



Trust & Growth



**KPMG South Africa
Annual Integrated Report 2022**



Our values

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



Integrity

We do what is right.

Integrity means we are honest, fair and consistent in our words, actions and decisions – both inside and outside work. We take responsibility and accountability for our day-to-day behaviour and we hold ourselves to the highest moral and ethical standards at all times – even when under pressure. We keep our promises and set an example for others to follow.



Excellence

We never stop learning and improving.

Excellence means relentlessly delivering quality work to the highest professional standards. We do this by staying curious and taking personal responsibility for our learning. We constantly look to improve our work through data and insight and are open to new challenges and feedback because that is how we develop and improve.



Courage

We think and act boldly.

Courage is about being open to new ideas and being honest about the limits of our own knowledge and experience. It's about applying professional scepticism to what we see and asking questions where we have doubts. We speak up if we see something we believe is wrong and we support those who have the courage to speak up themselves. Courage is being bold enough to step outside your comfort zone.



Together

We respect each other and draw strengths from our differences.

We do our best work when we do it together: in teams, across teams, and by working with others outside our organisation. Working together is important because we know it's collaboration that shapes opinions and drives creativity. We embrace people with diverse backgrounds, skills, perspectives and life experiences and ensure different voices are heard. We show care and consideration for others and strive to create an inclusive environment where everyone feels they belong.



For Better

We do what matters.

For better means taking a long-term view, even in our day-to-day choices, because we want to build a stronger KPMG for the future. We never lose sight of the importance of our role as guardians for capital markets, society and the planet. We generate sustainable, positive change in our local communities and in society at large, striving to make the world a better place.



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About this report

Making an informed assessment

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

Providing a comprehensive overview

KPMG South Africa releases two formal public reports annually – our Integrated Report and our Transparency Report (a separate but complementary report).

KPMG South Africa complies with the transparency objectives of the European Union's Regulation 537/2014. This regulation requires South African statutory auditors of public interest entities (PIEs) to publish annual transparency reports. Accordingly, information presented in this report is supplemented by our Transparency Report 2022 published on 5 April 2023.

Both reports are available on our website (<https://kpmg.com/za/en/home/about/governance/annual-integrated-reports.html>). You can also email KPMG South Africa's Head of Communications in the office of the CEO, Dudu Ndlovu on dudu.ndlovu@kpmg.co.za.

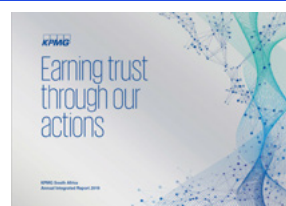
This report is the fifth report building on the foundation that Trust is integral to the profession and to a successful economy.

KPMG South Africa Integrated Report 2018



Our first full integrated report sets out our work to rebuild KPMG South Africa with a sense of purpose and pride.

KPMG South Africa Integrated Report 2019



Demonstrates the bold decisions and invigorating changes that helped to rebuild lost trust.

KPMG South Africa Integrated Report 2020



Provides details of our progress in becoming the most trusted and trustworthy professional services firm.

KPMG South Africa Integrated Report 2021



Highlights our significant progress in 'enhancing the culture of KPMG South Africa'.

KPMG South Africa Integrated Report 2022



Demonstrates how we are living our mindset of 'Accelerating to Extraordinary', particularly through intensified focus on ESG.

KPMG South Africa Transparency Report 2022



Sets out how we are relentlessly driving audit quality across everything we do.

Basis of preparation and presentation

Our reporting process has been guided by the principles and requirements contained in the International <IR> Framework (2021), the King Code on Corporate Governance 2016 (King IV™) and the South African Companies Act, No. 71 of 2008. We have established an Integrated Report Steering Committee and working group to ensure that the presentation of information is complete, balanced, accurate and clear. The Committee has developed processes and work plans to establish a robust integrated reporting process with appropriate controls and oversight. The process is overseen by the Combined Assurance & Reporting Committee and reviewed and approved by the Policy Board.

Approval process and materiality

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

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

The Policy Board approved the KPMG South Africa Integrated Report 2022 on 5 April 2023.

References to KPMG

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

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

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

Scope and boundary

This report covers KPMG South Africa's operations (see page 6 for details of where we operate). It reviews our strategy and business model, together with the most materials risks and opportunities and outcomes faced by our business. It also covers our operational and governance performance for the financial year from 1 October 2021 to 30 September 2022. To enhance the reader's overview of our performance, where relevant, we have included significant matters that arose after year-end.



About KPMG

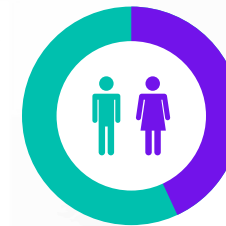


People

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



More than **265 646** partners and colleagues globally by gender



52% Male
48% Female

Global partners: **12 321** Colleagues: **253 325** Globally servicing **143 countries**

Americas



[66 892]

EMA



[142 368]

Asia Pacific



[56 386]

Business students have ranked KPMG again as one of the 'World's Most Attractive Employers' to work for in FY22



KPMG South Africa employs

130 partners and **1 970 professionals**

servicing several industries across our country's **9** provinces

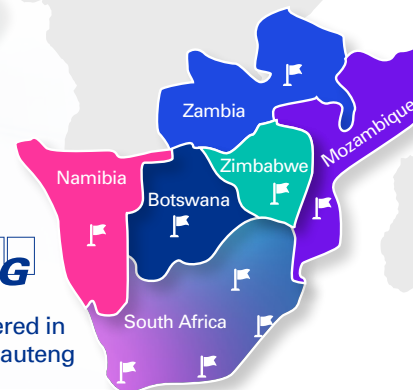
We have an impressive African footprint of

24 practices serving

54 countries



KPMG is well represented in Southern Africa. KPMG South Africa is the largest practice in the region and we have a KPMG presence in most of the neighbouring countries which enables us to service the needs of our local and global clients



Headquartered in Parktown, Gauteng

We have offices in Namibia, Zimbabwe, Botswana, Zambia, Mauritius and Mozambique

Serving the South African market for over **126 years**

In South Africa we operate from 4 offices: Johannesburg, Cape Town, Durban and Gqeberha

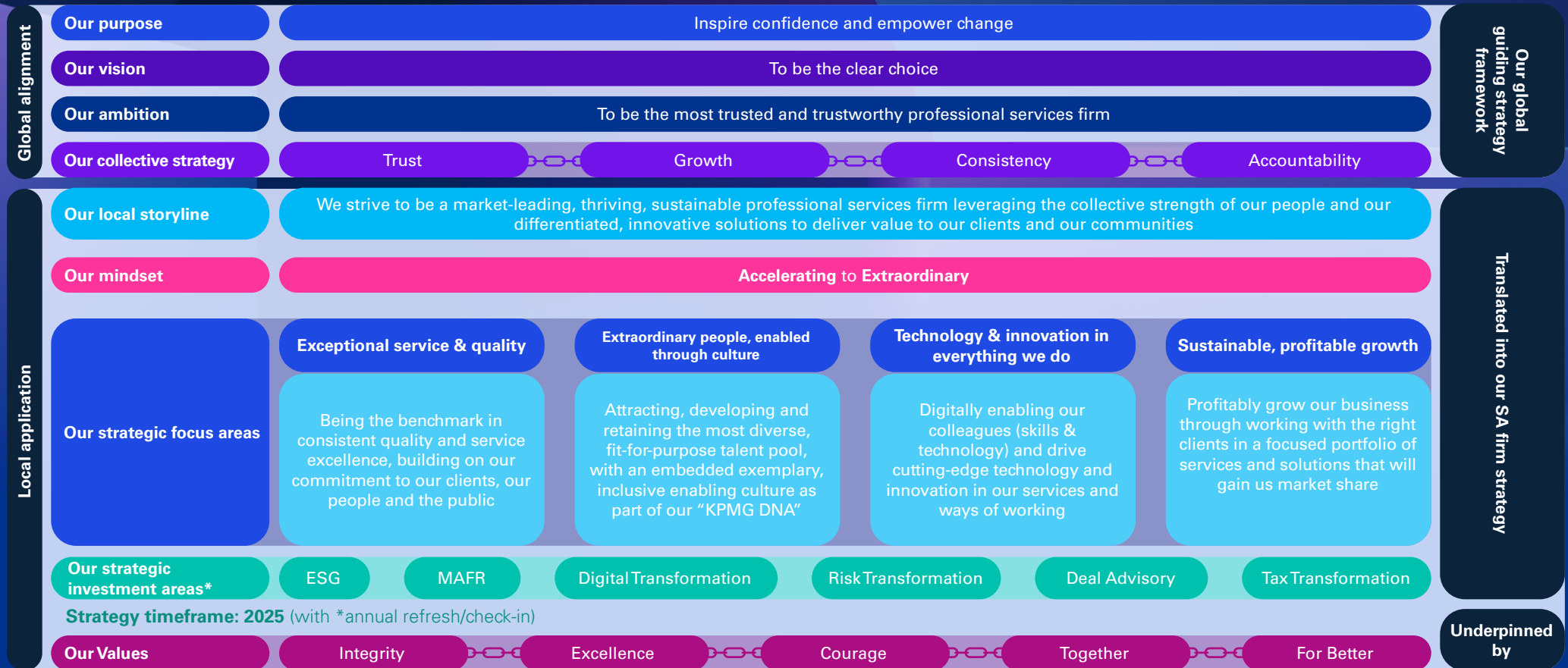


KPMG South Africa – firm strategy canvas

Our strategic framework

Our strategic framework is based on a mindset of ‘Accelerating to Extraordinary’. The plan expresses the ambitions and commitments we are making to ensure that we shift the dial from surviving to thriving without ever wavering on our commitments to serve the public interest.

The KPMG South Africa strategic framework is an extension of the KPMG global organisation’s collective strategy as depicted at the top of the diagram below.





Summary of our FY22 highlights

01 Exceptional service and quality



Intensified focus on **Environmental, Social and Governance (ESG)**



90% of engagements subject to 2LoD achieved compliant or compliant – improvement needed QPR ratings



Our inspection results for the IRBA 2022 inspection period remain above the average of all inspections performed by the IRBA

QPR results on **KPMG Clara** workflow scored **22% higher** compared to those on **eAuditT**



BOTH

Advisory and Tax & Legal Achieved a green rating (the highest level) in the annual Quality Performance Review



Our most recent Client Care survey indicated that **91%** (FY21: 92%) of customers are satisfied with the quality of our services

22% higher quality results on new methodology

90% of files going through 2lod yield compliant quality review results

Significant progress on design and implementation of new International Standard on Quality Management 1 (ISQM 1) controls ahead of the international standard deadlines



Retained accreditation with our local and all international audit regulators, as well as the JSE and the Prudential Authority

Incremental second line of defence (2LoD) controls

together with the adoption of KPMG's latest cloud-based audit methodology and technology platform (Clara) are yielding significantly higher and sustainable audit quality outcomes



Favourable response from clients related to first-time assignments under MAFR

02 Extraordinary people, enabled through culture



Our CEO, Ignatius Sehoole won **Accenture's Inclusive Leadership Award for Gender Mainstreaming**



We pioneered **ground-breaking gender-based violence (GBV) research**, together with UJ, SVAI and Mid Sweden University



Our clear articulation of how audit serves the public interest continues to attract and motivate graduate and experienced hire level recruits

Increased total learning hours by **29%** y-o-y



67% of our staff are African, Coloured or Indian



56% of our staff are women

#EQUALITY

Female representation increased across all levels of the business, to the extent that we are now above the industry average



1st female COO and first female **Head of Audit Quality**



855



(FY21: 761)

graduate trainees



03 Technology & innovation in everything we do

Integration of KPMG Southern Africa **intranet sites**

Use cases for the metaverse developed by our Advisory Europe, Middle East and Africa team

Increased learning on the KPMG Clara tool which was further embedded across Audit engagements

Prepared for full deployment of KPMG Clara workflow on all audits from December 2022 year end, thereby increasing our ability to enable the audit workflows and provide a fully digital experience for our audit professionals



Launch of the Viva Insights (formerly known as MyAnalytics) Microsoft tool to help our people assess their working habits while providing tips and guidance on ways to improve their overall wellbeing

All training was conducted virtually, enabling us to upskill more colleagues across the different regions and sub-Saharan African countries

LAUNCH of the KPMG Innovation Centre

to encourage the creation of new ideas and foster innovation across KPMG. The Innovation Centre has been designed to be a powerful collaborative tool using technology to drive acceleration of ideas and growth

Two learning platforms launched under our internal digital and data foundations programme:

- **Pluralsight:** cutting-edge learning on a user-friendly platform
- **LinkedIn Learning:** an award-winning industry leader in online training, with a digital library of over 17 000 courses

KPMG's **Private Enterprise Tech Innovator** in Africa competition concluded with **iiDENTIFIi** emerging as Africa's tech titan. The company has developed advanced face authentication technology that safely authenticates users via their cell phones or PCs within seconds

04 Sustainable, profitable growth

KPMG South Africa's overall B-BBEE scores exceeded our industry average benchmark for the first time

Revenue growth of 17%

41% from top 20 clients (% of total FY22 revenue)

5.2% of gross fees

5.2% of revenue in new client work

R190m in combined MAFR wins

GROWTH OF 34% revenue in the financial services sector

Advisory achieved marquee wins in digital transformation, cyber security, as well as mergers and acquisitions

Tax & Legal **onboarded 116 new clients** and achieved **12.6% fee growth**

Audit growth of **16%** highlights that our focused remediation efforts have been recognised

Established partner equity structure to strengthen our balance sheet



Message from our Chairperson

Increasing focus on ESG issues

The Chairman of KPMG International recently said that our focus needs to extend beyond acting as guardians of capital markets to a wider environmental, social and governance (ESG) lens which involves acting as guardians of society and the planet.

This means auditors being able to assure financial and non-financial information interchangeably with the support of specialists and subject matter experts. To achieve this, the profession needs to mobilise and upskill to respond to the reporting and assurance needs of the market and ensure that reporting is reliable and free from 'greenwashing'.

KPMG has performed assurance over sustainability reporting for several years and we continue to execute these services in Southern Africa and globally. As a global assurance leader, we recognise our responsibility in this space and are enhancing our already robust tools and services and upskilling our staff to help accelerate our clients' ESG journeys.

The operating context in the past year was extremely challenging. The Russia-Ukraine war had a dramatic impact on food security and energy prices amongst other issues, accelerating the divide between the haves and the have-nots. In addition, communities around the world, including in South Africa, suffered from the devastating effects of extreme weather events. These developments have thrown into sharp relief the necessity of acting now to uplift society and mitigate humanity's impact on the planet.

As the world grapples with environmental, social, and governance challenges the expectations of business have moved from profitability to responsibility.

Harmonising sustainability standards

Against the backdrop described above, it's interesting to note the upcoming publication of sustainability standards by the International Sustainability Standards Board (ISSB). The goal of the ISSB is to develop a comprehensive global baseline of sustainability disclosure standards that are consistent, comparable, reliable and meet the needs for investor information as well as the public interest.

It's also worth noting the publication of the European Sustainability Reporting Standards developed by the European Financial Reporting Advisory Group and driven by European Union (EU) regulations that require mandatory disclosure and independent assurance for certain EU companies from 2024 onwards. This has a significant impact on the market given the significance and influence of Europe on the global economy, the impact on KPMG with EU operations/holding companies, together with the upstream and downstream reporting requirements. These new global sustainability reporting initiatives present a unique opportunity for the profession to aid the transformation of the reporting landscape. The evolution of the reporting landscape has been long called for and while any change comes with challenges, it also presents opportunities to eliminate ambiguous reporting and respond to climate and other sustainability-related risks.



Addressing legacy issues

KPMG South Africa fully cooperated with the Zondo Commission, including providing the commission with all requested information. We are pleased the Zondo Commission has now concluded and we recognise the remediation steps recommended by Parliament. We have considered the specific references to KPMG South Africa in the reports issued throughout the process and note there are no recommendations made against the firm.

We have consistently supported the important work of the Zondo Commission and appreciate the time and effort taken by the commission to identify important corrective actions that can be implemented for the benefit our country and her people.

In terms of our own legacy issues we continue to respond to regulatory and legal matters concerning work performed by a former partner for VBS Bank.

Focusing on Mandatory Audit Firm Rotation

Mandatory Audit Firm Rotation (MAFR) has been the most important growth focus within the Audit space now for a couple of years. In FY22, many companies completed this process ahead of the regulatory deadline in April 2023. When participating in a market shaping change such as MAFR, the challenge is balancing the delivery expectations of existing clients with the time commitments associated with new business pursuits. To overcome this challenge and leverage the MAFR opportunity, we have aligned our colleagues into the most appropriate teams to tackle the many hours required to pursue these activities. Refreshed focus on the key account principles related to earning trust of a client are reinforced across the business. We run a Lead Partner Programme to empower our partners throughout the life cycle of their client engagements. We also draw on the KPMG Way, a global framework for business development, used across the KPMG global organisation. In addition, the adoption of our global Pursuit Methodology has been beneficial given the longer sales cycles associated with the audit rotation opportunities. Win-loss debriefs provided us with valuable insights into key areas to focus on during subsequent pursuits.

Leading by example

Climate change has become the poster child for ESG. Global events like COP27 have elevated the issue on board agendas, with many companies now acknowledging climate change as a risk to the business. However, the capital required to decarbonise means many companies are stalling from taking immediate action.

We have seen an uptick in the South African market on the risks and opportunities inherent in climate change but incorporating quantification of opportunity into business strategy in the same manner as risk and achieving a cultural shift in organisations have been slower.

Unfortunately, biodiversity loss doesn't receive nearly enough attention and its impacts are much less clearly understood. Given the elevation of the climate conversation, where great strides were made with the establishment of the Task Force on Climate-related Financial Disclosure (TCFD), I hope that the establishment of the Task Force on Nature-related Financial Disclosure (TNFD), will elevate the dialogue on biodiversity. South Africa is one of the most biodiversity-rich countries in the world, but there is a disparate recognition of this and the impact companies have on nature.

While the world is not doing enough on climate change and biodiversity loss, I am pleased with KPMG's prioritisation in this matter both globally – highlighted by our implementation of shadow carbon pricing and commitment to science-based targets – and locally, by the significant investment we are making in building ESG capacity.

We are committed to helping the country lead by example through our own leadership approach – part of our responsibility to empower change by elevating the conversation.

Living our purpose

Globally, there is an increased challenge for businesses to communicate their purpose and articulate what inspires them.

I am glad to see evidence of KPMG's purpose – to inspire confidence and empower change – being 'lived' across the business. One way in which we are achieving this is by giving confidence to the public that reporting by organisations of all kinds is sound, thereby enhancing public trust. The excellent services and high levels of innovation offered by Audit, Advisory and Tax & Legal help to ensure resources entrusted to companies are used for proper purposes.

In terms of empowering change: The reports by the Zondo Commission have highlighted the fact that there are weaknesses in our country's corporate governance ecosystem. This is forcing all of us to introspect and review our own processes to make sure that we take lessons from these reports, use them to advise our clients and play a role in ensuring that the risks of state and private corruption are reduced going forward.

A robust corporate governance ecosystem is particularly important given developments at COP27, where agreement was reached on potential 'loss and damage' funding for vulnerable countries impacted by climate disasters. South Africa could benefit, but only if there is trust in our capital markets, especially given the constrained global economy.

South Africa takes a serious and responsible approach to dealing with climate change – manifested in the recently published Just Transition framework. Significant investment is required to progress this transition and it would be a great pity if the country were to lose out on funding because of lack of trust in our governance ecosystem and capital markets.

Prioritising inclusivity

We have reconstituted the Transformation Oversight Committee and the Public Interest, Social and Ethics Committee into the Transformation, Social, and Ethics Committee. This is a positive move, as the merging of the two committees will enable the unlocking of synergies and will enable us to deal with inclusivity in a more integrated way.

