<b>BASA</b>	Banking Association South Africa	<b>EQCR</b>	Engagement Quality Control Reviewers
<b>B-BBEE</b>	Broad-based black economic empowerment	<b>Exco</b>	Executive Committee
<b>BCP</b>	Business Continuity Plan	<b>FRM</b>	Financial Risk Management
<b>BLSA</b>	Business Leadership South Africa	<b>GBV</b>	Gender-based violence
<b>BMF</b>	Black Management Forum	<b>GO</b>	Global Mobility programme
<b>BU</b>	Business Unit	<b>GPS</b>	Global People Survey
<b>BUSA</b>	Business Unity South Africa	<b>GQ&amp;CR</b>	Global Quality & Compliance Review
<b>CBF</b>	Colleague Business Forum	<b>GQ&amp;RM</b>	Global Quality & Risk Management
<b>CCC</b>	COVID Crisis Committee	<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>CEAC</b>	Client and engagement acceptance and continuance	<b>IDC</b>	Industrial Development Corporation
<b>CEO</b>	Chief Executive Officer	<b>IFAC</b>	International Federation of Accountants
<b>COO</b>	Chief Operating Officer	<b>IFRS</b>	International Financial Reporting Standards
<b>CFO</b>	Chief Financial Officer	<b>IIA SA</b>	Institute of Internal Auditors
		<b>IoDSA</b>	Institute of Directors South Africa

<b>IRBA</b>	Independent Regulatory Board for Auditors	<b>QPR</b>	Quality Performance Review
<b>ISO</b>	International Standards Organisation	<b>RPA</b>	Robotics Process Automation
<b>ISQM</b>	International Standard on Quality Management	<b>2LoD</b>	Second line of defence
<b>ITC</b>	Initial Test of Competence	<b>SAAPTI</b>	South African Auditing Profession Trust Initiative
<b>JSE</b>	Johannesburg Securities Exchange	<b>SAICA</b>	South African Institute of Chartered Accountants
<b>KPI</b>	Key performance indicator	<b>SARB</b>	South African Reserve Bank
<b>KPMGI/KPMG International</b>	KPMG International Limited, a private English company limited by guarantee	<b>SARS</b>	South African Revenue Services
<b>KPMG SA/KPMG South Africa/ the Firm</b>	<p>KPMG South Africa operates through two entities: KPMG Incorporated for audit services and KPMG Services Proprietary Limited for advisory and tax services.</p> <p>KPMG Incorporated, registration number 1999/021543/21, a South African private personal liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.</p> <p>KPMG Services Proprietary Limited, registration number 1999/012876/07 a South African private company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.</p>	<b>SCOPA</b>	Standing Committee on Public Accounts
		<b>SMME</b>	Small, Medium and Micro Enterprises
		<b>SMEs</b>	Small and medium enterprises
		<b>tCO<sub>2</sub>e</b>	Carbon dioxide equivalent or CO <sub>2</sub> e means the number of metric tonnes of CO <sub>2</sub> emissions with the same global warming potential as one metric tonne of another greenhouse gas
		<b>TLAC</b>	Tswaranang Legacy Advocacy Centre
		<b>UN SDGs</b>	United Nations Sustainable Development Goals
		<b>Y-o-y</b>	Year-on-year
		<b>Zondo Commission</b>	The Judicial Commission of Inquiry into Allegations of State Capture, also known as the Zondo Commission of Inquiry or Zondo Commission
<b>LAC</b>	Leadership Assessment Centre		
<b>LRA</b>	Labour Relations Act, 1995		
<b>LRE</b>	Listed and related entity		
<b>MAFR</b>	Mandatory Audit Firm Rotation		
<b>NHI</b>	National Health Insurance		
<b>OCR</b>	Optical Character Recognition		
<b>PCAOB</b>	Public Accounting Oversight Board		
<b>PD</b>	Performance Development		
<b>PIE</b>	Public interest entity		
<b>POPIA</b>	Protection of Personal Information Act		



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Publication date: 13 April 2022