

The background of the entire page is a collage of office scenes. It features large windows, modern office furniture, and several business professionals in suits and dresses engaged in conversations. The lighting is bright and natural, suggesting a high-rise office environment.

building confidence

09 KPMG International
Annual Review

KPMG values

we lead by example at all levels acting in a way that exemplifies what we expect of each other and our member firm clients.

we work together bringing out the best in each other and creating strong and successful working relationships.

we respect the individual respecting people for who they are and for their knowledge, skills, and experience as individuals and as team members.

we seek the facts and provide insight challenging assumptions, pursuing facts, and strengthening our reputation as trusted and objective business advisers.

we are open and honest in our communications sharing information, insight, and advice frequently and constructively, and managing tough situations with courage and candor.

we are committed to our communities acting as responsible corporate citizens and broadening our skills, experience, and perspectives through work in our communities.

above all, we act with integrity constantly striving to uphold the highest professional standards, provide sound advice, and rigorously maintain our independence.

who we are

The 140,000 people within KPMG member firms worldwide provide a range of professional services that help clients to meet challenges and respond to opportunities.

Our member firms provide Audit, Tax, and Advisory services, delivering a globally consistent set of multidisciplinary financial and accounting skills and capabilities based on deep industry knowledge.

Global capability and consistency are central to the way we work. By providing global organizations with the same quality of service and

behavior around the world, we can work with them wherever they choose to operate.

Our industry focus helps KPMG people to develop a rich understanding of clients' businesses and the insight, skills, and resources required to address industry-specific issues and opportunities.

Our history spans three centuries and features a number of significant mergers. Today, KPMG is a truly global organization. Through its member firms, KPMG operates in 144 countries and territories.

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Throughout this document, "KPMG" ("we," "our," and "us") refers to KPMG International Cooperative ("KPMG International"), a Swiss entity, and/or to any one or more of the member firms of the KPMG network of independent firms affiliated with KPMG International. KPMG International provides no client services.

building confidence

Timothy P. Flynn, Chairman, KPMG International



There are encouraging signs that the global economy is stabilizing and beginning to recover. Now it is time to look forward, taking the necessary steps to build the foundation for a sustainable economic recovery that will spur global growth.

Certainly, there is much to be done to successfully reset the global economy. But I believe the most important step is to rebuild trust and confidence in our financial systems and in business in general. Investors will not invest until they trust the capital markets system. Consumers will not buy until they have confidence. And businesses will not

lend each other money or make deals until they have trust in the system.

To restore trust, every element of the system needs to step up to its responsibilities.

Governments must put the right regulatory structures in place to monitor compliance in every element of the capital markets. Businesses — helped

by their auditors, boards of directors, and regulators — must provide an almost radical transparency, with enough information about operations to give every investor the information needed to make informed decisions.

We need to return to the fundamental way of doing business — calculating the risks and returns on every decision. It is no surprise that three out of four audit committee members recently surveyed by KPMG say they have increased their “hands-on involvement” with management and are reassessing risk management as a result of the economic crisis.*

A CLEAR ROLE FOR THE ACCOUNTING PROFESSION

Our profession has a clear role to play in this recovery, as we touch every aspect of the capital markets system. Helping assure transparent information for investors is our core function, but our role is not limited to the investor — it also includes providing the right information to management to enable better decisions.

We need to provide boards of directors with assurance that they have accurate, timely information to allow them to effectively provide oversight, and we support regulators in helping companies to implement compliance programs.

We already are beginning to see changes in the regulatory environment, and this is an area we will be increasingly focused on with clients.

There is no question that we need to improve regulation to better cover and control complex financial products. I am encouraged by the work that is being undertaken by the Group of 20 (G-20) and the Financial Services Board. The G-20 policy statement addressed issues of better risk management, transparency, accountability, and global accounting standards, all of which are essential to effective global change.

The G-20 leaders have called for a single set of high-quality, global accounting standards by 2011. We support international convergence of accounting and auditing standards. With greater connectivity in the capital markets, it is increasingly important that regulatory systems be built on a common platform.

Consistent regulatory approaches should contribute to investor confidence in the global marketplace. Our network strongly supports the global adoption of International Financial Reporting Standards (IFRS).

RESTORING TRUST

KPMG member firms have a critical role to play in restoring trust and are working diligently with both private and public sector clients to help them adapt to the dramatic change brought about by the crisis and worldwide recession. We are helping them control and optimize costs; improve the depth and transparency of their financial reporting; and make needed performance improvements.

“Certainly, there is much to be done to successfully reset the global economy. But I believe the most important step is to rebuild trust and confidence in our financial systems and in business in general.”

**Recalibrating for the “New Normal”: 2009 Public Company Audit Committee Member Survey © 2009 KPMG LLP (U.S.)*

“Risk management is moving front and center, not only with management but also with the board.”

RISK FRONT AND CENTER

Risk management is moving front and center, not only with management but also with the board. Boards and management are having robust conversations to better understand the risk appetite of the organization and the allocation of risk across the entity. And many boards are taking a close look at their risk oversight processes, including how they align risk oversight responsibilities with the full board and its standing committees.

Organizations that have effective risk management processes — that can identify, assess, mitigate, and monitor risk — are likely to be the ones that are successful in these challenging economic times, and that raise the level of trust both inside and outside their businesses.

GUIDED BY STRATEGY

Within our global network, we are driving forward with our strategy that has guided us successfully:

- Serving clients with the highest levels of **Professionalism and Integrity** across our Audit, Tax, and Advisory services;
- Operating with **Global Strength and Consistency**, and making sure local operations and global culture work together for the benefit of clients and our people;
- Striving for **Quality Growth** that is sustainable to maintain the high quality of our services; and

- Being an **Employer of Choice** that attracts the best people and provides opportunities for them to learn and develop in their careers.

In 2009, our network of member firms sought to deliver greater value for clients, driving efficiencies in the way we operate while investing in those areas that can enhance our ability to serve clients.

For example, we re-energized our mobility program, helping to ensure that we have the right person, with the right skill set, in the right country, to help member firms serve clients.

We greatly expanded the use of eAudIT to help our member firms serve clients. The network's electronic audit management tool is designed to deliver an unparalleled audit experience.

Tax has taken efficiency to a new level in the way it delivers its services.

Advisory simplified its service approach, aligning it globally for greater consistency and adaptability to client needs.

Our member firms continue to take steps toward becoming more aligned, aiming to improve efficiencies and client service. In Europe, Asia Pacific, and the Americas regions, our firms are working together and building common processes and infrastructure to enable greater sharing of knowledge and resources, regionally and globally.

At the same time, we understand that strong country practices are fundamental to how we face the market. They help us maintain KPMG's

culture and values, which recognize the unique and special aspects of our people and our communities.

Indeed, we recognize that citizenship is central to our organization. We understand that responsible business practices contribute to broad-based development and sustainable markets. However, we know that is not enough to fully address the challenges facing our world today. We are committed to doing more — taking leadership in and for our communities, and using our skills in creative and determined ways that help deliver and support solutions.

In the aftermath of the financial crisis, this commitment strikes me as perhaps even more important than ever before.

WITH CRISIS COMES OPPORTUNITY

With the economic crisis has come new opportunities — and businesses that can adapt to the new world will likely prosper.

I believe it is time to plan in earnest for the post-recession world. Companies need to focus on long-term growth plans and not just short-term cost-cutting. They need to look at their business models and innovate, develop new products and services, and enter new markets. They need to look judiciously at mergers and IPOs to create new opportunities for their businesses. As leaders, we need to focus our people on the future.

ETHICS AND INTEGRITY COME FIRST

It is also time to recommit ourselves to operating with the highest level of ethics and integrity, where the first and most important question considered — before sales or profits — is: “Are we doing the right thing, in the right way?”

In the end, I believe that all of us need to get back to basic values, fostering highly ethical business cultures in each of our organizations — cultures that have a common framework built on trust, integrity, and transparency, and grounded in the recognition of the roles and responsibilities that we all have to the capital markets and the communities in which we operate.

Each of us in business needs to ask, “What can we, as individuals, do?” And for those of us in leadership, “What can our organizations do?” Strong, ethical leadership is essential to restore the trust and confidence that, more than anything else, should provide sustainability in the markets and drive recovery.



“I believe it is time to plan in earnest for the post-recession world. Companies need to focus on long-term growth plans and not just short-term cost-cutting.”

the new economic reality

responding to challenge and opportunity



A discussion with (from left) Henry Keizer, Global Head of Audit; Loughlin Hickey, Global Head of Tax; and Alan Buckle, Global Head of Advisory

What does the new economic reality mean for business?

KEIZER Risk management has moved to the top of the agenda, not only in the board room but at every level of management. Business is getting back to the basics of evaluating risk and reward and making sure they are properly aligned.

The changes in standards around disclosure and transparency are as dramatic as the changes we've seen in the world economy.

HICKEY More regulation is an obvious response to the economic crisis. Business has to get its confidence back and engage with governments in this process or risk ending up with inefficient regulation.

The economic crisis also has demonstrated emphatically that globalization is happening — and that the global world brings new opportunities not just for growth but for increasing efficiencies.

BUCKLE Governments are experiencing the same kinds of challenges as businesses. The public sector is now transforming itself through technology and outsourcing and, unthinkable a few years back, is offshoring certain functions. KPMG firms always have been heavily engaged with the public sector in areas such as performance improvement, public-private partnerships, and helping with better ways to provide services such as healthcare, so we are

very involved in helping governments adapt to the new realities.

KEIZER Companies and audit committees face a real challenge in balancing risk with being well positioned to emerge from the economic crisis. We are providing thought leadership through the KPMG Audit Committee Institute (ACI) on how to approach the alignment of risk and reward. Our professionals also are working with clients to make the audit process more efficient — to see where we can more fully leverage their internal audit capability, make greater use of technology, and offshore certain procedures where it makes sense. Our goal is to deliver the highest quality audit with the greatest possible efficiency.

“One of the key roles is working with clients to identify the impact regulation can have on their business — plan for the implications and prepare to respond in a thoughtful, comprehensive way.” — HENRY KEIZER

What is the response to the changing regulatory environment?

BUCKLE In many cases, it's not the precise detail of regulation that has changed as much as the attitude of senior executives and board members. There is a massive increase in the level of awareness around compliance and the seriousness with which these issues are taken.

We are in a time of great public scrutiny — from what you pay your people to executive and director appointments. Governments not only have a point of view, but increasingly are in a position to do something about it.

HICKEY Businesses should not just accept regulations as the cost of doing business. They need to understand the reason behind the regulation.

At the moment, tax authorities around the world are trying to promote a collaborative approach and focusing more on regulating behaviors through codes of conduct or relationship building, rather than fighting a losing battle of trying to legislate rules for business models that keep changing. This is a worthy approach and, if successful, it may provide a model for other areas of business.

KEIZER I would encourage those being regulated to start with trying to better understand the risk that the regulator is concerned about. What is the reason for the regulation? Absent the regulation, how would your com-

pany be dealing with that risk? Then collaborate with regulators so they better understand how risks are being managed — this can influence how regulation ultimately evolves.

BUCKLE Governments also are realizing the limitations of national regulation. They have attempted to regulate businesses that aren't national. And there is risk of regulation arbitrage, with companies choosing to do business where the regulations are most favorable. Governments are talking about harmonizing regulation globally, but this is an extraordinarily difficult thing to do.