We are united in saying that inclusion is a prerequisite for sustainability and it is one of our top priorities. In a post-COVID world where priorities have changed and new technology has made it easier for people in South Africa to be employed internationally, the competition for talent is fierce. Our elevation of inclusivity will help to make us an employer of choice. This together, with our focus on ESG which is important for Millennials and Gen Z, are important attributes to attract and retain talent.

Assessing our highlights

Our teams' contribution to help achieve year-on-year (y-o-y) revenue growth of 17% must be the true highlight of the year. Further integrating our teams in the broader Southern Africa firms was also a key milestone in the year.

Looking forward

As the audit market is expected to stabilise our future growth focus will be on our Tax and Advisory portfolios, embracing the opportunities to partner with clients on digital transformation, cyber security and ESG. Our deepening collaboration across the Southern African region will provide additional opportunities to share resources for the benefit of our neighbouring markets.

As a firm focused on empowering change and serving the public interest, we have a duty to become involved in national causes. One of these is youth unemployment which, I believe, is the biggest threat to the long-term sustainability of our country. The issue starts at school level, with many learners opting for maths literacy as opposed to pure mathematics. We need to offer support to both schools and learners and I am pleased that many of our professionals have indicated their willingness to become involved. I look forward to this.

Paying tribute

In closing, I would like to thank our Independent Non-Executive Members of the Policy Board whose objectivity, experience and expertise have considerably strengthened our governance structure. Their commitment to helping us become the most trusted and trustworthy firm is unwavering. They highlight that together, we truly are better!

I would also like to thank our CEO, Ignatius Sehoole, who has demonstrated and epitomises the quality of a leader with a clear vision. His leadership and energy as a strong visionary have enhanced internal morale and his accessibility to various stakeholders including regulators, media, civil society and staff, have helped to progress our ambition of becoming the most trusted and trustworthy professional services firm.

Prof. Wiseman Nkuhlu
Chairperson
KPMG South Africa





Message from our CEO



Building a resilient business

In the past few years KPMG South Africa has been building a resilient business and focused on regaining public trust. While public trust is an ongoing journey, I think we can safely say that we have reached many milestones along this road, we have turned the corner and together, built a resilient business. This is a business of which all our people can be proud. Our mindset of accelerating to extraordinary underpins one of our strategic focus areas that ensure that KPMG South Africa attracts, develops and retains the most diverse talent pool.

The resilience of our business is reflected in our revenue growth of 17% in a tough operating context. There were several significant client wins in the financial, mining, property, real estate and telecommunications sectors to mention just a few.

In 2020, we were the first firm to announce that we would cease all non-audit related services for our JSE listed audit clients effective 31 March 2021. We have been strict in applying this principle. This approach has been well received by the market, has helped to enhance public trust in audit quality and continues to promote confidence in our brand.

Promoting inclusivity

The only form of prejudice we want to inculcate in our firm is bias towards our values and quality and against mediocrity – that is what we stand for. However, we do not tolerate bias based on gender, sexual orientation, religious affiliation or any other form of discrimination.

In line with this approach, we hosted a KPMG colleagues Pride Networking event during which we explored what KPMG needs to do to improve the inclusion of LGBTQ+ colleagues in our workplaces and in our society. In addition, in celebration of Pride Month, KPMG Global Pride held its third annual Global Pride Summit. The special guest speaker was Tan France, star of an award-winning streaming service.

In my capacity as CEO, I initiated a series of engagements with female leaders to give them the opportunity to share their views, experiences and to work together to develop sustainable solutions towards a discrimination-free workplace. We have taken to heart our female colleagues' needs to be listened to and respected and we have responded – including through a series of unconscious bias workshops.

As described on page 20, we also focused on gender-based violence (GBV). Our people were given the opportunity to hear from GBV experts and ask questions. Our aim was to send a strong message that 'GBV is not okay'.

Collaborating with the ABASA

To further promote inclusivity, our Business Forum Memorandum of Understanding with the Association for the Advancement of Black Accountants of Southern Africa (ABASA) to advance smaller, black-owned firms, continues. Under this arrangement, a dedicated ABASA committee is choosing small black-owned firms to work with us on our assignments. This committee is working independently to onboard relevant smaller firms and ensure those selected are correctly assessed in terms of their own business practices and have good standing memberships not only with ABASA, but also with the South African Institute of Chartered Accountants (SAICA) and the Independent Regulatory Board for Auditors (IRBA). Two firms have been onboarded since the MOU was signed in 2021 and we continue to work with ABASA to look for other smaller audit firms.

We are pleased to have partnered with the ABASA on other initiatives, including the 5th Annual Professor Wiseman Nkuhlu Lecture, held at the University of Fort Hare in the Eastern Cape. We also supported the ABASA Professional Excellence Dinners celebrating newly qualified accountants in the Eastern Cape and Johannesburg regions.

Progressing regional integration

We are working to integrate the regional firms in Southern Africa to operate collectively as a regional Southern African practice. The aim of the integration is to strengthen our firms, increase our competitiveness and improve our profitability as a unit. The integration also holds opportunities for us to expand our brand and reach, as well as to enhance our services to our clients as we leverage diverse cross-border expertise and strengthen operational efficiency. Together, the region's firms have committed to:

- Acting for the strength of the region and not solely for the benefit of each individual firm
- Achieving the highest standards for quality and risk across the region
- Growing revenues across the region by leveraging the regional resource base and local in-country relationships
- Maximising cost efficiencies through centralised support.

Establishing a sense of ownership in KPMG South Africa

Our aim is that our people should be our differentiator in the market. We want each of our people to have a sense of ownership about KPMG South Africa. Our people and alumni should have a strong sense of connection with and pride in our firm.

We are succeeding in regaining the public trust that gives our people the foundation for this. In addition, as a multidisciplinary firm, we offer several avenues of opportunity. However, in light of the 'Great Resignation' – a worldwide phenomenon – we need to do more. The worldwide war on talent is accelerating and the sudden escalation has caught most businesses on the back foot.

We want to create an environment that enables people to learn continuously. This inclusive, enabling culture is part of our 'KPMG DNA'.

ESG is another area where we want to differentiate ourselves. It's a business imperative for all of us and it begins with small actions – like using reusable water bottles and

coffee cups – in other words, putting our best foot forward to suffocate our planet less. Doing so is not going to have a dramatic impact, but it helps to inculcate a culture of accountability and responsibility.

It's this enabling ESG culture that we carry through in our advisory and assurance work with our clients. The public interest expectation has never been higher, and we need to ensure there is no trust deficit in this. We have a strategic responsibility to accelerate our broader agenda to enhance public trust and sustainability. Our purpose is to inspire confidence and empower change in our clients' businesses. This extends beyond our immediate operating environment to the natural environment, the marketplace and society at large. The mandate of clients, regulators, governments and other stakeholders has extended to shared value and we can help them embrace and deliver on this.

Working for the public interest

As a society, it is our collective responsibility to hold those who represent us in public life, like politicians, accountable for their actions. At KPMG we are conscious that we don't operate in isolation from society and have an important role to play in this collective effort. We are committed to being accountable for our actions and to only affiliate ourselves with those who strive to do the same.

We are leading by example as we were the first auditing firm in South Africa to implement enhanced governance including the appointment of Independent Non-Executive Members on our Policy Board.

In line with our commitment to serving the public interest and our core values of Together and For Better, we stand ready and willing to work with government on issues like rooting out corruption, implementing more transparent tender processes and formulating more robust governance frameworks.

It is also our responsibility, as patriotic South Africans, to help build local and international confidence in our country to ultimately ensure a better life for all.

The year ahead

We have work to do pertaining to our people. We're aware of this in terms of learning and development, but we have to introspect to determine what is important to our professionals in the post-COVID-19 era. When we get the people part of our business on track, we will be able to lay a solid foundation for growth going forward in all areas, including regional integration.

I would also like to echo our Chairman's views on South Africa's high levels of youth unemployment which create a plethora of socio-economic challenges. As responsible corporate citizens and citizens of South Africa, we have a responsibility to become involved.

Appreciation

In closing, I would like to thank our Chairperson, Professor Wiseman Nkuhlu and the members of the Policy Board who have provided such wise counsel and guidance over the course of the year.

To our extraordinary people, thank you for your extraordinary levels of dedication and commitment and your willingness to always go the extra mile.

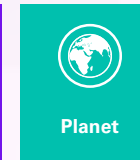
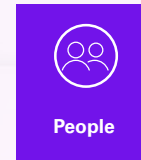
My commitment to you is that we will continue to do everything we can to create an even more enabling culture that allows you to grow and develop in your personal and professional lives.



Ignatius Schoole
Chief Executive Officer
KPMG South Africa



Intensifying our focus on ESG



Regulators around the world are looking to the audit profession to provide ESG inputs and assurance. At KPMG South Africa, we have intensified our focus on ESG issues as we believe this represents another unprecedented opportunity for our profession to redefine itself and grow. Importantly, expanding in this area will also help to attract talent, especially young talent, for whom ESG issues are becoming increasingly important.

As we engage on ESG requirements in the market, we also have to embrace these responsibilities and opportunities internally in how we manage our own business, thereby leading by example. There is specific focus on Governance and People activities where we must set the standard.

Our Impact Plan sets out the commitments we are making on our journey to become a better business and reaffirms our commitments to the UN Global Compact Principles and the UN Sustainable Development Goals.

In our Impact Plan 2022, we get to show you the progress we've made so far, and how we're working shoulder to shoulder with stakeholders to support them on their own ESG journeys, across four important categories: Planet, People, Prosperity and Governance.

Principles of Governance

SDG impacted	Activity	Outputs	Outcomes
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<ul style="list-style-type: none"> The Board assumes responsibility of ESG and it has delegated this to the Transformation, Social and Ethics Committee We engage through bilateral and multilateral institutional platforms to enhance the narrative of responsible business needing to have a trusted and trustworthy relationship with all its stakeholders in order to build confidence for a sustainable future. Through our membership and active relationship with BLSA we champion good governance Continuous engagement of our Independent Non-Executive Members (INEMs) through our board governance structure (one of the INEMs of our Policy Board is also the Chair of the King Committee on Corporate Governance). Refer to section 3 for detailed governance activities Our purpose is embedded in our strategy. Refer to page 7 Ethics forms a core part of the first pillar of our strategy. Refer to page 25 	<ul style="list-style-type: none"> We contributed R150 000 to the Democracy Works Foundation, a southern African non-profit company focused on democracy development in the region. We also contributed R150 000 to the National Business Initiative, a voluntary coalition of South African and multinational companies, working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action 	<ul style="list-style-type: none"> The impact of our endeavours is felt more at a private sector, rather than a public sector, level. We continue to work on strengthening the role we can play in the public sector on strict criteria of risk and ethical considerations Enhanced governance both internally and externally Enhanced consistency and appreciation of the importance of sustainable development across the sectors in which we operate



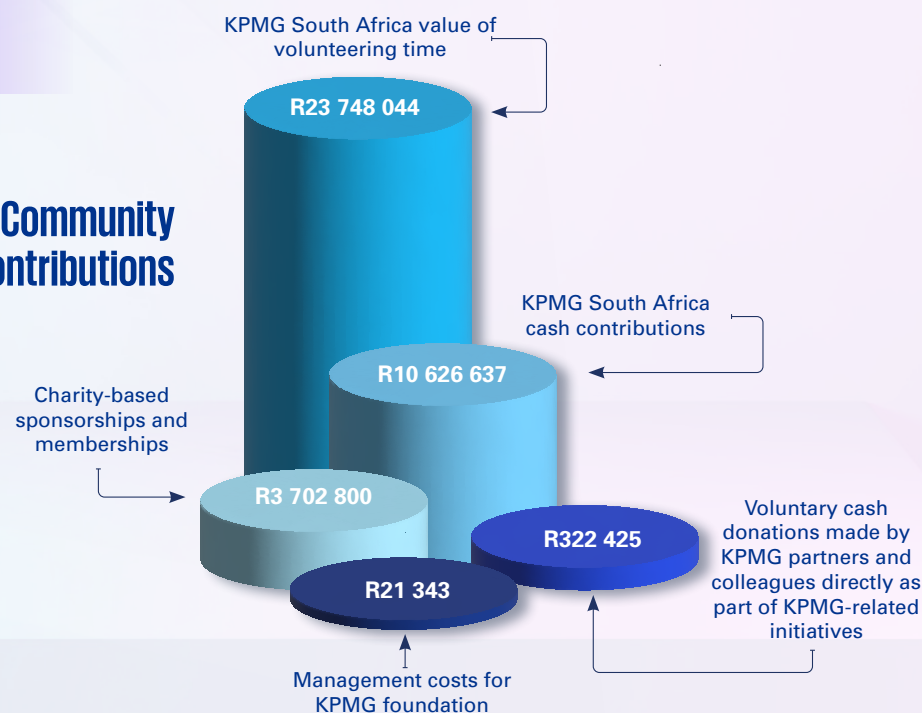
Principles of Governance



SDG impacted	Activity	Outputs	Outcomes
17 PARTNERSHIPS FOR THE GOALS 	<ul style="list-style-type: none"> ESG training Enhanced governance and capability development for 11 non-profit organisations (NPOs) 	<ul style="list-style-type: none"> All partners and colleagues trained on ESG basic literacy through the online KPMG Business School (KBS) NPOs assisted 15 098 beneficiaries with community development and early childhood development; provided support for survivors of GBV and helped with HIV/Aids and community-based advocacy; as well as inputs into government policies and fiscal allocations 	<ul style="list-style-type: none"> Greater alignment with KPMG's purpose and priority SDGs Empowerment




People

Community contributions





SDG impacted	Activity	Outputs	Outcomes
	<ul style="list-style-type: none"> Humanitarian support following the floods in KwaZulu Natal during April 2022 	<ul style="list-style-type: none"> 700 blankets, 6 000 litres of water 	<ul style="list-style-type: none"> Disaster relief
	<ul style="list-style-type: none"> Provision of comprehensive learning opportunities via technology through our KPMG South Africa Online School, which is available freely to community stakeholders, an initiative which supports the Global KPMG 10 by 30 Campaign which aims to assist 10 million beneficiaries from underserved communities by 2030. Caring for Girls initiative Back to School programme KPMG Family for Literacy (KFFL) initiative (see case study on page 20) Provision of bursaries 	<ul style="list-style-type: none"> 2 416 registered users, with learning on offer accessed 1 389 times by individual users 600 girls supported with over 6 000 sanitary pads to the value of R138 000 which were distributed to Witkoppen Farm school, Princess Pads project and Abraham Kriel orphanage 400 learners supported with educational materials at Abraham Kriel Orphanage as well Phronesis Students Development Trust and the Dr Sam Motsuenyane Rural Development Foundation 5 000 books to underserved schools and Early Childhood Development (ECD) organisations FY22 bursary spend: <ul style="list-style-type: none"> > Thuthuka – R3.7 million > Bursaries – R4.1 million 	<ul style="list-style-type: none"> Training on societal impact in ESG, applying the King IV™ Governance Code, the International Financial Reporting Standards (IFRS), tax legislation and insurance legislation. Additional content focused on spreadsheet and financial management for small, medium and micro enterprises (SMMEs) during FY23 Enhanced educational outcomes – when girls do not have access to sanitary products, they tend to stay away from school Facilitation of learning Increased literacy Enhanced skills available to KPMG South Africa, expanded career opportunities for bursary recipients

SDG impacted	Activity	Outputs	Outcomes
	<ul style="list-style-type: none"> Assistance to the value of R200 000 to the Women's Economic Empowerment Programme at the Saartjie Baartman Centre, a shelter for survivors of gender-based violence which acts as a temporary haven for affected women and children. The Programme works in tandem with a community-based job placement initiative in which the women are given employment by local businesses Various parties (see case study on page 20) joined forces to discuss the serious impact that GBV is having on society KPMG's Network of Women (KNOW), an employee-driven national network 	<ul style="list-style-type: none"> 30 direct women beneficiaries and 60 indirect beneficiaries (children) Draft GBV policy drawn up; internal GBV support network established Tailors and delivers broad national programmes and strategies aimed at supporting women in KPMG and has been one of the key champions of KPMG's GBV responses 	<ul style="list-style-type: none"> Capacitate women at the shelter with employable skills An employee survey in August 2022 which tested awareness of GBV showed heightened awareness of the issue Advancement of women in KPMG, heightened awareness of GBV



KPMG South Africa:

- Is a signatory to the UN Secretary-General's Unite to End Violence against Women and Children campaign and core partner of Equal Measures 2030 initiative; a signatory to the UN Women's Empowerment Principles and to the UN Standards for LGBTQI+ Rights
- Holds membership of OUT Leadership Global LGBTQI+ Business Network.


Planet

SDG impacted	Activity	Outputs	Outcomes
 7 AFFORDABLE AND CLEAN ENERGY	<ul style="list-style-type: none"> Installation of solar panels. 	<ul style="list-style-type: none"> 10.4% of energy at our offices in Parktown, Johannesburg generated by solar panels 	<ul style="list-style-type: none"> Reduced dependency on Eskom Reduction in carbon emission
 13 CLIMATE ACTION	<ul style="list-style-type: none"> Eco bricks initiative which involved the collection of plastic by our people from their households and communities 	<ul style="list-style-type: none"> 3 847 kilograms of plastic repurposed into eco bricks, to be used to build a community centre which will potentially benefit over 500 000 people in the underserved community of Alexandra township, Johannesburg. The project began in Q1 FY22 and expected to be completed in 2024. KPMG South Africa will be supporting the project until completion. The centre will provide a wide range of services, including education, early child development, access to health services, paralegal advice services and hosting of social and cultural events 	<ul style="list-style-type: none"> Community upliftment and emissions of waste from landfill – important because landfills generate methane that is one of the contributors to climate change


Prosperity

SDG impacted	Activity	Outputs	Outcomes
 8 DECENT WORK AND ECONOMIC GROWTH	<ul style="list-style-type: none"> Five black-owned small businesses were selected for support and assistance through a partnership with MyDough (an SMME accelerator) (see case study on page 21) 	<ul style="list-style-type: none"> Five viable businesses 	<ul style="list-style-type: none"> Increased participation in the South African economy Improved score on the 2022 B-BBEE Scorecard for Enterprise and Supplier Development
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	<ul style="list-style-type: none"> KPMG Private Enterprise Tech Innovator in Africa competition 	<ul style="list-style-type: none"> The winner was iIDENTIFIi, which provides a secure and user-friendly technology platform that verifies an individual's digital identity and authenticates their physical presence in an online world 	<ul style="list-style-type: none"> Support for emerging tech pioneers

Case study

Helping to increase literacy

The KPMG Family for Literacy (KFFL) project is a KPMG network initiative which aims to increase literacy rates in underserved, disadvantaged communities. The project was created following our colleagues' voluntary engagements in underserved and disadvantaged communities. They identified the biggest obstacle to increasing literacy in underserved communities as a lack of books. The initial

aim was to provide books directly to places of learning within these communities. However, it was found that simply donating books was not encouraging a love of reading and to inculcate a love of literature, our colleagues began visiting the schools and reading to students. This form of interaction not only serves as an impetus to enjoy reading but also serves as a platform for mentoring and

inspiring children to fulfil their true potential. The KFFL project feeds into our Global 10 by 30 campaign ambition of assisting 10 million community beneficiaries to acquire vital skills which assist in gaining employment and instilling an entrepreneurial mindset. In FY22, KPMG South Africa delivered 5 000 books to 10 schools.



Case study

Collaborating to understand and eliminate gender-based violence

Gender-based violence (GBV) is both a cause and a consequence of gender inequality. Understanding the problem and the way it affects our societies is a critical step in bringing this scourge to an end, and especially more so, if we are to change the narrative. Accordingly, KPMG, the University of Johannesburg (UJ), the Shared Value Africa Initiative, and the University of Mid Sweden worked together in a ground-breaking study to explore perceptions, opinions, roles, responsibilities and responses of South Africa's private sector leaders and colleagues. During 2022, top 100 Johannesburg Stock

Exchange Listed company CEOs were interviewed and over 2 000 KPMG colleagues from across South Africa participated in a GBV awareness survey.

