



Courage. Change. Growth.

Annual Review 2019

January 2020

www.kpmg.com.mt





At KPMG we build and sustain our reputation as the best firm to work with by ensuring that our people, our clients and our communities achieve their full potential.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have 200,000 people working in member firms around the world.

KPMG in Malta is a Maltese Civil Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG Crimsonwing is an international business & IT solutions provider that supports organisations in business transformations enabled by technology. Our work focuses on Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), eCommerce and IT integration. We help automate and transform organisations with the established business technology solutions of Microsoft, Intershop and Magento. With offices in the UK, Malta and the Netherlands, we employ over 500 people and cater for an ever-expanding international client base.

The current annual review has been prepared to coincide with the Firm's financial year ending September.

Any mention of Microsoft Business Solutions (MBS) within this report refers to what was previously known as KPMG Crimsonwing.

Contents

4
Introduction
by Tonio Zarb

6
A year in review
by Iain Fox

8
Highlights

22
News and
updates

34
KPMG's
point of view

58
Client
successes

66
Contacts



Introduction by Tonio Zarb

Our ambition

Bill Thomas, KPMG's Global Chairman and CEO of KPMG International, had this to say in the opening paragraph of the 2019 Annual Review for the global firm:

"Our ambition is for KPMG to continue delivering growth while being the most trusted and trustworthy professional services firm. That means being an employer of choice, a trusted advisor, effective auditor and a responsible industry leader."

This is also our ambition at KPMG in Malta; an ambition that our people believe we are achieving as evidenced by the results of our most recent People Survey (October 2019) summarised on page 12 of this review. Once again, the results of this survey reflect on our high performance culture and underlines the importance we give to collaboration and team work, promoting inclusion and diversity, the value of personal growth, our commitment to quality and to upholding our values.

Likewise our clients have once again indicated a high level of satisfaction with the quality and skills of our people assigned to their engagements and the extent to which KPMG has met or exceeded their expectations (refer to page 14).

Growth and investment

In the last financial year ended 20 September 2019, gross revenue for KPMG in Malta grew by 5.5% whilst that of KPMG MBS grew by 8.6% giving a combined growth of 7.2% and total gross revenue of €52.2million. During the last year we have continued to invest in new service lines and additional talent – the number of KPMG people in Malta as at 30th September 2019 was a total of 761 (inclusive of 122 students forming part of our Graduate Recruitment Programme). We are confident that our continued investment in our people will drive further significant growth over the next few years.

Digital services and KPMG MBS

The range of IT advisory and digital services that KPMG offers in Malta are now more widespread than ever. KPMG's digital services offerings comprise its IT advisory service lines including data & analytics as well as solutions around emerging technologies, robotic process automation, and the more traditional software development services. With the addition of KPMG Microsoft Business Solutions (KPMG MBS) in 2015, previously known as KPMG Crimsonwing, KPMG has a specialist Dynamics 365 team that will bring the power of the cloud to a client's operations. Over the past four years since the acquisition, we have been driving a closer collaboration and synergy between the two businesses in a way that brings greater expertise, service and value to our clients.

We now have a strong digital team in Malta numbering about 275 people that can provide high-quality solutions with innovation at its core.

Our commitment

Recent events in Malta underline the importance of integrity in achieving sustainable growth and maintaining trust. The importance of maintaining trust in our institutions, in the professions and in the business community in general, is brought sharply in focus when unfolding events threaten to seriously jeopardise, or even destroy, that trust.

At KPMG we are committed, in line with our values and purpose, to acting in support of enhancing trust. This commitment sees us more determined than ever to work for the right clients and to carrying out high quality work within the remit of the ethical framework governing our profession. We are also committed to working with (and within) the professional bodies of which we form part, namely the Institute of Accountants and the Institute of Financial Services Practitioners, as these continue to promote ethical professional behaviour amongst their members and within the wider business community.

50 years in Malta

2019 marked the fiftieth year from the foundation of our firm. We recognised this important milestone with a number of events attended by our people and clients as well as a number of conferences attended by partners and other professionals from across the network. We are proud of the firm's reputation for delivering quality services and we are grateful for the continued trust that our clients and the wider community place in us. I reiterate our commitment to further enhancing public trust, to sustaining our high performance culture, and in stepping up our investment in technology and technology enabled services, to enable us to assist our clients as they face the challenges ahead.

Tonio Zarb
Senior Partner, KPMG in Malta

31 January 2020



A year in review by Iain Fox

It's been an exciting, transformational year since I sat down during the Christmas and New Year holiday season to write my last 'Year in Review' article. Quite a year for KPMG's Microsoft Business Solutions team, for many of our clients and also for Europe as a whole as the 'Brexit Process' rumbled on.

I've decided that as part of this article anyway, that I'm not going to dwell too much on the topic of Brexit. It clearly has created uncertainty in various industries and it is weighing on the minds of business leaders when it comes to making decisions on future investment. However, what most definitely is our client's main concern is continuing to evolve, improve and in many cases completely redesign their experiences to remain ahead in their industries, much more so than the effects of Brexit.

More than ever we are seeing Software as a Service (SaaS) being embraced by our clients to speed up their ability to transform. SaaS business solutions are fast becoming the norm when it comes to Business Applications such as KPMG's Powered Microsoft Solutions. These solutions bring together all of the business and operational knowledge from KPMG's transitional advisory services and combines them with our technology skills to create pre-packaged 'Business in a Box' that we can then rapidly deploy into the cloud. More than 80% of KPMG's new Microsoft Business Application programmes chose our 'Powered' business solutions as the catalyst for their business transformation in 2019, which is remarkable when you consider that was only 20% in 2018.

“...2019 was a year of change for KPMG’s Microsoft Business Solutions team as we re-shaped our business in such a way as to be better able to meet our clients’ needs more completely.”

With this in mind, 2019 was a year of change for KPMG's Microsoft Business Solutions team as we re-shaped our business in such a way as to be better able to meet our clients' needs more completely. Most visibly, after 20 years in usage we have moved away from using the Crimsonwing brand, this is in recognition of moving to an integrated operating model with all the other key KPMG capabilities in Malta. This is vital given the hand in glove nature of SaaS business solutions in terms of business and technology transformation and as already alluded to before in this article, the business is now known as KPMG's Microsoft Business Solutions team.

Less visibly we have organised our business in Malta in four distinct parts to ensure we meet the SaaS life cycle in a much more focused way, namely; Innovation services, focused on bringing Microsoft newest technology to our clients; Product Engineering, focused on building and maintaining our Powered solutions; Consulting Services, focused on delivery of discrete client programmes; Managed Services, focused on delivering continuous improvement to our clients once an initial programme is complete. These changes are allowing KPMG in Malta to be more responsive, more agile, more focused and provide a better experience for our clients.

Looking forward to 2020, one of the most exciting developments for KPMG and its Microsoft Business Solutions team in Malta is the designation of KPMG's Microsoft Business Solutions team as the primary Global Microsoft Delivery centre for KPMG globally. In 2020 we can therefore look forward to expanding the teams as we seek to double our capacity in the next 24 months to service our clients' needs on a global stage.

