



cutting through complexity

International Annual Review 2012

kpmg.com

Udo Hessels ▶
IT Manager,
KPMG in the
Netherlands and
2012 Paralympic Gold
Medalist in
the Three-Person
Keelboat competition



Table of contents



02

Chairman's message

04

Clients

10

People



16

Communities

20

Financials and organization

Chairman's message

The past year for business and the economy has been one of challenge, uncertainty and complexity. Trust in institutions and organizations has fallen, economic stability has faltered and regulation has become ubiquitous. Against this backdrop, we have strategically refocused our services and developed new capabilities so that – today – KPMG stands out as a leading provider of trusted, high quality and valued audit, tax and advisory services.

As this year's *International Annual Review* clearly demonstrates, our record of achievement over the past year has been notable. We've been delivering on our global growth strategy and have made significant investments in our business. We've further enhanced the ability of member firms to deliver a consistently high level of client service around the world and have made important contributions to our communities and our environment. We've experienced growth in revenues and talent across key markets and practice areas. And – of particular importance today – we have contributed to the public interest debate on the need to strengthen confidence in the audit profession.

In my travels this year, I have met with more than 400 CEOs and have noted a continued decline in business confidence and increasing concern about the scale and scope of regulatory change, both of which are having a deep impact on our business and our profession.

Restoring trust to the markets

In all our activities, we strive to demonstrate that integrity and quality are the bedrock upon which we conduct our business. We recognize and respect the public interest in the role we play in helping markets avoid further global financial turmoil and firmly stand behind

initiatives, both internal and external, to improve audit quality.

We also believe that some of the proposals now on the table in certain jurisdictions are overly simplistic and may ultimately do more to harm audit quality than enhance it. And so we are committed to working closely with policymakers, regulators, investors and board members to ensure opportunities for significant quality improvement are not missed.

Enhancing our value

For KPMG, this rapidly evolving market has been a catalyst for change. Indeed, over the past year, our organization has evolved, restructured and grown in key areas to ensure that our member firms are continuously positioned to support our clients.

We have placed renewed focus on those issues that matter most to clients; made strategic acquisitions such as BrainNet and deployed the strong intellectual property acquired with EquaTerra; expanded our Centers of Excellence in key areas such as financial services, infrastructure and cloud computing; focused our investment towards high-demand services, such as data and analytics, and on the relevance, effectiveness and efficiency of our Audit service.

A leader in high growth markets

I am particularly proud of our activities in the high growth markets, where we are widely recognized as one of the leading thinkers, innovators and service providers. We are committed to becoming the leading professional services firm in each of the high growth markets.

This past year, we grew our Global China practice, expanded our Tax practice in Brazil, China and Russia, and kicked off a 5 year, USD100 million program of investment to enhance our service offering in Africa. We also expanded our footprint in many other high growth markets such as the Middle East, Turkey and Indonesia. Moreover, having moved my global office to Hong Kong, we are also the only global professional services organization that is led out of Asia.

Catalyzing action on key issues

We have gained significant recognition for our efforts to advance the world's understanding of key issues. This year for example, we brought the world's top business leaders together with sustainability experts and leaders such as Ban Ki-moon and Michael Bloomberg to talk about the environmental agenda for businesses in advance of the Rio+20 Summit. Our summits and conferences on tax, healthcare and financial services were welcomed enthusiastically by clients.



Michael Andrew
Chairman, KPMG International

A consistently high level of service

At the same time, we refocused our global service delivery model to support the provision of high quality services around the world. We have further enabled our Global Lead Partners to bring our considerable capabilities to bear across our various functions, geographies and sectors to ensure we are meeting and exceeding client expectations.

We also took action to improve our information backbone through the roll out of our new Integrated Business System (IBS) which provides our people with high quality, consistent information through common systems and processes. We have enhanced our knowledge management tools, expanded our use of internal and external social networking platforms and we have expanded KPMG Global Services (KGS), our offshore function based in India, to provide our member firms with access to research, project support and client benchmarking.

The right talent at the right time

KPMG professionals have a clear understanding of how today's market trends influence their clients' current and future organizations. That is because we hire high potential people and offer one of the world's best professional training grounds, focused on helping our people stay ahead of emerging trends.

Our focus on securing the brightest talent is also succeeding. In the past year, we grew our talent pool in key markets and global growth areas and increased our global headcount by more than 7,700 people. In fact, according to a global survey of business students conducted by *Universum*, KPMG is ranked as the second most attractive employer in the world, an honor that we have achieved for 3 consecutive years.

Putting our experience to work in our communities

We believe that our greatest contribution to society comes from applying our skills, values and experience to the many challenges that clients and our communities now face. We are a leader in environmental sustainability and have helped many leading organizations – including our own – reduce their carbon footprint by leveraging our deep body of knowledge and experience. And, as a result, we were recently named as the 'Sustainable Firm of the Year' by the *International Accounting Bulletin*.

At the global level, our organization achieved noteworthy success against our corporate responsibility agenda and reaffirmed our commitment to key programs such as the UN Global Compact, the Millennium Villages Project and the UN-Business Partnerships service. And, as this report

demonstrates, our individual member firms are actively helping improve the lives of those around them and building trust between our communities, businesses and public institutions.

Building a strong platform for growth

Together, we did not just weather the economic storm over the past year; we grew through it. Global revenues for the KPMG network for the 2012 fiscal year rose by more than 4 percent (in local currency terms) to a record-high USD23.03 billion, boosted by double digit growth in many of the high growth markets and resilient growth in the Americas (7 percent) and in our Europe, Middle East and Africa region (4 percent). We also increased revenues across each of our functions with the Advisory business growing by 8.3 percent, the Tax practice by 6.3 percent and the Audit practice by 0.9 percent.

Looking ahead, we firmly believe that our record of success over the past year uniquely positions us to drive continued growth in the short and long-term, but more importantly, provide assurance and benefits to clients and the wider community. In this report, we focus on those who define who we are as an organization: clients, people and communities.