The research, [The Costly Impact of GBV – Private Sector Perceptions – Shared Value Africa Initiative](https://svai.africa/wp-content/uploads/2022/08/GBV-Report22_050822.pdf) [https://svai.africa/wp-content/uploads/2022/08/GBV-Report22_050822.pdf] was conducted as a follow up to a 2014 study spearheaded by KPMG. The earlier research, *Too costly to ignore – the economic impact of gender-based violence in South Africa*, investigated the economic impact of gender-

based violence in South Africa. The 2014 study found that, based on conservative estimates, GBV costs South Africa between R28.4 billion and R42.4 billion per year – or between 0.9% and 1.3% of GDP annually. [<https://assets.kpmg.com/content/dam/kpmg/za/pdf/2017/01/za-Too-costly-to-ignore.pdf>] The current study has added to the 2014 findings and demonstrates our commitment to ending GBV and advocating for better responses for survivors.

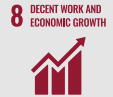


Case study

Developing tailored solutions for small businesses

In FY22, the KPMG ESD programme continued to support small black-owned businesses by partnering with MyDough, an SMME accelerator, to develop tailored interventions for beneficiaries for a period of 24 months. The aim is to support them to transition from start-up phase to a sustainable growth phase. The five black businesses selected to be part of the programme were:

- A black female-owned SAP consulting firm offering cost effective service in SAP implementation, support and business consulting
- A black female-owned business which provides personal and professional development resources and skills to African youth via an e-learning platform
- An accounting firm offering tax, compliance and advisory services
- A tutoring firm offering tutor services and learning solutions for both corporate and private clients
- A full service, one-stop consulting source for customised human resources and management solutions.



Case study

Making an impact on SDG15: *Life on Land*

We are involved in a marquee engagement, Project Horn, to fight rhino poaching. The project is based on a public private partnership concept linking law enforcement,

KPMG and civil society (in the person of Save the Rhino International) by virtue of functional and commercial mandates. An in-depth understanding of the criminal

syndicate operation had been constructed on evidence footing and the project is ongoing.





Our business model: How we create value

Our business model is designed to develop solutions, insights and perspectives by blending human capabilities, experiences, together with formal and informal training, locally and globally. In doing so, we transform knowledge and understanding of information, industries and business trends into value for our clients and our people, as well as capital markets. Our overarching aim is to provide streamlined solutions to complex business issues and enhance trust generally and specifically in capital markets

while contributing to the greater public good. In other words, our focus extends beyond enterprise value to stakeholder value.

This business model should be read in conjunction with the section on page 46 – 51 which outlines our top strategic business risks and opportunities, as well as the table on pages 15 – 19 which provides more specific details on the manner in which we are intensifying our focus on ESG.

Resource inputs FY22



Human capital

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

- ▶ 1 970 professionals and 130 partners
- ▶ Unconscious bias workshops
- ▶ Global Mobility programme
- ▶ 321 graduate recruits hired
- ▶ 37 experienced hires, six new partners appointed through internal promotions
- ▶ Access to global technology training courses and certifications from accredited providers in analytics, automation, cloud platforms and more
- ▶ 229 400 digital training hours



Intellectual capital

Our intellectual capital includes our collective knowledge within our organization as well as the significant software assets we are investing in

- ▶ Continuous performance development
- ▶ Investments made in expanding our practice management systems regionally
- ▶ Rolling out of Clara audit technology platform
- ▶ New innovative digital solutions piloted through our innovation process
- ▶ Migration to SharePoint online via One Intranet



Social and relationship capital

Social and relationship capital includes our stakeholder engagements, brand, reputation and ultimately our culture

- ▶ Client Care survey
- ▶ Global People Survey
- ▶ Approximately R39.9 million allocated to CSI (including R23 million for volunteering initiatives)
- ▶ Ethics screening for partner and associate director appointments
- ▶ Ethics and Values Marshal programme helps to promote our ethical culture
- ▶ Refreshed brand activated in the market



Manufactured capital (infrastructure)

Leading-edge technology solutions for the new world of work

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



Financial capital

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

- ▶ Established partner equity structure
- ▶ Stronger balance sheet



Natural capital

We are mindful of our impact on the environment, focusing on minimising waste, reducing water and energy usage and decreasing greenhouse gas emissions

- ▶ Purchased electricity: 4.4 MWh (FY21: 3.2 MWh)
 - ▶ Solar generated: 519 446 48 kWh of solar energy generated representing 10.4% of energy used (FY21: 15%)
- The reason for the y-o-y increase in purchased electricity and decline in the percentage of solar energy relates to repair work done on the solar panels in FY22.*

Our business activities – what we do

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

Our purpose:
to inspire confidence and empower change

Value creation outcomes FY22



Human capital

- ▶ Level 1 B-BBEE rating for the 6th consecutive year
- ▶ Successful efforts to recruit and retain black talent – B-BBEE black ownership score increased to 33,42% in 2022 (FY21: 30.96%)
- ▶ Highly skilled, diverse team with broad-ranging experience and skills
- ▶ KPMG's CEO wins Inclusive Leader Award highlighting KPMG South Africa's commitment to inclusive leadership
- ▶ Employee Resource Groups further promote inclusivity: disability, LGBTQ+, GBV, black professionals, KNOW (KPMG's Network of Women)
- ▶ Positive, strong learning culture
- ▶ *KPMG is a great place to build my career* remained favourably steady in the Global People Survey (GPS), as we continue to explore and honour the call for career growth
- ▶ *'Learning and development is made available to all'*, scored highly in the GPS



Intellectual capital

- ▶ KPMG Global provided access to global technology training courses and certifications from accredited providers in analytics, automation, cloud platforms and more
- ▶ KPMG Private Enterprise Tech Innovator in Africa competition identified, supported and celebrated emerging tech pioneers



Social and relationship capital

- ▶ New client wins and mandates
- ▶ Positioning as a responsible corporate citizen
- ▶ Regional integration has enhanced service levels
- ▶ Heightened awareness of GBV both internally and externally
- ▶ Building of employee and alumni loyalty
- ▶ ESG expertise helps clients progress in the rapidly evolving ESG landscape
- ▶ Community upliftment
- ▶ Our commitment and investment in small business development resulted in our enterprise and supplier development scores, improving from 37.46 points in FY21 to 40.65 in FY22
- ▶ Strong ethical culture and awareness of values provides a strong foundation for growth



Manufactured capital (infrastructure)

- ▶ Our global solutions help our clients to stay ahead of technological developments, as well as disruptive forces such as digitisation and increasingly complex regulatory requirements



Financial capital

- ▶ Revenue growth of 17%
- ▶ 41% of revenue from top 20 clients (% of total FY22 revenue)
- ▶ R190 million in combined MAFR wins
- ▶ Growth of 34% market penetration in the financial services sector
- ▶ Increased revenue:
 - > Audit: 16.0%
 - > Advisory: 19.6%
 - > Tax & Legal: 12.6%



Natural capital

- ▶ 7 188 tCO₂e Scope1,2,3 greenhouse gas (GHG) emissions (FY21: 4 505 tCO₂e)
The reason for the increase in GHG emissions relates to increased power purchased from the state power utility, Eskom and increased business travel

Our outputs – what we produce



Audit, Advisory and Tax & Legal delivered 10 222 projects to 1 724 clients

UN SDGs impacted





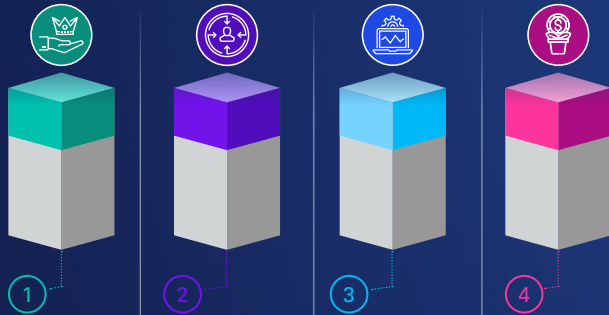
Accelerating to extraordinary

Our frequently stated ambition is to be the most trusted and trustworthy professional services firm. As set out in our Accelerating to Extraordinary strategic framework, our future success depends on winning in four key areas:



Exceptional service and quality

Profiling future leaders: **Mbali Mngomezulu, Associate Director – Internal Audit and Risk Consulting Services**



1
Exceptional service and quality.

2
Extraordinary people, enabled through culture.

3
Technology and innovation in everything we do.

4
Sustainable, profitable growth.

"I joined KPMG South Africa because I was inspired and drawn to KPMG's leadership team whose values seemed to mirror my own. Instinctively I knew that I had a role to play in its new chapter, particularly in terms of being connected as people and with the planet. It has become increasingly clear that we (individuals, businesses, governments) are all living on borrowed time. We are fast understanding that there is a delicate balance of how we chose to live on the planet and its ability to continue accommodating us. We all secretly want to be 'Marvel' characters trying to protect the planet and societies we live in.

"Through our Impact Plan, KPMG is actively measuring and reporting on our contribution to targets set. I see KPMG being mindful in its commitment to 'people/ societies' through several initiatives that cover most of the SDGs.

This is evident through the consistency at which KPMG communicates and reports on the results/ outcomes (i.e., new hires, gender-based violence etc.), and is testimony to the commitment KPMG has invested in ESG principles."



The following pages set out our performance against these areas, with the aim of demonstrating our adherence to the principles of trust, growth, consistency and accountability.



Overview

We recognise that we can only achieve our purpose of inspiring confidence and empowering change through a relentless focus on exceptional service and quality. Everything we do is based on our values of Integrity, Excellence, Courage, Together and For Better. These values significantly overlap with the fundamental principles set out in the 'Code of Ethics for Professional Accountants', maintained and revised by the International Ethics Standards Board for Accountants (IESBA).

Exceptional service and quality are underpinned by our robust ethics management programme which incorporates:

- The identification and assessment of ethics risks
- The articulation and review of clear ethics standards
- Advocacy – training and communication on KPMG's ethics standards, Values and Code of Conduct
- Monitoring and reporting to Exco, the Audit Quality Committee and the Transformation, Social & Ethics Committee
- Embedding a culture of ethics processes through the ethics helpdesk and integrity screenings:
 - > In 2022, requests for ethics advice related to unfair treatment, dealing with misconduct and people concerns, professional and personal conduct, handling intimidation threats, professional integrity and reporting obligations
 - > With integrity screenings, any candidate who is up for promotion or being recruited for the positions of associate director or partner, is assessed for ethics competence (e.g., moral sensitivity and moral reasoning). During FY22, KPMG South Africa conducted 98 integrity screenings. These included candidates for KPMG in Ghana, Nigeria and East Africa. 87 candidates were rated 'at expectation', four 'above expectation' and five 'below expectation'.

Ethics management

A key aim of the ethics programme is to promote professional self-reflection. This involves reflecting on and debate the ethical priorities, expectations, and challenges in professional services. The topic of this year's training was moral fitness.

Our Ethics and Values Marshal programme helps to promote our ethical culture. Under this programme, colleagues volunteer and act as points of contact on ethics matters within their business units and offices. Ethics marshals are trained to deal with requests for ethics advice, and to answer questions relating to KPMG's Code of Conduct. The aim is to make it easier for colleagues to discuss ethics, to raise concerns, and to gain advice on professional integrity. There are currently 10 ethics and values marshals in KPMG South Africa (Audit 1; Advisory 3; Tax 2; Infrastructure 4) who participated in two marshal forums in FY22.

Ethics training

Venue	Number of attendees (FY22)	Number of sessions (FY22)	Number of attendees (FY21)	Number of sessions (FY21)
Johannesburg	1 110	15	1 095	12
Cape Town	311	2	177	2
Durban	85	1	82	1
Gqeberha	29	1	19	1
Namibia	46	1	43	1
Mauritius	128	1	382	3
Mozambique	148	1	n/a	n/a
Zambia	132	1	100	1
Botswana	79	1	55	1
Zimbabwe	107	1	n/a	n/a
Total	2 175	25	1 953	22

Ethics-related findings in the GPS

Based on the Barrett Cultural Values Assessment (CVA) results, as per the table below, it is evident that our people have an intimate relationship with high principles and moral in actions; and behaviour that is observable which is related to integrity and accountability. In addition, trust and honesty are very important to them. They have high moral standards and expect their day-to-day experiences to be based on doing the right thing and always living our values.

Category	Question item	FY22	FY21
Leadership commitment to ethics	Partners demonstrating values	79%	81%
Ethics awareness	I know what I need to do to live the Values in my day-to-day work	92%	94%
	The people I work for demonstrate honest and ethical behaviour	85%	88%
Ethics commitment	I am treated with dignity and respect	84%	88%
	Partners actively champion inclusion and diversity	71%	74%
Public interest mindset	KPMG makes a positive impact on society	78%	79%
Feasibility of ethical conduct	At KPMG we uphold our values, even when under pressure	78%	81%
Willingness to report misconduct	I believe I can report unethical practices without fear of negative impact on me	75%	80%

Since 2019, perceptions regarding ethics within KPMG South Africa have been climbing steadily. In 2022 the scores on all ethics-related items dropped slightly. While most of the items are still in the 'ideal' range (i.e., scores that we would wish to maintain), there are risk indicators of which we take specific note. We will focus on these in the year ahead, including views regarding quick, consistent responses to unethical conduct, and the experience of work pressure that could affect professional integrity.

Enabling feedback

The KPMG International hotline is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG firms or KPMG personnel. We take reports received by the International hotline seriously, and for each of them we respond, and take appropriate action.

In addition to the KPMG International hotline, we maintain a local Ethics and Compliance Hotline (KPMG Faircall) that assists partners and colleagues with reporting concerns about possible illegal, unethical or improper conduct. If colleagues are unsure about where to go, are uncomfortable reporting through the traditional chain of command or wish to raise the issue anonymously, they can call KPMG Faircall, which is available 24 hours a day, 7 days a week.

Reports filed through the hotlines are directed to the Head of Quality and Risk Management for review and, if necessary, assignments of appropriate firm resources for investigation and resolution. Reports are handled confidentially and anonymously to the extent allowable by law and consistent with the needs of a thorough investigation. Matters reported to all the hotlines are reporting on a quarterly basis to the Risk, Quality and Compliance Committee as well as to the Audit Quality Committee to the extent that reported matters impact audit quality.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

Getting feedback from our regulators

In South Africa the IRBA has been carrying out independent inspections for a number of years. They completed their work on the 2021 inspection of KPMG South Africa in March 2022. All remediation actions implemented by the firm relating to the firm-wide inspection have been completed. (Further detail is provided on page 35 of our Transparency Report 2022.)

KPMG South Africa is also registered with the PCAOB and CPAB. The public report on the inspection by the PCAOB was released on 27 January 2022 and both it and our response are available on the PCAOB website.

We have considered each of the findings and recommendations and have implemented actions to address deficiencies and strengthen policies and procedures as appropriate.

Maintaining open communication on governance issues

At KPMG South Africa we stress the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. We achieve this through a combination of reports and presentations, attendance at audit committees or board meetings, and, when appropriate, ongoing discussions with management and members of the audit committees.

The role of audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

Audit Committee Forum in South Africa

The Audit Committee Forum is an important initiative of the Institute of Directors in Southern Africa (IoDSA). In recognition of the important role that audit committees play in driving the quality of financial reporting and governance in South Africa. KPMG South Africa is the proud sponsor and provider of technical support to the Audit Committee Forum.

IFRS Standards Institute

KPMG's Global IFRS Institute provides information and resources to help the KPMG South Africa Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about evolving global financial and sustainability reporting frameworks.

Key developments in FY22

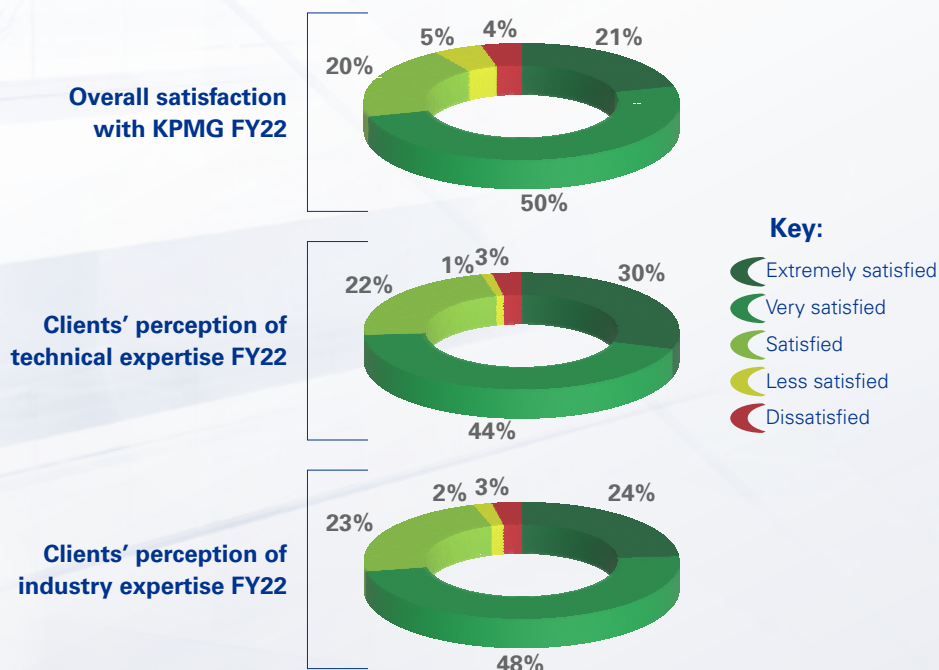
Client Care survey

Our annual Client Care survey is an important touchstone for measuring our clients' view of our overall service offering. Their feedback is invaluable in helping us to maintain and enhance areas where they feel we are doing well, adapt our developmental areas and be agile in our response to their challenges.

Our FY22 survey indicated that 91% (FY21: 92%) of our clients were satisfied or better with our total offering to them. Of these clients, 21% of clients indicated a level of extreme satisfaction, with 50% indicating that they were very satisfied with our services. In terms of technical and industry expertise, 96% and 94% respectively of our clients indicated that they were satisfied or more.

Pleasingly, 95% of our clients indicated positive satisfaction in their relationship with KPMG South Africa while 89% believe we add value and 92% are satisfied or more with the transparency of our fees. These responses indicate a positive overall picture.

What our clients see as their most important risk in their operating environments over the coming years, helps us formulate proactive solutions to their challenges. In line with the challenges we have identified within KPMG South Africa, digitisation, together with employee development, training and retention featured highly in our clients' assessment of local risk focus areas.



Mandatory Audit Firm Rotation

Anticipating the regulatory changes related to the official implementation of Mandatory Firm Rotation (MAFR) in April 2023 we structured the most appropriate teams to leverage these opportunities. This meant balancing the delivery expectations of existing clients with the time commitments associated with new business pursuits. Our success in this regard is highlighted by KPMG South Africa's y-o-y growth of 17%.

Southern African Integration

Integrating the KPMG firms in Southern Africa aligns with our focus to deliver an integrated, global experience to our clients. Leveraging the best skills within the region to enhance our contribution to our chosen stakeholders helps to ensure a consistent quality service offering. It also enables all countries to build on the best practice examples from within the region to the benefit of our stakeholders. We are in the final phase of operational and structural integration across Southern Africa in order to meet these objectives.

Quality Performance Reviews

Refer to section 4, our segmental overviews, for detailed QPR results achieved in FY22.