Iain Fox
CEO, KPMG Crimsonwing

31 January 2020



Revenue

for the period ended 30 September 2019

Highlights 2019

	2019	2018	
KPMG in Malta	€23.2m	€22.0m	+5.5%
MBS	€29.0m	€26.7m	+8.6%
Total revenue	€52.2m	€48.7m	+7.2%

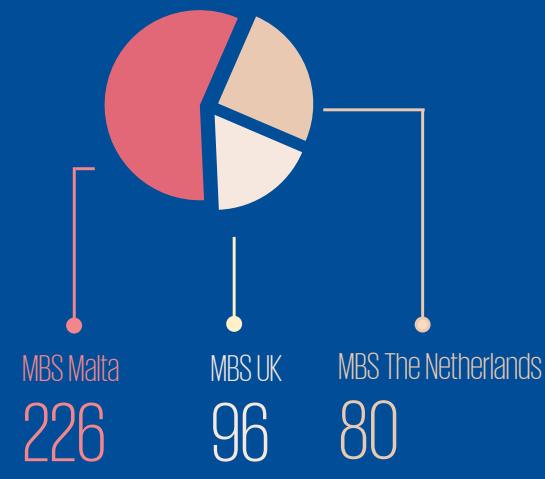
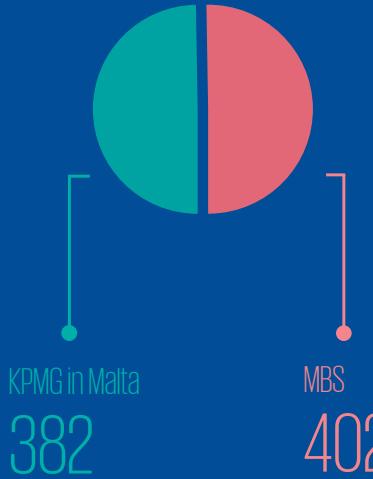
(‘m’ denotes millions)



People

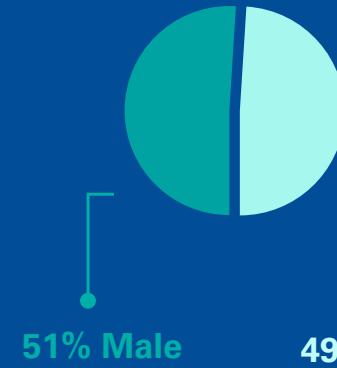
784

Total FTE*

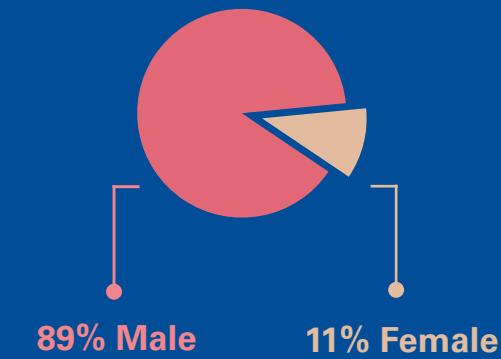


Participation rate in management roles by gender

KPMG in Malta



MBS



*FTE refers to full-time equivalents

KPMG people in Malta as at 30 September 2019

(including students)

KPMG in Malta

245 Male

283 Female

528

Total

MBS

183 Male

50 Female

233

Total

Students participating in our graduate recruitment program as at 30th September 2019

122

Job applications received in total

c.6,600



People survey

KPMG Global People Survey – October 2019
Survey results do not include MBS staff complement

People

95%

are willing to put in a great deal of extra effort to help KPMG succeed.

95%

are proud to work for KPMG.

93%

state that their job provides them with a sense of personal accomplishment.

94%

state that KPMG supports inclusion and diversity in the workplace.

Client service

99%

understand their role as an auditor in providing independent assurance, supporting the capital markets and protecting the public interest.

96%

understand what an outstanding client experience looks like.

85%

believe that KPMG does an excellent job in anticipating new products and services that clients will value.

90%

believe that people in their group are encouraged to experiment and come up with innovative solutions.

Quality & Trust

95%

state that the people they work for demonstrate honest and ethical behaviour.

94%

said that KPMG's commitment to quality is apparent in what they do on a day-to-day basis.

92%

state that they trust the leadership of the firm.

Learning & Development

KPMG in Malta

57,639
hours

94,566
Total hours

MBS

36,927
hours

€1.9m

€3.7m
total L&D spend

€1.8m

Nationalities

26

KPMG in Malta



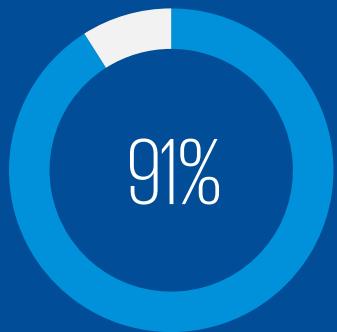
32

MBS



Client Satisfaction Survey

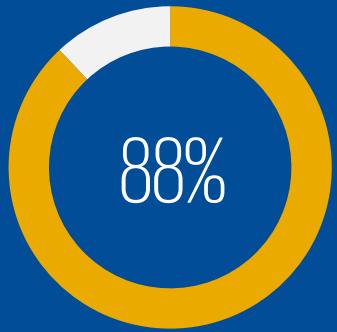
The Client Satisfaction Survey was carried out in April 2019



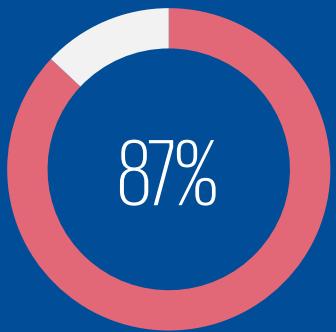
Satisfaction with the extent to which KPMG has demonstrated an understanding of our business needs and of the issues and challenges that face our business



Satisfaction with the quality and skills of the KPMG people assigned to our engagement(s)



