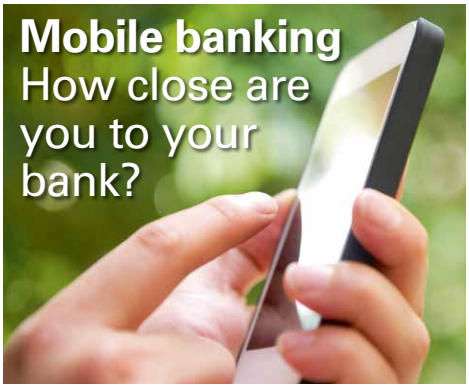
# THE KPMG Difference

Magazine / June 2014




# Globalization

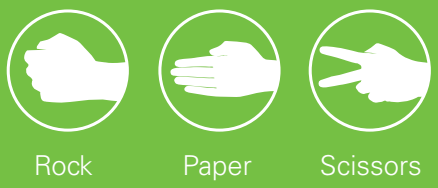
## Working in the global reality

Cyber Security: top global challenge?

Connecting Asian and European markets

ISO 55001: global standard for Asset Management

KPMG
cutting through complexity




KPMG
cutting through complexity

# Dominate locally

# Conquer globally

# SMART, always wins!

## Play the winning hand

A SMART company is a "future proof" organization. It can take on any challenge in today's business world.

How? It focuses its efforts on 5 key drivers: Structure, Mobility, Ability, Resources and Technology. And you? How SMART is your company? And how can it improve?

Learn more about the consulting practice that can help you to think SMART at:

**smartalwayswins.kpmg.be**



Structure
Mobility
Ability
Resources
Technology

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## June 2014





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This magazine and all of KPMG's Thought Leadership can be accessed by using the KPMG app.

Available on the iPhone App Store

# The global imperative

*To succeed in business today we must look beyond our horizon"*

**PATRICK SIMONS**
Senior Partner

Technology is at the origin of the fastest pace of change ever, affecting our daily and professional lives. Combined with other major global trends and conditions, this has led to a drastically changed business landscape in Belgium. To succeed in business today we must look beyond our horizon. We need to grasp the right opportunities if we are to ensure a future for our business on the global market.

How can you – as an entrepreneur working in Belgium - avoid getting stuck at the micro level of your business and instead get a bird's eye a view of the current global landscape? That's where our expertise can be of value to you. KPMG operates on a global level. We have offices in 156 countries and our sector experts work together across borders. Also, at any given time hundreds of KPMG experts are on an international assignment. The result is a wealth of insights and expertise on both local and international levels available to help you.

In this issue we present you the vision of two experts: one from the technology sector and one from the financial sector. They clearly, from different angles, express the reality of the shifts that are ongoing and what the opportunities are for business in Belgium. But they also will provoke some challenges to think about. The result is an interesting discussion about innovative solutions, where technology and finance meet for the benefit of Belgian business.

In this issue we also bring global perspectives on the future of banking, insights on the risks related to all things cyber, the benefits of global standards for physical asset management and a view of the legislative and regulatory changes brought about by EU Audit Reform.

Join us and discover if you are ready to go global.

# Happenings

**KPMG boasts a rich diversity of initiatives, projects and expertise. Here is a sampling of the various KPMG happenings of the last few months…**

## Small, medium or large challenges ?


KPMG wants to make an inventory of the small, medium and large challenges facing Belgian companies. The main objective is to create an independent platform committed to exchanging knowledge and views on actual business issues and trends by engaging leaders in business, politics, academia and other parts of society. Your answers will be used to develop practical tips and tricks, which will be delivered on this platform and demonstrate why it is a trusted advisor for tax, audit and accountancy.

The campaign was launched on April 17th with a media campaign in collaboration with, amongst others, Roularta (Trends-Tendances). In this first stage Belgian companies will be invited to join an online survey in which they can indicate their biggest challenges. Take part in the SMART challenge (smartchallenge.kpmg.be), it's never too early to prepare for the future.

## Xavier Gabriëls named Global Cost Accounting and Management Champion

KPMG in Belgium Advisory Director Xavier Gabriëls was recently appointed Global Cost Account and Management Champion. In that capacity Xavier will work to improve the international network, harmonize service offering propositions, promote knowledge sharing and business development. Together with a global team, the aim is not only to identify profitable cross-functional global sales leads, but also enhance KPMG's position as a trusted business advisor towards its international client community. KPMG clients will benefit through the global coordination, which will allow benchmarking and access to local expertise.

## KPMG's SMART campaign

Getting to the bottom of SMART – helping businesses become future proof

Rock, paper, scissors. Who has not played that game as a child? It is basic and yet there is more behind it.

Friends playing a game – both are good but one will win…

On one side we have the classic business models. They are good practices. They get the job done and even lead to real success. But to make it in the new interconnected world where the customer is an 'interactive king' you will need to play a winning hand. We will all need to go beyond in order to not only survive but create real value while doing it.

This new world means that product development can no longer be simply an intra-company process. The future-proof business will think beyond that to customer co-creation. Thanks to input and cooperation with customers worldwide at every step of the process, companies will be able to provide clients with exactly what they need. Client-centricity is a key element of the smart future.


It is only possible for us to make the switch with technology. Technology allows us to rethink our businesses according to our clients' needs because for the first time we can gain their instant input. This means that technology also takes us beyond simply increasing efficiency to an actual business model disruption. But only if we let it…

The traditional focus is on improving your business. What if instead you readjust your mindset. Hit the refresh button often enough and you will see new opportunities emerge.

In KPMG's new SMART Always Wins magazine, we offer you some food for thought. But this is just the beginning. It will feature input from business leaders in Belgium, like you. Our aim is to provide you with practical insights so that you can future-proof your organization. And that is what this campaign is all about.

You have the power to pick the hand you play, but it will only be based on smart insights that will ensure you are on the winning side.

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# Mobile banking
# How close are you to your bank?

**"Digital" represents a fundamental shift in customer relationship building. Today's customers are not only connected but also use digital platforms to inform themselves, share information and interact with businesses. As a result businesses that will adapt and integrate technology to cope with their customers' needs and behavior the most quickly will determine the measure of success.**

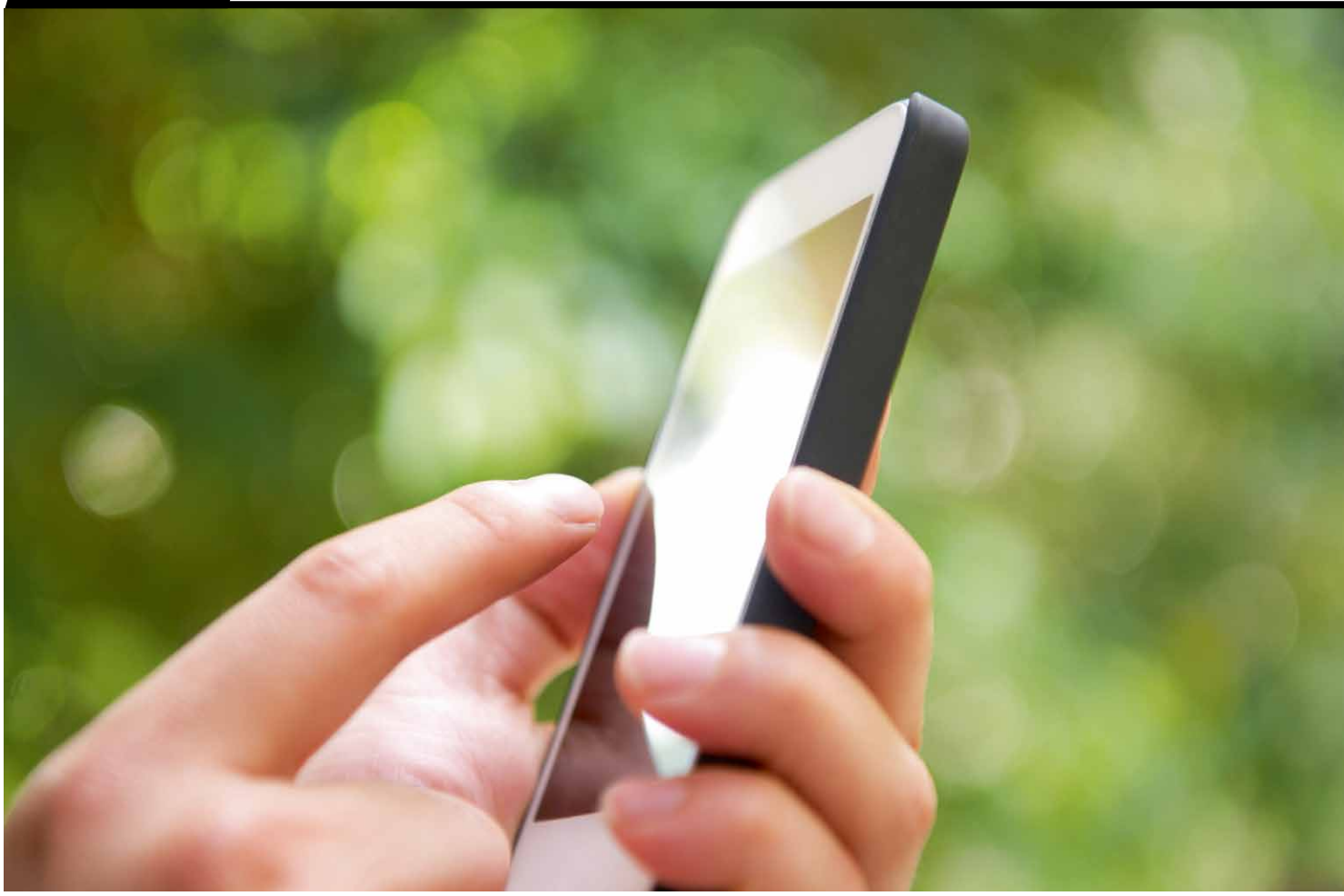
When we talk about digital banking, we are not speaking only about mobile banking or social media. We are really talking about the full scope of banking services and more importantly the relationships that are conducted using a device, including anything from a smartphone to a computer, to a tablet and even the more basic cell phone.