Looking forward

Exceptional quality is the foundation for instilling confidence and public trust in the capital markets and it remains our highest priority. We have made significant investments in strengthening the consistency and robustness of our system of quality controls across our organisation in order to maximise the benefits of the ongoing implementation of the International Standard on Quality Management. At KPMG, we are committed to serving the public interest through continuous innovation. By leveraging leading technologies, we will continue to transform the experience for our professionals and the entities that we service. This enables us to provide a higher quality delivery by increasing our ability to focus on the issues that matter through the data and insights it provides. In addition we focus on regular and creative ethics awareness communication initiatives across Southern Africa. Recognising that time and resource pressure potentially has implications for professional integrity, we will be emphasising more regular and creative ethics awareness communication initiatives across Southern Africa. We will also be recruiting and training more ethics and values marshals.

Extraordinary people, enabled through culture

Profiling future leaders: Poogendri Reddy, Associate Director – Sustainability

“The teams at KPMG and the colleagues I work with and the talent that we have been able to attract in the last year inspires me right now and I am really excited to see how we grow and shape, particularly the ESG agenda in South Africa in the coming year.

“Prior to KPMG refreshing our values, one of our prior values used to be ‘lead by example’. And this still resonates with me. If we aim to advise clients on best practices in ESG, embedding ESG in their businesses, and asking them to trust us and allow us to walk a journey with them to make a positive impact in the world; we only accomplish this if we ourselves are committed and believe in what we do. This starts with committing ourselves to the implementation of the 2030 Agenda. This is important because every organisation and individual has a responsibility to do what is in their power to make a meaningful change. The SDGs we have prioritised above align with our activities that we identify as relevant to our business and where we aim to push forward the agenda. Not all businesses can be all things to all people and all stakeholders, and we must be smart about prioritisation and lead by example.

“We have a committed and progressive team that are motivated by this agenda and are now having conversations holistically with clients and challenging conventional thinking.”



Overview

We group people, performance and culture together with the aim of attracting, developing and retaining the most diverse and ‘fit-for-purpose’ talent enabled through a values-based, ethical, inclusive and collaborative culture, to support KPMG South Africa in delivering on our aim of accelerating to extraordinary.

Our attrition rate in FY22 was 17% (FY21: 13%), showing the impact of the ‘Great Resignation’, a global trend. We addressed this by:

- Elevating the relevant discussion to board and Executive Committee level
- Promoting internal colleagues through the opportunity-led promotions approach
- Revisiting the referral programme to encourage internal referrals for external appointments
- Increasing emphasis on the performance development process.

Attrition rates by race and gender FY22 and FY21

	FY22	FY21
Black ¹	16%	12%
White	16%	11%
Other ²	25%	17%
Female	15%	10%
Male	18%	13%

Key developments in FY22

Key developments in terms of **attracting**, **retaining** and **developing** our people are set out below.

Our CEO, Ignatius Sehoole won Accenture's Inclusive Leadership Award for Gender Mainstreaming Award. He was nominated by KPMG South Africa colleagues for being the voice of reason, advocating human and women's rights, being accountable and holding others accountable, creating safe spaces, celebrating the achievements of others – encouraging others to do the same, and reflecting humility and servant leadership.

Attracting the right talent

Our main objective from a recruitment perspective is to ensure we have a world-class talent bench that gives us sustained competitive advantage. Encouragingly, given that we do not only rely on graduate talent, our pipeline of external professionals is increasing. This is the result of our increased focus on ESG engagements and enhanced management of technological platforms or data. In addition, there has been a pleasing return to KPMG South Africa of professionals who had previously left (37 experienced hires in FY22). One of our challenges is that graduates are looking to obtain international experience. Despite this, we are very encouraged that we continued to attract our fair share of talent from across the country's universities. This is attributable to our consistent focus on quality and governance; our agile working approach and the reopening of physical secondment options to our trainees completing their training contract, rather than virtual secondments only.

¹The term 'Black' refers to African, Coloured and Indian (ACI) colleagues and is understood in South Africa in line with the country's Black Economic Empowerment legislation.

²The term 'Other' is used to describe foreign nationals including non-SA citizens or colleagues who obtained residency and citizenship post 1994.

The graduate recruitment team places trainees in all four regions each year (Cape Town, Durban, Gqeberha and Johannesburg). This team works consistently with our universities to add value to their curriculum in the light of the new SAICA CA2025 competency framework which became effective from 1 January 2022. These events and projects expose the graduates to relevant critical thinking skills and allow us an opportunity to identify and recruit our future talent.

An important indicator of the quality of the people that we attract, besides the KPMG first time pass rate against the SAICA first time pass rate for the ITC exam in January each year, is the number of students who have signed with KPMG South Africa and are selected by the various universities to complete their first year as academic trainees at the country's top universities. The numbers over the past two years are set out in the table below.

Academic trainees over two years

Year	FY22/23	FY21/22
Number of academic trainees	16	17

Graduate trainees

In FY22, we had an increase in the number of new graduate trainees joining KPMG South Africa, as well as our total trainee population. We appointed 321 (FY21: 316) new graduate trainees across all three functions, highlighting our commitment to grow and develop young talent. As at 30 September 2022, there were a total of 855 (FY21: 761) graduate trainees (including new trainees who joined in the financial year) in all three functions, with the highest number of trainees in the audit function.

New graduate trainees appointed in FY22

Female			Male			Total new trainees
Black ¹	White & other	Total female	Black	White & other	Total male	
142	23	165	103	53	156	321
44%	7%	51%	32%	17%	49%	100%

Total graduate trainees FY22

Function	Female		Female Total	Male		Male Total	Grand total
	Black	White & other		Black	White & other		
Advisory	57	12	69	48	12	60	129
Audit	290	76	366	230	122	352	718
Tax	5	1	6	2	0	2	8
Total	352	89	441	280	134	414	855
As a % of the Grand Total	41.2%	10.4%	51.6%	32.7%	15.7%	48.4%	100%

Retaining our people

Retention of colleagues enables more experienced hires to drive efficient work and pass on knowledge to new experienced hires and trainees. A high attrition of staff not only creates inefficiencies in terms of new staff accustomed to KPMG's business, but also drives up costs due to the barriers related to new hires, specifically the recruitment cost and the scarcity of skilled individuals.

Recognising that high attrition rates hold a risk of burnout for other colleagues, we intensified our focus on **engagement**. For example, each function has increased engagement through formal and informal 'Connect' sessions. Each business unit (BU), KPMG South Africa and the Southern Africa region also holds regular town halls where colleagues can engage with management and with each other.

The **Global People Survey (GPS)** and **Barrett Cultural Values Assessment (CVA)** are important tools whereby we measure engagement and culture. The GPS is an important touch point which enables us to assess our engagement levels and progress on longer-term plans in driving our firm's success. Together with the CVA it gives us a comprehensive understanding of what is important to our people, their values and what drives their thinking and behaviour. These tools give an overview of the alignment between what we say we offer our people and the reality they experience and the insights they provide offer opportunities for improvement in building motivated, engaged teams.

Our employee engagement tools

What is measured

Our annual GPS survey measures employee experience and engagement.

The Barrett CVA is a three-question survey embedded into the GPS that measures cultural health

How the tools work together

Engagement' means the emotional and intellectual commitment of an individual or group to build and sustain strong business performance.

Culture encompasses the behaviours and belief characteristics of an organisation as exhibited by the stated and unstated rules and expectations, prevailing values, norms, behaviours and systems that define a particular organisation.

Culture is the **context in which colleagues are engaged**, and having **a healthy culture leads to higher engagement**. Measuring both aspects give us the insight needed to shape and cultivate a culture that attracts and retains engaged colleagues.

The GPS and the CVA give us a comprehensive understanding of what is important to our people, helps us assess their values and determine what drives their thinking and behaviour. These tools give an overview of the alignment between what we say we offer our people and the reality they experience. The insights gleaned from this understanding offer opportunities for improvement in building motivated, engaged teams.

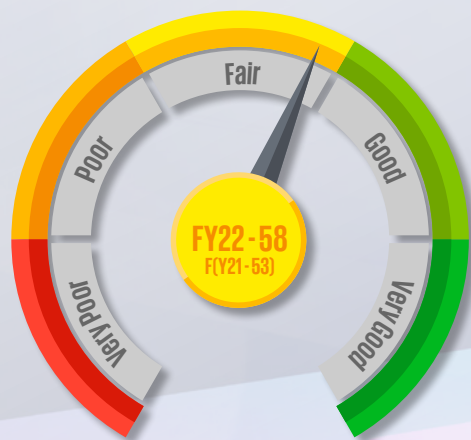
In FY22, 1 621 of our colleagues participated – response rate was **80%** with a decline of four points as compared to the 2021 GPS. In our journey of building a safe, comfortable, and productive work environment, we also focus on key drivers which provide us with insights to understand what drives Engagement, Trust, and Growth for our people.

Engagement, Trust, Growth

	FY22	FY21
Employee engagement Index	77%	78%
Trust Index	79%	82%
Growth Index	76%	80%

Given the decline in our Engagement, Trust and Growth indices, we have identified the need to improve our degree of clarity and create a connection to KPMG South Africa's vision for our people. Our next steps are to create opportunities at functional and BU level to engage with colleagues and develop action plans based on their feedback.

In terms of the Barrett Cultural Assessment (CVA) completed alongside the 2022 GPS, we see an improvement of 5 points with a culture score of 58. This is the benchmark metric reflecting the health and strength of a culture; the KPMG culture is above the **global average** and on par with the **industry average** which is something to revere and strive to maintain.



Snapshot of the GPS FY22 key drivers results

- We remain committed to creating opportunities where our people grow and develop. *'KPMG is a great place to build my career'* remains favourably steady, as we continue to explore and honour the call for career growth
- *'Moving quickly from ideas to implementation'* and *'A culture where one can challenge the "status quo"'*; are some of our most declined items. These can be linked to being agile, adaptable, and having the ability to evolve. We have taken steps towards improving our level of innovation in KPMG South Africa, through our technology and innovation campaigns which seek to embed a richer culture of innovation within KPMG South Africa
- We see a decline regarding communication such as *'The leadership of KPMG South Africa communicates a vision of the future that motivates'*. This has impacted our Engagement, Trust and Growth indices. Clearly, we need to improve our degree of clarity and create a connection to KPMG South Africa's vision for our people and this will be a key focus going forward
- A decline in *'KPMG responding quickly and consistently to unethical behaviour'* suggests that our people value and are motivated by accountability. Accordingly, we will continue to strengthen our drive to develop an ethically competent culture.

In FY22, we held our first internal **appreciation week** which focused on the appreciation of self, teams, mentors, celebrating our unsung heroes as well as appreciating and celebrating our KPMG family.

In September 2022, we launched our refreshed **Agile working approach** to support our people in the return to the office, while recognising their work preferences and work needs will change over time. Our Agile working approach is a fluid way of working that enables our people to deliver excellent results through a commitment of creating a diverse and outcomes-based environment that allows our people to work from three different hubs: office, client and home. The objective of this approach is to encourage a balanced approach to wellbeing, social interaction, collaboration, productivity and our ability to serve our clients.

We continued to implement **wellbeing initiatives**:

- Our 2022 wellbeing survey focused on mental health, digital wellbeing and appreciation and highlighted areas needing attention including business unit specific wellbeing sessions and the roll out of digital wellbeing guidelines
- We expanded our lunchtime mix sessions to include hosts from all our Southern African countries, thereby supporting regional integration, as well as KPMG South Africa's diversity and inclusion agenda
- The launch of the Viva/ My Analytics Microsoft tool brought individual insights to our people looking at their working habits while providing tips and guidance on ways to improve their overall wellbeing through blocking time in their diaries as focus time with no notifications or disruptions.

Helping our people gain international experience

The **KPMG Global Mobility** team manages all international assignments globally on behalf of all KPMG member firms. This continues to offer both an attractive benefit and a retention tool for specialised skills in the business in our international KPMG network through the various programmes and opportunities that are available to our partners and colleagues. This further provides an opportunity for our newly qualified chartered accountants to gain international experience.

For FY22, we had three inbound and 34 outbound short-term assignments (typically between two and six months). This number has declined somewhat from the seven inbound and 50 outbound assignments in FY21. This is attributable mainly to travel restrictions imposed in our KPMG member firm countries, as well as ongoing work permit challenges and backlogs processing applications at the embassies. Limited resources in our Audit function had a further implication on the number of resources available for short term assignments, whereas some colleagues decided to localise in other KPMG member firms (host countries) rather than returning to South Africa.

Short term assignments (12 months or less)

	Inbound short-term assignments	Outbound short-term assignments
Tax	0	1
Audit	1	28
Advisory	1	5
Infrastructure	1	0
Total	3	34

Long-term assignments

	Inbound long-term assignments	Outbound long-term assignments
Tax	0	1
Audit	4	16
Advisory	6	3
Infrastructure	0	4
Total	10	24

Developing our people

Our in-house learning and development function positively contributes to colleague performance, equips them with future skills and supports them in the notion of 'learning, unlearning and relearning'.

Our continuous performance development policy aims to cultivate a positive, strong learning culture and instil a growth mindset in all our partners and colleagues. The policy, which includes both quantitative (learning hours) and qualitative aspects, applies to all grades and functions. It is aligned with SAICA and IRBA's output based approach.

As indicated in the table below, learning hours for audit increased significantly y-o-y. This was due to increased learning on the Clara tool as the technology was further embedded across Audit engagements.

Total learning hours FY22

	FY22	FY21
Audit	180 121	129 339
Advisory	31 788	32 873
Tax & Legal	12 761	10 086
Infrastructure	4 730	5 295
Total	229 400	177 593

Financial training hours

The total investment (spend) on training in FY22 was R17 789 464. As in the previous year, in under our **learning technology ecosystem (LTE)**, all training was conducted virtually, enabling us to upskill more colleagues across the different regions and Sub-Saharan African countries.

Our **Global Learning Management System (GLMS)** powered by SAP Success Factors is a long-standing part of our LTE and we continue to use it for consistent learning content and controls as well as compliance and mandatory training, monitoring and reporting. We have successfully deployed and embedded use of Kaltura as our virtual classroom and media streaming platform, which integrates with the GLMS and offers a rich and interactive learner experience.

We also piloted the **LinkedIn Learning** platform, which provides learning content that is current, relevant and accessible ubiquitously and will be rolling it out firmwide during FY23, together with our Global Digital and Data Foundations Programme which was developed in collaboration with Pluralsight. We will also be adding Degreed to our LTE. This will enhance our colleague learning experience by connecting them to diverse and specifically curated content and other colleagues and their learning experiences.

A key development was the roll out of **unconscious bias** workshops. The sessions were designed to raise awareness of the mental shortcuts, often based on race and gender, that lead to snap judgments about people's talents or character.

In FY22 we ran **21 Pan Africa Leadership Centres** including 11 development centres (attended by 64 colleagues from South Africa) and 10 assessment centres (attended by 52 colleagues from South Africa). An invitation to participate in a Pan Africa Leadership Centre reflects a significant milestone in the careers of our senior colleagues. The centres provide candidates with an opportunity to demonstrate their leadership competencies and to then receive constructive feedback to facilitate their career development and to prepare them to take on more senior leadership roles.

Other ongoing development initiatives include:

- Creating awareness of how colleagues can achieve their firm, function and individual goals through the **PD (Performance Development) like a Pro** series
- Leveraging the **Leadership Assessment Centre (LAC)** in the promotion process from Senior Manager to Associate Director. Performance is assessed against KPMG South Africa's Everyone a Leader competency framework, aligned to our values
- Using the **360-feedback** tool to gather feedback on individual behaviour at leadership level.

Developing future talent

We contribute to the development of **future leaders** in the auditing profession by attracting and developing talented individuals and through participating in the South African Institute of Chartered Accountants' (SAICA's) training programme and the IRBA's Audit Development Programme (ADP). As a result of the low pass rate during the 2020 APC examinations (exams), KPMG launched the Assessment of Professional Competence (APC) 'Boost' programme during 2021 to provide additional support to our APC candidates. This boosted the results of the 2021 APC exam – 78% against the SAICA overall average of 72%. The January 2022 ITC exam resulted in one KPMG candidate obtaining honours and being placed in the top five of the ITC students.

The table below compares the overall KPMG and SAICA pass rates in the SAICA APC and Initial Test of Competence (ITC) exams. As the table indicates, the KPMG overall pass rate continues to exceed the SAICA national averages for the APC and both sittings of the ITC exams. We support our trainees in their preparations for these important board exams through close monitoring by a dedicated support team, a choice of approved ITC board courses or APC professional programmes, generous approved study leave policies, providing additional external confidential coaching support. Various other internal initiatives to support these trainees to study and work at the same time and to broaden their exposure across the competencies for the exams.

The ITC January pass rate highlights the success of our selective approach for recruiting students at university into KPMG South Africa.

ITC and APC pass rates FY21 and FY22

Exam	KPMG overall pass rate	National overall pass rate
November APC 2021 (including the APC re-write)	78%	72%
January ITC 2022	76%	59%
June ITC 2022	32%	25%

Remunerating fairly

Remuneration is an important part of retention. For colleagues, our salary ranges are updated annually using independent salary surveys and recruitment agency data. At each review period, we track our position against the salary scales/market data to ensure that we continue to make progress when compared to the prior year, in line with our reward philosophy.

When considering partner remuneration, we have a reward model that comprises drivers and principles, a reward structure based on partner accountability, performance assessment and the governance and timing of reward decisions. These factors, together with individual skills and experience, ensure partners' roles and performance are appropriately recognised and rewarded. Where promotions take place, the remuneration is reviewed in line with the remuneration band at the next role profile level as set for the relevant financial year.

Gender and racial pay parity

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

Our approach to promotion and progression aims to ensure that a diverse group of talent progresses through KPMG South Africa. Given that this is an ongoing journey, the full impact of this approach will take time to show in our data. An analysis of our racial and gender pay parity is as follows:

White Generic: Black Generic

Partner Level	FY22	FY21
A	6%	1%
B	6%	2%
C	-5%*	-4%*

*A negative gap indicates that, on average, African, Coloured and Indian partners earn more than White and Other partners at the C level

Male: Female

Partner Level	FY22	FY21
A	1%	0%
B	5%	11%
C	12%	15%

Our gender 'pay gap' and our ethnicity 'pay gap' differentials across the categories we monitor are calculated as the average remuneration of partners at each partner level. The figures shown in the tables above are linked to the partner demographics, partner promotions to the next level and the new partner appointments. We continue to focus on redressing this imbalance.

Remuneration disclosure

Partner earnings, before tax, as set out in the table below, are disclosed based on actual performance relating to the earnings of the specific financial year. In accordance with the average earnings, the differential pertains to the relative leadership responsibilities and experience of the partners.

Remuneration: Partners

	FY22 (range)	FY21 (range)
Partners*	R2.1 million – R5.4 million	R2.1 million – R5.2 million

*Excluding the executive management and KPMG members from outside South Africa

Remuneration: Executive management and independent non-executive Policy Board members

	FY22 (average)	FY21 (average)
Executive management	R4.7 million	R4.7 million
Independent non-executive Policy Board members	R2.9 million	R2.7 million

Executive management are Policy Board and Executive Committee Members, excluding our Non-Executive Members and Chairperson

Transformation

We uphold both the spirit and letter of the law in our efforts to transform and contribute to a better world. We recognise that transformation is not all about numbers, but rather about making a real difference and driving positive change. We have now developed a policy to drive a more aggressive transformation and inclusion strategy. This included more engagement with leaders and recruitment stakeholders, as well as training to promote awareness, manage risks and mitigate biases in hiring practices. In addition, we have implemented a more rigorous approach to monitor the achievement of targets through various governance structures including transformation committees at each function and an employment equity consultative forum.

Our level 1 B-BBEE rating in FY22 reflected a steady improvement with 33,42% black ownership (FY21: 30,96%). We maintained our level 1 B-BBEE rating in FY22 and we continue to actively promote transformation by ensuring our workforce is representative of South Africa's demographics. Each year we make a significant investment in the development of our people by ensuring access to a wide range of learning opportunities that include leadership training, graduate and internship programmes, bursaries and learnerships – including our renewed commitment and investment in 45 disability learnerships.