Satisfaction with the extent to which KPMG has met or exceeded our expectations



Satisfaction with the quality of services provided



Thought leadership

Articles & publications

65+

External events

11

with over 1,200 attendees





KPMG



KPMG

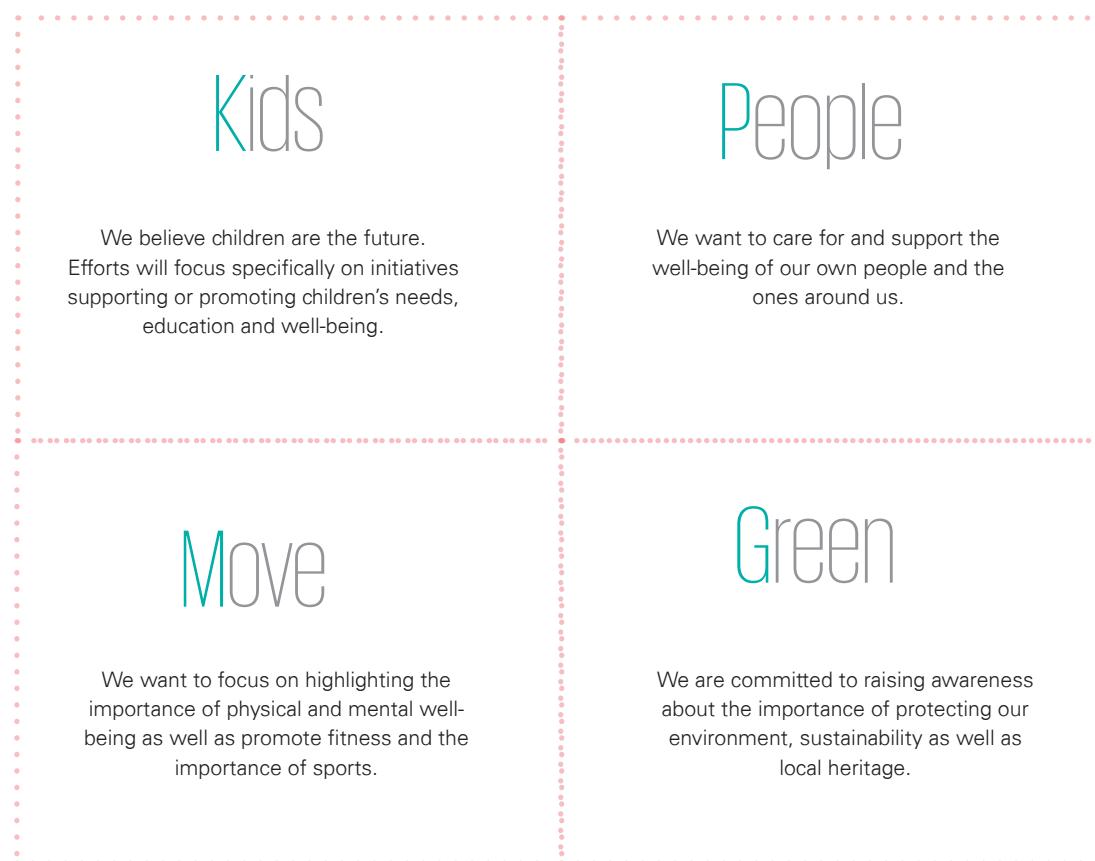
CSR 2019

Corporate social responsibility (CSR) is at the heart of KPMG's culture in line with KPMG's global values. We are dedicated to the community that we live and operate in and are committed to making a difference to the environment as well as to our people, underlies KPMG's global culture.

We are proud of a wide range of initiatives to engage our people and to make a positive difference in our community. Our CSR activities help our people realise their potential and expose them to different life skills and perspectives. The volunteering opportunities we offer as well as our sports and social initiatives help make us an Employer of Choice.

Under the guidance of Doreen Fenech, who was the Partner appointed to lead the CSR and Social Committee at KPMG in Malta in 2019, the Committee restructured to allow KPMG to realign its vision and objectives, and strengthen its focus, enabling the firm to achieve even more.

CSR at KPMG is now broken down into four main pillars:



Over the year, the committee, organised a number of activities and events from cancer awareness in support of Pink October, Obesity and Healthy Eating practice Awareness, recycling initiatives, sporting events such as the Annual Banca Cup and more to including fulfilling a Christmas Wish List for a number of children in need and the traditional annual KPMG shoe box initiative.

The firm donated circa EUR 40K to various organisations or causes and provided in excess of 1,400 hours of volunteering or pro bono work.



Andreana Boldarini handing over the firm's donation to Dr. Klown



Pierre Zammit handing over the hardware donation to a children's home



Sarah Aquilina handing over the firm's donation to bBrave



Christmas Gifts for Children



Beating Hearts Football Tournament



School Enterprise Challenge to help children in Africa

News and updates



KPMG Microsoft Business Solutions

In 2019 KPMG took the next step in the consolidation of its Microsoft business offering following the acquisition of Crimsonwing in 2015, with the formal launch of KPMG Microsoft Business Solutions. The firm now takes the entire spectrum of digital services to market as KPMG.

"Since the acquisition, we have been driving a closer collaboration and synergy between the two businesses in a way that brings greater expertise, service and value to our clients." stated Iain Fox, CEO of KPMG's Microsoft Business Solutions team, previously known as KPMG Crimsonwing.

The range of IT advisory and digital services that KPMG offer in Malta are now more widespread than ever. KPMG's digital services offerings comprise its IT advisory service lines including data & analytics as well as solutions around emerging technologies, robotic process automation, and the more traditional software development services. With the addition of KPMG's Microsoft Business Solutions team in 2015, KPMG have a specialist Dynamics 365 team that will bring the power of the cloud to a client's operations.

KPMG's acquisition of Crimsonwing in February 2015 further established KPMG's position as a leading provider of professional services in Malta. The Firm now has a strong digital team in Malta numbering about 275 people that can provide high-quality solutions with innovation at its core.



KPMG in Malta senior appointments

KPMG in Malta has announced the appointment of Lisa Zarb Mizzi as a director with effect from 1st June 2019.



Lisa Zarb Mizzi

Lisa advises a variety of multinationals and high net worth individuals when structuring their presence in Malta. She also advises clients on international corporate tax and cross-border tax planning, with a focus on the financial services sector. Lisa is also actively involved in the automatic exchange of information service offering of the firm. Lisa regularly delivers tax presentations and training both internally and externally.

KPMG in Malta has announced the appointment of three partners with effect from 1st October 2019.

Hermione Arciola

Over the past twelve years, Hermione has played an important part in developing KPMG's Deal Advisory service line. She has taken a leading role in local and cross border vendor and buy-side due diligence assignments for clients operating in various sectors, as well as, in assisting clients with the raising of debt and equity finance through the local capital market. Hermione has also accumulated a wealth of experience assisting both local and international clients operating across various industries through the delivery of valuation, mergers and acquisitions and financing assignments, as well as, assignments involving the preparation of business plans for large real estate development projects and turnaround plans.

Clifford Delia

Clifford leads KPMG's Corporate Accounting Services. Under his leadership this service area has achieved impressive growth over the past few years. His major focus is now centred on advising and assisting international and local clients in outsourced accounting services, financial reporting, indirect taxation compliance services, and payroll outsourcing.

Claude Ellul

Claude joined KPMG's Audit function in 2003 and over the past three years he has co-led the firm's Banking and Asset Management Audit Cluster. Claude also focuses on Fintech clients within the financial services space, a segment which is growing at a significant pace with new entrants to the market. Claude has also worked at KPMG in Dublin where he has gained experience in the fund sector.



KPMG in Malta has announced the appointment of six directors with effect from 1st October 2019.

Justin Axiaq

Over the past years, Justin was instrumental in the organisation and management of the mid-markets cluster. He currently manages audits of a diverse portfolio of local and international clients and listed clients operating in various industries including software, banking, logistics services, consumer products, retail and manufacturing.

Christopher Azzopardi

Christopher leads the IT assurance team within the Audit function, a service line he has been instrumental in developing. His team provides assurance over the operating effectiveness of IT controls and substantive testing in supporting statutory financial audits through various technology solutions. He also leads KPMG's Systems Audit services.

Sean Azzopardi

Forming part of the Banking and Asset Management cluster within the audit function, Sean manages the audit of some of the firm's largest clients in this segment. He spent three years with KPMG's financial services teams in London and New York working on audit engagements of a number of global players. Sean also leads the Coaching initiative which aims at maintaining and enhancing quality and ensuring consistency and efficiency across the audit function.

Robert Bianco

Robert has accumulated a wealth of experience through his involvement in a large number of Deal Advisory engagements. He has assisted local and international clients cutting across various sectors in achieving their strategic objectives through the delivery of valuation, mergers and acquisitions, due diligence and financing related mandates. He has also been instrumental in developing KPMG's Real Estate and Hospitality service offering.

Thane Micallef

Thane co-leads the insurance cluster within KPMG's audit function. He was instrumental in the setting up of this cluster following the re-organisation of the audit department, and is heavily involved in its day-to-day management.

Russell Mifsud

Russell Mifsud leads KPMG's Gaming efforts across functions, providing insight on the industry externalities and commercial strategy. He is a founder member of a core group of professionals that specialise in gaming within the KPMG network globally and co-leads the KPMG 70+ Global Gaming team alongside the UK's Global Head of Leisure. He sits on the board of the Malta Remote Gaming Council (MRGC) and is a Silicon Valletta board member. Russell plays a key role in the organisation of the KPMG Malta eSummit and the KPMG Gaming Faculty.