HICKEY Regulation on a national basis is fine only if compliance is a containable cost within the country. But when multiple countries regulate around the same issue in different ways, the cost of compliance multiplies for multinational companies. Organizationally, we are encouraging tax authorities to agree to a set of overarching principles so that with minimal localization, a company can be in compliance with multiple countries' regulations without starting from scratch. If the focus is on meeting the principles, it is likely that the company will meet the regulation.

KEIZER It pays to work with regulators starting now, rather than waiting to respond in a reactive manner.



What might appear on the surface as incremental to the regulator could be burdensome to the entities being regulated.

One of the key roles is working with clients to identify the impact regulation can have on their business — plan for the implications and prepare to respond in a thoughtful, comprehensive way.

HICKEY It's important to help clients balance two things — one is managing risk; the other is creating value. If clients can do that they can derive some benefit from the increased regulation. If benefits can be captured, it will encourage maintaining the processes that enable the value-capture. This incentive for sustainable processes should reassure regulators.

“The most important thing we can do for clients is to truly be advisers in a global world. Most issues are not limited to one country..”

— LOUGHLIN HICKEY

How does business go from “survive” to “thrive”?

BUCKLE I'd start with the global growth story, which is very exciting. The growth just isn't going to be where we've seen it in the past. On trips to India and China I am inspired by the confidence of business leaders and the vibrancy of the environment.

There is some upturn in M&A activity — companies in what used to be called emerging markets are now looking to buy, but not necessarily into the West. A higher proportion of deals will be between those in high-growth economies.

Clients look to KPMG to bring greater vigor to their investment and financing decisions. And of course the challenge of capturing value post-acquisition is far more complex when working across borders.

HICKEY I describe our approach with clients today as the “art of the possible.” Our professionals can help business to make the difficult and complex possible. Steer them through cross-border issues, through regulatory minefields, how to move people from country to country. Enable new people in new locations to be brought into

the company's workforce, contribute to innovation, and then these new workers can become the consumers of tomorrow.

BUCKLE Of course the developing economies often face huge infrastructure challenges — transport, power, and, increasingly, water. As leaders in advising on infrastructure projects, we are close to many of the major deals.

HICKEY There definitely will be more collaboration and more partnerships — public and private sector, company to company, and country to country. Whatever the relationship, it is critical that the parties have assurance that everyone is playing according to the same set of principles.

KEIZER Convergence to a single set of accounting standards should be an immense help to companies in succeeding in a truly global economy. A single set of standards can provide the comparability, transparency, and ability for investors to be guided by a single model. This will not only help



the economy, it can enable greater efficiency for companies that today are burdened by a variety of different accounting models.

I believe we are well along the path, but there is clearly work to be done, primarily with the convergence between U.S. GAAP and IFRS. The good news is the Securities and Exchange Commission, the primary regulator in the United States, has committed to more specificity around timelines that could help encourage U.S. companies to convert.

How are KPMG member firms delivering for clients globally?

KEIZER Global consistency has never been more important. Our network of member firms shares a common set of processes and a single global audit methodology. We have policies and controls in place that facilitate

consistent execution of audits around the globe.

We have invested in people initiatives to drive a global mindset. These initiatives include training our professionals on a global basis and investing

heavily in mobility assignments so that our clients and engagement teams can benefit from people with a range of knowledge and perspectives.

“The public sector is now transforming itself through technology and outsourcing and, unthinkable a few years back, is offshoring certain functions.”

— ALAN BUCKLE

HICKEY The most important thing we can do for clients is to truly be advisers in a global world. Most issues are not limited to one country — it’s likely the issue is being dealt with somewhere else. This can bring a different perspective to a local challenge. And by seeing where local issues are part of a bigger trend we can help clients anticipate and prepare their stance, and help shape any new rules.

You have to add the value the client is looking for, not define value by what your current capabilities are. We’re helping our people to challenge, listen, and give advice that includes needed perspective on what is going on in other regions and countries.

BUCKLE Client relationship management has been global for many years and increasingly the KPMG talent pool is becoming global and mobile. We are using talent strategically to meet the needs of our clients. For example, teams from India and Eastern Europe are serving Western companies either

from their home location using technology or coming onshore.

KEIZER By working cross-functionally, adding Tax knowledge and Advisory skills to Audit capabilities, we can bring even more value to clients. A lot of our work with governments has been done jointly by Audit and Advisory teams. IFRS conversions are another great example where our member firms have combined technical Audit skills with process change management from KPMG’s Advisory professionals.

HICKEY We’ve had a similar experience in China helping clients with new tax rules. We stay abreast of what’s going on with tax authorities there and around the world. KPMG’s Advisory professionals have specialized knowledge of assessing and managing risk. By partnering together, we can help provide a richer solution that goes beyond just a single function.



What are the keys to a continued economic recovery in 2010?

KEIZER We need to look outside our borders to make investments in new markets and industries — creating business growth. Adopting a single set of accounting standards can help in terms of transparency for investors and allowing companies to truly function globally. I also think it is important to have the appropriate safeguards in place so that we won’t experience another economic crisis on this scale in the future.

HICKEY I think confidence is key. Giving clients confidence to take on the projects they know could make a big difference to their organizations — this in turn should make a big difference in the countries where they operate and invest. This innovation and productivity boost will ultimately contribute to the continued growth of the global economy.

BUCKLE In the West we need consumers to pick up the stimulus baton from governments. But countries in the East and South bring the greatest opportunity — governments and corporate balance sheets are strong and, increasingly, their domestic markets are driving growth.

financial services

transformational change



“Even as the global economy stabilizes, the financial services industry continues to undergo transformational change,” says Brendan Nelson, Global Chairman, Financial Services. This change is being driven by a number of factors, including government and regulatory policy, efforts to significantly reduce costs and streamline operations, and mergers and acquisitions.

In 2009, the governance models of financial institutions came under intense scrutiny, and several fundamental principles are now in question. What should be expected of the board of directors and the audit committee? Will financial institutions be required to establish independent risk oversight committees? If so, who will serve on those committees, and exactly what would be their charter?

Consumer protection rules are likely to be tightened, and executive compensation is the subject of vigorous debate. Authorities on both sides of the Atlantic are seeking to limit ex-

ecutive pay. U.K. and French authorities have called for a tax on bonuses. In the United States, the Federal Reserve is pursuing new compensation principles based on longer-term strategic performance metrics. In addition, significant reform of the banking system is being proposed in the United States as well as a levy on banks' balance sheets.

While many aspects of the future shape and contours of the financial services industry are unclear, it does seem clear that government involvement will continue for some time, significant regulatory actions will likely

“Even as the global economy stabilizes, the financial services industry continues to undergo transformational change.”

— BRENDAN NELSON, Global Chairman, Financial Services

be enacted, and financial institutions will likely need to work more closely with government authorities to ensure stability in the financial markets.

INCREASING RISK OVERSIGHT

Around the world, regulatory and political leaders are calling for greater restrictions on financial services organizations, and a large number of banking institutions are responding accordingly, returning to their traditional role. Still, it is not realistic to expect that the entire financial services industry will go “back to basics.” Modern finance is extremely complex, in part because investor demand for returns makes complexity inevitable.

It is realistic — and prudent — to expect greater oversight of risk. Regulators are demanding that financial entities have appropriate risk management and oversight systems tailored to their risk exposures. An important challenge for these organizations, therefore, is to ensure that their risk management systems are capable of fully identifying all the risks inherent in the products and services they offer. And they must be able to report these risks in a way that is clear and understandable to everyone involved in risk oversight, both within and outside the organization.

Even more important, organizations will be challenged to embed risk management within their organization, empowering individuals to make risk-based decisions that result in accepting appropriate risks, generating desired returns, and increasing the overall value of their enterprises.

supporting Commerzbank

IN 2009, COMMERZBANK COMPLETED THE TAKEOVER of **Dresdner Bank**, forming the second-largest private banking group in Germany. **KPMG in Germany**, serving as joint lead adviser with another firm, has worked with the organization from the beginning to the close of the transaction and now is supporting the implementation of parts of the bank’s new strategic agenda.

KPMG in Germany has been working with **Commerzbank** for about eight years. Serving the bank during the last two years has meant working during the financial crisis and its aftermath.

Commerzbank has refocused its strategy during this time and is in the process of divesting certain non-core assets. **KPMG** firms serve the bank as advisers in both the finance and transactional areas.

As confidence returns in the financial markets and the financial services industry, organizational and operational performance issues come into focus. **KPMG** member firms are making a valuable contribution in these areas too, working with **Commerzbank** to further optimize its processes.

“To successfully support the strategic agenda of **Commerzbank**, it is necessary to take the bank’s perspective in everything we do,” says Ralf Beunker, Global

Lead Partner for **Commerzbank**. “We have built a multidisciplinary client service team with extensive experience in risk and compliance as well as transactions and restructuring. Most important, our partners and professionals have strong relationships at the bank and the right knowledge to help organizations to meet the current and emerging challenges. This is the strength of **KPMG’s** internal network.”



KPMG member firms audit 18 of the top 50 global banks, and audit 13 of the top 50 insurance companies

FROM LIQUIDITY MANAGEMENT TO OPTIMIZING THE BUSINESS MODEL

Today, financial services companies are wrestling with a range of daunting and fundamental challenges, including:

- How to manage and maintain liquidity in markets that may still be weak;
- How to restore profitability, effectively manage risk, and generate acceptable returns on capital;
- How to reduce costs and streamline operations while maintaining service and performance; and
- How to ensure that the business model is aligned with the new realities of the marketplace.

The overarching challenge is to maintain a competitive cost structure that does not compromise high standards of service, brand equity, and the development of new products and services to satisfy customer demand and generate appropriate returns.

KPMG's network of firms has long been a leader in serving the financial services industry and is actively engaged with clients around the world, combining global consistency with service that is attuned to the local marketplace. We offer skilled resources — a network of more than 21,000 professionals experienced in the

issues, challenges, and risks unique to financial services organizations. Our practitioners utilize methodologies and toolkits that enable standardized working practices while allowing them the opportunity to learn from others, regardless of their location.

MULTIDISCIPLINED TEAMS

KPMG's multidisciplinary approach is a key strength. Member firm professionals combine deep industry knowledge and content, an understanding of important emerging industry trends and issues, and extensive knowledge of core processes, with proven and developed methodologies.

We bring together teams of KPMG people to help solve pressing needs — around government interventions, recapitalizations, risk reduction and mitigation strategies, and the need to improve operational infrastructure.

KPMG member firms also actively engage with regulators, and work with boards and executive management teams to help assess organizational risk and guide needed corrective action. Our firms are well positioned to help companies to embed risk and capital management within their organizations — helping them to fully understand risks and optimize returns. In almost every case, our ability to combine skills drawn from specialists across our business has been the key to success.

BANK CONVERSION

After a major global investment bank was converted to a bank holding company, it faced a number of critical operational and regulatory issues, including the need to comply with very different financial reporting requirements. KPMG in the United States provided a gap analysis that identified the regulatory, risk management, financial reporting, operations, and technology systems and processes that needed remediation.

GLOBAL TAX ADVICE

Early in 2009, a major global financial services company engaged KPMG in the United States to serve as the lead tax adviser on its integration with a newly acquired global investment bank outside the United States. Later in the year, the company selected the International Executive Services (IES) practice to provide core tax compliance services to its expatriate population during the next three years. This assignment led directly to another IES engagement to assist the bank with certain withholding and reporting obligations related to its global workforce.