This shift to digital banking has caused a tremendous need for change in the banking business model. The branch is no longer the only touch point with customers. Over time, the relationship between the banks and their customers has evolved from a personal to a digital one: first with Automatic Teller Machines (ATM), next with PC Banking, and now mobile banking. We are sure there is more to come.

"Digital" represents a fundamental shift in customer relationship building. Instead of measuring gain in market share by the number of branches, the strategy must be based on a distant yet personal relationship with customers. Banks that will most quickly adapt and integrate technology will determine success.

### A new digital reality – Belgian Context

Belgian banks operate in a very different world compared to 25 years ago. On a global level the number of internet users in 2000 was 39,4



*In an era where so many people constantly unveil their private lives on social networks, they are ever more worried about the security of their financial transactions."*

million. In 2012 that number had reached 2,4 billion[1]. A recent study[2] confirmed that the heightened level of interconnectedness is real in Belgium as well. A full 80,3% of Belgians have a computer, which goes up to 94,8% for people with children. Additionally, of those people with children 57,3% have more than 1 computer at home[3]. Computers are simply a part of life.

And beyond just owning a computer, people are more connected than ever before. 77,7% of Belgians have access to the internet[4], and again it jumps to 92,8% for people with children. Of course, Belgians are not only connected through computers but also through smartphones and tablets.

What is actually surprising in these statistics is not the new interconnected world but the fact that despite these statistics "mobile" has not kept up. In fact, in terms of "mobile" the Belgian market is behind its neighbors and other European countries[5]:

- The mobile high-speed internet penetration rate in Belgium for example, falls between Hungary and Romania at 25% (Sweden comes in first at 102%);
- Related tariffs in mobile communication are appreciably higher in Belgium than other EU countries like the United Kingdom (UK), The Netherlands or France. For an average consumption (120 minutes and 100 SMS), the tariff in Belgium is nearly €25, whereas in the UK it is around €15, over €15 in The Netherlands and in France between €15 and €20.

Recent studies from Google (dating from 2012 and 2013) showed that not only are customers using multiple screens, but they are using them sequentially and concurrently. So customers are

1 Future 2030, KPMG International, 2013.
2 Enquete TIC ménages et individus (2012) – SPF Economie - FPS (Federal Public Service)
3 Enquete TIC ménages et individus (2012) – SPF Economie – FPS (Federal Public Service)
4 Belgians mainly use internet to inform themselves (66%), next for mailbox and chat and finally to perform banking transactions (approximately 31%).
5 Enquête TIC ménages et individus (2012) – SPF Economie

## Global number of internet users

**39,4 million** in 2000

**2,4 billion** in 2012

## The connected Belgian

**80,3%** of Belgians have a computer

**94,8%** of Belgians with children have a computer

**57,3%** of Belgians with children have more than one computer

**77,7%** of Belgians have access to the internet

**92,8%** of Belgians with children have access to the internet

going beyond the omnichannel to using those channels in a complementary manner.

These statistics and the other figures comparing the access and the use of internet in the EU show that Belgium is not a front runner in terms of digital. In Europe, Sweden, Denmark and the UK have come much further in this category[6]. This poor penetration of mobile high-speed internet significantly hinders technological development and growth for the Belgian banking sector.
There is clearly a correlation between mobile accessibility and the digital banking penetration. For example, there is a clear commitment from countries in northern Europe to go digital. The Swedish government has even made a strong commitment to become a cashless country in the near future[7].
That is one of the reasons why Sweden has only a few hundred Automatic Teller Machines (ATM)[8]. Belgium on the other hand, is the second country after the UK in terms of number of ATMs per million inhabitants (at 1416,5 units). An effective IT infrastructure that enables banks to keep up with the quick evolutions in devices to offer their customers an effective digital experience is missing. The IT infrastructure needs to be able to cope with rapid technological evolutions; new channels or a more evolved one must be integrated more rapidly.

Recent studies from Google (dating from 2012 and 2013) showed that not only are customers using multiple screens, but they are using them sequentially and concurrently. So customers are going beyond the omnichannel to using those channels in a complementary manner.

An end-to-end transformation must be executed by the banking actors to transform the IT infrastructure so it can be capable of managing the enormous amounts of data.

### Drivers of digital experience

There are essential factors that must be considered when banks "speak digital" with their customers. The basic principles for a successful digital customer experience are:

- Usefulness – the customer must benefit from the use.
- Meaningfulness – it must personally make sense to the customer.
- Usability – if it is too complicated the consumer will give up and leave.
- Security – all the services provided must be secured.
- Context – the context of the information, function or service must be provided.

Of all of these, security is ranked most importantly. It strongly impacts consumer's behavior. While only 49% are worried about their online security, 73% of Belgians are specifically worried about password and credit card number theft as a result of internet banking[9]. It is the great paradox of our digital world. In an era where so many people constantly unveil their private lives on social networks, they are ever more worried about the security of their financial transactions.
All these factors play an essential role in customer loyalty. And since customers will have an ever increasing capacity to switch from one bank to another, banks need to find new ways to gain and keep faithful customers today. Fidelity of customers replaces the former loyalty clients had with a local agent, who in some cases was a friend of the family. This fidelity will have to come from providing relevant services. Customers must see what can be gained from this new kind of relationship. Clients expect two way communication with their banks. Customers today, constantly compare, exchange, score and recommend. And what's more, they do this publicly. These changes are significant as banks learn to manage the new relationships with their customers in new ways.

6 Enquête TIC ménages et individus (2012) – SPF Economie
7 The Local December 2013 "Swedes set for cashless future" & Infowars.com (Dec 2013) "Sweden moves closer to a cashless society with new money laundering registry"
8 Febelfin figures 2012-2013
9 Enquête TIC ménages et individus (2012) – SPF Economie

## Belgian banks playing on a global stage?

Although the Belgian market is small, it is very competitive. But the increased globalization of banking, and the continued European integration only heighten the challenges faced by banks on the Belgian market. **Today competition goes beyond the current market participants to include other banks from across Europe and even around the world.** Below are some examples of banks that have already launched innovative client-centered approaches. Most probably banks like these are the next competitors for Belgian banks.

### Meaningful

In Spain Caixa bank developed "Insp'ranos" (Inspire us), an innovation platform based on idea generation and management to provide customers with a place where they can propose their ideas on the banking environment. This platform means that Caixa bank customers are directly involved in the process of creating new products and services.

### Usable

Alior Bank, in Poland, developed a unique lending method that offers a new process for online payment. It allows the customer to purchase products or services, complete loan applications, and receive credit decisions and funds all in the same accessible online session.

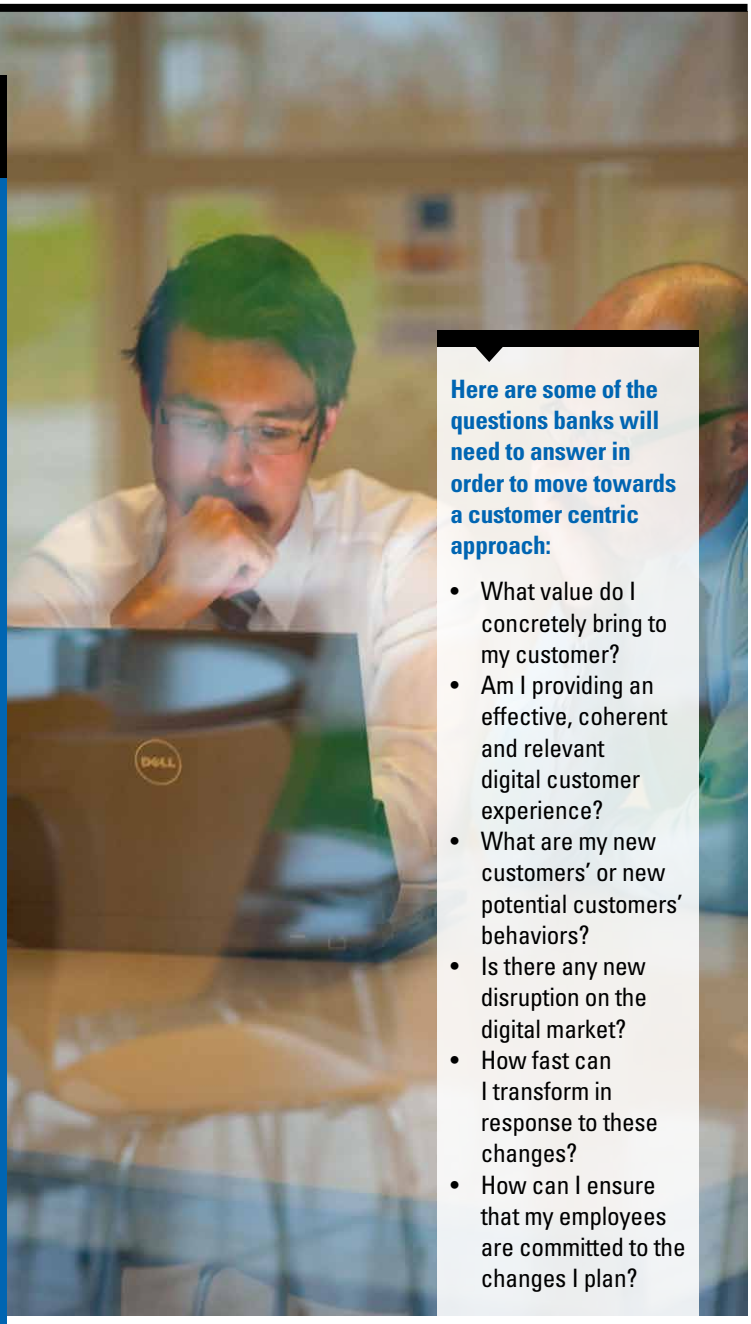
### Useful

Hana Bank in South Korea provides One Click Mortgage, the first fully online mortgage product process platform for the Smartphone e-wallet, to simplify the complicated mortgage process [1].