KPMG MBS senior appointments



Jan-Douwe Jilderda

Managing Director KPMG MBS NL - joined in August 2016. During that time, he witnessed our Dutch business unit grow from a team of approximately 60 employees in 2016 to almost 100 employees today. He was instrumental in growing our footprint in the Consumer & Retail business and starting up the Manufacturing practice as an incubator in the W&D team and was key to assisting the sales team to align to his industry approach. Jan-Douwe also leveraged his wealth of experience in the Dynamics arena to help expand our solution offering to include CE (CRM) and BC/NAV so that we can now offer the complete Dynamics stack to our clients in the Netherlands. It is this strong industry focus and expanded offering that has been key to growing the business substantially.



Johann Mifsud

Director – KPMG MBS UK - Johann joined Microsoft Business Solutions (MBS) as a software engineer in June 1998 when the Crimsonwing organisation set up its offices in Malta, and has over 20 years experience leading client engagements in various industries and across a range of solutions provided by MBS. He is the Profession Lead for Engagement Leaders and Managers in the UK organisation, and is also currently leading a strategic programme for a public sector client in the UK. Johann's role is to help grow the Practice by strengthening the leadership of our client engagements and the project delivery function in line with the MBS strategic objectives.



Rene Altena

Director – KPMG MBS NL - Rene joined KPMG in 2015 and was appointed as Director for Supply Chain Management (SCM) and Manufacturing in 2019. Prior to joining KPMG, Rene worked as director for a Microsoft system integrator focusing on Microsoft Dynamics implementations in trade, logistics and manufacturing. During his tenure of more than 20 years, Rene built his vast experience and deep knowledge of Microsoft solutions. Within KPMG Rene leads his team, focusing on the SCM and manufacturing industries to deliver best-in-class digital transformation journeys using Microsoft Dynamics 365 ERP and CRM and building bridges between the client and KPMG's broad management consulting practice.



Ton Kranenburg

Operations Director – KPMG MBS NL - Ton Kranenburg has been appointed as the new Director Operations in the NL business and will take on responsibilities for HR, Finance & Operations. With an extensive experience in financial management and in-depth knowledge of operational processes and solution architecture, Ton will focus on improving the administrative organisation (AO) and internal control processes. Ton will provide operational cover and allow the Managing Director to focus on further professionalising our organisation and on profitable growth of our company.



Nataline Mifsud

Group Head of HR – KPMG MBS MT - Nataline has recently been appointed as Group Head of HR for KPMG's Microsoft Business Solutions team. She joined the company back in September of 2019 having previously worked for with telecommunications, pharmaceuticals, and most recently FMCG sectors, in similar HR leadership roles. In her previous work experiences, Nataline had a strategic hand in establishing HR functions, organisational design, leadership development, mergers and acquisitions, and change management.

50 Years of KPMG in Malta

AS KPMG CELEBRATES ITS 50TH ANNIVERSARY IN MALTA, SENIOR PARTNER TONIO ZARB TALKS ABOUT HOW THE HOME-GROWN AUDITING, ADVISORY AND TAX FIRM HAS GROWN OVER TIME AS PART OF THE KPMG GLOBAL NETWORK.

The year is 1969 and an accountant by the name of Joseph Tabone has just opened a new financial auditing firm. Within a decade, Joseph Tabone & Co. has 50 employees and represents one of the world's most prestigious and influential financial auditing, tax and advisory firms in the world, KPMG. By 1997, Joseph Tabone & Co. is accepted as a member firm of the KPMG network of independent firms and rebrands to 'KPMG'.

"Throughout this process, we had to take ourselves out of the mind-set of a local independent firm and take on the forward-looking, global culture of KPMG," explains Senior Partner, Tonio Zarb, who first joined Joseph Tabone & Co. in 1979.

Today, as one enters KPMG's newly-refurbished premises in Pietà, it's obvious that the firm has managed the task and is ready to continue going forward in a story that began 50 years ago. Yet, as it celebrates this milestone, KPMG Malta is not looking to shed any of its past, but rather to build on it.

In the office refurbishment alone, the firm invested around €5 million to create 5,400m² of office space to house its ever growing number of people – 410 in the last count excluding some 175 students enrolled in its Graduate Recruitment Programme and who will join the firm over the next few years. "Our aim is to create an environment for talented people with a culture that emphasises the value and importance of personal growth as well as a commitment to quality in everything we do," Mr Zarb adds.

"Some may underestimate the values that drive the culture a firm like ours," he continues, "but, in reality, culture is incredibly important. Trust and quality remain at the forefront of our priorities and are core to everything we do. The first message all of our new recruits hear when they join KPMG that is our commitment to living our values each and every day, and the role they individually play in earning and sustaining public trust." Mr Zarb explains that he delivers this message personally in the first session of the induction training that every new employee must attend. "As an organisation we strive to underpin these values with training, systems and ongoing monitoring to ensure we deliver quality which meets our public interest responsibilities."

The KPMG in Malta Annual Review for 2018 refers to the results of the Global People Survey last held in October last year. Over 90% of the people in KPMG in Malta took this survey and 95% confirmed that they are proud to work for KPMG and that its commitment to quality is apparent in what they do on a day-to-day basis.

KPMG in Malta employs professionals with a diverse set of backgrounds including accountants and auditors, lawyers, tax specialists, risk professionals, corporate finance practitioners, as well as software engineers, computer scientists, and data and analytics experts in order to help meet clients' digital transformation challenges.

"Our people work on a very wide array of client needs and challenges. Often these are complex engagements requiring deep expertise that we consistently deliver at the required quality also by applying KPMG's global methodologies and tools. KPMG people are globally-minded, and we continue to support our people in taking on secondment opportunities with other KPMG offices from New York to the Channel Islands, enabling them to expand their skills and business knowledge while taking on new challenges."

Indeed, KPMG in Malta is growing at an impressive rate, adding 29% in revenue in its last financial year, with new services being added each year. "This exceptional growth was triggered by our investment in our practice over the last few years. For instance, since 2016 we have added a People and Change practice, KPMG Software, the KPMG Learning Academy and a strategy service line."

In Malta, KPMG has also invested in KPMG Crimsonwing through a joint venture between the UK, Dutch and Malta firms. KPMG Crimsonwing is an international solutions provider based in Malta with subsidiaries in the UK and the Netherlands that supports organisations in business transformation enabled by technology, with a focus on Microsoft Dynamics solutions. This brings KPMG's total people count in Malta to 650 and total revenue at just below €49 million.

"You can't take growth for granted," Mr Zarb explains. "Our question is always: where should we invest next? Over the past two years, we have been very active in transforming KPMG to meet the challenges and more importantly, the opportunities of

"Some may underestimate the values that drive the culture of a firm like ours"

the digital age. Our aim is to combine KPMG's deep business expertise with leading edge technology. To achieve this we have to operate in new ways, become more agile; but, above all, we have to drive innovation, enabling us to disrupt the status quo, and grow, and, at the same time, to support our clients in doing the same. Finally our clients will have the final say on how rapidly we grow and the direction of that growth."

What these past 50 years have taught KPMG Malta – and, indeed, anyone else who had their eyes on the ball – is that innovation is extremely important in today's ever-changing world, but keeping a steady focus and never losing sight of one's values, is crucial to survive and thrive... In fact, we have no doubt that KPMG Malta will continue to grow steadily but surely with that frame of mind.



KPMG Gaming eSummit 2019

The KPMG in Malta eSummit brought together market-leading thought leaders, decision makers, and a C-Suite crowd on the 26th November 2019 in Malta. The eSummit is an invitation only gaming conference and is hosted in Gibraltar, the Isle of Man and Malta, each year.