PHOTO ABOVE: Tony Anzevino (standing), with (from left) Partner Mark Shrekgast, Senior Manager Barbara Federowicz, and Partner Ellen Rotenberg



helping to navigate a changing landscape

“CAUTIOUS OPTIMISM” is the watchword for banking in the United States, says **Tony Anzevino**, National Sector Leader for KPMG’s Banking and Finance practice in the United States. **“Our clients are looking forward to 2010 with a more positive outlook. Liquidity has improved, and it appears that the worst of the crisis is behind us. But our economy is still fragile and recovery will take time.”**

Anzevino points to three major trends influencing the industry right now. The first is a renewed focus and emphasis on enterprise-wide risk management. Many banking companies are examining their risk management structure and are working to implement the right policies and procedures to support that structure.

The prospect of regulatory change is another pervasive issue. The U.S. Congress is debating changes to regulations that govern the industry, while regulators themselves are scrutinizing banking operations more closely.

Third is the potential for continued consolidation and convergence in the industry. More than 100 U.S.-based banks failed in 2009, up from about 25 in 2008. **“This is obviously a serious issue for banks in dire straits, while for some it is an opportunity,”** says Anzevino. **“As companies feel more comfortable with their capital levels and their ability to raise capital, they are starting to see that there could be an extraordinary opportunity to make acquisitions and expand their footprint.”**

Leveraging our deep industry knowledge and experience, KPMG in the United States is helping companies navigate these new and challenging issues, bringing the full power of the Banking and Finance practice to the marketplace. Our multidisciplinary approach is proving valuable. **“Our clients appreciate when we bring our Audit, Tax, and Advisory capabilities to the table,”** says Anzevino.

“We are recognized as a leader in serving the financial services industry broadly, and the banking and finance industry more specifically. We also have a reputation for providing our clients with exceptional client service delivered through industry professionals with the knowledge, skills, and experience required to meet their current and future challenges,” says Anzevino. **“I believe we are helping our clients navigate one of the most difficult economic environments since the Great Depression, and I am optimistic that in the long run we will have contributed to a stronger, more secure financial system.”**

“KPMG’s industry knowledge has proven to be invaluable in facilitating an understanding between banks and government about what is the art of the possible.”

— BRENDAN NELSON, Global Chairman, Financial Services



monitoring the G-20

KPMG IS CLOSELY MONITORING **and assessing activities of the Group of 20 (G-20) finance ministers and central bank governors as they discuss key issues in the global economy. Following the G-20 summit in London in April 2009, KPMG established a Global G-20 Task Force to help clients prepare for potential changes in financial regulation. This included forming G-20 task forces in individual countries to react to and monitor local issues. For example, the U.K. task force tracked the regulatory changes proposed by the Financial Services Authority, gathered insight from clients on the proposed regulatory changes, and developed propositions to assist clients with the changes.**

PREPARING FOR REGULATORY CHANGE

There is little question that tomorrow’s financial services industry will be more tightly regulated than today’s. Governments, seeking to instill confidence in the markets, will likely put in place regulatory structures to monitor compliance in every element of the capital markets.

New capital requirements will likely be mandated in every region of the world. Banks and other financial institutions may be required to hold more capital reserves, and those reserves can be expected to meet a higher standard of quality.

KPMG member firms aim to play a constructive role during this transitional time, just as they have since the beginning of the financial crisis. Says Nelson: “KPMG’s industry knowledge has proven to be invaluable in facilitating an understanding between banks and government about what is the art of the possible.”

SHARING KNOWLEDGE WITH GOVERNING BODIES

KPMG professionals have established working relationships with government and financial industry governing bodies, enabling us to share leading practices and contribute to reform efforts.

For example, KPMG firms:

- Worked with the European Commission on Solvency II, the planned overhaul of regulation for European insurers;
- Provided assistance to the Organization for Economic Cooperation and Development working party on transfer pricing for insurance; and
- Provided input to the Ministry of Finance and Tax Administration in China on the development of a tax regime for foreign-owned insurance companies.

ASSESSING THE IMPACT OF REGULATION

KPMG professionals often work with clients to help them evaluate the impact of new regulatory reforms to inform their strategic planning efforts. Recently, they assisted a global banking company, helping to assess the implications of potential regulatory reforms for the bank's global operations. Issues under discussion included new capitalization requirements and their implications; potential reforms in governance, including compensation; pricing and consumer protection issues; and potential changes in accounting rules. The client is utilizing this assessment as it sets a course for the future.

enhancing stability in the financial system

AS THE ECONOMY BEGINS TO RECOVER, **enhancing stability remains a challenge as failed and severely damaged financial institutions are absorbed by the financial system.**

Professionals at KPMG in the United States are playing a valuable role, assisting both companies that are consolidating and governmental organizations charged with overseeing and regulating the system.

For instance, our professionals work with banks acquiring the assets of failing institutions, assisting with a range of short- and longer-term issues and services. Typically, banks have little time to evaluate the assets they are acquiring and integrate them into their operations. There are often significant accounting, tax, and operational implications to consider and resolve quickly. And, from the outset of these transactions, companies must adhere to a set of strict regulatory compliance procedures.

"When an acquiring bank is the receiver of a failed bank's assets, it enters into a unique and highly detailed contract with the FDIC," says Linda Gallagher, a Principal in the Advisory practice and a leader on regulatory matters for KPMG in the United States. "One of the keys to good compliance in this or any regulatory compliance matter is to establish the appropriate policies and procedures."

KPMG professionals also are assisting the regulators themselves as they contend with limited resources and new responsibilities. In the past, our relationships with these regulators were limited, focused primarily on emerging regulatory changes and their impact on clients. During the financial crisis, KPMG professionals in the United States have had the opportunity to help regulators meet their statutory responsibilities. And we have helped evaluate the root causes and the continuing implications of certain bank failures.

Says Scott Marcello, Deputy Line of Business Leader, Financial Services in the United States, "Ongoing efforts to stabilize the financial system and, at the same time, significantly change the regulatory paradigm, have posed a variety of challenges for companies and regulators. This is clearly an extraordinary time for banking in the United States, and the quality of our professionals, our broad experience, and valued insights allow us to provide very meaningful assistance to both financial institutions and their regulators as they navigate through the many challenges they face."



the business of the public sector

performance, efficiency, accountability



Governments around the globe have become change agents due to the global economic crisis and its aftermath. But as the role of government has extended beyond providing public services to funding stimulus programs and rescue packages — and even taking ownership interests in financial services and automotive companies — new questions are being raised about how governments can meet their expanding obligations.

In global research conducted by KPMG of public sector leaders,* there was agreement that, in the aftermath of the economic crisis, governments must become smaller and more efficient and public sector organizations must better account for their spending.

Pressures also are increasing for public officials and their agencies to meet higher standards for accountability and transparency.

Part of the solution is for the public sector to partner to a greater extent with private industry. These compa-

nies, in turn, must comply with new, rapidly evolving laws and regulations.

Many organizations look to KPMG member firms for answers. Our Government practice assists local, regional, and national governments around the world in implementing governance and performance management structures, enabling them to build thriving economies and turn crisis into opportunity. At the same time, we are helping businesses work efficiently and effectively with these government entities.

**The Wolf is at the Door: The Global Economic Crisis and the Public Sector © 2009 KPMG International*

“The top 10 issues governments around the world are facing are the same or similar.”

— JOHN HERHALT, Global Head of Government

GLOBAL PERSPECTIVE; LOCAL STRATEGIES

“People generally think of governments as local entities and don’t see them through a global lens,” says John Herhalt, Global Head of Government. “But the top 10 issues governments around the world are facing are the same or similar.” KPMG’s global network enables our professionals to share and build upon the best thinking and practices.

In the European Union (EU), KPMG member firms assembled an audit team with professionals from 27 EU countries and nine EU-associated countries for the European Commission (EC). There are more than 3,000 audits to be performed in a consistent manner across Europe in the EC’s research and technological development program and related nuclear research program. The EC put these audits to tender, requiring a “cascade” of service providers with a range of skills consistent across all countries. The EC selected KPMG as the first provider in this “cascade” contract.

Ulrich Maas, Europe, Middle East, and Africa Head of Government, KPMG in Germany, says, “The firms convinced the Commission and won against stiff competition because KPMG had deep insight into the necessary audit procedures, had done similar work within many European KPMG practices, and could demonstrate effective integration of our member firms.”

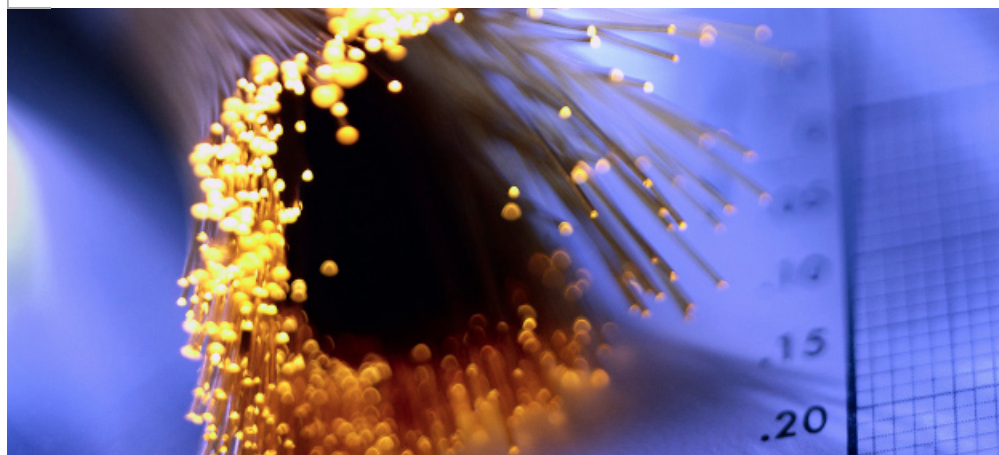
KPMG in the Netherlands has worked with 26 Dutch police forces to improve performance, borrowing

innovations from the U.K. member firm’s highly successful Operation Quest, a sustainable transformation program in frontline policing. Quest significantly improves operational performance by reducing bureaucratic processes, resulting in higher satisfaction ratings from citizens and increased morale among officers.

“There is a lot of learning that moves from one government to another,” says Alan Buckle, KPMG’s Global Head of Advisory. “Ideas do move around the world, and we collaborate to leverage these ideas for our clients. It’s a powerful capability.”

building digital highways

IN THE 21ST CENTURY, **the need for enhanced infrastructure is just as urgent in the digital world as it is in the physical world. As part of its infrastructure program, Australia is creating the National Broadband Network, a nationwide fiber-optic, satellite, and wireless broadband system intended to deliver high capacity to every Australian home, school, and business. This is the largest infrastructure investment in its history, and the Australian Government has tapped KPMG in Australia to recommend ways the project can be financed, built, and operated. The KPMG team is building on the leading knowledge and ideas applied to a similar groundbreaking project in Singapore.**



KPMG in the United Kingdom is the **healthcare sector** market leader among Big Four firms, growing 68 percent in 2009

BUSINESS APPROACHES FOR PERFORMANCE AND EFFICIENCY

In planning for long-term challenges, public sector organizations are increasingly looking to the private sector for solutions. KPMG member firms are applying cost optimization, supply chain management, and procurement strategies adapted from our work with successful and profitable businesses to bring greater efficiencies to governments.