Our transformation initiatives are both internally and externally focused. Externally, we engage in activities to transform the communities in which we operate, by diversifying our supply chain and growing enterprises, providing funding for projects, and through our corporate social investment initiatives. As indicated, our B-BBEE scorecard is improving steadily. Notably, our black female representation percentage increased to 13,47% from 12,80% in FY21.

Our black ownership score reflects a y-o-y increase of 2.46% and despite a decline in the management control score, we performed well in relation to peer averages, achieving a score of 13,81% for management control – ahead of the 12,93% peer average score.

Elements	KPMG South Africa score FY22	Average peer score FY22	KPMG FY21 score
Ownership score	25	24.59	24.7
Management control	13.81	12.93	14.83
Skills development	19.36	19.59	18.83
Enterprise % supplier development	40.65	41.68	37.46
Socio-economic development	5	5	5
Total	103.82	103.80	100.82
Black ownership	33.42%	38.48%	30.96%
Black female representation	13.47%	14.11%	12.80%

Talent by ethnicity

As indicated in the table below, black partners increased from 34% in FY21 to 37% in FY22 and the representation of permanent black colleagues improved from 61% in FY21 to 66% in FY22. This was the result of more focused recruitment and retention efforts and an improvement in the availability of skills at the experienced levels. At the graduate level, the war for talent as well as a narrower pool of black candidates resulted in the same percentage of black trainees as in FY21. Overall, KPMG South Africa reflected an increase of 3% in black colleagues.

	FY22			FY21		
	African, Coloured, Indian	White	Other	African, Coloured, Indian	White	Other
Partners	37%	60%	3%	34%	61%	5%
Permanent colleagues	66%	31%	3%	61%	35%	4%
Graduate trainees	74%	25%	1%	74%	25%	1%
Total	67%	31%	2%	64%	33%	3%

Total column percentages represent proportion of ethnicity to total employee base

In FY22, we admitted six new partners through internal promotions (one African female, one White female, one White male and three Indian males). Two African male partners were appointed through our external recruitment process. The increase in both black and female partners is significant.

Talent by gender

Female partners increased by 2% to 37% and female colleagues by 1% to 62% when compared to FY21. The growing war for talent and fierce competition with other professional services firms continue to be a challenge, particularly as we look to attract the right demographics to KPMG South Africa.

	FY22		FY21	
	Female	Male	Female	Male
Partners	36.6%	63.4%	35.1%	64.9%
Permanent colleagues	61.8%	38.2%	61.4%	38.6%
Graduate trainees	51.6%	48.4%	51.2%	48.8%
Total	56.0%	44.0%	55.6%	44.4%

Total column percentages represent proportion of employment category to total employee base

Looking forward

Our strategic priorities and objective for transformation have been approved by our leadership and governance forums and include:

- Promoting a culture of inclusion and trust through education, communication and engagement
- Raising the profile of KPMG South Africa internally as a transforming, diverse and inclusive professional services firm
- Developing and driving plans to improve the representation of under-represented groups (namely Africans, Coloureds, women and people with disabilities) at all levels in KPMG South Africa, especially at leadership levels
- Advancing South Africa's transformation agenda by driving a proactive B-BBEE strategy to create value and make a difference to KPMG's people and the communities we serve
- Mobilising our people to take a stand against GBV and working collaboratively to end it.

Our people strategy will continue to focus on:

- The personal enablement of our people which includes mentoring and coaching
- Continuing with Performance Development with a 'growth' mindset with quality conversations, embedded as part of our culture
- Contributing to the growth of KPMG South Africa by attracting and retaining top, diverse talent
- Driving a culture of work/ life balance and supporting our people's wellbeing through our wellbeing strategy and our agile working approach to enhance their work experience.

Technology & innovation in everything we do

Profiling our leaders: **Lebogang Jantjies**, Director, Digital Consulting

"I chose to join KPMG because I followed the process that KPMG South Africa has been going through taking accountability of the past and crafting a corrective plan of action. This for me illustrated courageous and accountable leadership, that I would like to be a part of. The actions taken in addressing legacy issues have changed how the market perceives KPMG South Africa which to me indicates growth opportunities of which I would like to be part.

"South Africa is one of the most unequal societies in the world. KPMG'S prioritisation of SDG4: Quality Education, SDG8: Decent Work and Economic Growth and SDG9: Industry, Innovation and Infrastructure will contribute to addressing the critical challenge of high unemployment rate in the country and ensure suitable economic growth. In addition, KPMG South Africa's adherence to governance independence requirements, quality standards and quality is helping to building strong institutions (SDG16: Peace, Justice and Strong Institutions) and ensure public trust."



Overview

Our business is dependent on information technology solutions (ITS) that support operations and promote a symbiosis between data integration and decision making. KPMG South Africa operates a fully integrated practice management system underpinned by an increasingly cloud-based, integrated Oracle and Microsoft platform. The ITS BU supports the hardware needs of colleagues, the ongoing maintenance and data integration, as well as spearheading the customisation and development of software used to drive business practice.

The Chief Information & Digital Officer engages in long-term planning for KPMG South Africa's new initiatives and collaborates with other member firms to ensure that we are abreast of new developments both internally and within the wider market. It is a strategic imperative to create IT as a business enabler and to drive a digital-focused operation.

We achieve this by:

- Creating virtual environments for **technology experimentation** with analytics, automation, and cloud platforms in an **isolated and safe space**
- Providing access to **global technology training** courses and **certifications** from **accredited providers** in analytics, automation, and cloud platforms
- Promoting knowledge sharing through thought leadership, knowledge sharing sessions and expert consultations on **practical technological implementations**
- **Implementing first-hand interactions** with emerging technologies such as the metaverse, Artificial Intelligence (AI), and Augmented Reality (AR).

Key developments in FY22

Our work to embrace technology and innovation in everything we do in FY22 is set out below.

- KPMG South Africa was onboarded as a **Global Elite segment partner with ServiceNow**, a global KPMG IT platform focused on transforming our clients' digital processes. This has enabled us to leverage the Now® Platform which enables the automation of complex workflows and delivery of superior services while providing ongoing operational support and driving greater productivity
- For the second year running we held the KPMG Private Enterprise Tech Innovator in Africa competition which was judged by both industry and KPMG technology leaders. There were applications from 159 tech-enabled companies from across Africa. The competition, which was divided into Southern, East and West Africa regional semi-finals, to ensure widespread representation from across the continent, has been designed to identify, support, and celebrate emerging tech pioneers
- KPMG Global began to provide access to **global technology training courses and certifications** from **accredited providers** in analytics, automation, cloud platforms and more. We launched two learning platforms launched under our internal digital and data foundations programme:
 - > **Pluralsight**: cutting-edge learning on a user-friendly platform
 - > **LinkedIn Learning**: an award-winning industry leader in online training, with a digital library of over 17 000 courses
- Migration to **SharePoint online via One Intranet**.

Our people's user-experience is the key to successfully unlocking the Digital Workplace. One Intranet has helped to redesign and simplify our intranet environment as we migrated from the former SharePoint 2013 product to SharePoint Online. One Intranet made the move to SharePoint Online easier by:

- Creating a modern and intuitive user-experience
- Enabling SharePoint Online to have a KPMG look and feel
- Seamlessly integrating across M365 products
- Helping to build the digital workplace of the future.

KPMG Southern Africa's One Intranet platform caters for seven KPMG member firms across the region. Content is tagged according to a common taxonomy allowing content to be easily searchable.

Looking forward

In November 2022, KPMG launched the partner-led technology Innovation Challenge at the Southern Africa Partners' Conference. The aim of this initiative is to embed a culture of innovation, improve internal processes, infrastructure and platforms and co-create solutions for business problems that our clients are facing. An Innovation Challenge will officially kick-off in March 2023, whereafter partners and their teams will present their ideas to a technology-led panel.

Sustainable, profitable growth

Profiling our leaders: Ron Stuart, Executive Director

“In common with most businesses, KPMG South Africa is focused on profitable growth, but the difference is that we emphasise ‘sustainable’ growth in line with our commitment to SDG8: Decent Work and Economic Growth. Our increasing focus on internal ESG issues is detailed throughout this report and our ESG expertise holds significant opportunities for our firm and our clients, given that sustainable investing in its current form has recently experienced considerable market momentum. This has driven large inflows into ESG-focused products, resulting in an average compounded annual growth rate (CAGR) of 27% in global assets under management (AUM) over the last six years. Bloomberg Intelligence predicts that by 2025, more than a third of the projected US\$140.5 trillion of global AUM will be sustainable investing assets.

“Asset managers are racing to address market demand but continue to face challenges related to evolving regulatory and reporting frameworks, lack of foundational infrastructure needed to scale, as well as absence of trusted data to drive their ESG product and operational strategy. These challenges are limiting their speed-to-market capabilities.

“We can help overcome these challenges by aligning our clients’ ESG strategy to their key differentiators, client segment and geographical footprint; helping them prepare for evolving regulatory and reporting requirements and establishing foundations that drive true long-term commitments to ESG practices.”



Overview

While our simple but bold global ambition – to be the most trusted and trustworthy professional services firm, and to use that trust to gain 2% market share across each of our markets – was drafted some years ago, it continues to be the compass by which we operate. This was highlighted by exceptional performance in the year under review.

Key developments in FY22

KPMG South Africa continued the trajectory of solid performance established in FY21. Revenue growth was an exceptional 17% and Audit, Advisory and Tax & Legal all separately achieving growth of more than 10% growth on their top line. This is even more gratifying when considering the uncertainty in international markets and the challenging operating environment.

Notably, there was significant improvement in market penetration in the financial services sector which demonstrated growth of 34%. This was created through the important listed banks and insurers that appointed KPMG in line with MAFR. In addition, increased product offerings and cross-functional engagements and marketing of products and services to key industries to identify nascent opportunities, also spurred growth.

KPMG South Africa continues to integrate with the wider-southern African region and there was a significant amount of spend in the current year to expand practice management systems as well as provide financial and human resource support to countries in the region.

Revenue overview

Revenue from top 20 clients (% of total FY22 revenue)	Revenue from new clients (% of total FY22 revenue)	MAFR wins (Total audit fee value of MAFR wins announced in FY22)
41% of revenue	5,2%	R190 million in combined MAFR wins

Our sectoral approach

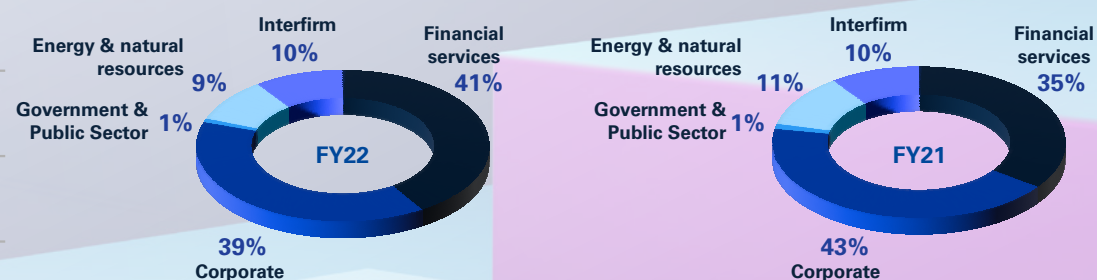
We go to market by sector, focusing on five core sectors as indicated in the pie chart below. Our aim is to be recognised as the leading voice and provider in these sectors. Our sector leaders are responsible for driving our growth strategies across various Priority Accounts identified within the sector. Each Priority Account has a dedicated lead partner charged with implementing an account strategy developed in consultation with the entire client service team.

Sector performance

Financial services sector revenue growth of 34% supported by corporate sector revenue growth of 8% contributed 79% of KPMG South Africa's revenue.

	FY22 (Rm)	FY21 (Rm)	Growth rate
Financial services	R836	R621	35%
Corporate	R813	R751	8%
Government & Public Sector	R26	R25	4%
Energy & natural resources	R185	R201	8%
Interfirm	R205	R171	20%

Sector contribution to firmwide revenue



Gross revenue

	FY22	FY21
Revenue	R2 231 million	R1 903 million
Y-o-y growth	17%	1.5%

Net revenue (R'000)

	FY22	% change	FY21
Audit*	1 010 771	16%	871 749
Advisory	737 929	20%	617 280
Tax	316 083	13%	280 688
Total	2 064 783	17%	1 769 697

*Audit revenue excludes fees attributed to our specialists in Advisory and Tax & Legal who support Audit amounting to R228 million in FY22

Gross revenue reflects revenue invoiced to the market, including disbursements and other third-party costs, excluding VAT.

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

Operating costs (R'000)

	FY22	FY21
Operating costs	774 527	656 678
Interest	27 794	37 454
Total operating costs	802 321	694 132
Total operating cost increase / (decrease) (y-o-y)	15.6%	-6%
Total operating cost as a % of gross revenue	36%	36%

The COVID-19 crisis and associated lockdowns presented opportunities to reduce discretionary spend and costs relating to occupancy. These were slowly tapered back to a new normal. In line with cost control measures, but also to reduce our carbon footprint

Looking forward

The volume of MAFR audit proposals is expected to decrease substantially after 2023.

Against this backdrop, our clients and markets team will be ramping up their support in the Advisory areas of our business and showcasing our service offerings across all our chosen sectors and regions.



Stakeholder engagement



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

People



Profile/response	Methods of engagement	Key concerns and expectations	Our response
Partners Colleagues Alumni	<ul style="list-style-type: none"> Transparent Times (TT), an internal publication Ethics training Colleague 'Connect' sessions Colleague communications (e-mails, on-screen-popup messaging) Social Media communication – Facebook, Twitter, LinkedIn and Instagram BU meetings Culture, ethics and support workshops Wellbeing sessions Annual Global People Survey (GPS) Pulse Surveys Counselling and career development/ performance management Weekly CEO newsletter Participation in Ethics Hour Annual ethics workshop 	<ul style="list-style-type: none"> Time and resource pressure Need for transparency and speed at which information is cascaded to colleagues Job security, promising future and career plans Strong leadership and clear strategy, with accountability, and aligned culture Diversity Public interest and values-driven organisation Remuneration and incentives/ accountability aligned with market and strategic key performance indicators 	<ul style="list-style-type: none"> Three editions of the TT published, covering general ethics topics, ethics in KPMG and ethics in the profession 1 535 KPMG South Africa colleagues attended the annual ethics workshops Pressure scenario in the annual ethics training, requiring attendees to demonstrate moral sensitivity and apply moral reasoning to stress situations Revised Performance Development approach Ethics workshops and engagements 45 disability learnerships Networks include a disability network, a GBV support group, KNOW (our women network), Pride – our LGBTQ+ network and Tswelope which provides support and assistance to young black professionals Holistic wellbeing strategy in place Volunteering programme enable our people to participate in social investment activities, promoting colleague engagement and an enhanced sense of purpose Annual Global People Survey central and BU specific action plans Formal online recognition scheme (BlueBucks) Bi-annual newsletter targeted at our broader alumni group

Clients



Profile/response	Methods of engagement	Key concerns and expectations	Our response
<ul style="list-style-type: none"> • South African global businesses • Local businesses ranging from SMEs and family businesses to large enterprises • Private equity • Public sector • Global Multinational businesses 	<ul style="list-style-type: none"> • Senior management meetings to update on supplier performance and delivery governance • Audit committee meetings and formal presentations • Update letters and external reports • Dissemination of thought leadership • Industry forums • Client satisfaction surveys • Industry focused webinars and Thought Leadership events • Leadership meetings with public sector 	<ul style="list-style-type: none"> • Commitment to being the most trusted and trustworthy • Value added at a project level • Impact on public trust on stakeholder relationships • INEMs engagements with stakeholders • Brand acceptance in the market and public sector specifically • Understanding market drivers, including civil society expectations, regulatory changes and technology disruptions • Regular and transparent communication • Continuity of client service teams • Remaining relevant in the market in a multidisciplinary way, despite staffing constraints 	<ul style="list-style-type: none"> • Regular client meetings by engagement partners and senior leadership • Deploy leading-edge technology solutions • Develop client-centric strategies that are validated with our clients to achieve their objectives • Build effective relationship through dedicated client service teams and participate in engagement/opportunity debriefs through focused account plans that are aligned with our clients • Tax & Legal alerts on hot topics and key amendments issued to clients • Monitor our market profile through effective social media listening tools • Segmented and targeted client portfolio plan • Cross-functional collaboration to provide competitive solutions within regulatory frameworks • Technological innovation and sector expertise through global connectivity • Webinars and virtual events • Our Thought Leadership articles focused on various themes like ESG, Transfer Pricing, Financial Action Task Force (FATF) and cyber security. In addition, KPMG South Africa also published the annual KPMG Insurance Survey, The Ten Key Regulatory Challenges for 2022 and the South African edition of KPMG's CEO Outlook (in collaboration with BLSA) • Hosted our Annual National Budget Client Event the day after the 2022 budget speech and followed up with an updated Budget Guide for 2022-23 to keep our clients updated on all the new legislation • Our Regulatory Centre of Excellence hosted a webinar to share insights from subject matters experts into the economic and regulatory implications should South Africa be placed on the 'grey list' following the publication of the Financial Action Task Force (FATF) Mutual Evaluation Report of South Africa in 2021 • Launched a detailed report on the state of cyber security and data privacy in Africa

Regulators/professional associations



Profile/response	Methods of engagement	Key concerns and expectations	Our response
<ul style="list-style-type: none"> Independent Regulatory Board for Auditors (IRBA) Institute of internal auditors (IIA SA) Johannesburg Securities Exchange (JSE) South African Reserve Bank (SARB) South African Institute of Chartered Accountants (SAICA) 	<ul style="list-style-type: none"> Responding to formal investigations and inquiries Formal inspections and findings reports Meetings and presentations External reports 	<ul style="list-style-type: none"> Ability to deliver consistent high-quality audits, compliant with standards and regulations Upholding of professional standards, including independence and ethical conduct Market concentration with the auditing and auxiliary and professional services sector Advancing transformation within the South African context 	<ul style="list-style-type: none"> Policy Board Charter reviewed against the recommendations of the IODSA Enhancement of leadership and governance Entrenchment of quality and risk management reforms Acceleration of diversity and transformation programmes Ongoing commitment to transparency, sustainability principles and UN SDGs in external reporting Continuing to strengthen our relationships with regulators Aligning with MAFR in South Africa

Government



Profile/response	Methods of engagement	Key concerns and expectations	Our response
<ul style="list-style-type: none"> SARB SARS 	<ul style="list-style-type: none"> Formal meetings, presentations and engagements One-on-one meetings, and engagements Ongoing updates of thought leadership reports 	<ul style="list-style-type: none"> Update on legacy issues and analysis of the primary causes of underlying issues Queries about KPMG South Africa's professional standards and ethics in nature and quality of work Details about the audit quality on work performed on behalf of Auditor General's office Status of legacy issue 	<ul style="list-style-type: none"> Drew a line and established a legacy period Undertook a primary root cause analysis, investigated all identified issues concerning KPMG South Africa Coherent and extensive stakeholder engagement programme Internal emphasis on values KPMGI oversight including Policy Board level oversight, reporting and governance reforms Pre-issuance reviews, including enhanced QPRs and regulatory compliance reviews (IRBA, JSE)

Business associations



Profile/response	Methods of engagement	Key concerns and expectations	Our response
<ul style="list-style-type: none"> ACF (Audit Committee Forum) Business 4 South Africa (B4SA) Business Unity South Africa (BUSA) Business Leadership South Africa (BLSA) Black Management Forum (BMF) Banking Association South Africa (BASA) Association for the Advancement of Black Accountants of Southern Africa (ABASA) African Woman Chartered Accountants (AWCA) Institute of Directors SA (IoDSA) Institutional investors SAAPTI (South African Auditing Profession Trust Initiative) CFO Forum British Chamber of Commerce 	<ul style="list-style-type: none"> Pro-bono work Meetings and presentations Written correspondence (Update letters and reports) External reporting 	<ul style="list-style-type: none"> Zero-tolerance approach to corruption Ability to deliver consistently high-quality audits, compliant with standards and regulations Upholding of professional standards, including independence and ethical behaviour Advancing transformation within South African context Highest possible ethical standards Sharing lessons learnt with wider business community Participating in the various enquiries and investigations Supporting a campaign to pay small, medium and micro enterprises (SMMEs) in 30 days 	<ul style="list-style-type: none"> We are the voluntary sponsor of the ACF and provide our senior resources pro bono to help set the agenda for and run the ACF in conjunction with IODSA. We also development and distribute guidance for audit committee members across the country We are the voluntary sponsor of the CFO Forum in conjunction with SAICA

Society



Profile/response	Methods of engagement	Key concerns and expectations	Our response
<ul style="list-style-type: none"> Social justice institutions Anti-corruption and ethical leadership organisations Non-profit organisations Faith-based communities Media Political stakeholders General public Environmental organisations like WWF and the Alliance for Climate Action 	<ul style="list-style-type: none"> Civil Society Community Response and Recovery Forum and working groups Media interviews Press releases/briefings Memberships 	<ul style="list-style-type: none"> Entrepreneurial development Transparency and continued accountability Commitment to ethical and authentic reform Demonstrable cultural shift towards a public interest centric organisation Responsiveness to societal concerns, especially because of the COVID-19 pandemic KPMG's role in broader professional reform Resource scarcity and climate change 	<ul style="list-style-type: none"> Refer to Our Impact Plan, pages 15 – 19



Our risks and opportunities

Determining material matters

We apply a double materiality lens, considering capital markets, as well as the impact of our activities on society and the planet – and how these affect our ability to create value over the short, medium and long term. Implementation of our enterprise risk management (ERM) policy and framework continues to mature. Our strategic risk register is underpinned by our Dynamic Risk Assessment (DRA) solution. Inherent and residual risk status, controls and mitigating actions, are reported on throughout the year to the Risk, Quality and Compliance Committee. This oversight has been strengthened by completing bottom-up or functional risk workshops and developing risk registers that merge our strategic responses to operational matters. Through the DRA process, we have identified five key risk clusters:

- **Public trust and reputation:** Public trust (market permission), brand/reputation and financial strength, all of which are highly interconnected
- **Conduct, culture and quality:** This confirms our strategic focus on building an ethical culture, implementing our audit quality plan and revitalising our people-related policies and practices
- **People and transformation:** We combine these two risk clusters as they are strongly interlinked and validate our focus on looking after our people and implementing our transformation strategy
- **Future role of technology:** This risk cluster illustrates the interconnectedness of our technology, people, strategy and financial strength risks.