Some of the greatest minds within the gambling industry are united under one roof with an objective of providing valuable insight, across a spectrum of themes. This insight could be for the benefit of safeguarding an operator's brand, strengthening one's commercial efforts, or indeed, to capitalise on new horizons.

The eSummit provides a platform for KPMG to grow closer to a truly dynamic industry. It provides KPMG with a deep understanding of the sphere from a 360-degree viewpoint, with the objective of providing the industry, with a more insightful and conscious offering, that is truly in-tune with their operational requirements.

This year's eSummit featured 65 speakers, aimed to cover the major themes of 2019, as well as endeavoured to anticipate what is in store for 2020. During his opening speech, KPMG in Malta's Director for Gaming Russell Mifsud stated that, "From an industry perspective, 2019 has certainly been another busy year for the remote gaming sector, and I don't think anyone expects it to slow down over the course of 2020".

Russell Mifsud added that Compliance, with all of its complexities, has continued to drive consolidation into play as a result of margins being squeezed and an ever-growing need for strategic growth. Responsible gambling, advertising restrictions, taxes and AML have continued to play a dominating role in this ever-maturing industry. New legislation and regulation also continue to drive the sector on a global scale, and as the gaming sphere continues to become increasingly more complex, the need to anticipate the emerging trends and obligations of the industry continues to grow tremendously.

KPMG in Malta would like to thank their law firm event partners (Asensi Abogados, Hambach & Hambach, Tonucci & Partners, Kalff Katz & Franssen, Wiklund Law, Duane Morris LLP and Wiggin) for their collaboration in the event, as well as their eSummit's sponsors (Microgaming, GeckoTechnology Partners, Continent 8 Technologies, Gaming Malta and IDnow).



KPMG's point of view





Business, trust, leadership and the common good

Tonio Zarb, Senior Partner, KPMG in Malta

Recent events in Malta underline the importance of integrity in achieving sustainable growth and maintaining trust. The importance of maintaining trust in our institutions, in the professions and in the business community in general, is brought sharply in focus when unfolding events threaten to seriously jeopardise, or even destroy, that trust.

What can we expect in the current scenario? Business relies heavily on trust; indeed trust is often referred to as the glue that holds everything together. Without trust business cannot function properly; investment is curtailed; consumers will tend to postpone consumption. The current crisis has also seriously damaged Malta's reputation and this is negatively impacting foreign direct investment. In these circumstances, in the absence of focused initiatives to restore Malta's reputation implemented urgently and with vigour, an economic slow-down, or worse, seems inevitable.

The current situation requires urgent action, not only by government to ensure that public trust in our institutions is restored, but also by the professions and by the wider business community. Wide ranging institutional changes are clearly required, for instance to implement the recommendations of the Venice Commission on Malta, but a more fundamental change in attitude is required. Without this fundamental change, true progress in regaining and sustaining trust cannot be achieved.

Paradoxically, the current situation presents an opportunity for change as many now realise that the status quo is not a viable option and that something radical needs to change.

This fundamental change requires that business leaders, including the professionals that support them, not only give importance to compliance with laws and regulations, but also adopt an ethical mindset in the running of their business. The business community is an integral part of society and, above everything else, business leaders should embrace ethical business practices for the benefit of enhancing the common good. Furthermore, the business community should not only react and adapt itself to market forces but should also be at the forefront of fostering positive change in our society. This, I believe, is an essential part of the healing process that needs to take place in Malta today.

Paradoxically, the current situation presents an opportunity for change as many now realise that the status quo is not a viable option and that something radical needs to change. The most crucial ingredient to direct this change is strong leadership and this should first and foremost come from the organised bodies (such as the Malta Chamber of Commerce, Enterprise and Industry) and professional institutes (such as the Institute of Accountants and the Chamber of Advocates). At KPMG we are committed to working within organisations to drive positive change.

Forward-looking financial reporting

Jonathan Dingli, Partner, KPMG in Malta

Just a week before Christmas, the Chair of the International Accounting Standards Board (IASB) Hans Hoogervorst, gave a speech in Paris. The main theme of his speech was short-termism and how the IASB is amending standards and other pronouncements to help companies better tell their long-term story.

In his opening remarks he made two noteworthy comments. The first is that financial markets are plagued by short-termism. The second is that management can be subject to the temptations of short-termism.

The natural question that comes to mind is, how can standard setting tangibly curb short-termism and lessen opportunities to boost short term performance at the expense of long-term results? Maybe the recently issued standards that have come into effect in 2018, namely IFRS 15 on revenue and IFRS 9 on financial instruments, and IFRS 17 which is expected to come into effect in 2022, already provide the answer.

The new impairment requirements in IFRS 9 require entities to take a forward-looking approach when estimating loss provisions on their receivables and other financial assets. This standard impacted mainly financial institutions who now must account for provisions and hit their balance sheets and income statements with future expected credit losses on the facilities approved today. This should result in a more prudent credit risk assessment and potentially a closer look at pricing higher risk exposure since the long-term risk of default is now reflected in the shorter-

term results. Bad decisions now have more sudden accounting consequences.

The general model in IFRS 17 (Insurance Contracts) will require insurance companies to start recognising profit on their long-tail insurance business throughout the duration of the insurance contract, which contrasts with many existing insurance accounting practices. Recognition of Day 1 profit will become a thing of the past and will be replaced by the recognition of profit over time through the Contractual Service Margin. Most one-year insurance contracts should not be impacted significantly.

The new standard dealing with revenue, IFRS 15, also brought in a measure of prudence when estimating a contract's transaction price. The main principles on which the standard is based are that (i) revenue recognition is aligned with the entity's performance (satisfaction of a performance obligation) and (ii) that revenue is constrained to an amount which would not be expected to reverse. The latter principle is arguably another measure which aims to mitigate management incentives for short-term profit taking.

What's looming ahead?

I expect to see more of these smoothing principles in standard setting in the years to come. Mr Hoogervorst did mention the IASB work on Primary Financial Statements and the Management Commentary Practice Statement. The IASB should be publishing 9 consultation documents in 2020, primary amongst which the consultations relating to the Goodwill and Impairment project, and on Business Combinations under Common Control.

One wonders what's in store if the trend on the integration of forward-looking estimates in current reporting period numbers, purportedly aimed at curbing short termism, is here to stay.

How can standard setting tangibly curb short-termism and lessen opportunities to boost short term performance at the expense of long-term results?

Malta's differentiation on Blockchain certifications – It's all about credibility!

Christopher Azzopardi, Director, KPMG in Malta

In a hub geared for Blockchain, and other Distributed Ledger Technologies ('DLTs') in addition to expertise, one would expect to find a dedicated regulatory authority and ad hoc legislation. Malta has implemented both: the former by setting up the Malta Digital Innovation Authority ('MDIA'), and the latter by enacting legislation regulating digital tokens, or Virtual Financial Assets as they are referred to in said legislation. As a result of these initiatives, Malta is frequently referenced positively in international bulletins on Blockchain and DLTs by Forbes, Coindesk, CCN and Bitcoin Magazine.

To date the response has been encouraging, having attracted operators who are willing to submit to a robust regulatory framework, one which provides for the certification of innovative technology solutions or arrangements as they are known locally, such as Blockchain or AI. The certification process adopted is not merely a meaningless rubber stamp, or a permission to use the technology, but a rigorous evaluation process that includes the requirement for periodical systems audits. Such audits are based on the internationally recognised SOC2 (Service Organisation Control 2) standard for data management adopted by Malta for Blockchain and AI. While certification is optional for some offerings, it is obligatory when obtaining a licence by the Malta Financial Services Authority in certain instances. In addition, certification covers not merely platforms, tokens and exchanges, but also any other DLT implementations, and shortly, systems integrating AI.