For example, in the Province of Ontario, Canada, KPMG's Canadian

member firm helped transform back-office operations for the Ministry of Government Services, including modernizing its procurement system and establishing governance requirements for the process, resulting in savings of more than Canadian \$140 million across 88 spending categories and the potential to save Canadian \$88 million more.

KPMG member firms have advised governments to consider moving to shared services, something business has been doing successfully for years. Such arrangements reduce spending by consolidating, for example, several human resources departments into one capable of serving an entire organization.

modern medicine

EMPOWERING PATIENTS to help manage their own chronic health conditions through the use of technology is one way the National Health Service in the United Kingdom is working with the local KPMG firm to improve healthcare delivery. The Whole Systems Demonstrator program, a two-year trial, is studying patients with chronic conditions like pulmonary disease and diabetes. Participants use equipment to monitor their conditions at home and the readings are automatically transmitted to a clinician. So far, the program has been an innovative and cost-efficient way to improve patient care and quality of life by preventing hospital stays.

COMMON SOLUTIONS FOR HEALTHCARE

The issue that tops the list for many Western industrialized nations is managing healthcare spending.

Often, information technology can offer solutions for nations dealing with skyrocketing costs, aging populations, rising patient expectations, and fractured and outdated healthcare delivery systems. Public sector healthcare agencies around the world, for instance, are moving to electronic health records, which offer ready access to patient histories and other information — cutting costs and improving care. KPMG member firms have provided guidance to agencies making this transition that includes building a business case for the change, tax planning, and financial reporting assistance.



Alan Downey, Global Head of Healthcare

KPMG in the United Kingdom is working with the National Health Service to introduce market-based reforms and to help hospitals drive down costs while providing better patient care. Alan Downey, Global Head of Healthcare, based in the United Kingdom, points out that productivity has risen steadily in the private sector, but there has been no corresponding improvement in the public sector, despite substantial funding increases. He says there is a need for commercial discipline and innovation in the struggle to control rising healthcare costs.

“There is a movement across the world to tackle long-term health conditions in different ways, through better education, early diagnosis, and treatment in the community, rather than in an expensive hospital setting,” Downey says. “There is good evidence that this is more cost effective and results in improved health outcomes. However, shifting care ‘upstream’ is not easy: it requires collaboration among clinicians in different parts of the health economy and among healthcare organizations. KPMG can play a key role in making that happen.”

ADVISING ON REGULATORY CHANGE

“Challenges with federal, state, and local governments in the United States and around the world are all about money and the deficits,” says Nancy Valley, National Sector Leader for the Public Services practice, KPMG in the United States. “Generally



Nancy Valley, National Sector Leader for the Public Services practice, KPMG in the United States

watch government run

ALL EYES ARE ON recovery.gov, a Web site that publicly tracks spending under the American Recovery and Reinvestment Act. Like many other countries, when the United States created a bailout package, it included legislation that required public, detailed reports about how the money is spent and how many jobs are created. KPMG stepped in to help with the financial reporting and bring the information online at recovery.gov. “If we actually change government behavior because of this kind of transparency, the lessons could be relevant to countries around the globe,” says Nancy Valley, National Sector Leader for the Public Services practice, KPMG in the United States.

KPMG in the United States audits seven of 15 U.S. Cabinet agencies, while no other firm audits even two

in 2009, in programs such as unemployment and welfare, demand was up and tax revenues were down.”

And, improved efficiency and better performance are not the only ways governments began coping with tight budgets in the wake of the global economic crisis. According to KPMG’s 2009 Corporate and Indirect Tax Rate Survey, an urgent need for more revenue pushed many of them to increase revenues captured from indirect taxes and to broaden the tax base for corporate income taxes. Yet, regulatory upheaval in the public sector in 2009 was by no means limited to tax changes.

As authorities around the world recast regulatory frameworks, KPMG firms work closely with their clients to advise on impacts and outcomes. They also assist organizations on the private sector side, advising businesses about compliance and regulatory change within their country of operation and across national borders.

In India, a project that resulted in wide-scale reform of the energy sector in the State of Andhra Pradesh began with KPMG’s advice regarding a restructuring program and its regulatory framework. Today, the project is the role model for other power-sector transformations in India.

THE NEED FOR TRANSPARENCY

When countries around the world created financial packages to sustain and stimulate their struggling economies, legislation often required strict accountability and transparency in the way these funds were spent. KPMG

member firms helped governments establish frameworks to enhance oversight and meet reporting and compliance requirements.

In the United States, KPMG’s State and Local Government practice has assisted many cities and states with audits, operational issues, and reporting requirements after the stimulus funds arrived. When the City of New York learned it would be receiving billions of dollars in stimulus money for infrastructure, education, healthcare, transportation, workforce development, and public safety, it called upon KPMG’s Stimulus Task Force to provide regulatory and compliance services. The task force is staffed with professionals who have deep insight into the workings of federal government.

PARTNERSHIPS PAVE THE WAY

The Organization for Economic Cooperation and Development estimates that more than U.S. \$40 trillion could be spent worldwide on infrastructure projects by 2030. Canada, China, Germany, the United Kingdom, the United States, and other countries have mandated spending significant portions of their stimulus packages on infrastructure creation and improvement, and the World Bank provided more than U.S. \$55 billion in lending for infrastructure development in emerging countries. For infrastructure ambitions on this scale, governments cannot go it alone.

Public-private partnerships (PPPs) can increase the chances of success, and KPMG is a leader in helping governments and private industry benefit from these partnerships. Such

KPMG is ranked as the leading financial adviser on global public-private partnership deals and has infrastructure experience in more than 80 countries

partnerships serve the public interest by expediting construction related to energy, transportation, public services, and other crucial elements of a nation's physical and digital infrastructure. At the same time, KPMG firms help companies involved in these partnerships manage and implement the project, find financing, and mitigate risk. KPMG professionals have deep experience in balancing an investor's interests with governmental requirements of high-quality public assets and services.

KPMG's Global Infrastructure practice includes 3,000 member firm professionals who have provided advice on infrastructure projects around the world. Drawing on our broad industry experience and extensive network of infrastructure finance advisers across the globe, KPMG in the United States has been appointed as strategic adviser to the State of Michigan's PPP program. This role is unique in the United States as it involves reporting directly to the governor's executive team and covers all state departments including Transportation, Education, Information Technology, Energy, Natural Resources, Labor, and Economic Growth, as well as the departments of Management and Budget, and Treasury.

In the Asia Pacific region, Julian Vella, Partner and Regional Leader for Global Infrastructure, says there is a huge demand for infrastructure investment in his part of the world, where KPMG member firms have established a market-leading position in sectors including transportation, water, energy and natural resources, and social infrastructure. We advised the govern-

ment of Singapore on its 2012 project to bring next-generation broadband to 95 percent of physical addresses in Singapore.

"The sort of dialogue KPMG firms are having with governments is around how infrastructure might be financed and what we as an organization can do to bring ideas to the table," Vella says. "The bottom line for infrastructure in Asia Pacific is that many governments have major infrastructure plans that will require them to access private sector skills, resources, and finance."

tax regulations in China

CHINESE AUTHORITIES have set their sights on creating world-class tax regulation amid thriving economic growth. Steven Tseng, Partner in Charge of Global Transfer Pricing Services in Asia and China, mobilized KPMG colleagues from France, Germany, Italy, Japan, the United Kingdom, and the United States to engage in high-level dialogue on the issues and share their experiences in transfer pricing, controls, risk, and driving tax performance. "While many competitors work solely on extracting value for clients and continue to see regulators as an adversary, KPMG China focuses on the future and tries to become a part of the reform," Tseng says.



focus on **global** growth

an expanding world of opportunity

FROM LEFT John Harrison, Deputy Chairman, KPMG International, and
Carlson Tong, Chairman, KPMG Asia Pacific and KPMG China



What were once known as “emerging” markets are now the “high-growth” markets of the new global economy. Countries that had relied on exports are now expanding their domestic economies as well, and countries and regions rich in natural resources are leveraging those strengths for greater growth and investment. New opportunities abound, and KPMG member firms are helping their national and global clients to participate. Following are reports from KPMG member firms in markets leading a new generation of global growth.

China is strongly positioned as a leader in the drive toward global economic recovery. There will always be challenges, but we have great confidence for the future and are preparing for continued growth in China’s dynamic economy. — By CARLSON TONG

China’s economy was given a significant boost by the Chinese Government’s stimulus plan, which has helped fund infrastructure projects and encouraged business investment. The focus now is on building sus-

tainable growth for the longer term. The expanding role of the Chinese consumer is very exciting and is expected to continue as China’s economy shifts to a greater reliance on domestic consumption. This is driving growth

KPMG China clients include three of the top six listed companies in China and two of the four largest banks in the world

in the auto and retail sectors as well as technology; for instance, China is the world leader in mobile phone and Internet subscribers.

At the end of the day, the key to growth is confidence — both for consumers and for business.

The economic downturn caused local clients, like businesses everywhere, to increase their focus on controlling costs and becoming more efficient. We have been helping them manage cash and working capital, improve risk management and internal controls, and respond to changing regulations.

There also was an increase in corporate restructuring and liquidation. The largest liquidation in the region has been that of the Lehman Brothers

entities, and KPMG was appointed as liquidators of the entities across the region including Hong Kong, Singapore, and Australia. We also have worked with a number of export-dependent companies that were hit hard by the downturn to restructure debt, negotiating with bond holders and the local government.

As the economy becomes more robust, M&A activity is beginning to pick up. Local KPMG firms are helping foreign and multinational clients, local private equity firms with investments in China, and Chinese companies investing globally. We have seen a flurry of new activity, especially with investments in mineral- and resource-rich countries. This is where KPMG's global network is invaluable. We have

the ability to connect with the KPMG member firms in the countries where our clients are investing to provide the local transaction support they need.

KPMG in China also has been expanding at a rapid pace. Today we have almost 10,000 people — five times as many as in 2000. In the past four years alone we have opened six new offices in cities across China as more private enterprises are raising capital and plan to list in China, Hong Kong, and the United States. We have been very successful in the IPO market, listing more than 30 companies from China on global exchanges in the last two years, and we expect that number to continue to grow along with China's economy.

planning for an M&A surge

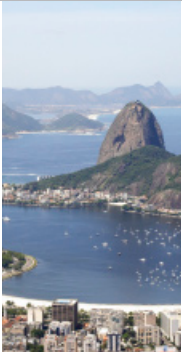
JACK CHOW, A PARTNER specializing in capital markets activities with KPMG China, believes China will experience a surge in M&A activity in the coming years, fueled by an increase in domestic industry consolidation and greater overseas investment. With KPMG China's experience and KPMG's global M&A resources, the firm is well positioned to support clients looking to expand.

Domestically, Chow and his team proactively identify potential listing targets and acquisitions for clients and work with KPMG member firms in other countries, leveraging the global M&A network to help clients target new markets.

"Clients benefit from global and post-merger integration experience," says Chow. "KPMG China advises them on what will likely happen next, based on our experiences with other clients. We bring in a team of professionals from Corporate Finance, Audit, Tax, and Risk Advisory who can provide services from all angles."

In 2009, KPMG completed 260 transactions globally, more than any other M&A adviser*

*Source: Thomson Reuters SDC, January 2010



Brazil has emerged from the global recession and is making strides in the recovery, spurred by strong consumption that has been aided by stimulus programs and the return of inbound investment.