The release of an enterprise risk management (ERM) process handbook by the global quality and risk management team has enabled the standardisation of ERM practices across the region.

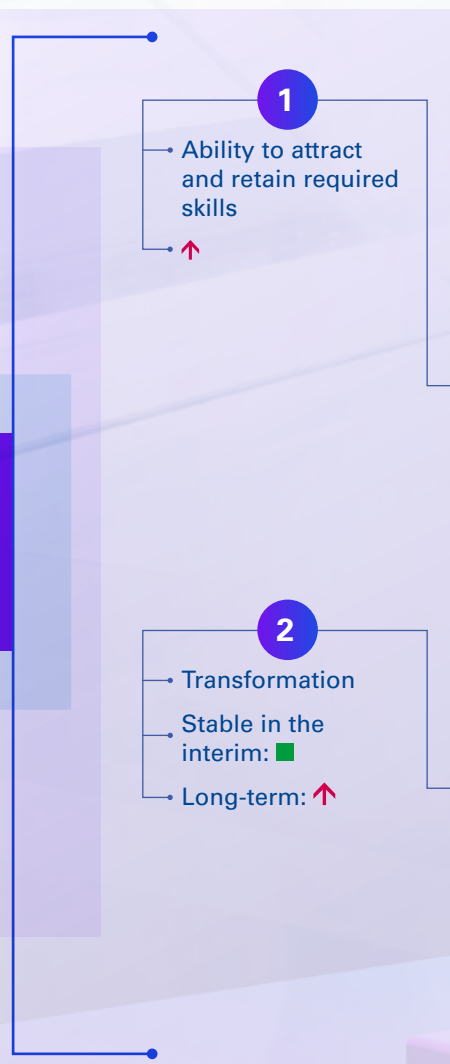
Linking our risks and opportunities to our strategic responses

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

Note: The risk number indicates the ranking

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

Risk and risk trend



Opportunity

Our response

Find compelling reasons to attract and retain the desired talent which is no longer interested in remaining in the profession, due to the nature of audit work and strong competing markets for digital and other skillsets

- + Graduate recruitment strategy and team established, and appropriate budget allocated
- + Competitive remuneration offered at entry
- + Bursary, internal referrals and Emerging Leader programmes
- + Integrated talent development plan implemented and monitored quarterly by the Policy Board
- + Induction, onboarding and exit interview programmes strengthened

Achieving our transformation strategy, targets and objectives could enhance reputation and increase positive perceptions with key stakeholders (e.g., clients, our people, the market, oversight bodies and the public)

- + Refreshed Transformation Policy to mitigate discrimination related risks
- + Recruitment of black partners and talent through a more forceful approach
- + 50:50 black/white partner admission policy and 60:40 Associate Director admission policy implemented
- + Enhanced preferential procurement policy and process, supplier development action plan implemented for under-represented groups

Alignment with KPMG's Values

Excellence
We never stop learning and improving.



Extraordinary people enabled through culture

Integrity
We do what is right.

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

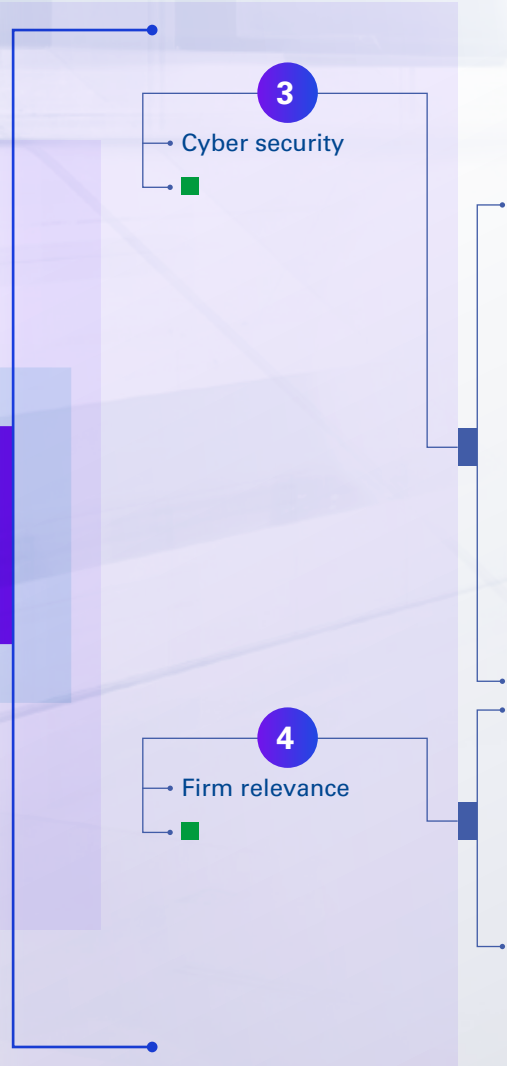


Extraordinary people enabled through culture



Alignment with the UN SDGs

Risk and risk trend



Opportunity

Protect confidential client and personal data from cyber-attacks or failures of internal controls

Ensure our behaviour fully acknowledges the public-interest nature of our work and rebuilds public trust

Our response

- + Implemented information security, acceptable use, data protection and privacy, records retention policies together with information security technical standards and guidelines
- + Established dedicated privacy specialist and regional information security teams
- + Information security and privacy training in place
- + 24/7 dedicated global security operation centre up and running
- + Data governance oversight committee in place
- + Annual disaster recovery testing conducted on all critical systems
- + Cloud Computing Policy and Security Standard implemented

- + Public engagement programme
- + Ongoing communications, messaging and reporting
- + Corporate citizenship and civil society programme
- + Stakeholder and citizenship initiatives
- + Engagement with IRBA on remediation plans

Alignment with KPMG's Values

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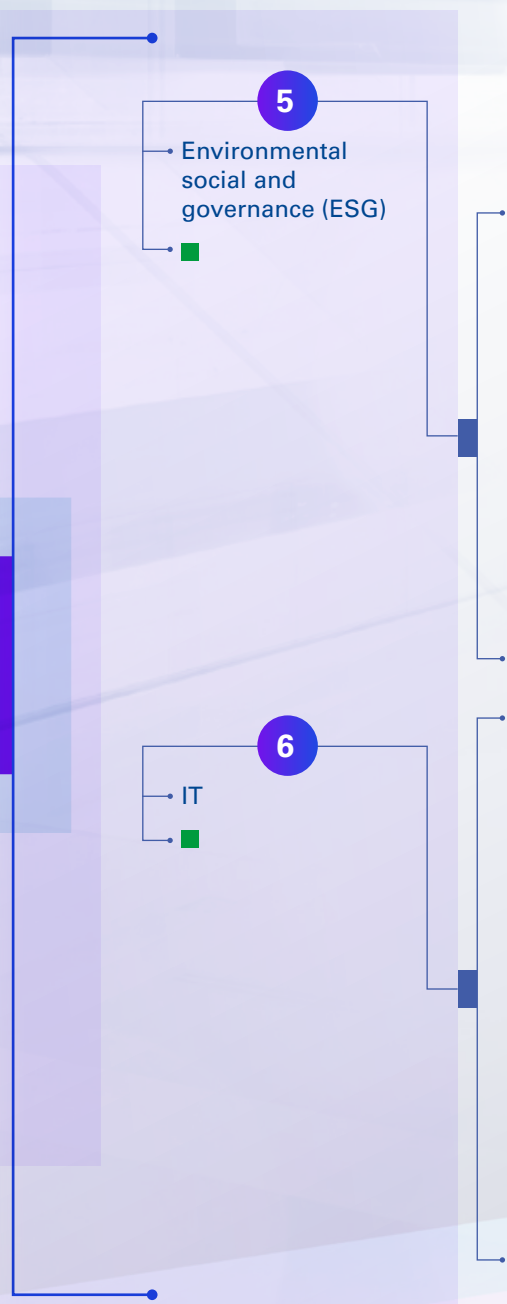
Technology & innovation in everything we do

Integrity
We do what is right.

Sustainable, profitable growth



Risk and risk trend



Opportunity

Stakeholders' expectations are that we will achieve our environmental, social and governance objectives and manage our ESG risks

Our response

- + Developed climate change policy
- + Participated in the Alliance for Climate Action
- + Implemented climate change awareness drive amongst all staff
- + Updated procurement and supply chain policies
- + Leveraged impact plan
- + Sensitive client practices policy developed

A sound technology infrastructure supports firm-wide operational requirements

- + Next generation firewalls with advanced threat protect
- + Microsoft Defender advanced threat protection on workstations
- + Microsoft Defender endpoint implementation on all Windows servers
- + External and internal vulnerability management
- + Patch management and anti-virus systems
- + Workstation and external drive encryption
- + Centralised server audit log solution
- + SafeSend email solution
- + Annual network penetration testing of external facing infrastructure
- + Disaster recovery plan and infrastructure

Alignment with KPMG's Values

For Better
We do what matters.



Exceptional service and quality

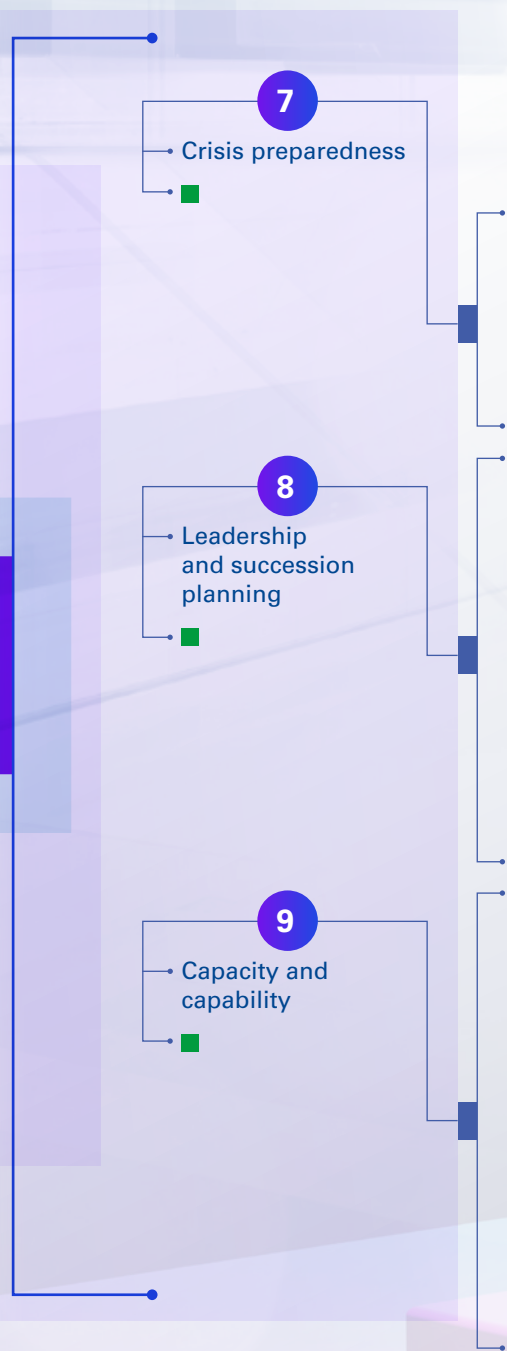
Excellence
We never stop learning and improving.



Technology & innovation in everything we do

Alignment with the UN SDGs

Risk and risk trend



Opportunity

Our response

Preparedness to deal with a sudden and significant negative event – such as a pandemic

- + Regular financial forecasting and scenario analysis
- + Business continuity and disaster recovery plans, including crisis management and crisis communication have been established

Maintain succession planning and effectively invest and empower leadership across the business to ensure development for key roles

- + Partners Matters team established with clear mandate
- + Partner attrition monitoring and regular partner meetings
- + Lead Partner succession planning roll-out with focus on transformation
- + Exco succession planning in place
- + Accelerated development through the Emerging Leader programme
- + Ongoing review of partner skills and capabilities mix in-line with growth and ambition

Manage the appropriate level of resources for the volume and skillsets needed to execute, deliver and meet client expectations

- + Monitoring of retention statistics
- + Roll out of the revised Learning & Development framework which incorporates new ways of working such as virtual learning platforms
- + Performance development system implemented and performance development conversations embedded as part of our culture
- + Talent development and staff engagement programme
- + Reward and recognition scheme implemented
- + Partner remuneration scheme implemented
- + Chief Learning Officer (CLO) appointed

Alignment with KPMG's Values

Courage
We think and act boldly

Exceptional service and quality

Excellence
We never stop learning and improving.

Extraordinary people enabled through culture

Excellence
We never stop learning and improving.

Sustainable, profitable growth

Exceptional service and quality

Extraordinary people enabled through culture

8 DECENT WORK AND ECONOMIC GROWTH

Financial capital

8 DECENT WORK AND ECONOMIC GROWTH

Human capital

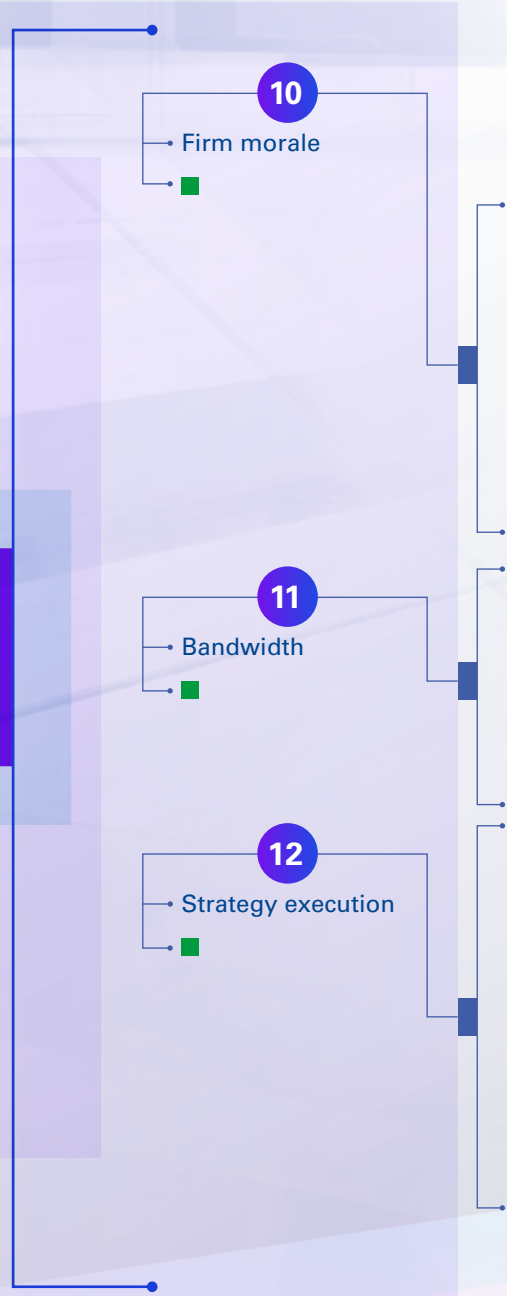
8 DECENT WORK AND ECONOMIC GROWTH

Human capital

Intellectual capital

Alignment with the UN SDGs

Risk and risk trend



Opportunity

Our response

Develop and maintain positive partner and professional engagement and wellbeing levels

- + Regular staff 'Connect' sessions and departmental / BU meetings
- + Counselling process
- + Enhanced workplace environment
- + Colleague Business Forum (CBF)
- + Increased emphasis on wellbeing and a more agile approach to career progression and work life blend
- + New ways of working in line with 'new reality'

Manage the capacity of key leaders due to greater complexity of the business and increasing day-to-day responsibilities to enhance bench strength

- + New organisational structure and Exco
- + Succession planning:
 - > Exco and Policy Board
 - > Chair: Engagement for succession in progress
 - > CEO: On the Exco and Policy Board agenda

Ability to design and execute successfully on KPMG South Africa's strategic initiatives within planned timescales

- + Approved strategy revisited annually to ensure alignment to business requirements
- + Strategic KPIs set and monitored on a regular basis
- + Achievement of strategy publicly reported on in annual integrated report

Alignment with KPMG's Values

Integrity
We do what is right.

Exceptional service and quality

Excellence
We never stop learning and improving.