As one of the select systems auditors approved by the MDIA, KPMG is often asked whether the systems audit process would be straight-forward in the case of simple implementations such as an ERC20 token. In this sense it is pertinent to note that the MDIA requirement goes beyond the actual system implementation and considers also an organisation's IT Governance. The underlying rationale is that through the certification process, the MDIA provides comfort to third parties that a solution was not simply the creation of a script kiddie, but through adequate internal controls, thereby providing credibility to a certified solution.

In brief, a certification's credibility is derived from:

- a regulator requiring systems audits for all implementations affecting the community at large;
- a regulator ensuring that checks are conducted diligently and by adequately skilled personnel;
- requirements on the auditor performing said checks imposed by the regulator, the MDIA, in terms of quality standards and review of work conducted, and from
- the reputation and quality of the entities supporting said systems audits.

Adopting a light-touch approach to certification might work for some jurisdictions, but a credible Blockchain hub would take steps to build a durable industry, one which does not promise certification that is instant or easy to achieve. Malta provides just that – a regulated infrastructure and rigorous licencing process that provides credibility. Only such credibility can provide value to operators in this field, value that can be converted into investment and growth.

...a credible Blockchain hub would take steps to build a durable industry, one which does not promise certification that is instant or easy to achieve.



Are the relevant insurance metrics being communicated to the Board?

Giselle Borg, Director, KPMG in Malta

The Board agenda item relating to the financial position and performance of an insurance company is typically one that is eagerly awaited. Those charged with governance are very interested in understanding the insurance results for the period under discussion and the key elements driving such results, in both positive and stressed conditions. Although reading the Board pack prior to the Board meeting is important and provides an initial outlook, an insightful discussion during the meeting remains vital for further explanation, inquiry, challenge and a thorough understanding of the insurance business.

At the outset, the Board should be provided with an explanation of why the chosen key performance indicators ("KPIs") are deemed to be the most relevant for the insurance business and given the opportunity to discuss and assess the nature and frequency of the relevant metrics. Aside from the main KPIs and depending on the nature of the insurance business and its objectives, the Board might be interested to obtain an understanding of other metrics, especially around the performance of agents, brokers and third party administrators, such as the underwriting cycle time, the average cost per claim based on the type of claim and the average time to settle a claim. With respect to solvency capital requirements, the Board should in a position to understand the key drivers of the calculated amount per risk module and any capital buffers in ensuring the efficient allocation of capital.

All metrics presented should be supported by a definition, commentary and outlook and to the extent possible, benchmarked against the competition based on audited financial statements, the Solvency and Financial Condition Reports and other publicly available information.

The new insurance contracts standard, IFRS 17, will surely impact the way the insurance business is managed and measured, which inevitably necessitates the assessment of current KPIs and how these need to be altered in the coming financial periods to best reflect company performance.

There is a great opportunity for insurers to optimize their data and analytics capabilities and integrate such insights for key performance indicators and reporting to the Board. Such analytics provides management with detail around the financial performance at product level/ class of business and potential indicators around anti-selection (higher policyholder risk than anticipated) and fraud. Data is typically a challenge for insurers since this is unfortunately often trapped in silos or inconsistently labelled making it difficult to achieve a 'single version of the truth'. However, it is becoming evident for insurers to challenge the status quo and turning data into insights to the Board, and insights into value for the insurance business.

Relevant KPIs and meaningful financial information is undoubtedly of essence not only to Executive Directors but also to the Non-Executive Directors of the Board, who are expected to clearly understand the fundamentals of the business and ask pertinent questions to constructively challenge the other Board members.

Raising the bar for more relevant KPIs with the right level of granularity is essential for directors to drive the insurance business with agility and robust decision making, allowing insurers to stay ahead of the game.

The new insurance contracts standard, IFRS 17, will surely impact the way the insurance business is managed and measured...

The bare basics of a successful Digital Transformation journey

Marco Vassallo, Partner, KPMG in Malta

When billions of people are connected by mobile devices with unparalleled processing power (an estimated 2.5 billion people worldwide are estimated to have smart phones), immense storage capacity, and knowledge at the tip of their fingers, the possibilities are endless. Advances in the emerging technology spheres such as artificial intelligence, Internet of Things and robotics inarguably continue to multiply such prospects.

A Shift in Customer Expectations

Indeed, these innovative digital technologies are said to have transformed customer expectations. Today, with just a few taps, mobile phones and apps enable customers to get what they want, whenever they want. This has given rise to a new kind of buyer, one who is always "connected", and very much conscious of the technology that is available.

The reality nowadays is that customers are basing their opinion of an organisation on their digital customer experience. This means that businesses, more than ever, must ensure that they are delivering a top-notch digital customer experience, an experience that makes their customers feel valued and engaged. Brands that are determined to survive and thrive in this digital era have already invested heavily in technologies like AI, bots and other emerging technologies. This investment is essential to achieving a more efficient and impeccable customer experience which truly meets the expectations and needs of today's buyer.

The Digital Transformation Journey

It is time for companies to reimagine their business strategy in order to determine where best to fit these in technologies, and gradually begin to embark on the path of digital transformation. First and foremost, however, it is key for one to understand that digital transformation is a journey, not a destination. Some may think that by upgrading their websites and internal systems, and by purchasing the latest devices, they have achieved it. This is not how it works. Digital transformation needs to be looked into and revised regularly as it is 'a live thing', which is constantly evolving. In order to be a feasible strategy, it needs constant updating as well as careful evaluation.

Hence, in undergoing digital transformation, businesses need to take a step back and question whether they're really doing things right. The days of fixed KPIs are over – frequent adjustments to the transformation strategy is the optimal approach for business leaders today.

Whether reshuffling an existing business model or simply starting from scratch, it is crucial for leaders to have a sharp focus on a clear-cut set of objectives. Start-ups are encouraged to think, plan ahead, and future-proof their organisation, rather than setting up their processes only to transform them a few months later. This will enable them to grow steadily and be agile.

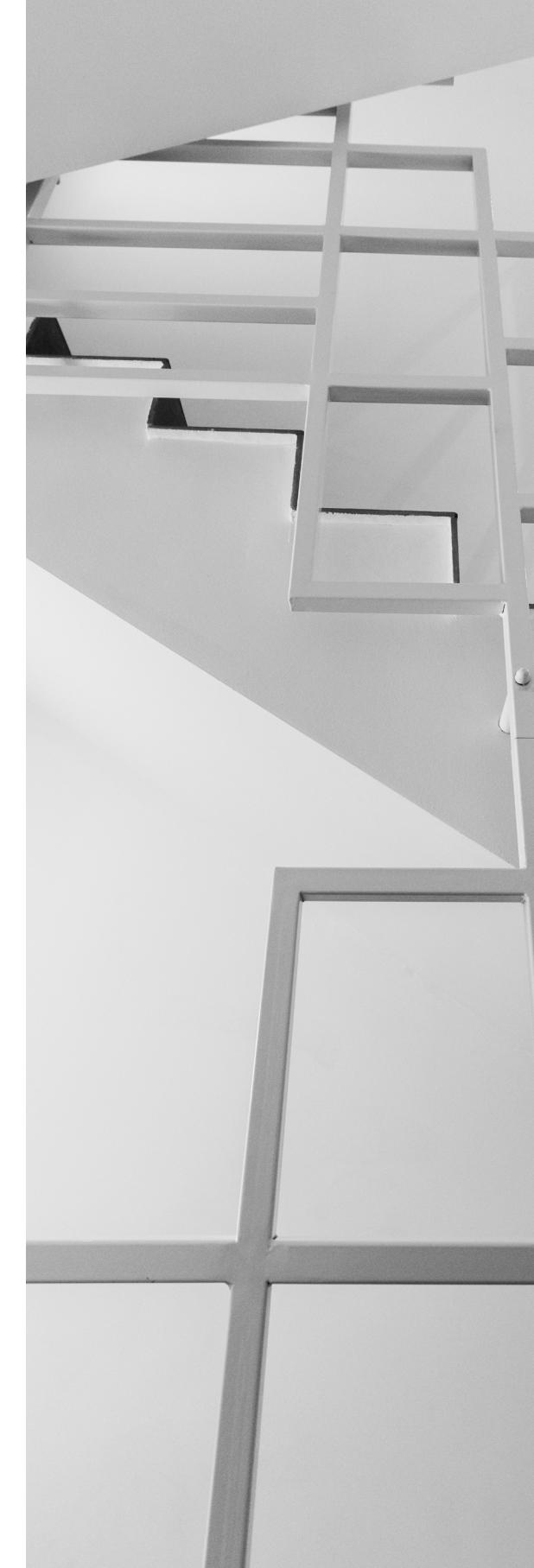
It is time for companies to reimagine their business strategy in order to determine where best to fit these in technologies