— By PEDRO MELO, Senior Partner, KPMG in Brazil

Through the economic downturn, KPMG in Brazil helped a number of clients with restructuring debt and restructuring their businesses. But even then, companies could see growth on the horizon and many looked to KPMG to update and improve corporate governance controls to be well positioned for potential IPOs or private placement opportunities as markets bounced back.

Tax planning became more critical, especially for clients engaged with government stimulus programs. A lot of companies are increasing the focus on financial risk management, and KPMG in Brazil has established a dedicated group to help clients in this critical area. And with the 2010 date for conversion fast approaching, we continue to help clients convert to IFRS.

Brazil is thrilled to be hosting major global sporting events in 2014 and 2016 and there are massive infrastructure

needs to support these events. KPMG in Brazil has expanded its Infrastructure Advisory practice and, working closely with infrastructure professionals across KPMG's network of member firms, we're helping government and private industry partner to most efficiently develop these projects.

KPMG's growth in Brazil mirrors the country's growth. We've gone from nine to 17 offices over the past four years, with more planned, as economic growth continues to spread beyond more mature markets such as São Paulo. We also are proud that more of Brazil's global leading companies are coming to KPMG. We now serve 25 percent of Brazilian companies that file in the United States, and in the last five years we have moved from fifth place to become the second largest auditor of public companies in Brazil.

KPMG in Brazil works with leaders in their fields, including **Petrobras, Brazil's largest energy company,** and **Banco do Brasil, the country's largest financial institution**

going for **the gold**

MILLIONS ARE EXPECTED to travel to Brazil for major global sporting events in 2014 and 2016, which will require significant investments in infrastructure, including roads, hotels, airports, hospitals, transportation, stadiums, and much more.

With U.S. \$150 billion expected to be spent for both events, and as much as 30 percent of that funding estimated to come from the private sector, KPMG's worldwide experience with public-private partnerships (PPPs) should prove invaluable.

KPMG's Infrastructure practice in Brazil, led by Partner Márcio Lutterbach, is helping businesses and the public sector better plan for the upgrades needed. KPMG in Brazil already has served as the financial adviser when new stadiums needed to be built using a PPP model.

"We have extensive experience in areas critical to our clients and continue to look for ways to support both the government and the private sector," Lutterbach says.





India's biggest need isn't financial, it's human — having enough qualified people to support expanding domestic markets. At KPMG in India we established our Human Capital practice to help meet this need. — By RUSSELL PARERA, CEO, KPMG in India

KPMG in India is working with companies on talent management strategies and putting organizational structures in place to help ensure they are attracting and developing the employees they need to grow their businesses. This is just one example of how we have focused our practice to help meet the requirements of our clients and business overall in India.

The growth story in India has not changed. Consumer demand continues to expand — this is across numerous sectors of consumer goods. Infrastructure is being built at a rapid pace to meet the needs of a young and growing population. Telecom is a good example: an estimated 12 to 15 million new subscribers are being added every month and there is a growing number of telecom providers building networks to meet this new demand.

The financial crisis had less impact in India than in the West, but there

has been heightened awareness of the need for better risk management. KPMG in India has by far the country's largest forensic accounting practice, with 350 professionals, and we have been deeply involved in helping clients manage systemic risk and implement better controls.

IFRS is a critical issue for listed companies here, with mandatory conversion from India GAAP set to commence from April 1, 2011. KPMG in India set up its Accounting Advisory Services team to help clients meet this need. It started in January 2009 with seven people and now the group numbers close to 100. We have people who have worked with KPMG firms in Europe and the United States and have more than 10 years of experience with IFRS. We also launched the IFRS Institute in India, and we have more than 1,300 registered members.

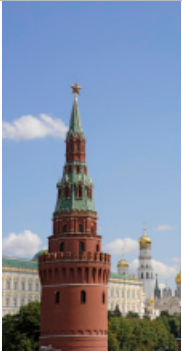
The top six technology companies in India are KPMG clients

bringing global experience to IFRS transition

I SPENT TWO YEARS with KPMG's U.K. firm as Europe was adopting IFRS. Now I'm part of the Accounting Advisory Services team with KPMG in India, bringing hands-on experience to help clients here meet the 2011 deadline for converting to IFRS. Our clients realize they need more than solutions that only address the technical standards — they look to our team for practical knowledge in areas such as systems architecture and data capture that are essential to successful IFRS implementation. KPMG's global methodology and consistency also gives clients confidence. They expect the same quality and standards will be applied to their conversion engagement here as are used by KPMG firms in other countries. This is especially critical for clients that operate in multiple countries. A number of members of our team have worked for KPMG firms in other parts of the world. It is very satisfying to bring this experience back to India.

VENKAT VISHWANATH, DIRECTOR, ACCOUNTING ADVISORY SERVICES, MUMBAI





Russia should see an increased level of transactions in 2010 — with greater interest in doing deals from both within and outside the country. Global companies are again looking for opportunities to invest here. — By ANDREW CRANSTON, Senior Partner, KPMG in Russia and the Commonwealth of Independent States (CIS)

Russia's economy was hit particularly hard by the crisis, but the consensus is for growth between 2 and 4 percent for 2010. Commodity prices have picked up, which has helped the country's resource-based economy, and a significant stimulus package also is helping to bring the country out of recession.

Many companies in Russia faced their own crises, and the need to restructure loans and take costs out of the business were at the top of their agendas. KPMG in Russia has historically been a leading financial adviser, and our team has helped a number of very large clients develop successful restructuring plans.

Helping companies gain efficiencies has been another area of focus for our team. There is a huge need for companies to streamline and become more efficient in a way that doesn't damage the substance of their business.

Coming out of the crisis, we are seeing companies continue to invest to modernize and adopt best business practices. There is much greater interest in risk management — both in the financial and non-financial sectors. We bring a broad set of skills — business process, IT, forensic, and governance — to help make our clients' systems more robust.

In doing this, we balance global knowledge with an in-depth understanding of Russian markets and culture to help develop solutions that are effective in the local market. Our KPMG member firm in Russia has joined KPMG Europe LLP, which means that we can fully leverage the power and intellectual capital of KPMG in Europe to help our clients with their most complex issues.

Access to industry experts and global resources will become even more critical as Russia continues to

diversify its economy from natural resources to sectors such as technology and pharmaceuticals. As the standard of living rises, the consumer market also has a lot of room for growth. Russia is being looked at as one of the most important European consumer markets over the next five to 10 years, and our firm is well positioned to help clients capitalize on this opportunity for growth.

KPMG clients include **LUKOIL**, Russia's leading oil company, and **UC Rusal**, the world's largest aluminum producer

a winning formula for financial restructuring

OUR FINANCIAL RESTRUCTURING GROUP **has quickly become the market leader in Russia, handling about 70 percent of the larger financial restructuring cases. In total, we have about 100 people working on restructuring engagements at any one time. We bring a blend of high-level specialists, including professionals with deep experience in restructuring, transaction services, and modeling, and people with a variety of corporate finance skills including financing and valuations. They understand not only the Russian marketplace very well but also specific industry sectors. Leveraging KPMG's global network is an essential part of our services, as the lender community we serve is entirely global. In fact, our largest engagement involves 173 banks, including 60 of the top 100 banks in the world. It is a great benefit for our clients to be able to tap into that global experience. Being successful in large restructurings like this takes the right knowledge, a proven track record, and an unquestioned ability to deliver.**

TONY THOMPSON, DEPUTY SENIOR PARTNER, REGIONAL HEAD OF ADVISORY, KPMG IN RUSSIA AND THE CIS, MOSCOW





Korea minimized the impact of the economic crisis through its technological innovation and by maintaining export levels to the West, while benefiting from growth markets, such as China and India.

— By YOUNG-GAK (KEN) YUN, CEO, KPMG in Korea

The experience of the Asian financial crisis 10 years ago spurred many Korean companies to innovate, become more global, and restructure to reduce costs. These companies were then better prepared to endure the most recent crisis.

Like many countries, Korea is investing in infrastructure — with both government and private spending. KPMG in Korea is working with a number of clients on innovative ways to finance these projects. As in many countries, healthcare has moved up on the agenda, with government planning to privatize parts of the industry. KPMG has formed a task force specifically to help Korean clients in the healthcare industry prepare for coming changes.

The breadth of the Korean economy is one of its strengths, and

local KPMG clients span a wide spectrum of industries. They range from a leading global electronics company, LG; to one of the world's largest shipbuilders, STX; to Korea's largest steel company, Posco. Global reach has become more important to our clients, and we have responded by adding resources — Korea desks — in a number of countries to support not only business operations but growth and expansion as well.

IFRS conversion work also has become more urgent, as Korea will adopt IFRS in 2011. To help contain costs, KPMG in Korea developed an IFRS conversion software tool that can bring greater efficiency to the conversion process. Integrating and managing IT is not only critical to implementing IFRS but also a core consideration in business expansion.

Our IT Advisory practice has added specialists to support clients as they look to manage costs while preparing their businesses for new growth.

KPMG in Korea focuses on what our clients need to grow their businesses as well as market trends, so that we have the right services and skills to contribute to their success.

KPMG is the **fastest growing professional services firm in Korea**, growing by more than 20 percent per annum for the past 10 years

global connections, local support

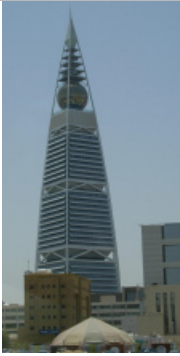
AS MORE AND MORE COMPANIES look to expand beyond their national borders, they face challenges. Language, culture, tax, and reporting differences are just a few concerns. That's where Korea desk managers like Jean Chung (right) and Jaeyeon Kim come in. They're part of KPMG's global network of Korea desks — in 24 cities in 16 countries.

Since starting the Korea desk in Singapore in March 2009, Chung works closely with Korean companies looking to expand their businesses in Singapore. "I am a point of contact among Korean companies, KPMG in Korea, and the local teams in Singapore to help ensure our member firm clients receive good service," she says. "Clients seem impressed with our service because we have local contacts with global experience and connections."

Because Korean companies are expanding around the world, the network of secondees has regular calls to share leading practices. Kim works especially closely with Korea desk colleagues in Poland and Slovakia, as they often face similar issues and can share leading practices. And as only one other Big Four accounting organization has a Korea desk in the Czech Republic, Kim says it is a definite competitive differentiator for KPMG.



Jean Chung, Korea Desk Manager, Singapore



Saudi Arabia is rapidly shifting from a developing to a developed economy — it moved up to 13th place on the World Bank 2009 list of best places to do business.

— By ABDULLAH AL FOZAN, Senior Partner, KPMG in Saudi Arabia, and Head of Markets, Middle East and South Asia

Just five years ago, in 2004, Saudi Arabia was ranked 67th on the World Bank list of the best places to do business. Moving to 13th place reflects the success of the government's initiatives to improve the business climate.

Diversifying the economy is one of the keys to achieving long-term growth. While oil still represents 90 percent of total revenues, the goal is ultimately to increase other industries to make up a larger proportion of the economy. Progress is being made in a number of areas — there has been reform in the financial services sector with the development of an insurance market, a more mature stock market, and vastly increased spending on infrastructure.

There are large road and railway projects under way and multibillion-

dollar investments in new export refineries, as well as the new King Abdullah University of Science and Technology (KAUST), where KPMG in Saudi Arabia has been a key adviser.

Saudi businesses have understandably been cautious through the global economic downturn, but there is a great deal of optimism for the future. KPMG in Saudi Arabia is working with banking clients on capital market reviews and performance improvement and helping a leading telecom provider to optimize costs as it expands its network.