Clients

Maintaining **integrity** and public **trust**

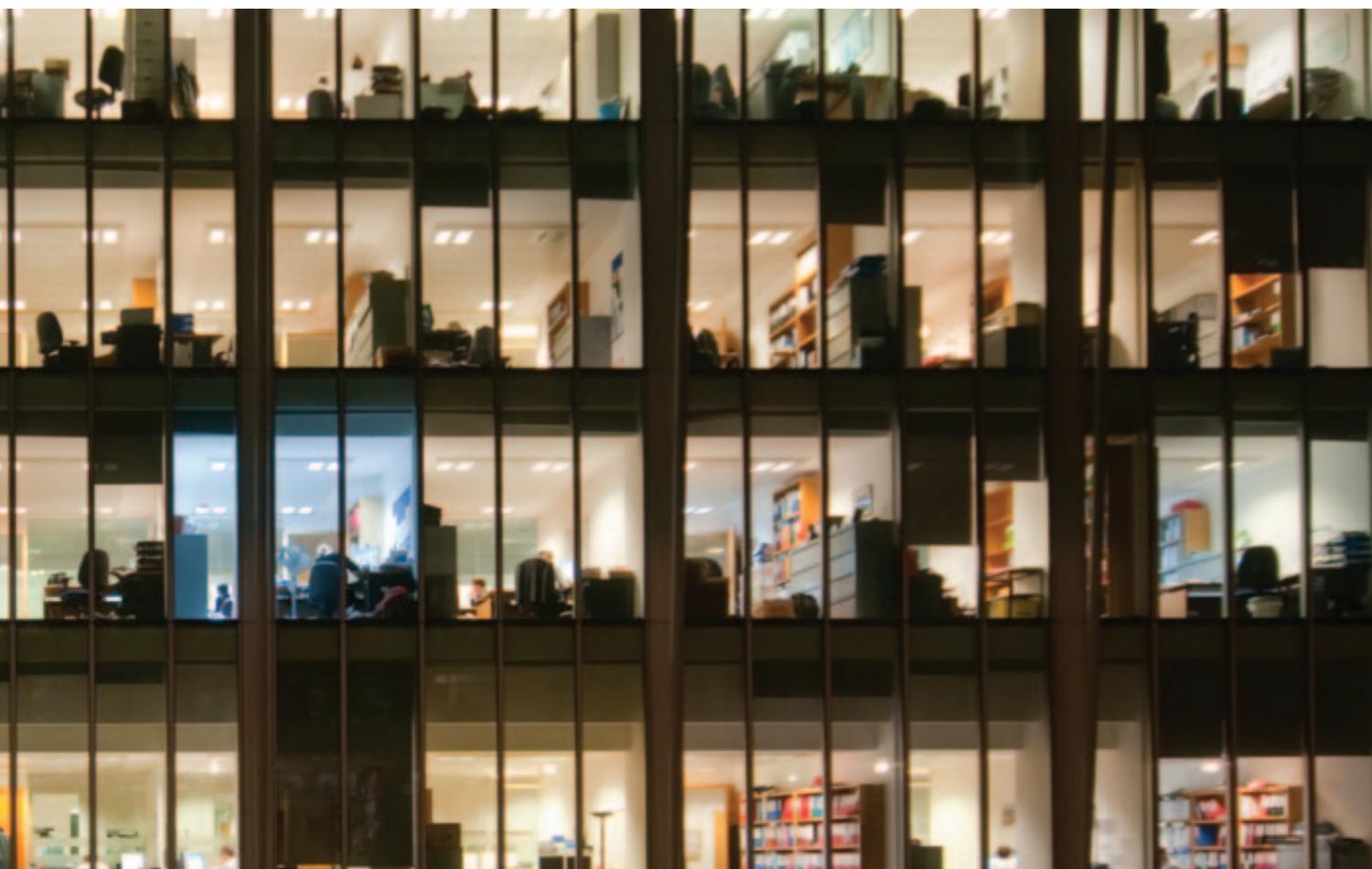
At KPMG, we support a wide range of stakeholders, all of whom demand a high level of ethics and integrity from our people and member firms. We strive to uphold the highest standards of trust and transparency.

The audit profession, like other key participants in our financial system, is under close scrutiny as regulators and policymakers seek to introduce new measures to prevent a recurrence of the global financial crisis. Our goal in working with regulators, policymakers and other members of the profession is to determine the right changes – those that will enhance and improve the relevance and quality of audit, tax and advisory services, including the auditor's report, and provide a robust framework for auditors, preparers and those charged with corporate governance.

Audit plays a critically important role in society by enabling the efficient operation of the capital markets and helping secure the confidence placed in them by investors and other stakeholders – a responsibility we

take with the utmost seriousness. Maintaining investor confidence in the quality of our audits and protecting shareholder interests is essential to upholding our public interest responsibilities, and therefore quality is at the core of our business strategy.

Quality is about delivering a robust independent audit opinion in accordance with professional standards based upon consistently applying the fundamental principles of independence and objectivity, thereby delivering value to our capital markets. We believe that quality is not improved through mandatory auditor rotation, but rather by building deep experience and insight into client organizations, coupled with the professional skepticism that runs through our culture.



At its essence, the auditor's role is to enhance the reliability of a company's reporting. An effective tax system requires strong dialogue between tax authorities, tax payers and professional tax advisors. And our advisory professionals help clients create and maintain sustainable value. We must continually ask ourselves whether we are meeting the requirements of all of our stakeholders – not only the companies we audit and advise, but also investors, employees, governments and the wider community.

Our ability to meet our stakeholders' requirements is greatly enhanced by the collaboration of all of our professionals in audit, tax and advisory. Our multi-disciplinary business provides our engagement teams with access to a range of expertise and specialist skills that are critical to performing quality

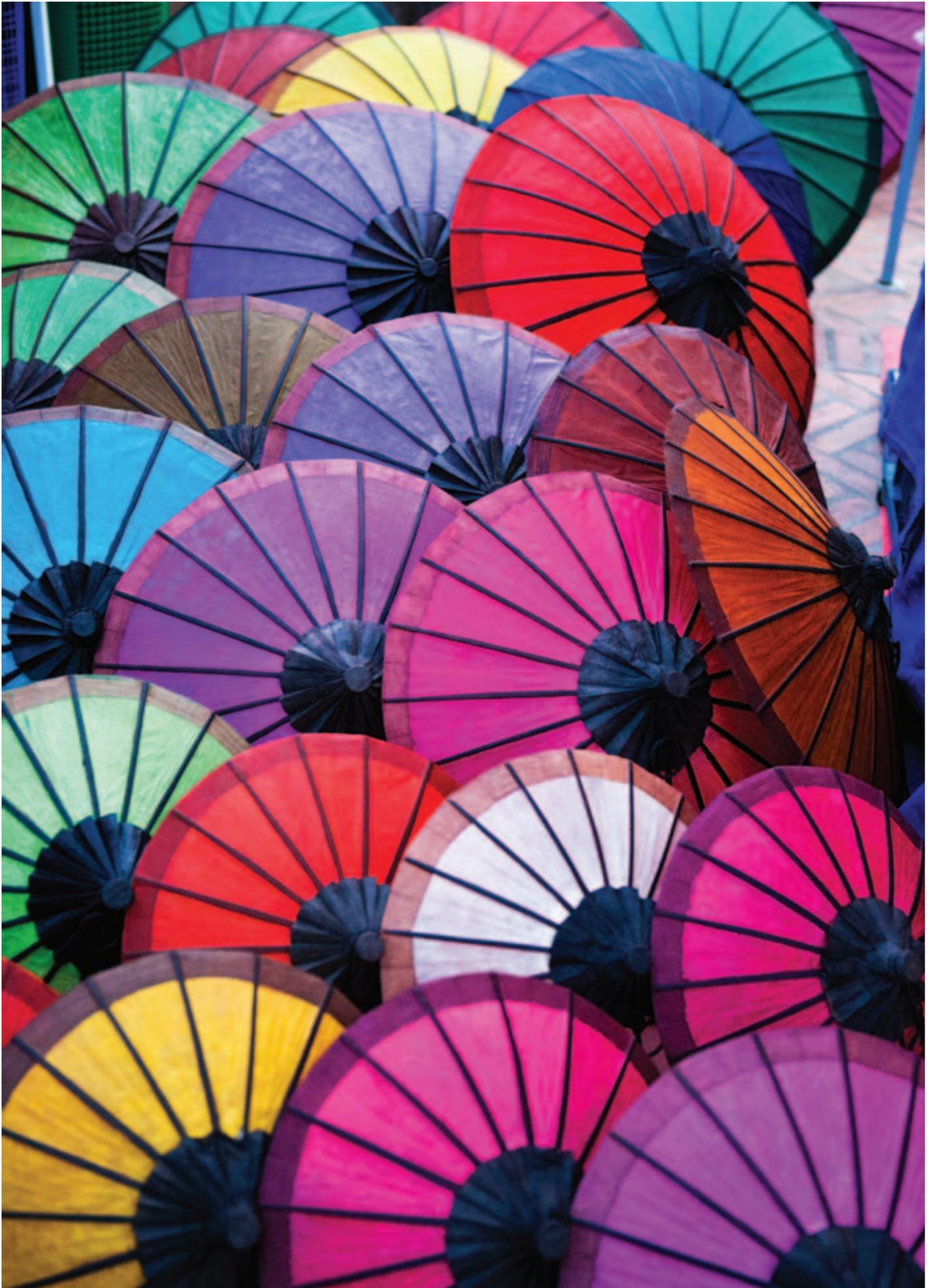
work. For example, it is impossible to deliver a high quality audit without tax and technology skills.

We maintain a system of quality control for our Audit practice that is designed to reflect our drive and determination to deliver the highest standards of independent, unbiased advice and opinion, as well as meet the requirements of legal and professional standards issued by local regulators and accounting bodies. This is discussed further in the KPMG International [Transparency Report](#) that forms an annex to this review.