Extraordinary people enabled through culture

Excellence
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Sustainable, profitable growth

8 DECENT WORK AND ECONOMIC GROWTH

Human capital

8 DECENT WORK AND ECONOMIC GROWTH

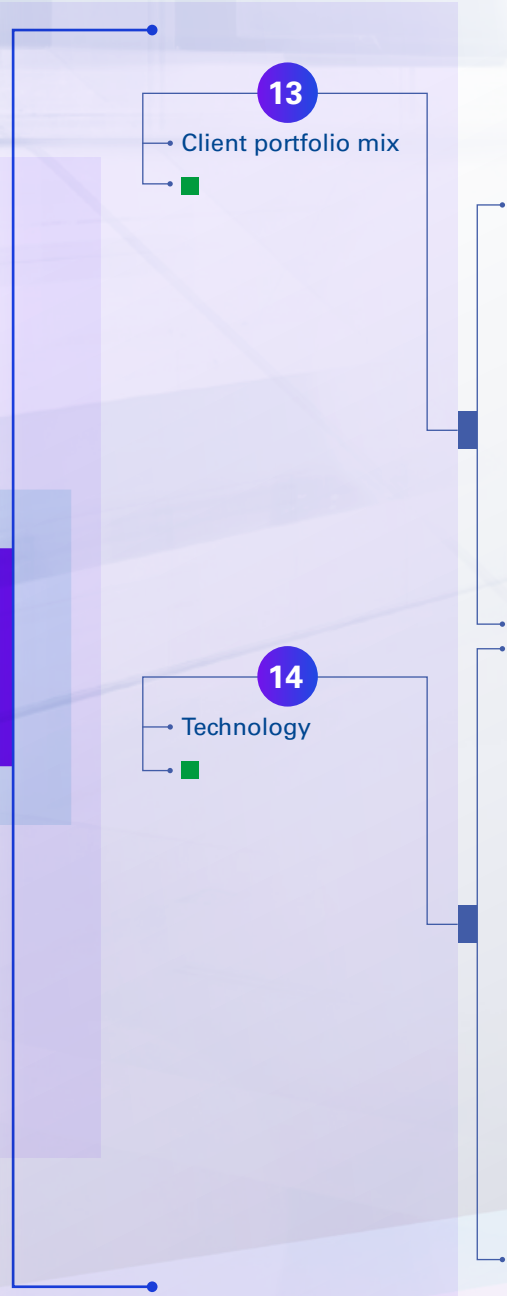
Human capital

8 DECENT WORK AND ECONOMIC GROWTH

Human capital
Intellectual capital
Financial capital

Alignment with the UN SDGs

Risk and risk trend



Opportunity

Optimise our desired client portfolio mix (including audit vs. non-audit)

Our response

- + Ongoing game changer programme
- + Sector MAFR plan (where appropriate, e.g., Banking)
- + Formal pursuits processes on major audit opportunities
- + Enhanced focus on transition plans from audit to non-audit
- + Work towards a 2% market growth as part of the global ambition strategy

Effectively design, execute and implement a technology strategy to make KPMG South Africa more efficient, effective, and competitive

- + CIO and National Information Technology Security Officer
- + Technology sub-units housed within functions and skilled technical team to support, maintain and develop internal systems
- + **Risk Policy** – review technology solutions prior to deployment
- + **Audit** – CLARA roll out in line with global coverage
- + **Advisory** – service offering accreditation process; rolled out Powered Solutions (a set of solutions taking leading technology and operating models to create a redesigned business function, based on best practice), Customer Relationship Management and ServiceNow
- + **Tax & Legal** – link with Advisory technology team, EMA and Tax Re-imagined initiatives

Alignment with KPMG's Values

Integrity
We do what is right.

Excellence
We never stop learning and improving.

Exceptional service and quality

Sustainable, profitable growth

Excellence
We never stop learning and improving.

Exceptional service and quality

Technology & innovation in everything we do

Sustainable, profitable growth

Alignment with the UN SDGs

8 DECENT WORK AND ECONOMIC GROWTH

Human capital

Intellectual capital

Social and relationship capital

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Intellectual capital



Governance

Policy Board mandate

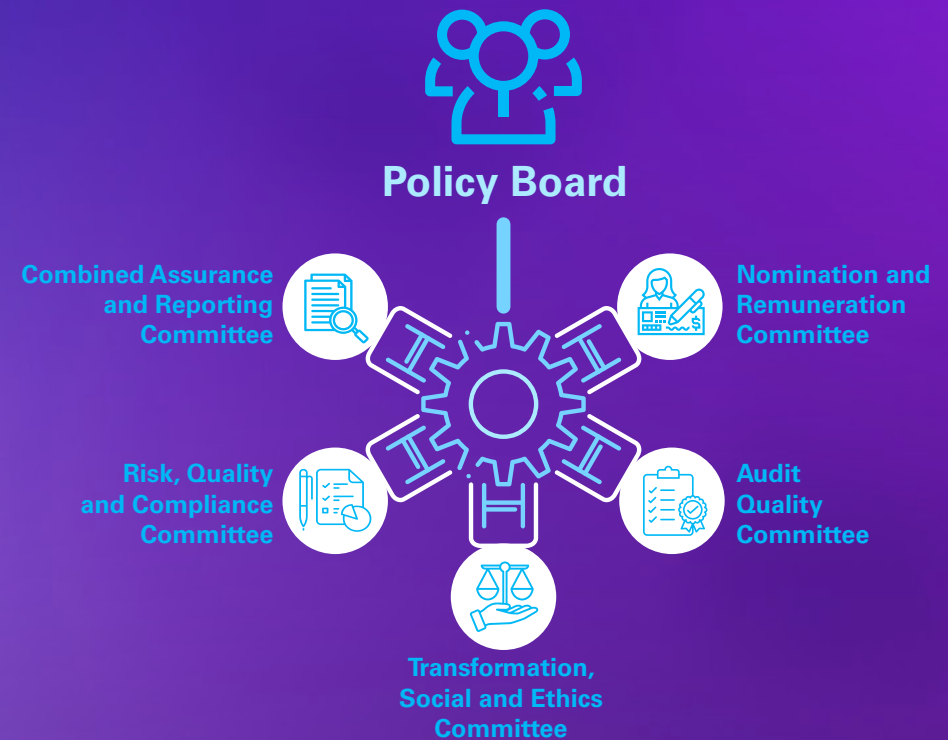
The Policy Board acts as the focal point of governance for KPMG South Africa and assumes accountability both for enterprise value and ESG issues.

The Policy Board's responsibilities include:

- Steering the KPMG South Africa and setting its strategic direction
- Approving policy and planning to give effect to the direction set
- Overseeing and monitoring implementation and execution of the strategy and planning
- Ensuring accountability for performance including through reporting and disclosure.

The various committees reporting to the Policy Board are set out in the following diagram.

In May 2022, the Transformation Oversight Committee and the Public Interest, Social and Ethics Committee was reconstituted into the Transformation, Social and Ethics Committee.³



Policy Board composition

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

There are three independent non-executive members, two Executive Directors and six partner elected members. Pierre Fourie and Brenda Jajula were elected by the partners effective 1 October 2021 and Mohammed Hassan resigned on 30 September 2021.

³'Transformation' in this context means striving towards a KPMG South Africa which reflects the reality of the race and gender demographics of the South African population in the composition of its ownership, management, staff, procurement and enterprise and skills development.

Policy Board and sub-committee meeting attendance

Attendance register at Policy Board and sub-committee meetings from 1 October 2021 to 30 September 2022																
	Policy Board		Combined Assurance and Reporting Committee		Risk, Quality and Compliance Committee		Public Interest, Social & Ethics Committee		Transformation Oversight Committee*		Transformation, Social and Ethics Committee*		Audit Quality Committee		Nomination and Remuneration Committee	
	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special
Total number of meetings held during the year	5	7	4	4	4	0	2	0	2	0	2	0	4	0	5	8
Chairperson	Wiseman Nkuhlu		Benjamin Marx		Ansie Ramalho		Ansie Ramalho		Zola Beseti		Ansie Ramalho		Benjamin Marx		Ansie Ramalho	
Actual attendance/possible maximum attendance of meetings																
Independent Non-Executive Members																
Wiseman Nkuhlu	5/5	7/7	4/4	4/4	4/4	0/0	2/2	0/0	1/2	0/0	1/2	0/0	4/4	0/0	5/5	8/8
Ansie Ramalho	5/5	7/7	0/0	0/0	4/4	0/0	2/2	0/0	2/2	0/0	2/2	0/0	0/0	0/0	5/5	8/8
Benjamin Marx	5/5	7/7	4/4	4/4	4/4	0/0	0/0	0/0	0/0	0/0	0/0	0/0	4/4	0/0	5/5	8/8
Elected Partners																
Zola Beseti	3/5	4/7	0/0	0/0	0/0	0/0	1/2	0/0	2/2	0/0	1/2	0/0	0/0	0/0	0/0	0/0
Giuseppina Aldrighetti	5/5	7/7	4/4	3/4	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
Coenie Basson	5/5	5/7	0/0	0/0	0/0	0/0	0/0	0/0	2/2	0/0	2/2	0/0	0/0	0/0	0/0	0/0
Kashmira Bhana	5/5	7/7	0/0	0/0	4/4	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
Brenda Jajula	5/5	7/7	4/4	4/4	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
Pierre Fourie	4/5	6/7	4/4	3/4	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
Executive Directors																
Ignatius Sehoole	5/5	5/7	4/4	3/4	3/4	0/0	2/2	0/0	2/2	0/0	2/2	0/0	4/4	0/0	4/5	5/8
Makgotso Letsitsi	5/5	7/7	0/0	0/0	0/0	0/0	2/2	0/0	2/2	0/0	2/2	0/0	0/0	0/0	5/5	8/8
KPMGI observers																
Andrew Cranston	4/5	3/7	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0

* Reconstitution of the Public Interest, Social and Ethics Committee and Transformation Oversight Committee as one committee. The inaugural meeting of the Transformation, Social and Ethics Committee took place on 23 May 2022.

Committees' purpose and responsibilities



Policy Board

Acts as the focal point of governance for KPMG South Africa and assumes accountability for its performance as well as its impact on ESG matters. The Policy Board's governance responsibilities include:

- Steering KPMG South Africa and setting its strategic direction
- Approving policy and planning to give effect to the direction set
- Overseeing and monitoring implementation and execution of the strategy and planning
- Ensuring accountability for performance by various means including reporting and disclosure



Combined Assurance and Reporting Committee

Directs and oversees that combined assurance (comprising the various assurance functions and services) results in an effective control environment and integrity of internal and external reporting



Risk, Quality and Compliance Committee

Directs and oversees the management of enterprise-wide risk to support KPMG South Africa in setting and achieving our strategic objectives. In particular, the committee directs and oversees compliance with applicable laws and non-binding codes and standards, including quality standards as they pertain to advisory and tax service delivery. The oversight of audit quality has been delegated by the Policy Board to a dedicated sub-committee with separate terms of reference (Audit Quality Committee)



Transformation, Social and Ethics Committee

Directs and oversees the transformation strategy and its outcomes within KPMG South Africa.

Ensures that the governance outcomes of having an ethical culture and legitimacy are realised in respect of KPMG South Africa by directing and overseeing:

- The cultivation of characteristics and conduct by members of the Policy Board and its sub- committees that display integrity, competence, responsibility, accountability, fairness and transparency
- That KPMG South Africa is an ethical organisation
- That KPMG South Africa is and is seen to be a responsible corporate citizen by its stakeholders and the public



Audit Quality Committee

Ensures the design, implementation and monitoring of a system of quality management within KPMG South Africa to consistently deliver quality audits, and to evaluate the effectiveness of the system annually. Oversees all audit quality matters and assesses policies, projects and practices aimed at enhancing audit quality






Nomination and Remuneration Committee



KPMG South Africa's nomination and remuneration practices. Also assists the Policy Board with:

- Appointments to the Policy Board and Committees (including the CEO, Exco nominee, Partner elected members and Independent Non-Executive member)
- Determining the suitability of individual appointed to oversee key management functions
- Determining the reward (remuneration plus benefits) philosophy of KPMG South Africa







Independent Non-Executive Members

 <p>Trustee of the African Union COVID-19 Response Fund</p> <p>Prof. Wiseman Nkuhlu <i>Independent Non-Executive Chairperson</i> BCom (UFH) MBA (New York) CA (SA) DCom(hc)(UFS) DCom(hc)(US) DCom(hc)(UCT) DCom(hc)(UP) DAccSci(hc)(UNISA)</p>	 <p>Chairperson of the King Committee on Corporate Governance Professional NED</p> <p>Ansie Ramahlo <i>Independent Non-Executive Member</i> B. Juris LLB</p>	 <p>Professor at University of Johannesburg (Head of Department of Accounting)</p> <p>Prof. Benjamin Marx <i>Independent Non-Executive Member</i> M.Compt Accounting (cum laude) PhD CA (SA)</p>
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Executive Directors

 <p>Ignatius Sehoole <i>Chief Executive Officer</i></p>	 <p>Makgotso Letsitsi <i>Head of People, Performance and Culture (PPC), Head of Transformation and Citizenship</i></p>
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Directors

 <p>Giuseppina Aldrighetti <i>Elected Director</i></p>	 <p>Coenie Basson <i>Elected Director</i></p>	 <p>Zola Beseti <i>Elected Director</i></p>
 <p>Brenda Jajula <i>Elected Director</i></p>	 <p>Pierre Fourie <i>Elected Director</i></p>	 <p>Kashmira Bhana <i>Elected Director</i></p>

Executive Committee



Ignatius Sehoole
Chief Executive Officer



Marlene Pappas
*Chief Operating Officer
& Head of Infrastructure
effective 1 June 2022
(replaced Gavin de Lange
who has joined the US
member firm)*



Joelene Pierce
*Head of Financial
Services Sector*



Makgotso Letsitsi
*Head of PPC,
Transformation and
Citizenship*

Gavin de Lange
*Chief Operating Officer & Head of
Infrastructure until 31 May 2022*



Devon Duffield
Head of Audit



Ron Stuart
*Head of Clients and
Markets*



Jan Vliegthart
*Country Risk Management
Partner*



Mritunjay Kapur
Head of Advisory



Joubert Botha
Head of Tax



Edward Belstead
*Cape Town Managing
Partner*



Ugen Moodley
*Durban Managing Partner
and Head of Public Sector*



Boitumelo Ngutshane
Head of Priority Accounts



Safeera Loonat
Head of Energy Sector



Segmental overview: Audit

Our highlights

- Secured significant audit mandates from systemically important clients in every sector in which we operate through the MAFR process
- Successfully attracted required levels of colleagues at graduate and experienced hire levels who aligned with KPMG's purpose-driven strategy and public trust agenda
- Significant progress on design and implementation of new ISQM 1 controls ahead of the international standard deadlines
- Readied KPMG South Africa for full deployment of KPMG Clara workflow on all audits from December 2022 year ends, thereby enhancing our ability to enable the audit workflows and provide a fully digital experience for our audit professionals
- Incremental quality controls implemented by KPMG South Africa in prior years, and audits that moved onto the KPMG Clara audit platform, yielded significantly higher quality results
- 90% of engagements subject to 2LoD achieved compliant or compliant – improvement needed QPR ratings
- Our inspection results for the IRBA 2022 inspection period remain above the average of all inspections performed by the IRBA
- QPR results on KPMG Clara workflow scored 22% higher compared to those on eAudit.

Our performance

	FY22	FY21
Revenue (net fees)	R1 010 million	R872 million
Y-o-y revenue growth	16%	3%

Our approach

We fully recognise and appreciate the systemically important role an audit plays in the effective functioning of the capital markets – and the wider stakeholder groups who rely upon those markets. In line with our responsibility to the public interest, our approach to audit is purpose driven. We make use of the deep industry specialisation in our audit teams and a wide range of subject matter specialists from across our multi-disciplinary firm to deliver integrated, successful audits. The best-in-class governance, internal controls and values-based culture programmes within KPMG South Africa have created a solid bedrock upon which to deliver quality audits, as well as to grow responsible future leaders both internally and within the industry.

Global Quality Framework

Our Global Quality Framework was developed to create global consistency with a cross-functional approach aligned to the ISQM 1 standards. Underpinning this framework is the ability to perform quality engagements. This is supported by our commitment continually to monitor and remediate to meet our quality drivers. Our quality value drivers (green) are the cornerstones of our approach and are underpinned by the supporting drivers (blue), giving clear direction as to the right behaviours in delivering quality. The Global Quality Framework meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.



Our processes

KPMG Clara

KPMG Clara, our smart, intuitive technology platform drives globally consistent audit execution. As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through data-enabled workflows. The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualisation.

The tool is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

- Analysis of account balances and journal entry data
- Automation of 'period on period' balances comparison and 'time series' evolution information
- Analysis of sub-ledger, transactional data over certain business processes and accounts
- Integration (where applicable) with industry-specific digital procedures and solutions.

Internal monitoring and compliance programmes

KPMG South Africa monitoring programmes are created by KPMG International and applied across KPMG firms. The programmes evaluate both:

- Engagement performance in compliance with the applicable professional standards, applicable laws and regulations and KPMG International key policies and procedures
- KPMG South Africa's compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring programmes also contribute to the assessment of whether our system of quality management has been appropriately designed, effectively implemented, and operates effectively. These include Quality Performance Reviews (QPR), the KPMG Quality & Compliance Evaluation programme (KQCE) and the Global Quality & Compliance Review (GQ&CR) programme.

The results and lessons from the integrated monitoring programmes are communicated internally and appropriate action is taken at local, regional and global levels.

Quality performance reviews

KPMG South Africa is subject to quality performance reviews (QPRs) by an international team of KPMG reviewers on an annual basis. Every engagement leader is subject to a QPR at least once in a four-year cycle. We are also reviewed by our local regulator annually and by other international regulators as their schedules require. Our quality scores from our regulator were well above the industry averages published by the IRBA in their March 2022 report and we await their next report in order to conduct a similar comparison. However, our results have shown some pull back from the exceptional quality results we achieved in the KPMG International review of the prior year. Consequently, at KPMG South Africa we are taking this opportunity to refresh our focus on every aspect of our business that impacts on audit quality. Some of our quality highlights include:

- The first firm to appoint INEMs to our Policy Board
- A Policy Board committee being the Audit Quality Committee chaired by Professor Ben Marx who provides invaluable insight and challenge into our processes and outcomes
- The first firm to introduce a full 2LoD review of our public interest audits – without impacting timelines for completion of our audits
- The implementation of KPMG Clara (our cloud based, global audit methodology and technology platform) drives improved audit quality results through direct compliance with International Auditing Standards. As from December 2022, all continuing audits with year ends onwards will be executed on KPMG Clara
- The quality outcomes of audits that have been implemented on KPMG Clara, or have been through our 2LoD, are significantly higher than other audits.

Audit Quality Performance Reviews (QPRs) programme

The Audit QPR programme assesses engagement level performance and identifies opportunities to improve engagement quality.

- **Risk-based approach:** Each engagement leader in every KPMG firm is reviewed at least once in a four-year cycle. A risk-based approach is used to select engagements. KPMG South Africa conducts the annual QPR programme in accordance with KPMG International QPR instructions. The reviews are performed at KPMG South Africa level and are monitored regionally and globally
- **Reviewer selection, preparation and process:** There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the engagement under review. Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers

- **Evaluations from Audit QPR:** Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations. Audit engagements selected for review are rated as 'Compliant' (the relevant auditing, assurance, accounting and professional standards have been complied with in all significant respects with no or only minor instance(s) of non-compliance), 'Compliant – Improvement Needed' (the relevant auditing, assurance, accounting and professional standards have been complied with in all significant respects, but more than minor instance/s of non-compliance have been identified. However, the instance(s) of non-compliance are not significant, improvements are needed in the next audit and remediation should be considered for the engagement file subject to review) or 'Not Compliant' (relevant auditing, assurance, accounting and professional standards were not complied with in respect of a significant matter(s) and remediation of the engagement file subject to review related to the significant matter/s is required)
- **Reporting:** Findings from the QPR programme are disseminated to firm professionals through written communications and internal training tools, in addition to periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programmes to gauge the extent of continuous improvement. Lead audit engagement partners (LAEPs) are notified of Not Compliant ratings on their respective cross-border engagements. Additionally, LAEPs of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR programme.

KPMG South Africa's 2022 QPR results

Although the QPR results declined in 2022, we have assessed the reportable findings resulting from each engagement level review and are satisfied that the audit opinions issued in respect of the inspected engagements were appropriate and that the related financial statements were not materially misstated with the key focus being on enhancing our documentation to support our audit opinion.

During 2022 audit professionals executed audits using two audit methodologies whilst the firm transitioned fully to KPMG Clara (which will be fully implemented from December 2022). The QPR results in respect of KPMG Clara engagements, utilising our enhanced methodology KPMG Audit Execution Guide, achieved 77% compliant or compliant – improvement needed ratings compared to eAudit engagements (using the "old" methodology) where 55% of engagements were compliant or compliant – improvement needed. We are confident that the implementation of KPMG Clara will lead to improved QPR results. 90% of all engagement files subject to 2LoD received either compliant or compliant – improvement needed ratings.