In the Mid Market sector, as more companies seek to become listed, KPMG in Saudi Arabia is helping with increased transparency and governance needs — and we expect M&A to increase as well, with more consolidation in some sectors.

In Saudi Arabia we have more than doubled our staff over the past three years and just opened a new headquarters in the center of Riyadh, linked by video conference to our other offices in Jeddah and Al Khobar. We are very proud of being recognized not only as 2009's "Best Consultancy Firm in the Middle East" but also as the leading employer of choice among advisory firms.

KPMG in Saudi Arabia was awarded "Best Consultancy Firm in the Middle East" for 2009 at the Kingdom Expansion Summit held in Riyadh

creating a **state-of-the-art** university

KAUST, KING ABDULLAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, is the most ambitious start-up project of its kind. This multibillion-dollar, multi-discipline university, which opened in September 2009, is attracting graduate students and academics from around the world and hosts one of the world's fastest super-computers. This is even more remarkable because just three years ago the site for the university was nothing but desert sand.

KPMG in Saudi Arabia has been a key adviser for this massive undertaking from the start. We fielded a multidisciplinary team, taking advantage of KPMG's global network to bring in specialists in the higher education sector from member firms in South Africa and the United Kingdom.

The right Information Technology (IT) strategy is core to achieving the university's ambitious operational, academic, and research objectives. KPMG in Saudi Arabia helped to develop a comprehensive plan enabling everything from content management and collaboration tools to virtual learning environments and network security. We then designed a complete Human Resources (HR) model incorporating organizational structure and knowledge management processes, as well as a strategy for aligning IT and HR operations. An ongoing benefit of the integrated plan is the ability to manage IT requests through a self-service portal.





Africa is commodity-rich and largely underutilized, giving it almost limitless potential for growth. Its biodiversity and physical resources also make it a unique destination for ecotourism.

— By MOSES KGOSANA, CEO, KPMG Africa Region

Africa has a wealth of natural resources that make it strategically important, especially to the developing world. While the lack of basic infrastructure — transportation, water, and sanitation — in many parts of the continent poses a significant challenge, there is also opportunity as these services are built out.

In addition, there is great potential for information and communications technology. Estimates indicate that only about 120 million of the 900 million people in Africa have access to fixed or mobile communications. New greenfield telecommunications networks are sprouting up to meet this huge need. KPMG firms in Africa are proud to serve MTN — a South African start-up company only 15 years ago that today is a leading telecom provider in many African countries.

KPMG firms in the Africa region are expanding their Infrastructure practices across the continent to advise governments and the private sector on the most cost-effective ways to construct and finance infrastructure projects. The firms also are helping to

manage key aspects of major developments, such as the new world-class rapid rail link being built in South Africa.

We are creating a more integrated structure across the continent and establishing pan-African practices to meet specific needs. One is designed to meet the specialized requirements of oil companies. KPMG firms in Africa service most of the international oil majors and national oil companies. Therefore, we have established a regional practice across 12 countries so that these clients can have a consistent experience wherever they do business.

Another KPMG pan-African business unit provides service to the international development aid sector, including organizations such as the World Bank, European Commission, and United Kingdom Department for International Development, as they provide critical financial support to many African countries.

KPMG firms in Africa are aligning with clients so that in whatever countries they operate, we can provide greater consistency, efficiency, and operational effectiveness.



serving clients across Africa

KPMG AFRICA, LTD., led by Moses Kgosana, was established to help African member firms provide clients with streamlined service across the continent. It currently includes individual KPMG member firms in Botswana, Ghana, Kenya, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. Regional representation also is provided for Angola and Nigeria as well as Francophone Africa. The new organization helps African member firms to provide clients with a blend of local knowledge and skills along with exceptional regional reach and consistency.

KPMG has the largest presence of any accounting firm or advisory organization in Africa

how we work

approach, people, and culture



Industry focus

KPMG goes to market by industry sector, offering clients guidance as they navigate industry issues, make sense of the latest developments, and respond both to new opportunities and to challenges.

With so much change taking place in all industries — from financial services, to energy and natural resources, to healthcare — it's no surprise that deep industry knowledge and experience is more critical than ever to serving clients in a meaningful way. Sharing that knowledge across member firms is an important aspect of how we work.

"Our firms have great functional capabilities, but to be of real value to clients this has to be combined with our in-depth industry knowledge and experience," says Neil Austin, who, as Global Head of Markets, has respon-

sibility for all KPMG industry sectors and thus our go-to-market approach.

"Understanding what is happening in an industry — and what is around the corner — is of direct benefit to clients, as it means KPMG teams can provide services tailored to their specific needs."

Each of KPMG's Global Sector teams is led by a highly experienced partner with strong industry knowledge and personal involvement with major clients. The sector leadership team shares its knowledge with partners and professionals in member firms around the world in a variety of ways. One example is the Industry Insights program, which provides a global perspective on the business and regulatory issues that might impact clients, as well as information about the services our member firms

“Our firms have great functional capabilities, but to be of real value to clients this has to be combined with our in-depth industry knowledge and experience.”

— NEIL AUSTIN, Global Head of Markets

can provide. This is achieved through a variety of channels — among them, KPMG’s global Industry Insights Web site, weekly updates related to the priority issues for each sector, and a quarterly research publication that contains critical thought leadership.

KPMG teams also invite clients to participate in the dialogue through industry-focused institutes, events, and webcasts. For example, KPMG’s Global Energy Institute, established in 2008, serves as an open forum for industry financial executives to share knowledge and gain access to thought leadership about industry issues and emerging trends. Its annual Global Energy Conference — held in May 2009 and highlighted by keynote



Neil Austin, Global Head of Markets

speakers Madeleine Albright, former U.S. Secretary of State, and Marvin E. Odum, president of Shell Oil — brings together industry executives each year.

Commitment to quality

The quality and integrity of our people is paramount to everything we do, and we are committed to building and maintaining a culture of the highest ethical standards globally.

Member firms around the world share a common set of values, processes, methodologies, policies, and controls that facilitate globally consistent standards of professionalism, integrity, and technical competence. Ultimately, this enables KPMG firms to deliver the highest level of service to clients, regardless of geography.

QUALITY CONTROL

KPMG International has quality control policies that apply to all member firms and are designed to assist them in

complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

These policies are supported by the leadership groups and strengthened by the involvement of experienced leaders within each member firm who emphasize the importance of risk management, compliance, quality control, and ethics and integrity, all of which are embedded throughout member firms’ engagement processes.

Furthermore, individual member firms adopt additional systems of quality controls that are designed to meet local rules, standards, and requirements.

“We have put in place a system of **quality controls and risk management policies and processes** that help ensure that KPMG member firms are consistently providing the **highest quality professional services globally.**”

— LARRY LEVA, Global Vice Chair – Risk & Compliance



Larry Leva, Global Vice Chair – Risk & Compliance

INTEGRATED MONITORING

KPMG International has an integrated monitoring program to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. Included are the Quality Performance program, the Risk Compliance program, and the Global Compliance Review program.

The Quality Performance program assesses quality at the engagement level. Reviews are tailored to the relevant function and conducted at each member firm with independent oversight by an experienced partner from another country. They also are monitored regionally, with benchmarking across the regions to promote consistency.

The Risk Compliance program and the Global Compliance Review program both monitor compliance with KPMG International's policies at a member firm level. The Risk Compliance program is a member firm's annual self-assessment of its compliance with applicable policies and procedures, while Global Compliance Reviews are performed by reviewers external to the member firm, are led by the Global Compliance Group, and are carried out over a three-year cycle.

STRUCTURE AND GOVERNANCE

KPMG International Cooperative (“KPMG International”) is a Swiss entity with which all the member firms of the KPMG network are affiliated. Our structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate.

The three key governance and management bodies of KPMG International are the **Global Council**, the **Global Board**, and the **Global Executive Team**.

The **Global Council** focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. Among its responsibilities, the Global Council elects the KPMG International Chairman and approves the appointment of Global Board members. It includes representation from 54 member firms.

The **Global Board** is the principal governance and oversight body of KPMG International. The board is supported in its responsibilities by several committees, including a Governance Committee; an Audit, Finance, and Investments Committee; a Compensation and Nomination Committee; a Risk and Compliance Committee; a Professional Indemnity Insurance Committee; and a Board Process and Evaluation Committee.

The **Global Executive Team** serves as the principal management body of KPMG International, driving the execution of the strategy approved by the Global Board and establishing processes to monitor and enforce policy compliance. Led by the Chairman, the team includes the Deputy Chairman; global heads of Audit, Tax, Advisory, Risk, Markets, and People; the Chief Operating Officer; regional leaders; and a number of senior partners of member firms. In addition, the Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas.

“Our people strategy is all about helping ensure that we have the very best people to serve clients.”

— RACHEL CAMPBELL, Global Head of People

Our people

In the current environment, enhancing the capability of our people has never been more important. Building capability is about developing our people’s skills and providing them with a global outlook. It’s about motivating them to perform at their best, and it’s about leveraging diversity to drive innovation and great teamwork.

“At KPMG, our people strategy is all about helping ensure that we have the very best people to serve clients — our people strategy and our business strategy are one and the same,” explains Rachel Campbell, Global Head of People. “We strive to provide each and every one of our clients with the very best talent our global network has to offer. This means putting the right people, with the right skills, in the right place at the right time, and making sure they are ready to apply their knowledge and experience to support our clients.

“We achieve this by giving people the opportunity to develop as leaders and build broad business knowledge from an early stage in their careers, by promoting secondments across the world to give people a ‘global perspective,’ and by ensuring we focus on effective succession planning,” she adds. “Delivering this strategy is critical to our business, to our clients, and to our being an Employer of Choice.”

SKILLS AND DEVELOPMENT

But how do we accelerate the development of our people in a challenging economic climate? By increasing the effectiveness of our learning and development programs, by sharing leading

programs more effectively among our member firms, and by leveraging our global network to allow our people the best on-the-job experience.

The alignment of KPMG’s global, regional, and national learning and development programs is stronger than ever before, making certain our professionals receive the highest level of training regardless of their location. We are actively collaborating on the development of new programs to meet common needs and, increasingly, we are establishing a consistent learning experience across KPMG. What’s more, we continue to promote and accelerate the development of our leaders of today and tomorrow, bringing our best talent together for global programs that provide them with tremendous opportunity to broaden their knowledge, experience, and networks.

While training programs are key to skills development, on-the-job experience is invaluable. According to Campbell, KPMG is increasingly focused on building an environment

in which coaching and mentoring are celebrated as part of the way we work.

“We know that our people benefit the most from the close counsel of mentors and performance managers, and time spent learning in the field,” says Campbell. “Our experienced professionals are perhaps the most powerful career-building resource available to our newer professionals, and coaching and mentoring relationships facilitate professional development on both sides.”

A GLOBAL OUTLOOK

For many KPMG professionals, on-the-job training is enhanced by a rotational assignment with a member firm in another part of the world. Global Opportunities (GO), KPMG’s global mobility program, currently supports more than 2,600 people each year — throughout their careers — on short- and long-term assignments around the world.

“Global mobility has become an integral part of the KPMG culture,” says Brian Ambrose, Global Chief Operating Officer, KPMG International, and Head of GO. “Global rotations help our people



Rachel Campbell, Global Head of People

broaden their perspectives, develop new skills, and grow their international networks — all of which are significant advantages when working with clients and teams both at home and abroad.”