Firmly entrenched in our culture are values which have successfully guided KPMG and our member firms for many years. Our values reflect an unwavering commitment to acting with the highest standards of integrity, objectivity

and due professional care in serving clients and meeting the expectations of the investing public. Our steadfast dedication to quality and integrity is reflected in our [Global Code of Conduct](#), which outlines the standards of ethical conduct KPMG expects of its people and member firms around the world.

Our Code was updated this year to reflect changes in law, regulation and professional ethics, as well as our commitment to act in the public interest as signatories to the World Economic Forum's Responsible Capitalism framework. Our Code clarifies what is expected of our people to make sure we all adhere to our values for the benefit of each other, the KPMG network, clients and the wider communities in which we operate.



Demonstrating the **KPMG** difference

KPMG professionals understand what clients need to navigate through today's business, regulatory, social and economic complexity. That is because – every day – our people focus on the needs of clients. We carefully assess exactly what clients require to achieve their objectives and then work across the globe to deploy the right skills and the right experience to help meet their unique requirements.

We recognize that clients are looking for the best solutions and advice, locally implemented with a global mindset. We help client-facing teams coalesce around the issues that matter most with support from our Centers of Excellence and our global methodologies and approaches. Our Centers of Excellence are small groups of mobile, global specialists who support our member firms in bringing high quality industry and technical expertise to our clients.

Our Audit practice is frequently recognized as among the best in the world by clients, regulators and industry associations. In large part, this is due to the integrity, quality and proven approaches that we bring to audit engagements. In fact, for all of 2011 and for the first half of 2012, KPMG has been ranked #1 in the

Securities and Exchange Commission (SEC) auditor change rankings by *Accounting News Report*. In particular, the rankings note that KPMG has led the way in the increase in number of SEC engagements won, the increase in revenue audited and the increase in audit fees on new SEC engagements.

We are also a highly-recognized leader in advisory services and have been ranked as one of the top three Risk Consultancies for 2 consecutive years in the *Operational Risk & Regulation Consultancy Rankings*, the 'Accountancy Firm of the Year' (2011) by the *FT Mergermarket European M&A Awards*, and the 'World's Best Outsourcing Advisors' by the *International Association of Outsourcing Professionals*.

Businesses also recognize our contribution to their success: this year, we enjoyed steady growth in our Advisory business overall and achieved a significant 15 percent increase in our Management Consulting revenues, with higher gains in many of our key growth markets.

Our Tax practice is equally respected in global markets. Whether we are helping our clients to develop responsible

tax strategies or working with tax authorities to create appropriate and practical tax regimes, KPMG tax professionals are amongst the most respected in the world. In the US, our Tax practice – which serves more than half of the Fortune 500 – achieved revenue growth of more than 11 percent, outpacing all of our major competitors in the market last year. At the same time, our practices in the high growth markets of India, Africa, China, Korea and Russia all posted double digits gains in tax revenues.

It is this KPMG difference that is central to our ability to help clients achieve their objectives and cut through the complexity of today's turbulent marketplace.

No matter where in the world clients operate, or in what industry sectors, they know that they can count on KPMG professionals to combine a global mindset with local insight and practical experience to meet – and where possible, exceed – their high expectations. That is the KPMG difference.

Demonstrating our leading capabilities

To better illustrate why KPMG is the firm of choice for clients around the world, we have selected five examples that demonstrate our leading capabilities and market-savvy approach to helping solve difficult challenges.

KPMG helps transform the **City of Johannesburg**



Benjamin Chibaira, South Africa,
Richard Krishnan, UK and
Eugene Mwansa, South Africa.

With a mandate to provide critical services to more than 3.5 million people, the City of Johannesburg in South Africa is focused on achieving its 2040 vision to become a world class African city of the future – a vibrant and equitable city strengthened by diversity, providing enhanced quality of life, sustainability and a resilient and adaptive society for all its citizens.

To achieve this vision, the City recognized the need to transform their revenue collection process across what is already the largest municipal revenue base in Sub-Saharan Africa. Success would depend not only on the upgrade of the Enterprise Resource Planning (ERP) system, but also the promotion of behavioral change across the City's employee base and extended value chain that spans more than 20 separate municipal entities.

The City selected KPMG in South Africa for this complex and critical project. In part, this was because KPMG was able to leverage some of the organization's highly-experienced professionals who helped the client quickly come to terms with the complexities of their existing revenue system and identify the key drivers for the change.

A recognized leader in major transformation projects, Richard Krishnan, a member of KPMG's Global Center of Excellence for Justice and Security, joined the local delivery team, bringing together many of KPMG's leading professionals to enable KPMG in South Africa to adapt global best practices to meet the unique needs of the City of Johannesburg.

Teamwork was instrumental in building the successful approach between KPMG and the City of Johannesburg. By developing a shared focus on delivering benefits quickly and working as a team, KPMG established a strong relationship with the City. This was a critical factor in enabling the client to take ownership of the project and to build the skills and capacity to ensure that improvements could be sustained.

"By building a diverse team of KPMG professionals, we were able to ensure that the City of Johannesburg would benefit from our global experience and methodologies," said Richard Krishnan. "Our goal was to help the City of Johannesburg achieve their target benefits and a lasting transformation."

Infrastructure developments in **Mexico**



Alejandro Villarreal
Mexico

Having experienced a series of devastating floods as a result of hurricanes, a need was recognized in Mexico to develop a new urban area situated above the flood-zone. Building a city from scratch, however, is a massive, long-term and highly-complex project that requires deep commitment, a compelling vision and experienced leadership.

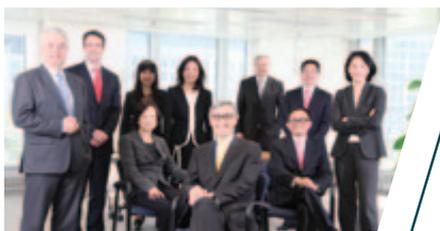
KPMG is proud to be intricately involved in the development of this new city. The Infrastructure practice within KPMG in Mexico consists of some of the country's leading practitioners who are combining their on-the-ground experience with the global network's proven approaches to new city development to create and execute a practical, achievable and sustainable project plan. The team in Mexico is also supported by KPMG's Global Cities Center of Excellence which works to identify and share global best practices in city development and administration.

"Given our proven experience supporting large-scale infrastructure projects in Mexico and the experience of KPMG professionals from around the world, our firm was uniquely positioned to help move this project from concept to reality," said Alejandro Villarreal, a partner with KPMG in Mexico's Infrastructure practice. "By leveraging our global talent and our Cities Center of Excellence, we were able to put forward a project team that could draw on real-life experience to support each stage of new city development."

The Mexico firm was also appointed due to its integrated approach to client services which combines contracts, analysis, legal structures, technical and financial expertise for infrastructure projects; something that few other firms can deliver in Mexico.

"By delivering professional services that our clients may need to develop a new city, we can help find gaps and overlaps that may otherwise have caused project delays and cost over-runs."

KPMG in **China** audits leading bank



Michael Andrew, Chairman, KPMG International, Stephen Yiu, Chairman, KPMG in China and the engagement team.

Already one of the world's largest banks by market capitalization, the institution has been focused on achieving three strategic transformation programs: to move from capital-intensive to capital-efficient activities, from being a traditional financial intermediary to a universal service provider, and from a traditional commercial bank to a large global financial group.

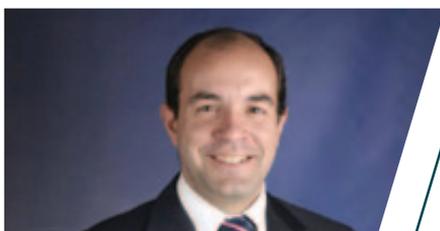
Central to supporting this change would be the advice and counsel of a team of leading audit professionals who could both deliver a highly-effective audit, while also providing appropriate value-added input in relation to the bank's transformation goals.