	FY22	FY21
Percentage of engagement leaders reviewed in audit	35%	26%
Number of engagements reviewed	25	17
Percentage of results that showed engagements reviewed that were either Compliant or Compliant – Improvement Needed	68%	88%

KPMG Quality & Compliance Evaluation (KQCE) programme

The objectives of the KQCE programme (formerly known as Risk Compliance Programme (RCP) are to:

- Document, assess and evidence KPMG South Africa's implementation of ISQM 1, extent of compliance of their system of quality management with the Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements
- Provide the basis for KPMG South Africa to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where exceptions are identified, we are required to develop appropriate action plans and then monitor the status of each action item.

Global Quality & Compliance Review (GQ&CR) programme

Each KPMG firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria. The GQ&CR team performing the review is independent of the firm, is objective and familiar with GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GQ&CR provides an independent assessment of:

- A firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment
- A firm's compliance with KPMGI policies and procedures
- The robustness with which the member firm performs their own quality and compliance programme.

KPMG South Africa develops action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team. Results are reported to the GQ&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

Our client assessment process

Working with the right clients is fundamental to our business and we have implemented stringent guidelines related to our client acceptance processes. We decline to act for a client where we are unable to deliver to our expected level of quality or would not be willing to be associated with them. In addition to the Lead Partner, the client assessment is further approved by multiple other partners, including the Risk Management Partner.

Accreditation

KPMG South Africa is proud to have retained accreditation with our local and all international audit regulators under whose purview we conduct audits. We are also delighted to have retained KPMG South Africa's accreditation with key regulators including the JSE and the Prudential Authority. In both cases, we have increased the number of partners accredited to perform work in their domains.

Our people

The cornerstone of every audit is the capability, diligence and motivation of the people who execute that audit. We are delighted that KPMG South Africa is able to attract, at both graduate and experienced hire level, colleagues and partners who are motivated by KPMG's ambition to be the most trusted and trustworthy professional services firm. Our independent people survey results continue to tell us that our people have a lived experience where KPMG South Africa's training, tools and culture support our ambition and their personal growth and development.

The audit profession as a whole has been through a very taxing time as all firms work to deliver on existing clients, win and execute on new audit mandates related to MAFR, and implement the demanding new international auditing and quality management standards. This is cause for concern and we continue to watch the overall capacity of the South African audit profession, as developments such as emigration and reduced intake and throughput at university level create future constraints. To counteract this, KPMG South Africa has developed onshore delivery centres. These focus on creating work opportunities for Technikon and non-CA graduates who are struggling to find first-time work opportunities. We also continue to embrace technology to reduce the level of simpler and routine audit work performed by colleagues in our audits. This in turn creates even more fulfilling careers for our colleagues.

We are delighted with the constantly increasing diversity of our firm from both a race and gender perspective as reflected in the table below.

Audit transformation and diversity profile FY22

	Female			Female total	Male			Male total	Grand total
	Black	White	Other		Black	White	Other		
Colleagues	416	133	5	554	292	156	13	461	1 015
Partners	8	11		19	15	26		41	60
Total	424	144	5	573	307	182	13	502	1 075

The data above excludes contractors

Overall, colleague and partner numbers stayed roughly the same as FY21.

Looking forward

Many of the challenges we face as the auditing profession in South Africa flow from challenges we face as a country: Our talented young people are in demand across the globe. In addition the attractiveness of audit profession remains a key area needing improvement. The legacy issues that KPMG South Africa has had to contend with have created a firm with a clear ambition and a clear sense of our public interest responsibilities.

We are increasingly encouraged by the response this elicits from students and experienced hires alike. People want to do work that has a clear purpose and makes a difference. We will continue to attract and develop the sort of people who can and will make a difference to the leadership roles they fulfil – whether in KPMG South Africa or in industry as CFOs, CEO's and Audit Committee members.

We are implementing the enhanced quality management processes required of the whole

profession and embracing technology at an ever-increasing pace to drive better audit outcomes, greater insights for our clients and fulfilling work for the talented people who work within this profession, for KPMG South Africa and on behalf of the wider public interest.



Segmental overview: Advisory

Our highlights

- Double digit growth led by Technology and Digital Transformation solutions and our leadership in the financial services sector
- Improvement in profitability across all service lines
- Marquee wins in digital transformation, cyber security and mergers and acquisitions
- Use cases for the metaverse developed by our Europe, Middle East and Africa team
- Achieved a green rating (the highest level) in the annual Quality Performance Review.

Our performance

	FY22	FY21
Revenue (net fees)	R738 million	R617 million
Yo-y revenue growth	19.6%	12%

Our approach

By offering a wide, integrated range of solutions which leverage KPMG South Africa's various competencies and service offerings, Advisory helps leading organisations improve business performance and profitability, embrace digital transformation and manage risk across finance, operations and technology.

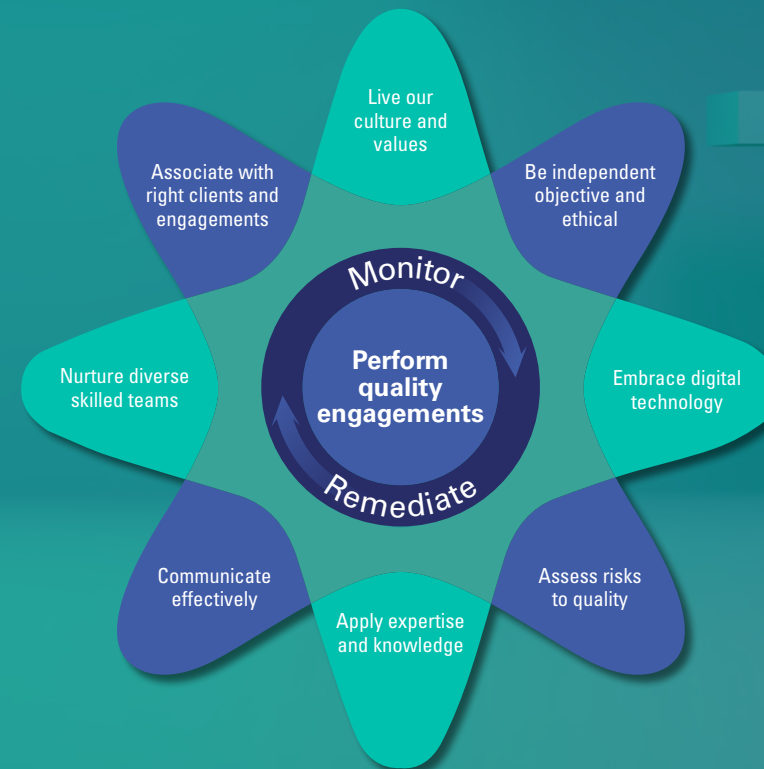
Our processes

As the name suggests, our annual Quality Performance Reviews (QPRs) are aimed at maintaining and enhancing quality. The criteria for file selection are high risk engagements, new and innovative services, newly appointed partners, complex engagements and partners that had received negative ratings in previous years. For the FY22 review, our selection coverage was 35% (FY21: 53%) of the engagement leaders. The results were as follows:

- Compliance assessment: 95% of the files reviewed were either fully compliant with policy or required some performance management
- Quality of work assessment: 95% of the files reviewed were either fully compliant with policy or required some performance management
- Our overall assessment was that Advisory is operating fully or substantially in accordance with KPMG International's policies and procedures. Our overall assessment, as approved by our global team, was a green rating for FY22.

Global Quality Framework

Our Global Quality Framework was developed to create global consistency with a cross-functional approach aligned to the ISQM 1 standards. At the core of this Framework is the ability to 'perform quality engagements', along with our commitment to continually monitor and remediate to fulfil on our quality drivers. Our quality value drivers (green) are the cornerstones of our approach and are underpinned by the supporting drivers (blue), giving clear direction as to the right behaviours in delivering quality.



Our client assessment process

Working with the right clients is fundamental to our business and we have implemented stringent guidelines on our client acceptance processes. In addition to the Lead Partner, the client assessment is further approved by multiple other partners, including the Risk Management Partner.

Accreditation

To meet or exceed client expectations for delivering consistent quality solutions and services across all geographies, KPMG Global Accreditation for Advisory applies a common framework to facilitate global consistency and quality, supporting our market trust and growth. Participating in accreditation ensures that our professionals have global recognition of their expertise, clear learning paths and opportunities for collaboration and knowledge sharing.

Risk oversight meetings

Managing client and engagement risks on very large projects is a key priority. We have implemented a formalised risk oversight meeting process, where engagement teams can meet regularly with KPMG South Africa's Risk Management Partner in a structured format to discuss key concerns, seek guidance and improve risk controls related to engagements.

Deals Board meetings

A weekly Deals Board has been implemented, whereby Advisory leadership challenges the scope, pricing and risk attached to all engagements of more than R5 million. There have been potential engagements declined as we continue to take a responsible view of what we can and should deliver to clients.

Internal quality reviews

Our Functional Risk Partner conducts regular Quality Performance Reviews, using reviewers at both partner and senior management level. Advisory engagements are rated on engagement set-up and execution. Internal reviews take place throughout the year to assess quality and identify areas of possible improvement. Findings are communicated to KPMG South Africa's partners and colleagues and benchmarked against KPMG's global quality baselines.

Our people

People First is Advisory's most critical strategic pillar and our growth targets require significant recruitment levels. Given high attrition levels being experienced aligned to industry norms, colleague retention is a challenge. We are addressing this challenge through the creation of a positive people experience by:

- Rolling out the revised KPMG employee value proposition (EVP) which focuses on five pillars and sets out what makes us unique and what makes us 'A Clear Choice' for colleagues – current and potential
- Focusing on coaching and mentoring of talent
- Leveraging our use of career development templates to support performance development and engagement
- Focusing on reward and recognition through a revised bonus plan
- Embedding the agile working framework
- Driving collaboration across Southern Africa and Africa.

KPMG Advisory embarked on several initiatives during FY22 to ensure inclusion and diversity in the workplace are prioritised to drive trust and a true sense of belonging for our colleagues.

Advisory transformation and diversity profile FY22

	Female			Female total	Male			Male total	Grand total
	Black	White	Other		Black	White	Other		
Colleagues	145	85	13	256	147	63	22	232	488
Partners	8	7		15	8	10	4	22	37
Total	153	92	13	271	155	73	26	254	525

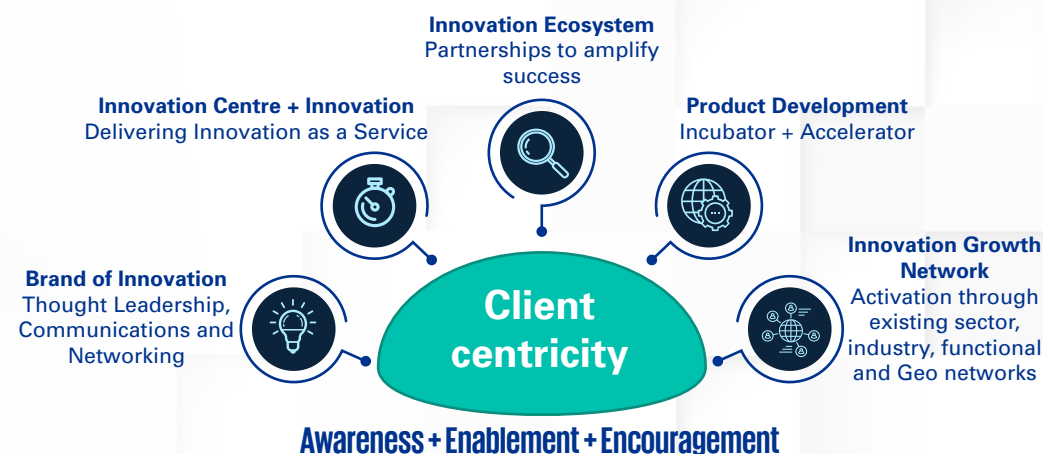
The data above excludes contractors

There was a significant y-o-y increase in colleague numbers, in terms of both black and white colleagues. Partner numbers also increased by three.

Looking forward

We will:

- Expand our market presence, specifically on social media platforms such as LinkedIn and through in-person client conferences/engagements
- Enhance alliances with partners such as Microsoft, SAS, Oracle, Murex, ServiceNow and SailPoint to enable us to expand our capabilities and solution offerings. Working together with our alliance partners offers accelerated levels of innovation, increased confidence which allows us to deliver results with trust and lasting value
- Intensify our focus on technology and innovation in everything we do. A key aspect of this will be to create awareness of the latest technological solutions available to our clients. We will also ensure that we enable our colleagues to better serve our clients through both automation of delivery and provision of world class technology solutions to protect and create wealth for our clients. This, together with encouragement by senior leadership, will be the basis of embedding innovation into the culture of our business in line with the diagram opposite.





Segmental overview: Tax & Legal

Our highlights

- Our initiatives and client focus resulted in a significant number of new opportunities and engagements at existing and new clients
- During the year we onboarded 116 new clients and our results reflected a 12.6% fee growth
- From a quality and risk perspective we achieved a green rating in the 2022 OPR for the fifth consecutive year
- We continued to grow our legal services including POPIA, GDPR, competition law advisory and compliance services.

Our performance

	FY22	FY21
Fees net of disbursements (millions)	R316 million	R280 million
Yo-y revenue growth	12.6%	3%

Our approach

We combine the deep technical skills of our specialised tax and legal professionals with the technology capabilities of our tax technology team to advise our clients and provide innovative solutions to everyday and complex problems. To achieve this, we continuously monitor the ever-evolving tax landscape and tax regulatory environment and constantly re-evaluate the way we operate.

Recognising that tax teams cannot work in isolation as one transaction has a multitude of different tax consequences; we work as one team to provide multidisciplinary solutions to tax challenges faced by clients. We also recognise the importance of operating as an integrated international team and we link seamlessly with tax professionals across our international offices. Through our already well-established African footprint, we work closely with our tax colleagues situated in 42 African offices. These high levels of inter-regional and international collaboration enhance our ability to provide excellent service.

Our processes

Rigorous client and engagement acceptance and continuance (CEAC) policies and processes, together with our application of Responsible Tax principles underpin our client engagement. In FY22 we introduced the following changes to our processes:

- KPMG International introduced a shorter engagement assessment questionnaire referred to as the Simplified Engagement Evaluation for client engagement assessments. The aim is to expedite the evaluation process for low-risk tax engagements, without compromising the quality of the risk assessment
- We updated our process relating to client background checks by expanding the 'know your client process'
- In line with global policy we exited clients who have operations owned by Russian and/or Belarus entities.

Our technology solutions

Technology helps to unlock patterns, risks and opportunities in data. We continuously strive to be at the forefront of technological developments to identify these. Accordingly, in FY22 we:

- Broadened our range of tax data analytical tools to include specific analysis of Employment Tax Incentive claims
- Refined the capabilities of our Employment Tax Risk Analysis to bring deeper insights to employer tax withholding compliance
- Streamlined our data requirements on some of our embedded solutions to obtain easier visibility and identify areas for in-depth analysis faster
- Developed and improved our corporate tax compliance solutions to improve efficiencies, quality and disclosure.

Our people

Our focus was on retaining, rewarding, recognising, developing and growing our people and teams. We managed our attrition levels by implementing an employee value proposition programme and supporting an agile working environment. We were successful in filling vacancies and attracting high performing tax and legal professionals.

Tax & Legal transformation and diversity profile FY22

	Female			Female total	Male			Male total	Grand total
	Black	White	Other		Black	White	Other		
Colleagues	60	38	0	98	35	13	3	51	149
Partners	3	8	0	11	2	10	1	13	24
Total	63	46	0	109	37	23	4	64	173

The data above excludes contractors

During the year we promoted four new partners and we welcomed 14 new joiners to the team, including eight new female colleagues (seven of whom are black) and two new female partners, one of whom is black.

Looking forward

We will continue to focus on innovative multidisciplinary tax and legal solutions and advisory services, underpinned by our colleague retention and recognition strategies and our clients' specific needs as follows:

- Our colleagues:
 - > Develop and grow our colleagues and teams under our employee value proposition programme
 - > Build on our culture of care including mentoring programmes and career development plans
 - > Drive our transformation goals and specific initiatives.

- Our clients:

Enhance our go-to-market strategies by focusing on:

- > Collaborating with different Tax & Legal business units, as well as Audit and Advisory
- > Specific industries and service offerings
- > Growing our legal and regional businesses.



Glossary

ABASA	Association for the Advancement of Black Accountants of Southern Africa
ACF	Audit Committee Forum, a joint initiative between KPMG and The Institute of Directors in Southern Africa (IoDSA)
ACI	African, Coloured, Indian
ACWA	African Women Chartered Accountants
ADP	Audit Development Programme
AGSA	Auditor General of South Africa
APC	Assessment of Professional Competence
B4SA	Business for South Africa
BASA	Banking Association South Africa
B-BBEE	Broad-based black economic empowerment
BSA	Business Leadership South Africa
BMF	Black Management Forum
BU	Business unit
BUSA	Business Unity South Africa
CBF	Colleague Business Forum
CEAC	Client and engagement acceptance and continuance
CEO	Chief Executive Officer
COO	Chief Operating Officer
CFO	Chief Financial Officer
Clara	A KPMG 'smart' audit platform based on Microsoft Azure
CPAB	Canadian Public Accountability Board, Canadian audit regulator
DBSA	Development Bank of South Africa
DPP	Department of Professional Practice
DRA	Dynamic risk assessment

ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
EMA	Europe, Middle East and Africa (including India)
Exco	Executive Committee
GBV	Gender-based violence
GO	Global Mobility programme
GPS	Global People Survey
GO&CR	Global Quality & Compliance Review
GQ&RM	Global Quality & Risk Management
IAASB	International Auditing and Assurance Standards Board
IDC	Industrial Development Corporation IFAC International Federation of Accountants
IFRS	International Financial Reporting Standards
IIA SA	Institute of Internal Auditors
INEMs	Independent Non-Executive members of the Policy Board
IoDSA	Institute of Directors South Africa
IRBA	Independent Regulatory Board for Auditors, South African audit regulator
ISOC 1	International Standards on Quality Control
ISSB	International Sustainability Standards Board
ISQM	International Standard on Quality Management
ITC	Initial Test of Competence
JSE	Johannesburg Securities Exchange
KPI	Key performance indicator
KPMGI/KPMG International	KPMG International Limited, a private English company limited by guarantee

KPMG South Africa	<p>KPMG South Africa operates through two entities: KPMG Incorporated for audit services and KPMG Services Proprietary Limited for our advisory and tax services.</p> <p>KPMG Incorporated, registration number 1999/021543/21, a South African private personal liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.</p> <p>KPMG Services Proprietary Limited, registration number 1999/012876/07 a South African private company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.</p>
KQCE	KPMG Quality & Compliance Evaluation programme
LAC	Leadership Assessment Centre
MAFR	Mandatory Audit Firm Rotation
NPO	Non-profit organisation
PCAOB	Public Accounting Oversight Board, United States of America audit regulator
PD	Performance Development

PIE	Public interest entity
POPIA	Protection of Personal Information Act
PPC	People, Performance and Culture
QPR	Quality Performance Review
2LoD	Second line of defence
SAAPTI	South African Auditing Profession Trust Initiative
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SARS	South African Revenue Services
SMME	Small, Medium and Micro Enterprises
tCO₂e	Carbon dioxide equivalent, meaning the number of metric tonnes of CO ₂ emissions with the same global warming potential as one metric tonne of another greenhouse gas
UN SDGs	United Nations Sustainable Development Goals
Y-o-y	Year-on-year
Zondo Commission	The Judicial Commission of Inquiry into Allegations of State Capture, also known as the Zondo Commission of Inquiry or Zondo Commission

www.kpmg.com

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