Ambrose points out that the more global experience our people have, the better suited they are to serve global clients. “Multinational clients are best served by people with a global mindset, an awareness of how to apply their skills in a new environment, to work on multicultural teams, and to think and act globally.”

MOTIVATING OUR PEOPLE

Enhancing the capability of our people is as much about motivation as it is about skills development or a global outlook. Wherever possible we adapt our work environment to ensure we maximize the engagement of all our people.

As part of that effort, we conduct a biennial global people survey and act on the feedback we receive. We ensure we communicate openly, we recognize the importance of strong role models, and we actively celebrate success — all important drivers of engagement.

Furthermore, we respect people’s need for balance between their professional and personal lives and understand that providing flexibility is critical to retaining and motivating our top talent. KPMG offers flexible work options that include telecommuting, annualized hours, job sharing, and working part time.

LEVERAGING DIVERSITY

We are committed to creating an inclusive environment that celebrates our people’s differences, recognizing that the diversity of our people’s experi-

gaining experience in a dynamic environment

BORN AND RAISED IN TURKEY, **Nihat Guven** (pictured) moved to the United States to pursue an MBA degree at the University of Georgia. He joined KPMG’s U.S. member firm in 2000 as an IT Advisory associate in the Atlanta office and now is a director on rotation in Santiago, Chile.

Guven began working in Santiago in 2007 and will complete his assignment in July 2010 after gaining significant technical, client service, and leadership experience with the Chile member firm. “When I began my rotation, we started growing the core IT Advisory practice with ex-pats from other member firms as well as experienced hires from outside KPMG,” says Guven. “Today, we have an established group of about 50 people that provides Advisory and Audit support services in a very dynamic environment.”

Working for a member firm in a high-growth market has afforded Guven the opportunity to play a part in developing the practice’s go-to-market strategy and to serve an exciting list of clients in diverse industries. “Because most of the Chilean economy is concentrated in Santiago, virtually every industry is represented,” Guven notes. “And I’ve had the chance to work with a broad set of large, multinational companies.”

When he returns to the United States, Guven will bring back experience with IFRS, which Chile adopted in 2009. It’s a skill set he expects will be helpful as he works with clients preparing for the possibility of IFRS adoption in the United States.

In addition, he has expanded his global network to include colleagues from a variety of member firms around the world. “We work in truly global teams,” Guven says, “bringing our resources from all over the world to clients.”



At KPMG, our approach to corporate citizenship is founded on the belief that business has a distinct and vital role to play in helping solve the world's most complex problems

ences and ideas helps to enhance our culture and make us more innovative and responsive.

Over the last two years, many member firms have undertaken an internal benchmarking program — reviewing their national strategies around diversity, measuring progress, and driving improvements particularly in relation to the advancement of women and the integration of professionals from minority or indigenous communities. In addition, our leaders emphasize cultural inclusion as a valued asset for our business and clients. Michael Hastings, Lord Hastings of Scarisbrick CBE, Global Head of Citizenship and Diversity, KPMG International, says: “We’ve long passed the point of debate about why diversity delivers better business performance. Now we need to square up to a world where education and economic development are changing the balance of power. Never has the need to embrace diversity and inclusion been more compelling.”

Global citizenship

At KPMG, our approach to corporate citizenship is founded on the belief that business has a distinct and vital role to play in helping solve the world's most complex problems.

We recognize that responsible business practices contribute to broad-based development and sustainable markets. But we also know that is not enough to fully address the challenges facing our world today. We are committed to doing more — moving beyond good governance, compliance, ethical behavior, and philanthropy to partner with governments, societies, and non-governmental



Grace D'Oleo and Luceily Pérez of KPMG in the Dominican Republic participating in a firm reforestation project

organizations to tackle global social and environmental issues. By taking leadership in and for our communities, and applying skills in creative and determined ways, our people can deliver and support sustainable solutions.

As such, KPMG International's citizenship efforts are focused around two priorities: ensuring environmental stability and international development. In the last year alone, we have made remarkable progress with ambitious goals in both areas.

GOING GREEN

KPMG's Global Green Initiative is aimed at reducing our member firms' carbon emissions and encouraging our people, suppliers, and clients to do the same. The initiative has served as an umbrella for the various environmental and conservation programs that already had been established by various KPMG member firms, and has leveraged the insight of our Global Sustainability Services practice to help define our data collection methodology and establish our carbon reduction goals.

“We announced the initiative in 2008 with the aim of reducing emissions across our international network 25 percent by 2010 from a 2007 baseline,” says Lord Hastings. “Today, we are on track to reach that goal, and we’ve already seen an average reduction of 10 percent per employee. What we’ve seen across our member firms has been a very creative and collaborative drive on energy consumption, specifically around three areas: ensuring the efficiency of our buildings and facilities, implementing sustainable IT systems, and managing business travel.”

This means undertaking large-scale projects such as creating new IT centers that harness the benefits of cutting-edge green technology and migrating to new offices that meet the Leadership in Energy and Environmental Design (LEED) standards, as the U.S. firm did in 2009. It also means changing our everyday operations and the behaviors of our people — cutting paper usage, rethinking air travel, and implementing programs to reduce waste and office-related energy use.

Importantly, data shows that the opportunity for growing our business has not been hindered by our efforts to be carbon responsible. "On the contrary, it has been an incentive, opening up new client opportunity," notes Lord Hastings.

This is especially apparent in high-growth markets. KPMG in Japan, for

instance, has experienced remarkable revenue growth after achieving a 21 percent carbon reduction per employee for 2008.

In addition to taking responsibility for their own carbon emissions, member firms are supporting environmental projects within their communities

and in partnership with nonprofits. For example, KPMG in Australia is extending its enthusiasm for the environment to the Great Barrier Reef Foundation's ZooX Fund, which responds to growing public concern about the impact of climate change on the world's largest coral reef system. And the India firm has funded solar systems at two charities — an HIV/AIDS organization in Pune and a nonprofit for migrant quarry workers in Chennai — enabling them to save money on electricity costs and therefore better support their social activities.

building a high-growth career

SINCE JOINING KPMG IN VIETNAM as a campus hire in 2007, **Thi Huong Giang Trinh (pictured) has launched a fast-paced career in a high-growth market, gaining valuable and varied client experience while building people management and leadership skills early on. "What I love most is working in a learning environment," says Trinh, who is based in Ho Chi Minh City. "Everyday, I'm given the opportunity to experience something new."**

Trinh has served both local and multinational clients in a range of industries and is particularly fond of working with large financial services companies. "They have high expectations of what we can deliver," Trinh says, "and I enjoy the challenge."

She also has worked on the audit for a German-based manufacturer. "I can see that we are adding value to the company's operations," she says. "It's rewarding to know that our accounting and reporting is helping to enhance their business."

One of Trinh's long-term goals is to complete a rotational assignment abroad, perhaps in New York or London. She also looks forward to further developing her management and coaching skills at home. "In the last year, I've taken on new engagement and people management responsibilities," she says, "and I've been fortunate to have a performance manager who has offered support and guidance along the way. I hope to offer the same level of support to the newer professionals on my teams, to help them build exciting careers with KPMG as well."

INTERNATIONAL DEVELOPMENT

KPMG's second global citizenship priority is brought to life by our Global Development Initiative, designed to support the United Nation's (U.N.'s) Millennium Development Goals.

At a global level, KPMG works with the Millennium Promise, led by Professor Jeffrey D. Sachs, Director of the Earth Institute at Columbia University and special adviser to the U.N. Secretary-General. This involves a commitment to the Millennium Cities Initiative, where KPMG Transaction Services teams apply their technical skills and experience to help cities in Africa attract inward investment, and a relationship with the Millennium Villages project, a program dedicated to ending extreme poverty in Sub-Saharan Africa. KPMG firms in Europe, North America, South Africa, and Japan, along with KPMG International, have pledged U.S. \$1.5 million over five years to support the development of a village in Micheweni on the island of Pemba in Tanzania.

Member firms around the world also undertook projects with major nonprofit



groups in 2009, applying their know-how to some intractable problems. KPMG in Australia, for instance, has built a unique relationship with Indigenous Enterprise Partnerships, an organization focused on developing sustainable initiatives that will help break the cycle of welfare dependency in indigenous communities. Since 2007, 27 KPMG people have embarked on secondments to work on projects within indigenous communities, helping to build the capacity of local businesses.

KPMG in South Africa's Enterprise Development initiative is focused on growing and nurturing emerging black-owned and black-empowered businesses to allow for real, sustainable economic growth in a country with a relatively low rate of entrepreneurial activity. In 2009, KPMG in South Africa hosted its second annual KPMG Enterprise Development Day in association with one of South Africa's largest financial services organizations. The event included structured mentoring sessions for business owners covering a range of topics from general financial management to tax and employment law.

"At the heart of our citizenship strategy is the understanding that global business cannot succeed if we do not work together to address the most significant issues threatening our world: extreme poverty, environmental degradation, social injustice," says Lord Hastings. "These things are so interconnected with both who we are at KPMG and what we do, and they are important to clients, our people around the world, and to the people we'd like to join us. As an international organization we can't afford to do anything less."



creating opportunity for kids

WHAT STARTED AS A TRIP AROUND THE WORLD to celebrate his graduation from university has for James Woodward (pictured) turned into a powerful commitment to improving the lives of underprivileged children in Kenya.

An Audit professional in Sydney, Australia, Woodward has joined his business skills with his lifelong passion for service to co-found Kickstart Kids International, a nonprofit organization designed to help fund and support the Familia Moja Children's Centre, a home for orphaned children in the Nairobi village of Mang'u, and the Mang'u Primary School, which serves about 600 of the village's youth.

Woodward first visited Kenya during his travels in 2007, volunteering at St. Otiap, a small orphanage in Kayole, a Nairobi slum. After spending six weeks at the orphanage and experiencing firsthand the poor conditions, Woodward returned to Australia, but later received word that St. Otiap's director had closed the facility without warning, leaving 20 children homeless.

Anxious to help, Woodward took a two-month sabbatical from KPMG and returned to Kenya to help establish a new home for the children in Mang'u. Today, 27 children live at Familia Moja and attend the school Kickstart Kids International now sponsors with the help of KPMG International.

Woodward's long-term goal is to help the centre achieve self-sustainability by raising the funds to purchase a small plot of land for farming. "The land will provide the kids with an education in agriculture and the community with a valuable income stream," Woodward says.

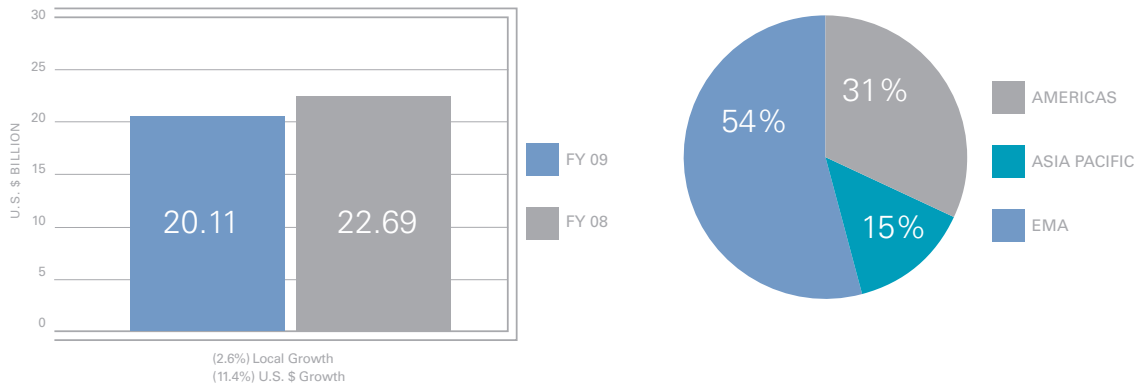
In addition, Kickstart Kids is partnering with KPMG in Kenya to build a second home for orphaned children in Ulturoto, this one following a different, "less institutional" model, says Woodward. "Our goal is to create a more nurturing and familial environment, as well as to incorporate design principles and income-generating activities to ensure this new centre will be both environmentally and financially sustainable."