KPMG in China was a perfect match. The local firm developed a deep understanding of the goals of the bank and provided a dedicated and diverse team of China-based professionals that demonstrated their leadership in this area.

KPMG in China also clearly showed their dedication to the account by bringing together the bank's Chairman with KPMG International's senior global leadership, such as Michael Andrew, Chairman of KPMG International, and Jeremy Anderson, Chairman of the Global Financial Services practice, who, together with the leaders of the China Financial Services practice, reaffirmed the importance of the relationship and value of working together.

"Our successful cooperation on a variety of advisory projects over the past 5 years helped us build strong relationships and credibility with the organization's leadership. We get things done right and on time," noted Stephen Yiu, Chairman of KPMG in China. "The bank will now have access to our finest and most experienced audit professionals through the transition period."

Cutting through complexity at **Portugal** Telecom



Gustavo Mendes
Portugal

Portugal Telecom is a leading telecommunications operator with more than 95 million customers and operations in several Portuguese-speaking markets. With each market offering different products and services on separate IT systems, the organization faced growing business complexity.

As a result, Portugal Telecom was increasingly challenged to prepare valuable management information. The organization faced urgent demands for insight on enterprise performance, but – due to the complex underlying financial model of the business and the use of legacy IT systems – providing this information on a timely and trusted basis was overwhelming the organization's internal systems and resources.

To help cut through the complexity within the business, Portugal Telecom selected KPMG in Portugal to help develop a new profitability model for each business segment and then implement a solution capable of flexibly and accurately responding to the demands of the business.

Leveraging resources from KPMG in Portugal's IT Advisory team and the Management Consulting Telecommunications team, the organization delivered a solution based on Oracle Hyperion that could fulfill the stringent demands.

"We were able to look closely at Portugal Telecom's specific needs and identify a solution platform that would offer the greatest value to the client," noted Gustavo Mendes, a director with KPMG in Portugal.

For Portugal Telecom, working with KPMG also offered a strong value proposition and a high level of confidence in their client service team. "It's important to me to have a first and last name to contact in case I have a problem that needs immediate attention. No matter what time of day or what issue we faced, KPMG in Portugal provided me with confidence," added Guy Pacheco, Head of Planning and Controlling at Portugal Telecom.

Enhancing controls within a **global telecom** leader



Angel Requena
Spain

With operations across Europe and Latin America, Telefónica is one of the world's largest integrated operators. Understandably, the management team at Telefónica is keenly focused on ensuring that their processes and controls – particularly those related to procurement – are being followed and applied appropriately across all vendors and geographies.

Recognizing Telefónica's challenge, KPMG in Spain proposed that the organization conduct a small pilot project to implement a continuous monitoring program. The system would create a series of alerts that, in turn, would help the organization's specialized Intervention Department work more efficiently and gain greater certainty over the monitoring of compliance across the global organization.

The highly-successful pilot quickly led Telefónica to roll out the program across their organization. Today, the system is running successfully across the Latin American markets and within the Telefónica Spain and Telefónica Latin America entities.

"To support Telefónica, our highly-experienced team in Spain delivered a customized solution to meet our client's unique needs and operating environment, along with support from technical professionals within our global network," noted Angel Requena, a partner with KPMG in Spain.

For Telefónica, it was the firm's deep insight into internal audit, forensics and governance, as well as their proactive solutions that made KPMG the right choice for the project. "I feel that KPMG's most important added value is their knowledge of the latest market developments and their ability to transfer these to processes which already exist in the company," added Jorge Sanz Carmona, Internal Audit Manager with Telefónica Spain.



People

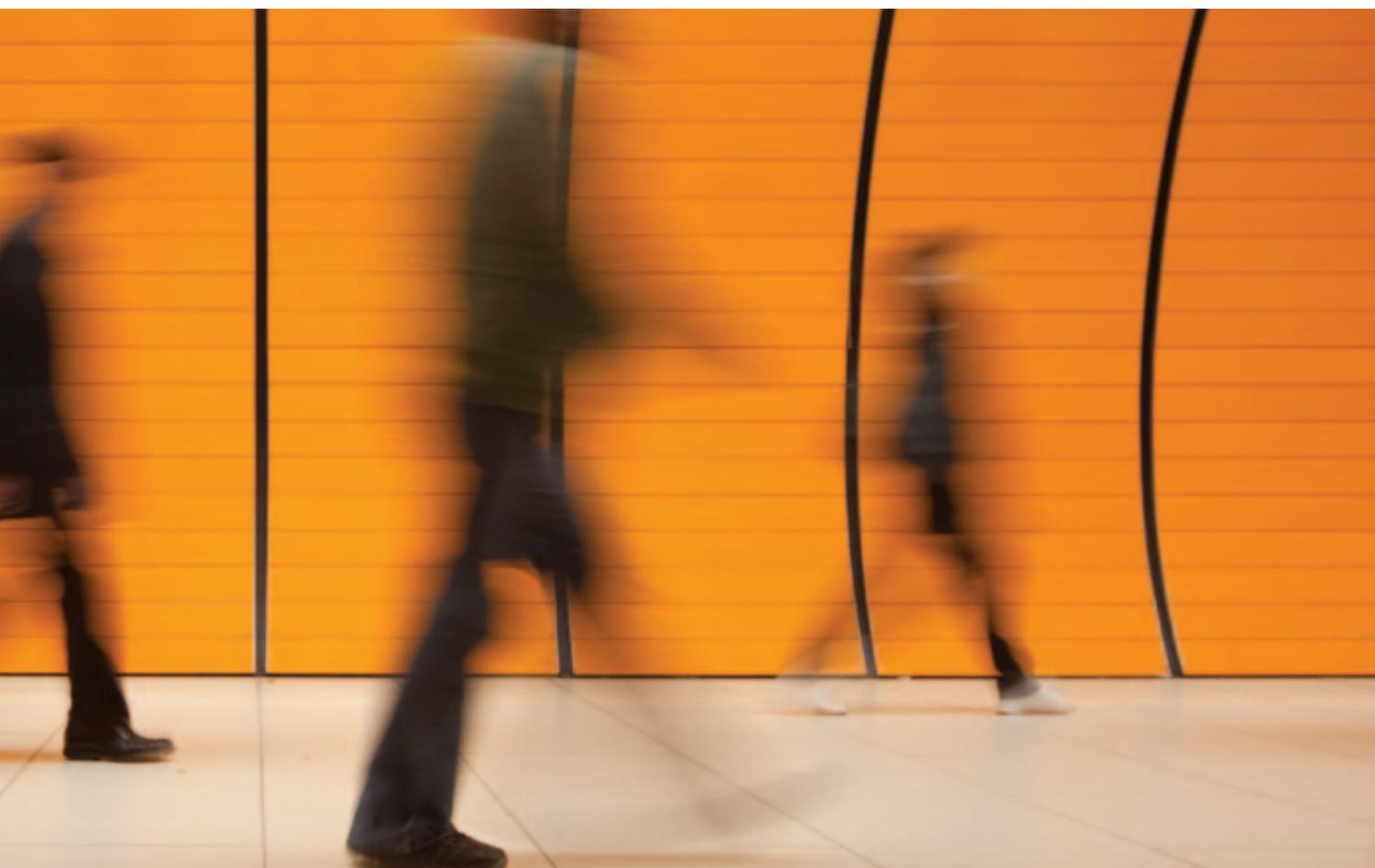
With more than 152,000 outstanding people working together across more than 156 countries to provide value to our clients, KPMG professionals understand what it takes to deliver results. For us, it is all about passion, quality and commitment.

KPMG people are forward-thinking professionals who deliver high quality advice and services on every client engagement. This is because we approach each client challenge with commitment, an open mind and a thirst for excellence that helps us deliver the right solutions.