To add to the complexity of the global scene, banks do not only face competition from other banks. There are also other actors capable of providing banking services through mobile wallet[2] solutions that allow transactions to be completed entirely outside of the traditional banking system. Developed, and widely used in African countries, solutions like this are already emerging for a new generation of customers in Europe, particularly in Eastern Europe.

Clearly to remain on the market and be able to play against the competition, banks need to keep up with fast evolving technologies. This means tremendous investments and developing the capacity to adapt at a faster pace than ever before.

1 Computer software in which digital cash may be stored for use in paying for transactions on the internet. (Ref – Collins English Dictionary – complete & Unabridged 10th Edition 2009).
2 BAI-Finacle global innovation award 2013



**Here are some of the questions banks will need to answer in order to move towards a customer centric approach:**

- What value do I concretely bring to my customer?
- Am I providing an effective, coherent and relevant digital customer experience?
- What are my new customers' or new potential customers' behaviors?
- Is there any new disruption on the digital market?
- How fast can I transform in response to these changes?
- How can I ensure that my employees are committed to the changes I plan?

### The customer becomes the CEO

Advances in technology mean that one of the big challenges in the current banking environment is the capacity to lower the time-to-market. But it can be challenging to keep up with customers. "Customers are constantly changing their behavior and using different types of innovative devices, so we must change to keep up with their needs," according to the general manager of Jibun Bank (an online bank in Japan).

The key challenge for banks today is to be able to keep up with the needs of their customers in a fast changing world. While this can be challenging, the answer lies in putting the customer at the center of the strategy. The good news is that clients will play an increasing role in that two way communication. An effective dialogue can now emerge.

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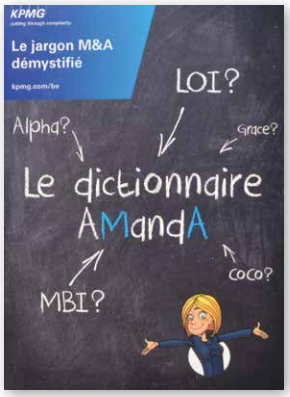
# The book that demystifies M&A Jargon

**In the November 2013 edition of the KPMG Difference, the increasing appetite for M&A transactions was highlighted. As more of these transactions take place, the jargon used among those involved can be confusing for those not familiar with the terms.**

A new edition of the glossary of M&A terms is about to be published. This edition promises to be even more useful for managers in Belgium, as it is available in three languages, French, Dutch and for the first time in English. We have also updated some of the terms explained in the first version. As the world of M&A has evolved, we have equally adapted to this evolution. In addition, a chapter has been added in relation to capital markets. In light of the recent revival of the IPO market across the globe, with bpost being the most prominent one on the Euronext Brussels stock exchange, we felt that capital markets jargon should not be ignored.

The book is structured by grouping content-related terms into chapters and, where possible, has also been presented in a logical sequence. Where we use new technical terms in an explanation, we clarify them in a subsequent section.





Professionals in the M&A business often have the tendency to use terms like CoCo, alpha premium, WACC, VDD, LOI, NDA, IPO, etc. without realizing that their clients are not familiar with these terms. Sentences like "do you realize that the *LOI* refers to *enterprise value* based on a *free cash flow* and a *WACC* and not based on an *EBITDA multiple*, and furthermore does not describe the *closing mechanism* preference of *locked box* we have?" are not exceptional. That cryptic example contains 7 different terms in a single sentence!

Professionals often forget that there are many stakeholders involved in the process who have a genuine interest in the transaction but are not always familiar with the idiom used in the world of mergers and acquisitions. Therefore, we have tried to "demystify" more than 150 terms used nowadays in a manner, which we believe to be understandable and to the point in the book M&A Jargon Demystified.

Clarity was a priority. This is a principle we hold in high regard when communicating with our clients. KPMG created the first edition of the M&A Jargon in 2008 because we felt that there was a need to explain a number of M&A terms in clear language, with a full description of the implications behind the terms. Our goal was to facilitate dialogue between professionals and non-professionals, so that everyone would have a common lexicon.

> How much do you know about M&A transactions?
You can test your knowledge by taking the M&A quiz (http://www.kpmg.com/BE/en/IssuesAndInsights/ArticlesPublications/Pages/MA-dictionary.aspx).

> E-mail info@kpmg.com to get your free copy. Inventory is limited so be sure to order today.

# Globalization

## Insights on doing business in a globalized economy

**"Is the current globalization process a revolution? No, it's just history repeating itself. Except that this time, we are on the other side of the table", says Frank Lierman, until recently Chief Economist at Belfius Bank. Philippe Rogge, CEO of Microsoft in Belgium, sees opportunities: "Traditional business processes will disappear due to technology. Almost everyone has a smartphone or tablet, which means that new business models can be rolled out. That offers opportunities for our businesses."**

**Philippe Rogge,**
CEO of Microsoft
in Belgium

Globalization seems to be a thousand-headed monster: it has an impact on many different fields, which are all interconnected. That makes business a complex activity, and it is a challenge for any entrepreneur to continue to see the big picture of the megatrends and discover the opportunities they offer for both local and international sales markets. We talked to Frank Lierman and Philippe Rogge, and took a close look at some topics of interest to entrepreneurs.

**Frank Lierman,** until recently Chief Economist at Belfius Bank

## Pivotal moment

Lierman: "We are living at a pivotal moment. Since 2008, we have been living through a very severe recession. When that is over, we will have to adapt to new conditions, which will be determined, among other things, by globalization. So many jobs that are traditionally created when there is an upturn in the economy will no longer be available in Belgium. That is because of outsourcing to other parts of the world. Not only manufacturing employment but also higher-skilled jobs such as accounting or information technology jobs that are now done in Central Europe or Asia. That outsourcing has consequences: in the 'seventies, when we talked about 'full employment', we were referring to an unemployment rate of about 2%. In the future, that threshold will be around 6 to 7%. So we need to react and adapt: if we cling on to our old ideas and values, then we will not get through."

## What can our businesses do?

Rogge: "Quite a lot of companies are facing disruption: traditional business processes will disappear due to technology. And the fact that this process has started now is no coincidence: almost everyone has a smartphone or tablet. Now consumers possess the necessary multifunctional technology, which will enable new business models to be rolled out without the developers of the business processes having to invest in hardware. That opens up a world of opportunities."

Lierman: "Companies need to adapt to the global market. They must be innovative, take initiative, invest and take risks. But at the same time, they need to reduce their debt burden and evolve to other funding models so as to escape the suffocating pressure from the financial markets, which demand a high return on equity. We see that companies in Belgium are still funded about 75% by banks, but there are new opportunities: bonds, commercial paper, crowdfunding, or win-win loans, for example."

## Opportunities in times of crisis?

Lierman: "What is more: especially in times of crisis, it is necessary to take the initiative and invest. And that is also possible. Just think of the Scandinavian banking crisis of the '90s: at that time, Nokia and Ericsson emerged as a consequence of a successful policy of changing the balance of the economy. In Belgium, one of our strengths is in the field of genetic engineering of food crops. You may be opposed to this on ethical grounds, but it is a business opportunity and it is necessary to continue to be able to feed a rising world population."

Rogge: "I agree: major changes only happen after severe pain stimuli, because only then will we ask questions at a high level and devise radical new business processes in order to achieve competitive advantages. Those are often the moments that bring out the best entrepreneurship."

**Philippe Rogge,**
CEO of Microsoft
in Belgium

### Does that offer opportunities for Belgian companies?

**Rogge:** "Of course. Except: you should not be thinking of 'perpetuating' your business but instead reflecting about how you are going to offer your existing or new task on the marketplace, without restricting yourself to what you have done before, with cost structure, location or distribution channels. Belgium is a highly developed country, with a high penetration of broadband, PCs and smartphones. We are well educated, are in an excellent time zone and we are small, so interesting developments can stay under the radar for a while. I think there is no better place to start new things and experiment than here."

**Lierman:** "We need to focus on starting up and refining technological innovations. We must file patents for them and export that technology. We already have a tradition here of innovative spin-offs. But we must dare to market our innovations and not immediately sell them on to foreign companies. Actually, we need new 'stars' in Belgium, like Bekaert, Solvay or Delhaize in the last century …"

### Can we compete against the emerging economies, particularly in the Far East?

**Rogge:** "The emerging markets, particularly the Far East, are opportunities. But we must open up to them. We must forge alliances and seek 'the best of both worlds': explore the cultural sensitivities in order to respond to the next wave of customers who live there. Otherwise we will become less and less relevant."

**Lierman:** "Indeed, the emerging countries are taking a bigger slice of the pie. But the European countries' slice of pie is of better quality: we respond to creativity and innovation. We have a lot of things going for us, but we need to develop a different social model: the entitlements that we have gradually acquired are no longer tenable. If we want to maintain our position, we will have to change our tune. And then there will certainly be opportunities: through the development of a middle class in emerging countries we will be able to export more. Not only the better products, but also services, such as for their health care sector."

**Rogge:** "Companies should not cling on to their existing model, because that leads to inertia, protectionism and inhibits innovation. Technology will play an important role in business, but not to make existing businesses more efficient and effective. Instead, technology will be the perfect catalyst for thinking about re-designing the basic task that your company does from scratch, so you remain competitive. Take a look at the hotel industry: their core task is not renting out hotel rooms, but providing a pleasant stay. The designers of Airbnb have understood that well, and they have developed a model that can do hotels a lot of damage. But if the hotel business defines its core task properly and uses all the knowledge and information at its disposal well, then they can hit back."