Woodward is grateful for the support Kickstart Kids International has received from the KPMG network and clients. "With their assistance, Kickstart has been given the opportunity to grow far beyond what I imagined when we started and to stimulate real change in the lives of the children we're supporting."

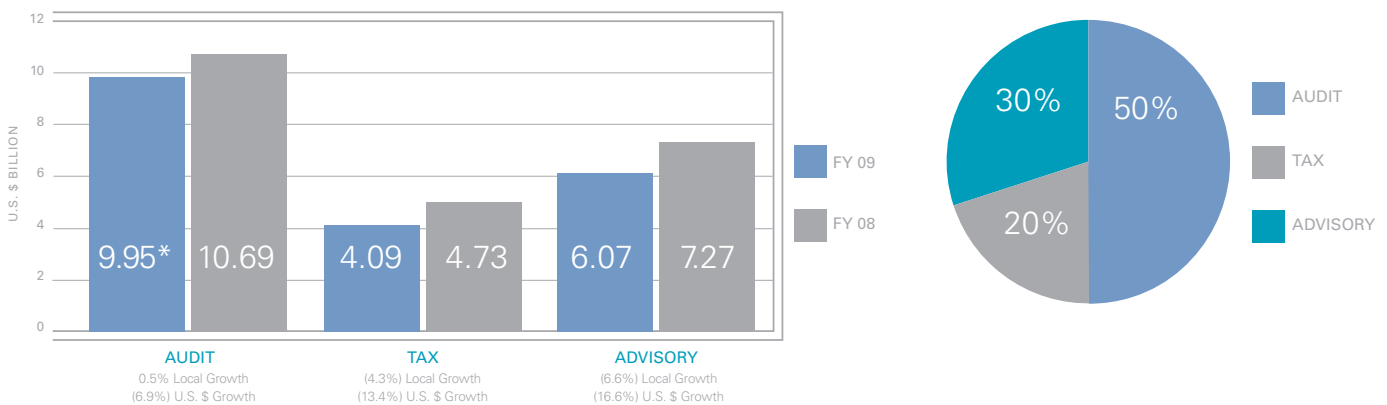
financial performance highlights

fiscal year 2009

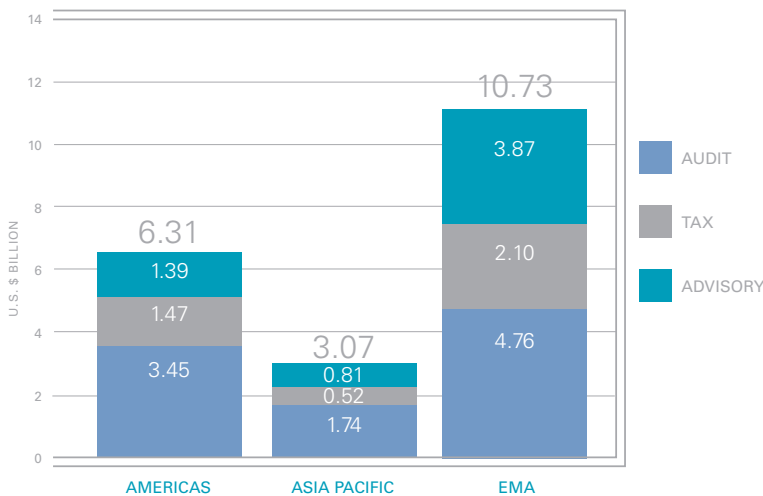
global total revenues



global revenues by function



global revenues by function & region



revenues by industry U.S. \$ BILLION

	FY 09	FY 08	Local Growth	U.S. \$ Growth
FINANCIAL SERVICES	5.15	5.73	(1.8%)	(10.2%)
INDUSTRIAL MARKETS	4.94	5.63	(5.1%)	(12.3%)
CONSUMER MARKETS	2.51	2.74	(0.8%)	(8.4%)
ICE*	3.61	4.29	(8.8%)	(15.8%)
IG&H**	3.90	4.30	(1.0%)	(9.4%)
TOTAL	20.11	22.69	(2.6%)	(11.4%)

*Information, Communications, and Entertainment
**Infrastructure, Government, and Healthcare

* Includes U.S. \$9.16 billion statutory audit and U.S. \$0.79 billion other assurance work.

The financial information set forth represents composite — non consolidated — information of the separate member firms of KPMG International that perform professional services for clients and is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any revenue from clients.

personnel for fiscal year ended september 30, 2009

	FY 09	FY 08	% Change	
PARTNERS	7,953	7,677	4%	
PROFESSIONALS	106,973	104,057	3%	
ADMINISTRATION	25,309	25,162	1%	
TOTAL	140,235	136,896	2%	

FY 09	Partners	Prof. Staff	Admin. Staff	Total
AMERICAS	2,711	26,633	8,174	37,518
ASIA PACIFIC	1,514	24,978	4,440	30,932
EMA	3,728	55,362	12,695	71,785
TOTAL	7,953	106,973	25,309	140,235

FY 08	Partners	Prof. Staff	Admin. Staff	Total
AMERICAS	2,683	27,683	8,433	38,799
ASIA PACIFIC	1,429	22,976	4,328	28,733
EMA	3,565	53,398	12,401	69,364
TOTAL	7,677	104,057	25,162	136,896

% INCREASE	Partners	Prof. Staff	Admin. Staff	Total
AMERICAS	1%	(4%)	(3%)	(3%)
ASIA PACIFIC	6%	9%	3%	8%
EMA	5%	4%	2%	3%
TOTAL	4%	3%	1%	2%

global board and executive team

members of the global executive team

Chairman Timothy P. Flynn	Senior Partner – Australia Michael Andrew
Deputy Chairman John Harrison	Senior Partner – Canada William Thomas
Chairman, Americas John Veihmeyer	Senior Partner – France Jean-Luc Decornoy
Chairman, ASPAC Carlson Tong	Senior Partner – Germany Rolf Nonnenmacher
Chairman, EMA John Griffith-Jones	Senior Partner – Ireland Terence O'Rourke
Global Head of Audit Henry Keizer	Senior Partner – Japan Masanori Sato
Global Head of Tax Loughlin Hickey	Senior Partner – Netherlands Herman Dijkhuizen
Global Head of Advisory Alan Buckle	Global Chief Operating Officer Brian Ambrose
Global Head of Markets Neil Austin	Chief Operating Officer, Americas Jack Taylor
Global Head of People Rachel Campbell	Chief Operating Officer, ASPAC Graeme Bailey
Global Vice Chair – Risk & Compliance Larry Leva	Chief Executive Officer, EMA Jean-Paul Thill

members of the global board

Timothy P. Flynn , Chairman	Frantisek Dostalek Central and Eastern Europe	Guillermo Garcia-Naranjo Mexico
John Harrison , Deputy Chairman	Jesper Koefoed Denmark	Herman Dijkhuizen Netherlands
John Veihmeyer , Chairman, Americas	Jean-Luc Decornoy France	Andrew Cranston Russia and the Commonwealth of Independent States
Carlson Tong , Chairman, ASPAC	Rolf Nonnenmacher Germany	Danny Teoh Singapore
John Griffith-Jones , Chairman, EMA	Russell Parera India	John Scott Spain
Moses Kgosana Africa	Terence O'Rourke Ireland	Helene Willberg Sweden
Michael Andrew Australia	Domenico Fumagalli Italy	Hubert Achermann Switzerland
Pedro Melo Brazil	Masanori Sato Japan	
William Thomas Canada		

other global leaders

Stuart Campbell, Chief Information Officer
Michael Hastings, Global Head of Citizenship and Diversity
Alistair Johnston, Global Vice Chair
Helen Spice, Chief Financial Officer
Tom Wethered, International General Counsel

KPMG member firms operate in the following countries and territories (as of October 1, 2009)

Americas

Argentina
Brazil
Canada
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Israel
Mexico
Nicaragua
Panama (Republic)
Peru
United States of America
Uruguay
Venezuela

Asia Pacific

Australia
Brunei Darussalam
Cambodia (Kingdom of)
China
Cook Islands
Fiji Islands
Indonesia
Japan
Korea (Republic of)
Lao People's Democratic Republic
Malaysia
New Zealand
Papua New Guinea
Philippines
Singapore
Taiwan
Thailand
Vietnam

Europe, Middle East, and Africa

Algeria
Austria
Cyprus
Denmark
Finland
France
French Polynesia
Greece
Iceland
India
Ireland
Italy
Ivory Coast
Monaco
Morocco
New Caledonia
Norway
Portugal
Senegal
Sweden
Tunisia

KPMG Europe LLP

Andorra+
Armenia (Republic of)*+
Belgium†+
Georgia (Republic of)
Germany Δ
Kazakhstan*
Kyrgyzstan*
Liechtenstein
Luxembourg+Ω
Netherlands
Russia*+
SpainΩ
Switzerland
Turkey#
Ukraine+
United Kingdom

Africa subregion

Angola
Botswana
Ghana
Kenya
Malawi
Mauritius
Mozambique
Namibia
Nigeria
Sierra Leone
South Africa
Swaziland
Tanzania
Uganda
Zambia
Zimbabwe

Central and Eastern Europe subregion

Albania
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Estonia
Hungary
Latvia
Lithuania
Macedonia (Republic of)
Moldova (Republic of)
Montenegro
Poland
Romania
Serbia
Slovakia
Slovenia

Middle East and South Asia subregion

Afghanistan
Bahrain
Bangladesh
Egypt
Iran
Kuwait
Lebanon
Maldives (Republic)
Oman (Sultanate of)
Pakistan
Qatar
Saudi Arabia
Sri Lanka
Syria
United Arab Emirates
Yemen (Republic of)

The Offshore Group subregion

Anguilla, B.W.I.
Antigua and Barbuda
Aruba
Bahamas
Barbados
Bermuda
British Virgin Islands
Cayman Islands, B.W.I.
Gibraltar
Guernsey
Isle Of Man
Jamaica
Jersey
Malta
Netherlands Antilles
St. Lucia
St. Vincent and the Grenadines
Surinam
Trinidad and Tobago
Turks and Caicos Islands, B.W.I.

* Shares to be transferred to a subsidiary of KPMG Europe LLP from current owner.

For regulatory reasons KPMG Europe LLP may not own certain entities in Turkey.

+ Certain entities in these jurisdictions may not be wholly owned.

† The Belgian Audit practice is not a subsidiary of KPMG Europe LLP.

Ω The Spanish Audit entity and the Luxembourg Audit and Advisory entities will only become wholly owned once the 8th directive is implemented.

Δ KPMG Rechtsanwalts-gesellschaft mbH, which provides legal services in Germany, is owned by certain members of the Board of KPMG Wirtschaftsprüfungsgesellschaft.



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