Our people are widely recognized for forging collaborative approaches across member firms. It ensures we bring the best talent to client challenges and our client teams benefit from our global best practices and proven methodologies. Our culture, in which we strive to ensure that everyone becomes the best that they can be, prioritizes this approach by ensuring our people are provided with opportunities to work on exciting, innovative and rewarding projects that help them stretch their existing talent.

Our people also benefit from a range of development opportunities whether they are in the classroom, on-site with the client, out in the community or around the world. We create a global mindset by working with global clients and by encouraging colleagues to collaborate globally. Ultimately, this gives our people outstanding opportunities to gain exposure to new clients, industries, cultures and ways of working.

We focus on having meaningful two-way dialogue with our people so that not only are we all aligned with the goals of the organization, but that we are also delivering on our promise to develop their skills through feedback, provide compelling experiences and deliver valuable career development opportunities and advice.



We believe in the ability and responsibility of the individual to contribute across the organization and take ownership of their own development. That is why we offer self-directed learning programs where our people can advance and excel at the pace that best suits them and their unique goals and career ambitions. No matter where in the world our people work, or what their individual strengths and talents are, KPMG will continuously strive to support them to take on new opportunities and grow in new ways.

We know the role that partners play as coaches and mentors is critically important to our success. At the same

time, we also appreciate that we must continue to focus and support our leaders' own personal and professional development through, for example, our Virtual Business School for new and up-and-coming lead partners, which provides leadership training and development courses in partnership with Harvard Business Publishing. By combining the know-how of our subject matter experts with Harvard's solid experience delivering cutting-edge learning technology, we offer our partners an opportunity to use web-enabled technology, self-study activities and senior level mentoring to gain valuable hands-on experience and awareness.

KPMG's GO mobility program

With operations in 156 countries, KPMG professionals benefit from the Global Opportunities (GO) mobility program. Whether they are working overseas on an international project for a few months or taking on a longer-term secondment to another member firm, our people are frequently exposed to new clients, industries and cultures which, in turn, allows them to share ideas and enhance their skills and experience. In 2012, more than 2,400 professionals took part in our GO mobility program, taking on assignments in more than 70 countries around the world.

Why KPMG?

KPMG people are committed to making a positive difference in the world. We are on the front lines of business, government and not-for-profit sectors, turning challenges into opportunities and innovation into value. We are widely regarded as the best professional services firm for talent to reach their full potential.

KPMG is a great place to work and build a career.

In fact, for the third consecutive year, KPMG has been recognized as the second most attractive employer in the world by *Universum's* survey of business students at leading schools around the world. We are proud of this achievement and believe it is a strong reflection of our consistent commitment to our people.

We have a clear strategy and strong shared values.

As a leader in global professional services, we tackle issues that really matter to clients, to our communities and to our societies. Everything we do is about cutting through complexity, providing insight, solving problems and adding value. Our values guide our behavior when dealing with both clients and each other. We lead by example, we work together, we respect the individual, we seek the facts and provide insight, we are open and honest in our communication, we are committed to our communities and, above all, we act with integrity.

We provide stimulating work because we do the new things, the difficult things and the important things.

Our people roll up their sleeves on some of the world's most exciting and impactful projects. Clients have the highest expectations, which is why we

work to uncompromising standards, doing everything in our power to deliver the best professional advice and services in the world. Our people are also passionate about making a positive impact on the communities in which they work. While this challenge – collective and personal – is formidable, so too is the sense of achievement.

We have a performance culture that recognizes potential, nurtures talent and rewards achievement.

Our people can work around the world. They can do many different jobs. They can flex their career paths and test themselves against new opportunities and challenges. We make all of these opportunities available because, at the core of our organization is the belief that the more our people learn and the faster they develop, the stronger we will be.

We have a continuous learning environment where every experience adds to our people's professional confidence and career capital.

World-class technical training is just the start. From the quality of the people, their willingness to share what they know and the professional qualifications available, to personal mentoring, stretch assignments and global placements, we help our people become the very best they can be.

Achievements **at a glance**

KPMG in China helped to advise on **3 of the 4** largest China outbound M&A transactions

In November 2012, KPMG was the **first of the Big 4** to open an office in Myanmar

Centers of Excellence are in place around the world representing financial services, government & infrastructure, healthcare and management consulting, and have been directly linked to **30 client** wins

Recent success in high growth markets includes acquiring BDO in Brazil, becoming **#1 in Russia** and making significant gains in market share in Korea

People from **131 countries** have come together to use Virtual Classrooms

KPMG was named '**Sustainable Firm of the Year**' in April 2012 by the *International Accounting Bulletin*

#2 in Universum's 'World's Most Attractive Employers' survey for the third year running

In September 2012, KPMG opened offices in **Iraq, Gabon and Mali**

KPMG has offices in **156 countries**

Acquired **BrainNet**, a leading procurement consultancy

More than **152,000 outstanding people** working together



Mischa Rossen, Udo Hessels and Marcel van de Veen

Being a winner: Achieving success through determination

Udo Hessels, IT Manager and 2012 Paralympic Gold Medalist in the Three-Person Keelboat competition

Udo Hessels exemplifies the KPMG difference. As a young man, Udo was a competitive sailor in the Netherlands. But at the age of 25, all of that changed when he was diagnosed with a spinal cord tumor that led to complete paralysis of his legs.

"At first, I felt that my life was over," admitted Udo Hessels. "Then one day, I read about a disabled sailing team from the Netherlands that was heading to the World Games in Barcelona in 1992." Since then, Udo has participated in four Paralympic Games, winning a Silver Medal in 2004 (Athens) and a Gold Medal in 2012 (London). His team also won countless international events including two World Championships.

"When we are racing, I focus on the same things that our professionals do at client offices: being forward-thinking and innovative," noted Udo. "I'm the helmsman of the ship, so if

I'm not constantly assessing the conditions ahead or being collaborative and communicating with my team, we lose."

Udo attributes much of his success to the support he has received from his colleagues at KPMG in the Netherlands. "I've been at KPMG for more than 25 years and – throughout – the firm has strongly supported my dream of being a champion," added Udo. "From the emotional support to the flexibility to train; I couldn't have achieved this without my colleagues at KPMG."

Michael Andrew, Chairman, KPMG International, said "I am proud to lead an organization that enables its people to achieve not only their professional goals, but also to realize their personal dreams. I am inspired by Udo's achievements."

Making a positive impact: Championing women's rights in Saudi Arabia



**Khalid Alkhudair, COO, Markets
at KPMG in Saudi Arabia and
Founder of Glowork.net**

Inspired in part by KPMG's values and culture, Khalid Alkhudair has been taking action to improve the world around him. As the Chief Operating Officer, Markets for KPMG in Saudi Arabia, Khalid was keenly aware of the gender imbalance within the country's labor force.

In 2011, Khalid created Glowork.net, the Middle East's first website dedicated to female career advice and empowerment. Since its launch, Glowork has helped create more than 11,000 vacancies for women and has signed up more than 210 companies.

"By increasing the female participation rates, we are not only empowering women and increasing the diversity of the workforce, we are also increasing the country's productivity and potential for

economic growth," noted Khalid Alkhudair. "I see this program as yet another way that KPMG is able to create sustainable change and build greater trust between society, business and public institutions."

Both Glowork and Khalid have received high praise and recognition for their contributions. Glowork was named the most innovative solution relating to job creation by the UN, World Bank and the International Labour Organization, Excellence in Innovation by her Majesty Queen Rania and Best Education Project by the Arab Investment Summit. He was also ranked the third most influential youth under 30 throughout the Middle East by *Gulf Magazine*.

Khalid is now widely seen as a champion of women's rights in the Gulf region. He is an advisor to the Saudi Ministry of Labour on women's empowerment, a member of the World Economic Forum's (WEF) worldwide global shapers network and a member of the WEF's Talent Mobility Steering Board 2012-2013. He has been a key influence in changing recent laws to allow Saudi women to work in the retail industry, which will create more than 400,000 jobs for Saudi women in the next 3 years.