> *We see that companies in Belgium are still funded about 75% by banks, but there are new opportunities: bonds, commercial paper, crowdfunding, or win-win loans, for example."*

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# European audit reform for PIEs: a closer look

**The European Parliament and Council of Ministers have approved a Regulation and a Directive intended to reform the audit market in the EU. The Regulation was published in the Official Journal of the European Union on May 27, 2014. The legislation will enter into force on June 16, 2014: there is a two-year transition period which means that most of the key provisions will come into effect on June 17, 2016. There are separate transitional provisions for mandatory firm rotation. This article will provide you with insights on the key requirements of the new legislation and our view of its effects.**

The Regulation and Directive contain a series of requirements that relate to the approximately 30,000 Public Interest Entities (PIEs) in the EU. PIEs, as newly defined in the Directive, include all EU entities that have securities listed on an EU regulated market, credit institutions and insurance undertakings - whether listed or not. The Member States may also expand the PIE definition to include other entities.

### New rules for Public Interest Entities

Areas of change this legislation effects include, among others:

- Mandatory audit firm rotation (MFR)
- Further restrictions on non-audit services (NAS)
- Expanded auditor reporting requirements
- Strengthening the role of audit committees

The provisions in the Regulation on mandatory firm rotation and non-audit services will have a significant impact on PIEs. The key requirements are summarized below:

### Mandatory Firm Rotation

- Every company that falls within the PIE definition is required to rotate their auditors after a ten year period and Member States are allowed to adopt a shorter period on an individual basis.
- The Regulation also grants Member States the option to allow PIEs to extend the rotation period to (i) a maximum of 20 years if a public tender takes place at the end of the 10-year period or (ii) to a maximum of 24 years where a joint auditor is appointed.
- Non-EU groups that have an EU based PIE in their group structure will be required to rotate the auditors of those subsidiaries.

### Restrictions on Non-Audit Services to audited entities

- The Regulation contains a list of services, which the statutory auditor of a PIE and all members of the statutory auditor's network, are prohibited from providing to the PIE itself or to that PIE's EU controlled undertakings or its EU parent undertaking.
- The NAS prohibitions include, inter alia, tax compliance, tax advice, corporate finance and valuation services. Member States also have the option to allow certain tax and valuation services on condition that they do not have a direct effect on the financial statements or, if they do, that the effect is immaterial.
- The prohibitions in the Regulation are far more extensive than the rules currently in place in many EU Member States today and go well beyond the international independence requirements in the IESBA Code or indeed the SEC's independence rules in the US.
- The prohibitions also extend to the financial year immediately preceding the appointment of the statutory auditor ('clean period') with regard to designing and implementing internal control or risk procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems.
- Permissible NAS are also 'capped' if they exceed 70% of the statutory audit fee (applied on a 3 year rolling basis).
- Member States have the option to add to the list of prohibited NAS and apply a cap that is lower than 70%.

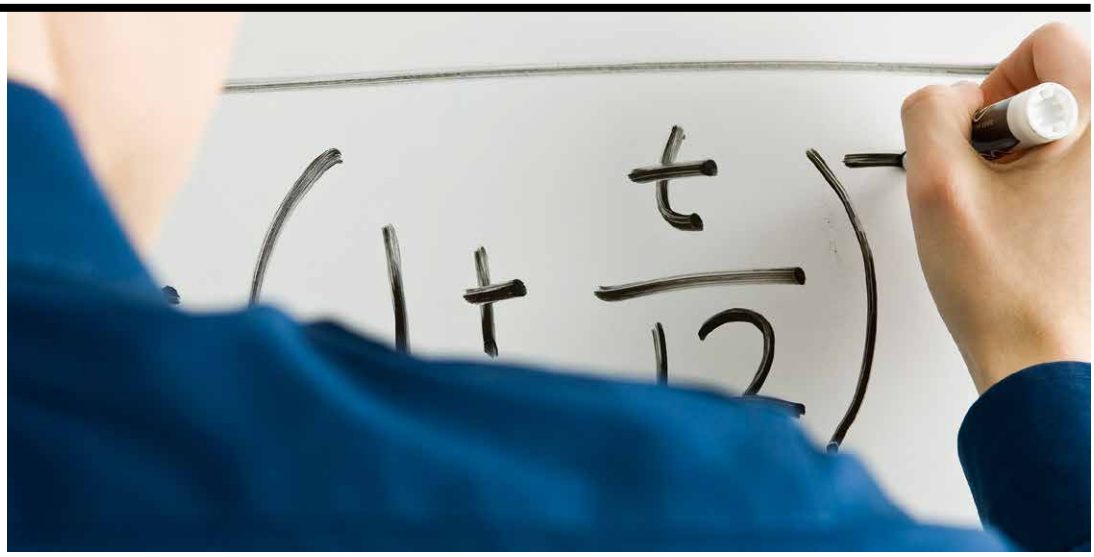
**Our auditors and advisors remain committed to working in the public interest with regulators, governments and the business community to ensure that the new legislation is implemented as effectively as possible."**

### Opportunities in terms of audit quality

The new legislation on the EU audit will bring about significant changes. KPMG's view has always been that any measures should have a clear and unequivocal benefit to audit quality, provide for a robust framework for auditor independence and strengthen corporate governance, and we have consistently supported the elements of the legislation that are consistent with these aims. We believe the adoption of **International Standards on Auditing**, expanded auditor reporting requirements and strengthening of the role of independent audit committees will positively contribute towards audit quality. The principles of the new auditor's report are substantially consistent with ongoing international developments, such as those led by the IAASB and will enhance understanding of the audit process, including critical judgments made during the audit.

**Enhancing the role of the audit committee** means they are required to be actively involved in assessing audit quality and auditor independence, including approving any non-audit services to be provided by the auditor. We therefore support the measures taken to strengthen the role of the Audit Committee. We also see that the expanded reporting by the statutory auditor to the Audit Committee will promote greater transparency around the audit process, improving the awareness of audit committee members by increasing the focus on key audit issues.

Finally, the creation of a new **Committee of European Audit Oversight Bodies (the CEAOB)** is something we support and which we believe will contribute to promoting greater consistency in the EU. Increased three-way communication between auditors, banks and prudential regulators



covering the major financial institutions should help to enhance the overall risk assessments made by the European Systemic Risk Board and promote greater transparency on broader systemic issues in the EU that may be identified from audits of Systemically Important Financial Institutions (SIFIs).

### Increasing costs and complexity

We continue to believe, however, that other aspects of the legislation, such as mandatory firm rotation combined with significant restrictions on non-audit services, will inevitably **reduce choice for shareholders, while increasing costs and complexity.**

- Mandatory Firm Rotation (MFR) combined with further restrictions on non-audit services (NAS) will lead to a **reduction in choice** on the market place.
- The significant degree of flexibility in interpretation and implementation of the new rules will certainly result in a patchwork of different requirements across the EU, which will cause an unnecessarily **complex and costly** regulatory compliance environment for companies and their auditors in the EU.
- The new EU independence rules effectively prohibit many NAS that are permitted under other internationally recognized frameworks such as the IESBA Code of Ethics. The inconsistency with rules outside of the EU will again increase the **cost and complexity** of doing business in Europe.
- Although the EU Regulation is primarily aimed at EU entities, the rules will also impact groups based **outside the EU** like EU based subsidiaries of non-EU parent companies to the extent that those entities meet the definition of an EU PIE.

It now falls to each of the National Governments of the 28 Member States to adapt to and apply the new legislation. All stakeholders need to begin to plan today for when these rules will apply in practice. The legislation remains imprecise in certain instances and the details of how the legislation will be applied still require analysis and interpretation. It is expected that guidance will be issued by the European Commission as well as by individual regulators within the Member States.

At KPMG we are up for the challenge. Our auditors and advisors remain committed to working in the public interest with regulators, governments and the business community to ensure that the new legislation is implemented as effectively as possible. We will be glad to assist you with any questions you may have.

### What is the difference between a Directive and a Regulation?

A **Directive** is EU legislation that has to be implemented by each of the 28 Member States and incorporated into their respective national laws.

The Directive contains a series of requirements governing every statutory audit in the EU. The key matter dealt with in the Directive is the definition of a Public Interest Entity (PIE) but further changes include:

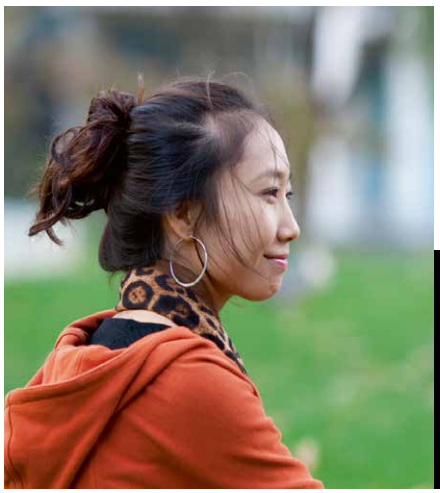
- More emphasis on independence
- Quality assurance
- New mechanism to adopt International Standards on Auditing (ISAs) at European level
- Public auditor reporting and additional internal reporting to audit committees of PIEs

A **Regulation** is a form of EU legislation which promotes "maximum harmonization" across the EU. A Regulation takes immediate effect following a transitional period of usually two years. Member States still need to amend their national laws to ensure they are consistent, but the Regulation rules supreme.

The Regulation contains a series of additional requirements that relate only to the statutory audits of Public Interest Entities (PIEs). The provisions on mandatory firm rotation (MFR), tendering and the list of prohibited non-audit services (NAS) are contained in the Regulation and so are only applicable to PIEs.

# Global trends in numbers

**Our world has become a village with boundaries disappearing at an ever quickening pace. We share here some facts about our new 'neighbors'.**



**23%** The percentage of .be shopping sites that are owned by our Dutch and French neighbors.

**723**

billion USD

The consumer expenditure expected in Sub-Saharan Africa for 2020, up from 275 billion USD in1990. (source: Euromonitor 2011)

**1.130.000**

The number of international students that China, Japan, South Korea and Taiwan want to recruit by 2020 (up from 536.000 in 2010).

**4 out of 10**

The number of Chinese cyber shoppers who use their Smartphone to pay for their luxury goods.