An Enterprise-wide Digital Transformation

Whilst digital transformation needs to be customer-focused, beginning and ending with customers, it must also involve the empowerment of all employees within a firm. It is simply not worth investing in leading emerging technologies with the aim of generating value within a company, if that same value does not extend across the whole organisation. Hence, in order to be viable and represent best practice, digital transformation must be enterprise-wide thus securing long-term value and minimising roadblocks throughout the transformation journey.

Is your business ready?

The time to start – is NOW!





Do you talk the talk, or walk the walk? A(nother) blockchain perspective

Steve Stivala, Associate Director, KPMG in Malta

Parallels with the dawn of the internet

It's 1995, and a floppy haired nerd is sitting awkwardly on the hot-seat of a popular TV show. He is trying to convince an orthodox and old-fashioned David Letterman why the internet is the big new thing. Letterman, with a cynic glint in his eye, hypes it up to a crescendo calling it a big breakthrough announcement - "You could listen to a baseball game on your computer!" Letterman exclaims, to which he rhetorically mumbles to himself, sarcastically, "...does radio ring a bell?" amid a flurry of giggles and laughter from the audience.

It's easy to criticise something when you know so little about it. Even geniuses at the forefront of such breakthroughs (yes, that bi-spectacled nerd was Bill Gates) sometimes struggle to convey how technology can change our lives. Bill Gates himself was clutching at straws when trying to describe the benefits of the internet to Letterman – "perhaps you wanna learn about the latest cigars, or auto-racing statistics..."

Of course, the rest is history, and ironically, you can watch this interesting exchange between Gates and Letterman on Youtube (link below)¹.

However, what if it is all just hype? In such a situation, one could argue that Malta wins anyway.

So how does this relate to Blockchain?

What if it is just hyperbole

A decision for Malta to invest in developing a Blockchain industry is, as with any other investment decision, a well-researched and thought out gamble. Blockchain is still a relatively new technology, which has yet to acquire much mainstream use. Sceptics may put this down to the technology being overhyped, while others may claim that it's simply still in the nascent stages, and will really take off once a true killer app has been developed.

Investing in developing such an industry at this stage will undoubtedly put Malta at the forefront, should Blockchain emerge as the next major technological revolution - having an established regulatory regime and an experienced workforce will make Malta a clear choice for other industry operators.

However, what if it is all just hype? In such a situation, one could argue that Malta wins anyway. At its core, a Blockchain industry requires a labour force which is highly skilled in the fields of IT, mathematics, and finance. Efforts expended in developing and attracting these skill sets would not go to waste should a Blockchain industry fail to mushroom, rather they could continue to add value to other established industries such as iGaming, financial services, and software development.

¹ https://www.youtube.com/watch?v=gipL_CEw-fk

Setting the tone from the top to embrace the big changes!

Vanessa Borg, Director, KPMG in Malta

In an effort to respond to the big changes in market and social conditions, organisations are constantly in the process of structuring and re-structuring to stay abreast of these complexities. In view of these convolutions, an organisation needs to strategically plan and develop the most appropriate and adaptive structure that will allow it to best leverage and optimise on its resources. The strength of an organisation needs to be bolstered by higher value-added initiatives on the back of a robust strategic plan. Whether it's through challenges or opportunities, organisations must be able to deliver on their high-level plans, amid fluctuating external forces.

Key strategic levers to embrace the big changes, include:

Lever #1: Set the wheels in motion

For years, leaders were labelled as either being 'visionaries' who set the compass and embrace strategy or 'implementers', who get things done. Indeed, only 8% of company leaders are said to excel at both strategy and execution. Organisations need leaders that can create big promises to customers whilst supporting and equipping their organisations to deliver on them, deeply valuing the connection between the two skill sets. A bold strategy needs to include both a very ambitious destination and a well-conceived path for effective execution.

Lever #2: Steward and manage transformation

Organisations must develop new and disruptive economic streams to accelerate their growth momentum. Only a startling 24% of CEOs believe that their company has a flexible enough operating model to focus on activities that result in growth. Leaders must be smart enough to capture the right opportunities yet astute enough to balance caution with bold action. Organisations remaining in their comfort zone will be overtaken whilst organisations standing in pole position will be instantly imitated.

Lever #3: Do intelligent cost-cutting

Organisations are to target cuts and efforts to build their capabilities, rather than focusing on just getting costs in line with revenues which at times might actually impede revenue generation, as a result of which weakening their organisation. 79% of all companies have cut costs in response to the global economic crisis, but only 53% of executives think that doing so has helped their organisations weather it.

Lever #4: Leverage your customers' engagement

70% of people, esteem companies with a proactive relationship more than those with a reactive stance. Yet, when facing budget constraints, some companies still opt to cut costs by reducing travels and face-to-face contact with their customers. Today's world provides us with a multitude of alternatives on how to stay close with customers. The strength of customer relationships is a key leading growth indicator which pays dividends to nurture.

Lever #5: Position your organisation as a house of talent

Rising labour costs are stress-testing organisations. Having a house of talent where it matters can improve productivity whilst ensuring that the organisation is equipping itself with the right people to execute its strategy. Having the right people on the bus taking the organisation forward is imperative for successful strategy implementation.

Lever #6: Harness research & development initiatives

Research and Development plays a critical role in the innovation process. It's essentially an investment in technology and future capabilities which is transformed into new products, processes, and services. When organisations take the time to invest in R&D they get a huge influx of knowledge. Their R&D all boils down to useful knowledge that organisations can use to further develop their product lines.

Today's marketplace requires organisations to react more quickly and fluidly if they want to keep up with today's fast-changing and dynamic business environment. Market forces will continue to impose pressures on organisations to perform. This is what ignites further development of great products and improved customer experiences. Yet again, drafting daunting lists of strategic initiatives to combat external forces is not only distracting, it slows growth. As the priority list grows, there is a tendency that the organisation's revenue growth in fact declines relative to its peers. The reverse is also true. Whittling down a priority list to a few, yet pertinent levers, emits clear thinking which drives results.

Organisations must develop new and disruptive economic streams to accelerate their growth momentum.