"Like many of his colleagues within the KPMG network, Khalid has applied his skills and experience to create real and lasting change in his society and economy," noted Michael Andrew, Chairman, KPMG International. "His spirit and attitude are an inspiration to us all."



Communities

Around the world, we are experiencing a new era of corporate citizenship. KPMG is helping to lead this charge. This past year has been one of significant achievement. Beyond the positive impact that we make through our audit, tax and advisory activity, our people are working in their communities as a force of positive change.



Seaweed Farmer, Millennium Villages Project

KPMG firms work with clients to encourage action in key areas such as sustainability, international development, human rights, anti-bribery and anti-corruption. We celebrate these achievements, and the countless other successes that our people have achieved this past year.

KPMG people are proud of the role that we play within society. But they are even more motivated – and more valuable – when they see an opportunity to use

their skills and talents to amplify their impact. When we band across the world to create a global response to key issues, the impact can be tremendous.

Whether it is our action on the Millennium Villages Project, a nonprofit organization dedicated to ending extreme poverty in Sub-Saharan Africa, or our deep commitment to the United Nations Global Compact, we celebrate the way our professionals help enhance the capability of governments, aid agencies and civil



society and to develop and improve public service delivery.

We have also achieved progress in setting, measuring and achieving our environmental sustainability targets. At the end of our first target period in 2010, we exceeded our goals and reduced our combined carbon footprint by almost 30 percent in aggregate. For 2011, we achieved a further

2.5 percent reduction in gross emissions per full-time equivalent (FTE) and a 1.1 percent reduction in net emissions per FTE. In fact, in its inaugural awards ceremony in April 2012, the *International Accounting Bulletin* named KPMG as the 'Sustainable Firm of the Year', noting the impact of our corporate responsibility initiatives and our high-profile global business sustainability summit.

Our successes and achievements in environmental sustainability have also been recognized by governments and the private sector who, having taken note of KPMG's activities, are now working with member firms, supported by our market-leading Climate Change and Sustainability Center of Excellence to develop, execute and assess their own environmental programs.



Business Perspective on Sustainable Growth: Preparing for Rio+20

In February 2012, KPMG International brought more than 600 senior executives together to work with top policymakers, including Ban Ki-moon and Michael Bloomberg and leading sustainability authorities such as Yvo de Boer, KPMG's Special Global Advisor on Climate Change & Sustainability and Executive Secretary of the United Nations Framework Convention on Climate Change from 2006 to 2010, to address one of the fundamental challenges of our time: driving sustainable business growth in a resource-constrained world.

Developed in partnership with the UN Environmental Program, the UN Global Compact and the World Business Council for Sustainable Development, the event identified and prioritized key sustainability issues. During the Summit, KPMG International launched a major research study, *Expect the Unexpected: Building business value in a changing world*, which examined 10 sustainability megaforges that will influence the future of business over the next 20 years. The event stood out as a turning point where businesses of all sizes renewed their commitment to the sustainability agenda and started to work together to create potential solutions.

Creating positive change in our communities

At KPMG, we are committed to tackling the problems that impact our societies and communities. To create sustainable and valuable change, firms and professionals around the world focus on creating strong and well-developed long-term engagements and partnerships with their local communities.

Here are some examples:

Enabling leaders of the future

We believe that we have a duty to mentor, train and support a new generation of professionals and help establish a commitment to the principles of responsible capitalism. That is why, across more than 30 countries, our member firms support Enactus, a university-based organization that encourages students to make a difference in their communities while developing their skills to become socially responsible business leaders.

In 2012, KPMG served as the presenting sponsor of the Enactus World Cup and as a Global Champion for the organization, focused on building stronger relationships between business, educational institutions and students. Around the world, our leaders, our people and – increasingly – our clients are committed to dedicating their skills, time and resources to supporting this worthy initiative.



2012 Enactus student winners

Canada helps empower youth

KPMG in Canada has partnered with the social entrepreneurs at Free The Children to support the empowerment of youth and families in Canada and internationally. Aligning with the Global Development Initiative, KPMG in Canada is supporting the economic empowerment of three rural communities in the state of Rajasthan. KPMG is helping to empower women and the broader communities to break the cycle of poverty by becoming self-sufficient.



Bill Thomas, Chief Executive Officer and Senior Partner, KPMG in Canada, with his family and KPMG employees on a Free the Children mission to India

Rebuilding earthquake zones in China

Long after the world's eyes had moved on from the Sichuan Earthquake in 2008, KPMG in China has been working to help restore and improve the educational and community facilities in the stricken zone. To date, the firm has helped support the development of a community center in Pengzhou, Sichuan and two schools in Cheng County, Gansu.



KPMG staff engage kids at local Gansu school

Supporting solar and schools in India

KPMG in India works with local schools and social organizations to provide renewable energy and – ultimately – to improve the quality of school programs. Since 2008, KPMG in India has supported 11 solar projects at two local colleges, three schools and six social organizations.



KPMG scholarship recipient

Enhancing aboriginal capacity in Australia

KPMG in Australia is an active participant in Jawun, a program of capacity building and skills training within the country's aboriginal communities. Over the past year, more than 115 KPMG professionals have each spent 5 weeks living in these communities and working with community leaders.



Jenelle Myers, Manager, KPMG in Australia, with local Indigenous women in Cape York

Working in partnership with the UK education sector

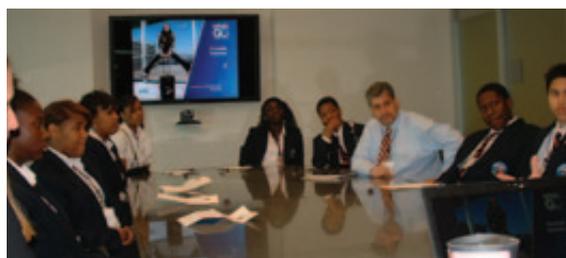
KPMG in the UK is supporting the needs of eight schools serving disadvantaged communities across the country through Business Class, a program run by a major UK non-governmental organization (NGO). The program provides a long-term strategic approach to school improvement. Clusters of local businesses and schools work together to improve governance and leadership, learning and employability in schools that need it the most. Support ranges from training for teachers to re-building a school's reputation and developing the employability skills and career awareness of young people. Volunteer engagement with students involves mentoring, interview practice and the opportunity to learn more about KPMG.



Students learn to problem solve at KPMG stand at Hackney Real Talk, an interactive career event

Strengthening workforce readiness in the US

One of the biggest challenges facing corporate America is workforce readiness. The gaps in workforce readiness are perhaps most evident among low-income youth. To combat this, KPMG in the US has teamed with the National Academy Foundation (NAF) since 2010, to strengthen high school accounting education at its Academies of Finance (AOF) nationwide. KPMG guides and supports NAF's accounting course sequence to ensure industry relevance, including the professional development for teachers who implement the curriculum. To date, nearly 30 offices are engaged and hundreds of KPMG employees in the US have had the opportunity to share their knowledge with the students through work-based learning experiences such as job shadowing, mock interviews, guest speaking and resume/portfolio reviews.



Youth preparing to enter the workforce



Financials and organization

Despite a challenging year in many of our core markets, the KPMG network reported global revenues of USD23.03 billion in the 2012 fiscal year, an increase of 4.4 percent in local currency terms. When combined with strong growth in our talent pool and impressive increases in key growth sectors such as financial services, government, infrastructure, energy and natural resources and healthcare, we believe that our global organization is well-positioned to achieve significant growth through the 2013 fiscal year.

Our path towards integrated reporting

KPMG is active in the development of integrated reporting. In fact, our Deputy Chairman represents us on the International Integrated Reporting Council. Integrated reporting enables an organization to tell its value creation story by providing financial and nonfinancial information on its strategy, performance and governance in its business and social context, in a way that highlights the interdependencies of the information.