**132%** Mobile penetration in Brazil, and it is still growing by about 7% annually.

(http://www.budde.com.au/Research/Brazil-Mobile-Market-Insights-Statistics-and-Forecasts.html#sthash.PfKZIN65.dpuf)

**44%**

**The Smart TV penetration rate in China, one of the highest in the world.**

**33%** The percentage of companies (out of 340) considering *reshoring* which is bringing manufacturing back to the US. 15% are definitely planning to reshore.

(source: The Massachusetts Institute of Technology).

**77,7%**

**The percentage of Belgians who have access to the internet.**

**726**

**The number of airports in Brazil. This is the second highest number in the world.**

(http://www.huffingtonpost.com/2012/09/22/the-countries-with-the-most-airports_n_1894724.html#slide=1539616)

**60%** The percentage of the world's total amount of uncultivated arable land found in Africa.

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# Cyber security: are you prepared?

**Several recent high profile security breaches have heightened the focus on Cyber Security. As a result real concerns have been raised about the threatening damages to critical infrastructures and data losses. It is no longer a question of whether your organization will be breached, but when. In fact, it may already have happened. You just do not know it yet.**

## Cyber Security Landscape

Organizations are increasingly subject to legislative, corporate and regulatory requirements. These require them to show that they are managing and protecting their information and data appropriately.
Simultaneously, changing work patterns such as: the increased use of remote access, the advent of big data, cloud computing and social media, the need to provide services 'on demand' and mobile technology are all increasing organizations' exposure to cyber threats.
While these threats are not new, and some have been with us since the early 1990s, the focus on cyber security is growing rapidly as a result of high profile security breaches. These breaches have threatened financial systems and in some instances, damaged physical infrastructure across critical national and corporate systems.
It is no longer a question of whether your systems will be breached, but when. In fact, for most companies it may already have happened. You just do not know it yet.

- Cyber risk listed as one of the 'Top 5 global risks' by the World Economic Forum since 2012
- Cost associated to each breached record ranges from US$78 to US$233 (based on the *Ponemon Institute Cost of Data Breach Study: Global Analysis 2013*)
- Growth of mobile malware tripled to more than 120,000 samples between 2012 and 2013 (*Kaspersky Lab IT Threat Evolution 2013*)

KPMG's analysis of the current technology and security landscape reveals three key trends and parameter shifts.

### 1 Loss of control over the computing environment

The increased role of consumers in information technology (IT) raises the attack risk breadth, thus straining the existing defenses. The rapid adoption of disruptive technologies with limited consideration to the risk implications has also resulted in the loss of control of computing environments.

### 2 State of continuous threat

There is a rise in sophisticated, determined, organized and well-funded attackers who perform advanced targeted attacks capable of bypassing traditional protection mechanisms. In some instances, the threats persist undetected for extended periods of time.

### 3 'Right-spending' and capabilities

Under pressure to optimize capital and operational spending, already strained IT and security budgets limit organizations. They are forced to make assumptions that existing security measures are sufficient to mitigate today's advanced security threats. This has challenged the ability of many organizations in acquiring, retaining and enhancing relevant talent for their workforce.

# 13%

## of organizations don't even know

The percentage of respondents that say they do not even know if they have been attacked in the last 12 months.

# 69%

## were spotted by an external third party

The percentage of breaches that were spotted by an external third party (like the FBI, Secret Service or forensic services) rather than by in-house staff.

### Key cyber security indicators

A recent global survey conducted by the Information Security Media Group confirms trends that we have been seeing here in Belgium:

- 47 percent of surveyed organizations know they have suffered a cyber attack in the past year. When found, 69 percent of breaches were spotted by an external third party (like the FBI, Secret Service or forensic services) rather than by in-house staff.
- 13 percent of respondents say they do not even know if they have been attacked in the last 12 months.
- 70 percent say they are most vulnerable through their endpoint devices (computers, mobile devices…). And yet 52 percent rate their ability to detect suspicious activity on these devices as "average-to-non-existent".
- 60 percent of the respondents indicated their security budget will increase (33 % indicate an increase of 1 to 5 percent and 27 % expect an increase of their budget by more than 5 percent).
- For those organizations that predict a budget increase, 44 percent believe that awareness and training will receive additional funding, while 45 percent predict enhanced detection will be a priority.

### Are you prepared?

The threats posed by cybercriminals and hacktivists are growing in scale and sophistication. Is your organization becoming increasingly vulnerable as technology advances and working practices evolve? How can you even know? Unfortunately, as the sophistication of cyber criminals increases, by the time many organizations react, it is too late – the attack is underway. Few organizations have the capability to anticipate cyber threats and implement preventive strategies. However, it is no longer viable to rely only on defense. The determined adversary will get through eventually. As a result, organizations must be aware of what is going on around them so that they can identify when an attack has taken place or when an attack is imminent and how to respond and recover. Cyber-intelligence, and the insight that it brings, is at the heart of next generation of Information Security.

Source for cyber security indicators: 2013 Cyber Security Survey, commissioned by Bit9 and conducted by Information Security Media Group. http://docs.ismgcorp.com/files/handbooks/2013_Cyber_Security_Study/Bit9_Survey_Report_2013.pdf.

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# The Asian connection

**We have a broad range of functional experts who can help you to have the right insights as you look to international markets to expand your business.**

A recent KPMG survey asked 10,200 consumers across China, about their online spending patterns when it comes to luxury brands. It revealed that 70 percent of Chinese consumers/customers use their desktop everyday in order to purchase items or search for information on luxury products. Meanwhile 60 percent said they use their smartphones every day. Even more revealing is the significant gender difference in regards to motivations for online spending in China. The results reflect how important it is to profoundly understand the international markets you're working within or are looking to "conquer." These insights are key for anyone exploring business opportunities in China.

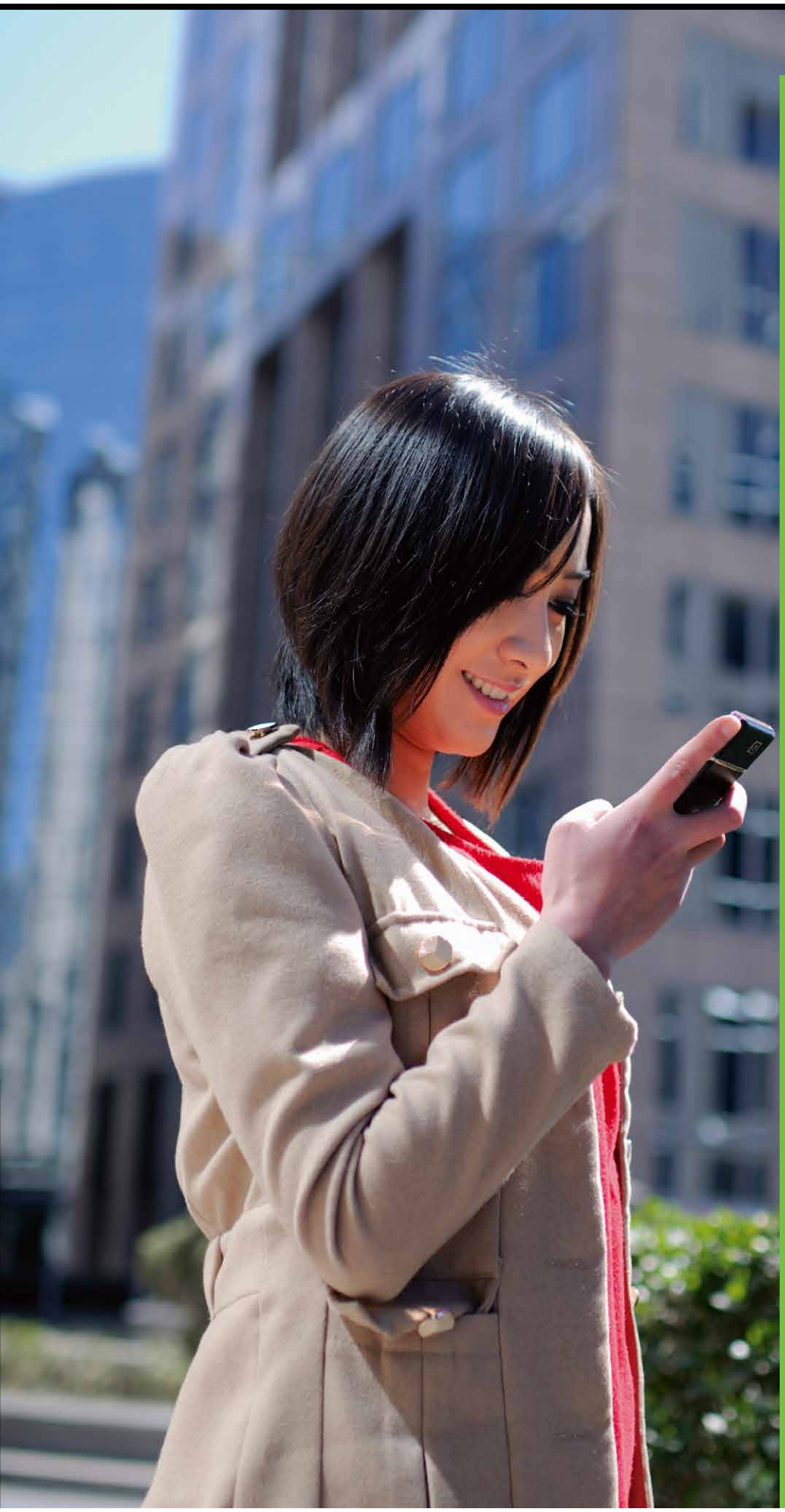
> **"70 percent of Chinese consumers/ customers use their desktop everyday in order to purchase items or search for information on luxury products."**

The global KPMG network means you have access to insights from around the world. In Belgium, we provide additional input through our 'international desks'. These experts are here to help companies in Belgium gain clarity on the business landscapes around the globe; from key business issues, such as regulations, competition, risks and trends to the broader understanding of the landscape. These teams provide market entry research, insights on local partners, financial-tax-legal advice, immigration services, advice on financing transaction services, management consulting and even business etiquette and cultural training.

## The China desk

The Belgian practice is part of the Global China Practice of the KPMG network. This network extends across all KPMG's leading practices and the countries that are major sources of investment in China and/or beneficiaries of Chinese investment and can provide a strategic focus on locations that qualify as sites that encourage inbound and outbound investments related to China. We also offer insights on key business issues, such as regulations, competition, risks and trends. Working closely with KPMG China and KPMG International, the Belgian China Practice bundles in-depth technical and industry knowledge and serves as the first point of contact for clients doing business in the global marketplace. The professionals working for the China Practice have established strong working relationships with both Chinese and European authorities on local, national and transnational levels. It offers a broad spectrum of multidisciplinary professional services to both the Chinese and European entrepreneurs seeking to maximize their business potential between both markets.

In the short time it has been operational in Belgium, the China practice has helped an audit client evaluate opportunities in China and assist it with location selection, employment and budgeting issues. It has provided tax advisory services, to a newly established Belgian subsidiary of a Chinese investment group. In addition, services in accounting and M&A transactions are currently being provided to Chinese companies in Belgium.



## The Japan desk

The Global Japanese Practice is a network of KPMG professionals around the world dedicated to assisting Japanese companies succeed in their overseas business. Over 500 Japanese and Japanese speaking professionals in 59 major cities around the world work together with local KPMG professionals to deliver audit, tax, legal and advisory services. KPMG's Japanese Practice network is one of the largest in Europe, with more than 60 Japanese speaking professional staff in major European cities, coupled with around 70.000 local professional staff, many of whom have particular experience with Japanese companies.

In Belgium, KPMG's Global Japanese Practice consists of two Japanese professionals and four professionals specialized in Audit, Tax, Legal and Advisory services. They act as a single point of contact for the full range of the KPMG network's services, assisting Japanese companies with Belgian operations, as well as non-Japanese companies needing strategy assistance in Japan.

Through the Global Japanese Practice, KPMG in Belgium provides multi-disciplinary services to a large variety of clients. Recent examples include:

- A small-sized company just entering the Belgian market: Legal support advice to establish a Belgian legal entity, support to setting up a tax and accounting compliance structure;
- A mid-sized company expanding its business through M&A: Targeting, valuation, financial and tax due diligence and accounting advisory services;
- The European headquarters of a multinational company: Advice on the reorganization of the group structure from a legal standpoint, cross-border mergers and business and IT optimization.

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# Transfer Pricing: a hot topic and a real tax risk

**More and more rules from regulatory authorities strive for a more stable worldwide financial system. Businesses need to react in an appropriate and timely manner.**

For managers who are unfamiliar with taxes, an explanation of transfer pricing can seem like a description of the black hole theory in physics. However, a number of forces are making transfer pricing issues – and the organizational, structural and operational decisions which drive them – increasingly important. Since the financial crisis, tax administrations have focused greater attention on collecting 'fair' tax revenues from transfer pricing arrangements. Increasing protectionism and competition between jurisdictions are leading to more intense scrutiny by individual tax authorities

Transfer pricing refers to pricing transactions (supply of goods, provision of services and loans, making intangible assets available, etc.) between companies belonging to the same multinational group. This pricing should be set at market rates (according to the so-called arm's length principle).
In recent years, companies doing business internationally and their advisers have been swamped with new regulations and increasing verification activities by the tax authorities.

The current crisis, with its shortfalls in tax revenues and an increasing demand for corporate social responsibility, has had organizations such as the OECD, the United Nations and the European Commission diligently reaching for their pens. Groundbreaking reports and new guidelines are being published at a fast rate in order for the regulatory framework for businesses and tax administrations to adapt to the ever-changing environment.

**"The work of the Transfer Pricing Audit Unit has yielded EUR 196 million in the period 2008-2013. In early 2014, over 300 cases were again selected for thorough transfer pricing checks."**

These regulatory authorities are imposing more and more rules and striving for a more stable worldwide financial system in which they aim to enforce corporate social responsibility among taxpayers, increase transparency and curb the attractiveness of 'tax havens'.

All over the world, tax administrations have been intensifying checks on the correctness of transfer prices to ensure that companies are paying their fair share of taxes in the country where they are located. The Belgian tax authorities have no intention of being left behind in this process. There is even a Transfer Pricing Audit Unit with highly specialized staff. According to a reply by Belgian Finance Minister Geens to a recent parliamentary question, the work of the the Transfer Pricing Audit Unit has yielded EUR 196 million in the period 2008-2013. In early 2014, over 300 cases were again selected for thorough transfer pricing checks.

CEOs, CFOs and tax managers must react in an appropriate and timely fashion to all of this. Within the company,

all stakeholders (not only financial staff, but also the sales and logistics department) should know how transfer prices are determined. This is often presented in detail in a transfer pricing policy document. The principles contained in this document must be properly implemented in practice: monitoring of this implementation is therefore an important task.

In addition to this policy document, the transfer prices must also be documented for tax purposes. Often this is done according to an internationally accepted structure which is based on the principles developed by the OECD, the UN and the European Commission. In addition, companies must also pay attention to the specific requirements that countries impose in their regulations. A lack of transfer pricing documentation often leads to tax increases and fines.

Adjustments to transfer prices usually give rise to double taxation. That is an annoying problem because nobody

likes to pay taxes twice on the same income. Sometimes there are ways to redress this problem of double taxation. If a double taxation treaty applies and provides for a mutual consultation procedure, one can try to invoke this. Within the European Union, companies may also invoke the provisions of the European Arbitration Convention. Both procedures work in practice, but take time.

Of course, it is better to prevent the double taxation problem. That is not always possible, but any prudent manager would have to try. A first step is to draw up a carefully-written transfer pricing policy document and the necessary transfer pricing documentation. If these documents are written in the prescribed manner, you already have a good foundation. However, there is no guarantee that the tax authorities will automatically accept these documents and the transfer prices.

One can try to obtain certainty, by reaching an agreement beforehand with the tax administration(s) concerned. By means of this kind of transfer pricing ruling, the tax administration concerned declares in advance that it agrees with the transfer pricing policy applied, so that companies can be certain that their transfer prices will not be amended by the tax authorities.

These developments potentially have consequences for cross-border intra-company cash flows and may lead to more intensive checks on transfer pricing by the tax authorities. Unless tax issues are considered thoroughly as key elements of corporate strategy, significantly negative tax results may follow.

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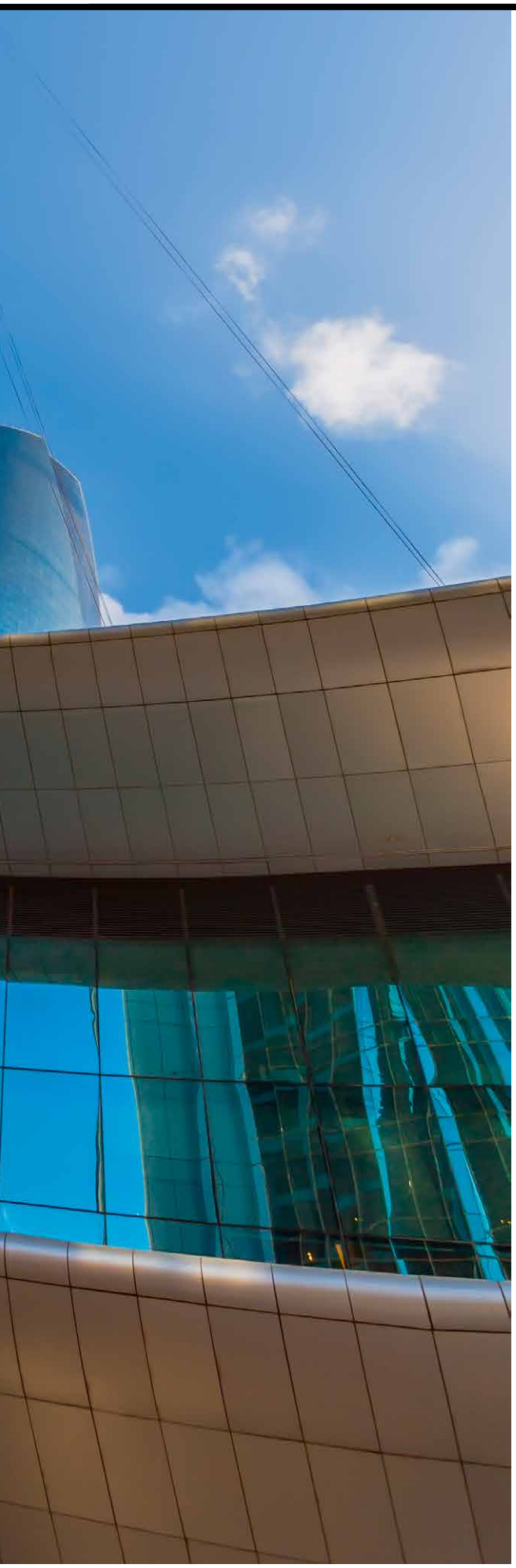
# ISO 55001
# Build an international competitive advantage

**A stylish building in Abu Dhabi, the Belgian electrical grid and superhighways in the US have one thing in common; they all rely on a strategic approach to managing physical assets.**



Asset intensive companies are looking for ways to reduce their costs. Adopting a smart approach to sustainable physical asset management, specifically as regards their buildings, infrastructure, plants, equipment and machinery in sectors such as oil and gas, power and utilities, chemical, maritime, transport, manufacturing, engineering, construction and infrastructure is one way for these companies to gain efficiencies and really impact their bottom line.