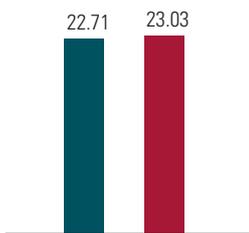
Integrated reporting is intended to reflect the broad and longer-term consequences of the decisions organizations make, based on a wide range of factors, to create and sustain value. It also enables an organization to

communicate in a clear way how it is drawing on all the resources it utilizes to generate value in the short, medium and long-term, helping investors to manage risks and allocate resources most efficiently.

KPMG International is participating in the pilot program of the International Integrated Reporting Council and is exploring opportunities to integrate our reporting, both internally and externally. As part of this process, we have formed a cross-functional Steering Committee, chaired by our Global CFO with support from executive leadership and leveraging the insights of KPMG client service professionals that assist clients with integrated reporting and assessing opportunities for our own reporting.



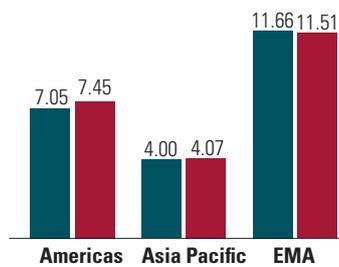
Global total revenues



US\$ in billions

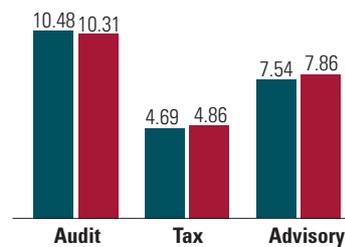
FY 11 FY 12

Global total revenues by region



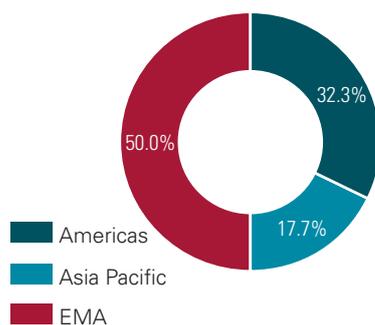
US\$ in billions

Global total revenues by function

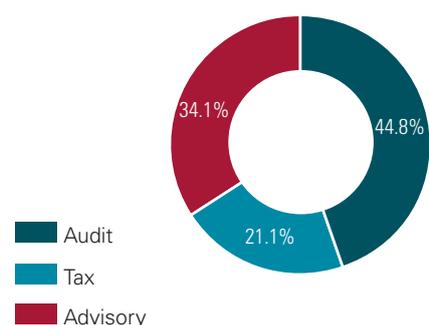


US\$ in billions

Total revenue by region FY12



Global total revenues by function FY12

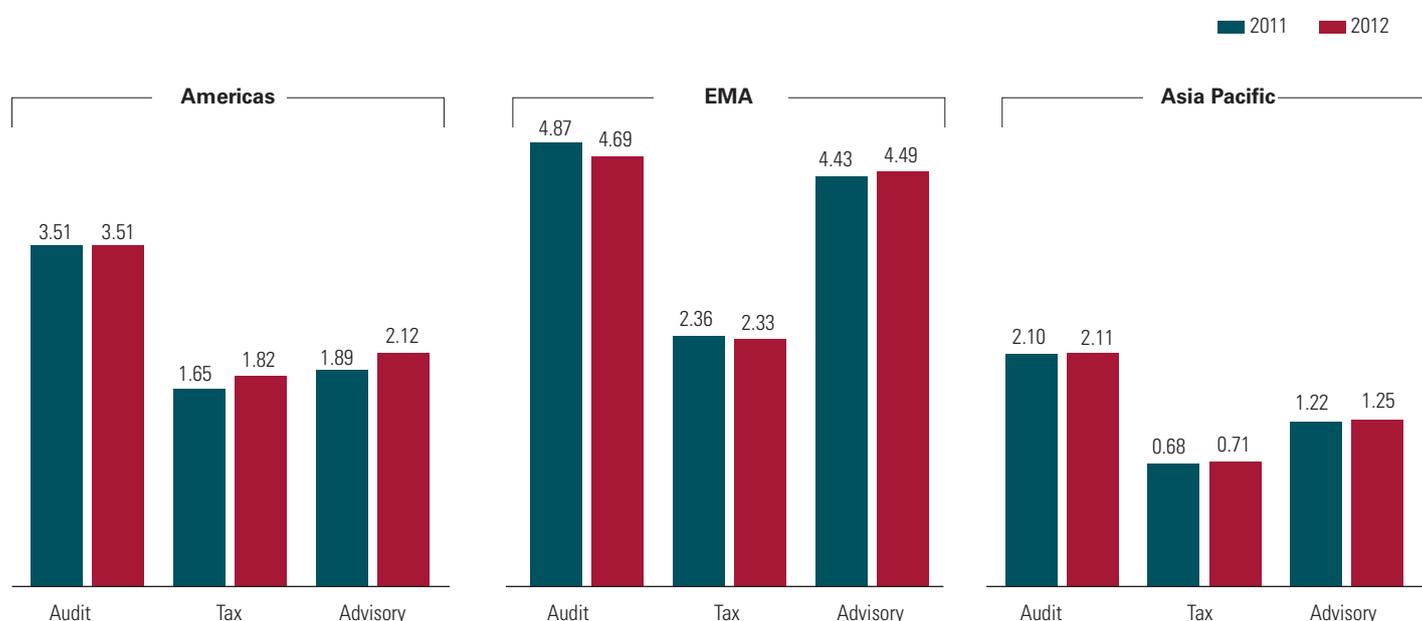


*FY11 – 1 October 2010-30 September 2011
 FY12 – 1 October 2011-30 September 2012

The financial information set forth represents combined information of the separate KPMG member firms that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.
 © 2012 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. All rights reserved.

Global total revenues by region and function

US\$ in billions



Average headcount by region

FY 2011	Partners	Prof. Staff	Admin. Staff	Total
Americas	2,681	27,607	7,906	38,194
Asia Pacific	1,654	25,685	4,750	32,089
EMA	3,815	57,438	13,141	74,394
Total	8,150	110,730	25,797	144,677

FY 2012	Partners	Prof. Staff	Admin. Staff	Total
Americas	2,971	30,346	8,003	41,320
Asia Pacific	1,732	26,117	4,841	32,690
EMA	3,921	60,727	13,732	78,380
Total	8,624	117,190	26,576	152,390

Global total revenues by industry

US\$ in billions

Financial Services



Industrial Markets



Consumer Markets



Technology, Media and Telecommunications (TMT)



Infrastructure, Government and Healthcare (IG&H)



■ 2011 ■ 2012

Average headcount

	FY 2011	FY 2012
Partners	8,150	8,624
Professionals	110,730	117,190
Administration	25,797	26,576
Total	144,677	152,390

The Global Executive Team

Getting a global steer

KPMG is led by highly experienced business leaders. The Global Executive Team, which includes global practice heads, regional leaders and a number of senior partners from our member firms, works across the KPMG network to drive the execution of our strategy, create alignment with our core values, and help our people maintain a high level of integrity.

Their guidance, oversight and support helps member firms navigate through the complex business, political, regulatory and social environment that is buffeting the world around us. As the principal management body of KPMG International, the Global Executive Team brings together keen insight and business acumen, deep experience in world markets and a solid understanding of the business environment to steer KPMG to being one of the best organizations for our people, clients and communities.