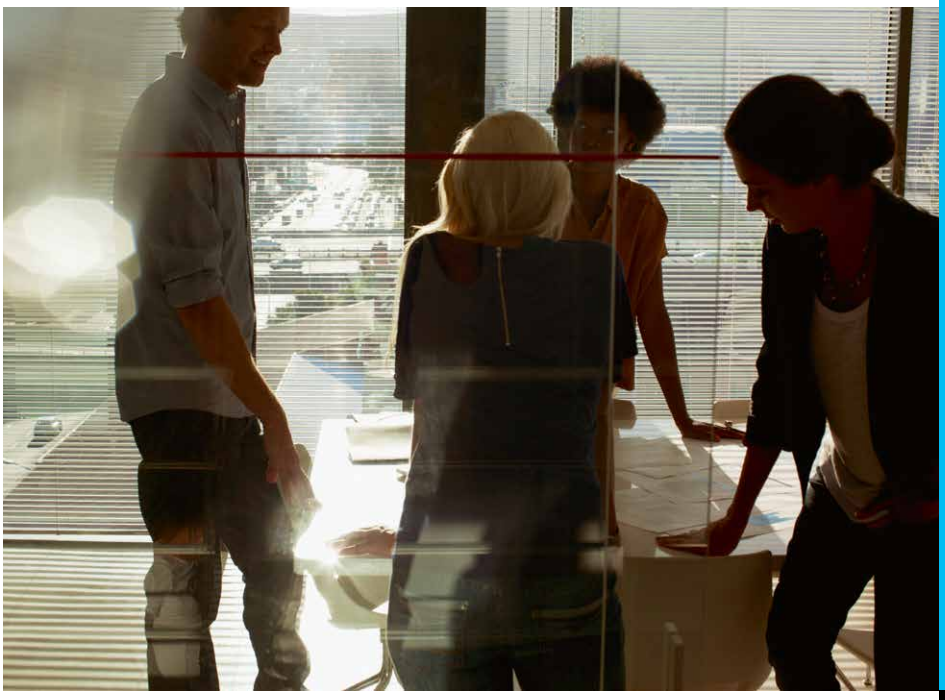
*This year a new global family of standards, ISO 5500x, has been released, which sets requirements to help companies implement smarter management of their assets.* Daniel Pairon, partner at KPMG in Belgium, founder of the Asset Management Competence Center and *KPMG's Global Head of Asset Management shares his global perspective and explains the new ISO standard.*

"Asset management is not just about overseeing maintenance and limiting down-time", he explains, "It goes deeper than that. It also delivers longer-term value, both financial and non-financial, by improving operational efficiency and reducing the whole-of-life cost of individual assets and asset risks." As an international expert, he is eager to see this new ISO standard, which provides a comparable and internationally recognized framework for asset management.

## Launch of ISO 5500x

On January 10, 2014, a new ISO standard for asset management was published. This new ISO 55001 provides a worldwide framework on asset management and was inspired by best practices worldwide on asset management with specialists from more than 35 countries participating in developing this standard. As a subject expert, the KPMG Global Asset Management Competence Center has been formally involved in drawing up the ISO 5500x standard from the beginning thanks to its expertise in the matter. In fact, KPMG is the only Big4-company that participated in the drafting of the ISO 5500x standards.

**"ISO 55001 is now giving asset-intensive organizations world-wide a comparable and internationally recognized framework for asset management, offering a holistic approach to financial, operational and technical functions while contributing to the company's strategic objectives."**



## Why Asset Management?

A holistic approach to managing assets can lower the cost of ownership over the asset life cycle, raise the efficiency and effectiveness of the decision-making of capital investment, maintenance and asset disposal and reduce the risk of interruptions and delays from safety incidents. Companies will benefit from improved operational performance and a healthier bottom line, generating greater confidence for shareholders and other stakeholders.

ISO 55001 is now giving asset-intensive organizations worldwide a comparable and internationally recognized framework for asset management, offering a holistic approach to financial, operational and technical functions while contributing to the company's strategic objectives. Furthermore, by adopting this strategic view on asset management companies can expect to gain and share new insights and identify improvement areas for other organizational functions from purchasing to human resources, to information technology, and more. It will also allow stakeholders to compare their organization's asset management practices with other players from around the world.

Besides this value creation, ISO 55001 will help to create structured, consistent and transparent asset cycles. Organizations will be able to integrate operational activities with finance and accounting activities which will result in a more transparent and efficient financial-technical reporting on assets, including performance of assets and asset risks. They will establish a lean principle that enhances the entire life cycle asset management: costs, investments, asset performance and asset risks. This way of working will provide companies with a clear and undisputed audit trail. Having an ISO 55001 certificate can also be used as part of the organization's marketing strategy and as a differentiating factor from competitors.

### Worldwide impact

An ISO Standard on Asset Management – ISO 5500x – has the potential to impact regulatory officials in their decision making, since the ISO process makes the standard more relevant to more countries and within more industries. Regulators on national levels will have a global measure to judge if companies efficiently manage their physical assets.

The KPMG network has extensive global experience with advising asset-intensive organizations which provides us with an excellent understanding of international benchmarks and ideas. This expertise has already been put to work in a number of industries to help organizations in preparation for meeting ISO 55001 requirements, or in conforming to the requirements of ISO 55001 to achieve certification. The future of asset management is at hand – now is the time for action.

## How ISO 55001 compliant are you?

Take our quiz to get a sense of your ISO compliance when it comes to physical asset management.

1. Asset management objectives are clear, measureable, and within the control of the accountable decision makers.
2. You understand how decisions will influence the service or performance level achieved by the organization's asset portfolio in the short, medium and long term
3. You understand the optimum allocation of funding and resources across assets based on your asset management objectives and prioritization of asset investments
4. You are committed to optimizing asset management practices, encouraging continual improvement and fostering a culture of service delivery
5. Decisions regarding capital investment, maintenance activities and asset disposal are made by trained asset managers.

# iDeas

## CoCar a solution to mobility blues

**CoCar**, a carpooling app developed by G-Drive, is an innovative answer to Belgium's mobility problem, which costs commuters 32 million lost hours waiting in traffic per year according to Touring. There are a number of barriers to the current carpool system: it only works for people with a fixed route-to-work pattern, it is difficult to combine with stops at school or shops, potential drivers and passengers don't find each other easily enough, there are questions regarding trust etc.

The new Smartphone application CoCar eliminates these obstacles. CoCar links social networks to real-time ride sharing. By using a dynamic database of routes and person-related information requests are immediately linked to matching offers. All this in real time. No need to plan days or weeks in advance.

The best news? By the end of January 2014 CoCar counted 1477 successful journeys, the equivalent of 308 882 saved kilometers. A small app making a big impact.

## Jet lag app offers relief to long-distance travelers


Your plane was delayed for four hours, your bag went missing somewhere between Brussels and Istanbul, and all you want to do is go to sleep. Welcome to the world of jet lag. Never fear, help is on its way. A new app called **Entrain**, could be just the thing to help those of us who struggle with jet lag.

The principle behind this free app is based on the circadian clock, which regulates different biological functions including sleep and body temperature. Jet lag is essentially a disruption of this clock, resulting in modifications of our body temperature and sleeping and waking cycles. Since light is the most significant factor in establishing circadian rhythms, the app uses complex equations to determine when and for how long the user should be exposed to light.

Prompted by the app, the user specifies the length of the trip, the destination city, and the brightest type of light he or she will have access to (low office lighting, bright office lighting, low daylight, and bright daylight). **Entrain** then calculates the optimal light exposure schedule for the fastest possible adjustment, as well as providing an estimation of how long it will take to adjust.

By reducing the duration of jet lag, Entrain provides a health benefit and can prevent even more serious health problems such as depression or, in the long term, disrupted metabolism.

(http://www.npr.org/blogs/health/2014/04/11/301579620/this-jet-lag-app-does-the-math-so-youll-feel-better-faster?utm_medium=Email&utm_source=npr_email_a_friend&utm_campaign=storyshare)

## TagTag City: the digital city guide

**TagTagCity** offers mobile web users an entirely new way of discovering more about any city and provides businesses with a platform to raise their profile on the Mobile Web. With TagTagCity's geo-localized online platform, tourists and residents alike can see at a glance which cultural sites and tourist attractions they are closest to, and access a wealth of useful information. You can also use TagTagCity to find the nearest shops, hotels, restaurants and cafés, as well as check for exclusive special offers offered by these businesses.

TagTagCity can be accessed easily from any smartphone. Go to www.tagtagcity.com and log in. TagTagCity will then automatically bring up a personalized map of the area surrounding the user. This map will not only deliver lots of useful information about nearby shops and places of interest but will also show places recommended by your Facebook friends. A whole new way to explore your horizons in the digital community. (http://www.kpmg.com/BE/en/attchmnts/Documents/Difference/TagTagCity.pdf)

## Thought leadership: everyone has their own ideas

**Salvi Jansen**
Junior Advisor

Social media are democratizing the knowledge landscape, giving rise to a new kind of thought leaders. Not by an article by a famous person in a well-known magazine, but a proven presence of people on social networks. It is the perfect opportunity for senior management to discuss what excites them - apart from business targets - given the limited time they have available. With a few clicks you can find out who is setting the tone on the international scene, whom you should take into account, what the trends are and which high potentials rightfully deserve a place in your team. For those with very little time, you can also have what you post on LinkedIn simply forwarded to a **Twitter** profile.

Speaking with conviction about a topic and starting a dialogue with equally passionate people on an international network is a hobby that you'll enjoy making time for. We hope to read more from you during our morning coffee.

Follow @KPMG_BE

# A passion for...

**At KPMG we are passionate and we want to share that passion. In each edition, we will profile KPMG's own by sharing our, sometimes unexpected, passions as we exceed our limits to give back and contribute in unique ways to our communities and our world.**


Each fall new teams join our ranks and bring with them their energy, global perspectives, passion and drive for the future. One such new joiner from 2013 is Niels Peetermans. In university he continually looked for new and varied challenges. He studied Business Engineering, majoring in Management Information Systems, was president of the student council, co-founded the globally recognized TEDxUHasselt event with some friends and still made time for his passion for cycling. He took a little time from his new job working in the Asset Management Competence Center and Management Consulting department of KPMG Advisory to share his passion for overcoming global challenges.