Michael Andrew
Chairman
KPMG International



Alan Buckle
Deputy Chairman
KPMG International



Brian Ambrose
Global Chief
Operating Officer



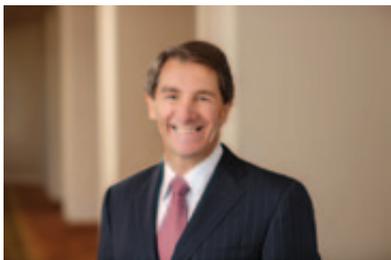
Isabelle Allen
Global Head of Sales and Markets



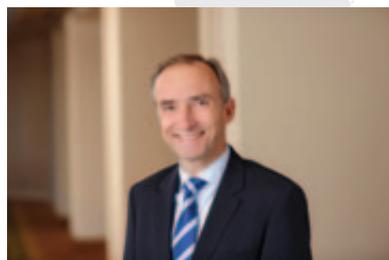
Rachel Campbell
Global Head of People



Mark Goodburn
Global Head of Advisory



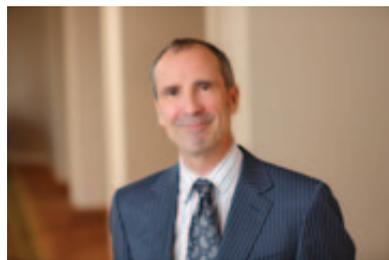
Larry A. Leva
Global Vice Chair
Quality and Risk Management



Joachim Schindler
Global Head of Audit



Helen Spice
Chief Financial Officer



Greg Wiebe
Global Head of Tax

Leadership

Global Board

Michael Andrew
Chairman
KPMG International

Alan Buckle
Deputy Chairman
KPMG International

John Veihmeyer
Americas Chairman

Rolf Nonnenmacher
EMA Chairman

Hideyo Uchiyama
ASPAC Chairman

Moses Kgosana
Africa

Peter Nash
Australia

Pedro Melo
Brazil

William Thomas
Canada

Frantisek Dostalek
CEE

Stephen Yiu
China

Oleg Goshchansky
CIS

Jesper Koefoed
Denmark

Jean-Luc Decornoy
France

Klaus Becker
Germany

Russell Parera
India

Terence O'Rourke
Ireland

Domenico Fumagalli
Italy

Tsutomu Takahashi
Japan

Kyo Tae Kim
Republic of Korea

Guillermo Garcia-Naranjo
Mexico

Jurgen van Breukelen
The Netherlands

Sai Choy Tham
Singapore

John Scott
Spain

Helene Willberg
Sweden

Roger Neiningner
Switzerland

Simon Collins
United Kingdom

Henry Keizer
United States of America

*Global Board members as of 1 October 2012

Global Executive Team members

Michael Andrew
Chairman
KPMG International

Alan Buckle
Deputy Chairman
KPMG International

John Veihmeyer
Americas Chairman

Rolf Nonnenmacher
EMA Chairman

Hideyo Uchiyama
ASPAC Chairman

Joachim Schindler
Global Head of Audit

Greg Wiebe
Global Head of Tax

Mark Goodburn
Global Head of Advisory

Larry A. Leva
Global Vice Chair –
Quality and Risk
Management

Rachel Campbell
Global Head of People
Performance and Culture

Isabelle Allen
Global Head of Sales
and Markets

Brian Ambrose*
Global Chief Operating
Officer

Shaun Kelly
Americas Chief Operating
Officer

Tony Thompson
EMA Chief Executive Officer

Yap Chee Meng
ASPAC Chief Operating
Officer

Peter Nash
Senior Partner
Australia

William Thomas
Senior Partner
Canada

Stephen Yiu
Senior Partner
China

Jean-Luc Decornoy
Senior Partner
France

Klaus Becker
Senior Partner
Germany

Terence O'Rourke
Senior Partner
Ireland

Simon Collins
Senior Partner
United Kingdom

*Global Executive Team members as of 1 October 2012

* Andrew Cranston has succeeded Brian Ambrose as Global Chief Operating Officer and Global Executive Team member on 1 November 2012.

The Global Board

The Global Board is the principal governance and oversight body. Its key responsibilities include approving long-term strategy, protecting and enhancing the KPMG brand and approving policies and regulations. It includes the Global Chairman, the Global Deputy Chairman and the Chairman of each of our three regions.



Klaus Becker, Germany
Sai Choy Tham, Singapore
Pedro Melo, Brazil
Alan Buckle, Deputy Chairman, KPMG International



Incoming Directors 2013:
Roger Neininger, Switzerland
Oleg Goshchansky, CIS
Jurgen van Breukelen, Netherlands



Tsutomu Takahashi, Japan
Jean-Luc Decormoy, France
Moses Kgosana, Africa



Simon Collins, United Kingdom
Michael Andrew, Chairman, KPMG International
Russell Parera, India



Jesper Koefoed, Denmark
Peter Nash, Australia
Helene Willberg, Sweden
Henry Keizer, United States



Kyo Tae Kim, Republic of Korea
Guillermo Garcia-Naranjo, Mexico
Frantisek Dostalek, CEE
Domenico Fumagalli, Italy



Terence O'Rourke, Ireland
John Scott, Spain
William Thomas, Canada
Stephen Yiu, China



Hideyo Uchiyama, ASPAC Chairman
John Veihmeyer, Americas Chairman
Rolf Nonnenmacher, EMA Chairman



Outgoing Directors 2012:
Hubert Achermann, Senior Independent Director, Switzerland
Herman Dijkhuizen, Netherlands
Andrew Cranston, CIS (Chief Operating Officer, KPMG International 2013)

Countries

Countries in which KPMG member firms operate

Afghanistan	Cyprus	Kuwait	Romania
Albania	Czech Republic	Kyrgyzstan	Russia
Algeria	Denmark	Laos	Rwanda
Andorra	Dominican Republic	Latvia	Saudi Arabia
Angola	Ecuador	Lebanon	Senegal
Anguilla	Egypt	Liechtenstein	Serbia
Antigua and Barbuda	El Salvador	Lithuania	Sierra Leone
Argentina	Estonia	Luxembourg	Singapore
Armenia	Fiji Islands	Macedonia	Slovakia
Aruba	Finland	Malawi	Slovenia
Australia	France	Malaysia	South Africa
Austria	French Polynesia	Maldives	Spain
Azerbaijan	Gabon	Mali	Sri Lanka
Bahamas	Georgia	Malta	St. Lucia
Bahrain	Germany	Mauritius	St. Maarten
Bangladesh	Ghana	Mexico	St. Vincent and the Grenadines
Barbados	Gibraltar	Moldova	Surinam
Belarus	Greece	Monaco	Swaziland
Belgium	Greenland	Mongolia	Sweden
Bermuda	Guatemala	Montenegro	Switzerland
Bosnia and Herzegovina	Guernsey	Morocco	Taiwan
Botswana	Honduras	Mozambique	Tanzania
Brazil	Hungary	Myanmar	Thailand
British Virgin Islands	Iceland	Namibia	Togo
Brunei Darussalam	India	Netherlands	Trinidad and Tobago
Bulgaria	Indonesia	New Caledonia	Tunisia
Cambodia	Iraq	New Zealand	Turkey
Cameroon	Ireland	Nicaragua	Turks and Caicos Islands
Canada	Isle of Man	Nigeria	Uganda
Cayman Islands	Israel	Norway	Ukraine
Chile	Italy	Oman	United Arab Emirates
China	Ivory Coast	Pakistan	United Kingdom
Colombia	Jamaica	Panama	United States of America
Congo (Democratic Republic of the)	Japan	Papua New Guinea	Uruguay
Congo (Republic of the)	Jersey	Peru	Venezuela
Cook Islands	Jordan	Philippines	Vietnam
Costa Rica	Kazakhstan	Poland	Yemen
Croatia	Kenya	Portugal	Zambia
Curaçao	Korea (Republic of)	Qatar	Zimbabwe

KPMG Values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other:

We lead by example:

At all levels we act in a way that exemplifies what we expect of each other and our clients.

We work together:

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

We respect the individual:

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

We seek the facts and provide insight:

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.

We are open and honest in our communication:

We share information, insight and advice frequently and constructively, and manage tough situations with courage and candor.

We are committed to our communities:

We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.

Above all, we act with INTEGRITY:

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

kpmg.com/socialmedia



© 2012 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve.

Publication name: International Annual Review

Publication number: 121136

Publication date: December 2012