**What is your passion?**
I would say that I have two passions: entrepreneurship and cycling. Although at first they may seem very different, they actually do have much in common. I started cycling almost ten years ago; my father is an avid cyclist and I have followed in his footsteps challenging myself in the Pyrenees every summer. And what is entrepreneurship but a chance to overcome mountains?

**Sounds like you love a challenge?**
Yes, I am constantly looking for new opportunities to gain practical knowledge, to enlarge my skill set, meet interesting people and make a real impact. I also believe in learning by doing. At University I had a chance to learn so much from being a co-founder of TEDxUHasselt. It's cool that KPMG has already provided me with an environment where I can put my energy to work.

**How did you get involved in the TEDx events?**
Well, two friends with big ideas needed someone with a more grounded perspective on the financials and professional collaborations, so I was eager to join their initiative. After a number of brainstorming sessions, we went for it. We went from 100 participants in the first year to 500 last year. During this period we learned a lot and had some great experiences including a weeklong summit in Qatar with over 500 TEDx organizers from around the world. This year, we even had 600 attendees. It is great to see the fruits of your labor and the result of successful collaboration to realize new projects. And I learned first-hand how important motivation and passion really are!

**Are you working on any other projects now?**
This year, I am participating in the 1000km Kom op tegen Kanker for the first time. It is great because it speaks to both my passions.
First it is really exciting because this is the first year I have actually done some serious training. I get to train at circuit Zolder, which turns into a real velodrome during certain weekday evenings! My goal is to beat some personal records this summer (and my dad of course although that may be for next year).
And second, I have the chance to organize events and raise funds for a cause I really believe in. My uncle suffered from cancer several years ago. Thankfully he recovered, but unfortunately so many people do not. But he is the proof that the research pays off. If we keep fighting this together we have the opportunity to really make an impact.

**What are some of your goals for the future then?**
Well first off, I hope to raise 10 000 Euros for Kom op tegen Kanker with the whole KPMG team. So that is a great project. But I am really looking forward to the climbing the Mont Ventoux this summer. My goal is to climb the toughest side in 1 hour and 30 minutes. I am looking forward to hitting that goal. As a new employee at KPMG, I also am looking forward to interesting challenges. I hope to overcome the steep challenges here by pushing my limits to reach new heights. In the process I also hope to motivate my colleagues and friends to achieve their goals!

To support Niels in his fight against cancer, please make your donation (tax deductible after 40 euros) to:
**IBAN**
BE14 7331 9999 9983
**BIC**
KREDBEBB
**Reference**
170-047-034.

# Running for a cause

**At KPMG, we believe in the importance of sports and in making a difference in our communities. That is why each year we sponsor an organization that is working for the common good through our Corporate Runs program.**

At KPMG, we strive to keep our commitment to our local communities. One such initiative is in a sponsored participation in runs throughout Belgium. The goal of this involvement is to raise money for a worthy local cause.

This year, for the first time, KPMG employees nominated and voted for the organization to be sponsored. That is how the non-profit organization Pirlewiet became the KPMG cause for all corporate runs in 2014.

Pirlewiet is a non-profit organization that plans holidays for children, teenagers, adults and families for whom holidays are simply not an option. They work directly on behalf of underprivileged individuals who are dealing with major health problems or whose difficult living conditions make them unable to afford leisure activities. Pirlewiet offers them a week's holiday far from their day-to-day issues and makes it possible for them to take a real break. Their mantra: "Vacation is everyone's right".

This year, close to 100 KPMG employees have committed themselves to running for the cause:

- Antwerp 10 miles & Marathon, on 27 April
- Zatopek Urban Tour Liège, on 4 May
- Dwars door Brugge, on 11 May
- 20km of Brussels, on 18 May
- Jogging-Marche ELA Enterprises-Universities Louvain-la-Neuve, on 3 October
- Dwars door Hasselt, on 12 October


*"The Antwerp 10 miles was a wonderful first experience for a race. As a new runner, I was delighted to be able to run this distance; I only started running in November of last year. I think that running in my home city with thousands of spectators encouraging us, probably helped a lot."*

**Klaas van Raalte – Markets**


*"As an occasional jogger, this is the second time that I participate in the 20kms of Brussels, a friendly run in the heart of the European capital. In addition to the sports challenge, running for Pirlewiet is a source of motivation and inspiration. I am proud to support this great cause that contributes to improving children's well-being by offering them the chance to go on holidays."*

**Florence Roger – EU desk**

# Bookshelf

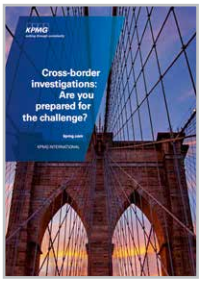
## Mobile security: From risk to revenue


It has been just six years since the commercial introduction of the first smartphone and already it has become a ubiquitous and highly-valued personal and corporate tool. Indeed, from the corner coffee shop to online banking, from corporate email to business collaboration, mobile devices and services have rapidly integrated themselves into virtually every aspect of our lives.

The widespread adoption of mobile services, coupled with some recent high-profile security mishaps, have focused the attention of both consumers and corporate users on the potential risk that mobile poses to their privacy and security. Industry research consistently shows that security and trust are two of the top barriers to mobile adoption and innovation.

As we highlight in this report, for which KPMG International partnered with Forrester Research, mobile security also provides telecom and technology companies with a significant opportunity to leverage their core skills to generate new revenue.

## Cross-border investigations: Are you ready for the challenge?




Conducting cross-border investigations is no simple endeavor. Add the complexities of legal and cultural differences, and you have arguably one of the biggest challenges facing global corporations today. There are obstacles at every step of a cross-border investigation, including initially receiving a claim or allegation; complying with foreign data privacy laws; using the appropriate staff and resources; respecting diverse employee rights; and remediating across borders. Understanding where the pitfalls are along the way and how to navigate them can help you avoid critical missteps.

The goal of this paper is to give you meaningful guidance by discussing ways to effectively meet these challenges through the experiences of KPMG investigations professionals working around the world. In addition, we asked sixty worldwide executives who are responsible for managing their organizations' cross-border investigations to tell us about the challenges and obstacles they regularly face. Ninety-five percent of these executives said that they expect their needs for cross-border investigations to increase or at least to stay the same over the next year. We are pleased to share many of their other observations with you as well.

## Good, better, best: The race to set standards in global tax management


This survey aimed to gather the insights of tax executives on current regulatory, economic and tax administration issues and how these issues are driving how they structure, develop and invest in their people, processes and resources so they can meet their overall tax strategy objectives and priorities. 1,150 heads of tax of multinational companies based in 22 countries took part, a reliable sample size that makes this one of the largest surveys of its kind worldwide. About 700 of respondent companies are Fortune 500, Forbes 2000 or equivalent companies, and 640 respondents had global annual revenues of more than USD 500 million.


## China's Connected Consumers

China continues to see explosive growth in e-commerce for both business-to-consumer (B2C) and consumer-to-consumer (C2C) channels. There has also been rapid take-up and use of smart phones and other hand held devices. Of particular interest are the home-grown platforms underpinning the rise of online transactions, as well as the increasingly important roles of social media and mobile devices. These trends are fundamentally reshaping the way consumers in China purchase goods and services, and how businesses operate online.

There tends to be less emphasis and attachment in China to physical stores, partly due to the fact that they haven't been established for long and particularly in some of the lower tier cities, a lack of access to some brands has driven more consumers online. As a result, this has meant huge opportunities for online retailers.

In our recent survey of 10,200 luxury consumers across China, the findings include a greater confidence in online channels across all age groups, including higher transaction amounts when paying online. The survey also found a shift from cash on delivery to a greater use of online payment mechanisms.

*The full reports can be accessed by using the KPMG app.*

Available on the iPhone App Store

# Value of Audit: Shaping the future of corporate reporting


When we started thinking about the future of audit, we wanted to find out where we are now: whether lead partners from KPMG member firms in different regions thought there was value in audit today, and if so, what this value is. But more importantly, we wanted their ideas on audit's current weaknesses and on how we, as a profession, can address these to make the audit more relevant to twenty-first century business.

The app allows you to filter studies by theme and provides insights across a broad range of industries as well as search and sort publications and reports with powerful search features. **This publication contains** candid and sometimes surprising views of KPMG's audit leaders on the value of an audit – its strengths, weaknesses and the changes they believe must take place to meet the needs of the capital markets.

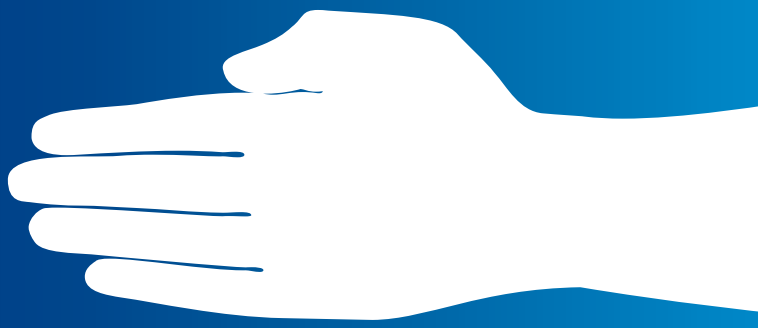
The comments made by partners from across KPMG's network of member firms were their own and made in the context of their role as experienced auditors. Though the partners' responses were clearly defined by their personal ideas and experience, a number of common messages emerged.

Rock Paper Scissors

KPMG
cutting through complexity

# Optimize your business

# Think out of the box



# SMART, always wins!

## Play the winning hand

A SMART company is a "future proof" organization. It can take on any challenge in today's business world.

How? It focuses its efforts on 5 key drivers: Structure, Mobility, Ability, Resources and Technology. And you? How SMART is your company? And how can it improve?

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**smartalwayswins.kpmg.be**



Structure
Mobility
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KPMG

*cutting through complexity*

# Performing in a globalized world

Many companies must confront the challenges of tailoring operating models to answer the needs of global markets. Thanks to its extensive international experience and wide-ranging business network, KPMG can help you develop operating models to effectively deal with the demands of global expansion.

**kpmg.com/be**