Audit quality without boundaries

Hilary Galea-Lauri, Partner, KPMG in Malta

It is always appropriate to start at the beginning. Audit is the cornerstone of our business and the basis on which KPMG was founded. That is why audit quality is so important to us: our strategy begins with a focus on quality and further guides us to continuously improve quality and consistency through innovation. It underpins our ambition to continue delivering growth while being the most trusted and trustworthy professional services firm.

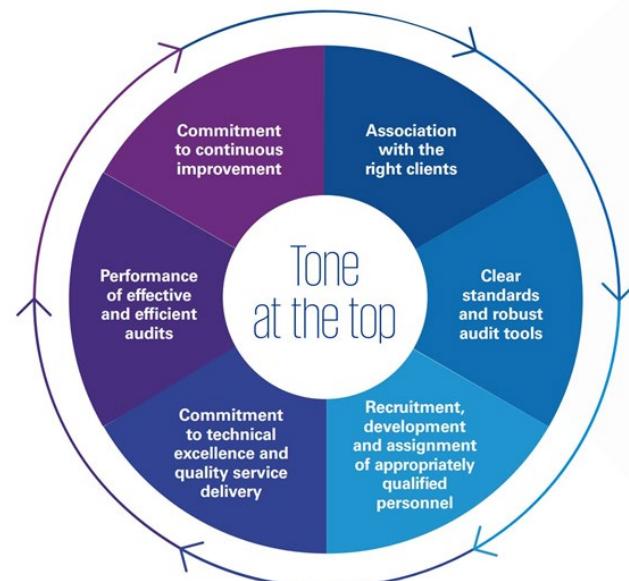
Quality isn't a demonstration. It is propensity. Read in context, it is a natural tendency to behave (deliver) in a particular way.

Credible, high-quality financial reporting and auditing have attracted considerable attention as the world has witnessed unprecedented financial crisis, more so in recent years during which turbulent events took hold. It comes as no surprise, therefore, that the issue of audit quality has been emerging rapidly across the developed world. Regulatory pressures to improve audit quality continue unabated, and changes promulgated by standards-setting bodies are constant. With that backdrop, the foundation of a financial statement audit will always centre on quality, but how quality is delivered evolves continuously.

At KPMG we define audit quality as being: "The outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls, and when all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity". On a practical level, it is not just about reaching the right

opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the final formal audit report.

A robust and consistent system of quality control is an essential requirement in performing high-quality services. KPMG's Audit Quality Framework is the foundation on which we execute our responsibilities as auditors. That framework encapsulates the seven drivers (depicted in the diagram) which equip us with a common language to describe what we believe drives audit quality and, importantly, to highlight how every one of us at KPMG contributes to the delivery of audit quality across all geographies in which we operate. What binds those drivers at the core is our 'tone at the top'.



What part does audit quality play?

The recently-published Brydon Report in the UK on the quality and effectiveness of an audit sets out to consider the audit environment, that is: "the context in which an audit takes place and the interactions between the auditor, the audit process and a range of other actors." It argues that "to make the audit itself of better quality and more effective, changes need to be made by those other actors also. Audit interacts with many participants – management, non-executive directors, standards setters, regulators, users of accounts (shareholders and others) – who all need to play their part to create a fully functioning environment. One weak link can undermine all the others." It is for this reason that the Brydon Report has felt the need to consider adjustments to the environment that will improve trust in its entirety, rather than considering the activity of the auditor alone.

I conclude with this statement: the future of audit quality remains an evolutionary journey with no end point.

Quality isn't a demonstration. It is propensity. Read in context, it is a natural tendency to behave (deliver) in a particular way.



Tax in Overdrive

John Ellul Sullivan, Partner, KPMG in Malta

2019 was truly an exciting year for Maltese tax practitioners, with the introduction of income tax consolidation, the new patent box regime, the entry into effect of ATAD I and finally in the very last days of the year, the transposition of both the Mandatory Disclosure rules and ATAD II. Indeed, the novelty of these rules in the Maltese domestic tax scenario will have a greater impact on the upcoming year when they are applied in practice and the first tax returns are submitted this year.

While awaiting clarifications in the form of guidance on all of the above, many are considering how the new interest limitation and CFC rules will impact them, example by when should a dividend distribution be made in order to curtail the application of the CFC rules, how will the rules apply with respect to companies that do not have a December year end – will the rules apply to them for a fraction of the year? Furthermore, additional complications will arise with respect to realised forex gains and losses in relation to borrowing costs.

The entry into effect of ATAD II will also bring about novel obligations with respect to arrangements using hybrid instruments or hybrid entities with the aim of neutralising the resulting mismatches. A tax practitioner's analysis will in fact involve a consideration of the treatment of the instrument and/or entity in the other relevant jurisdiction(s) coupled with an obligation to deny a deduction that would have otherwise applied in terms of our traditional positive and negative tests, or an obligation to tax a stream of income that would not have otherwise been subject to tax in Malta.

The fiscal consolidation regime was a key introduction this year, a move which endeavours to further strengthen Malta's investment outlook. While additional compliance obligations are expected to arise for both the principal taxpayer of the fiscal group and unit subsidiaries, in the form of filing separate return forms, pending guidance and preparation of

consolidated financial statements, however, the benefit of eliminating cash flow disadvantage is expected to offset the compliance burden. Clear and timely revenue guidance would be critical to ensure the success of the Maltese fiscal consolidation regime.

From an international tax standpoint, the year has seen developments in leaps and bounds with the advent of BEPS 2.0 and broadening of OECD measures tackling digitalisation of economy to encompass all consumer-facing businesses. While taxation of data and user-derived value are pressing conundrums, the move towards formulary apportionment for profit allocation and relegation of the Arm's Length Standard for quantification of only routine profits is a proposal which brings about unprecedented challenges to the international tax landscape – a bold move by the OECD, but the success of which is still debatable. Malta will be keenly monitoring the progress made under Pillar 2 of the OECD Proposals relating to Minimum Taxation, Subject to Tax and Income Inclusion. Debate on the technical design considerations to implement the above proposals is expected in the first quarter and consensus on the scope, thresholds and carve-outs under the Minimum Tax and Income Inclusion Rule would be critical for the Maltese Income Tax framework as well.

Clear and timely revenue guidance would be critical to ensure the success of the Maltese fiscal consolidation regime.

Executive Coaching: Leading in times of constant change and ambiguity

Claudine Borg Azzopardi, Associate Director, KPMG in Malta

In today's environment of emerging technologies, constant disruption and connectivity, organisations are altering dramatically and success relies on being able to adapt quickly. This places new demands on leaders across all industry sectors. The implications on leaders encompass a need to manage their teams more effectively, establish a new vision for the organisation, and consistently set a new course to realign the organisation to this vision. An executive coach can be a beneficial partner in this journey.

"Leading the way we did when environments and organisations were more stable, where we could distinguish between change and 'business as usual', simply won't work anymore"¹. This statement directly impacts the way leaders navigate their context, embrace change and make decisions.

"Leaders need to think about their role as one of creating organisations that are adaptive, agile, and can deal with emergent issues"². Not surprisingly, leaders sometimes struggle to develop the skills needed to deal with fast organisational change whilst remaining focused on reaching their goals³. Indeed, the ability to build effective teams, promote high performing cultures and deliver on organisational goals during periods of disruptive change, is rated as one of the most important attributes of effective leaders⁴, although the requisite skills come naturally to only a few⁵. Executive coaching can enable the leader to explore changes in assumptions, expectations and perspectives, leading to deep behavioural change. Many leaders who do not have a coaching support system may feel discouraged when faced with these changing demands. As a result, they may not be able to bring the best of themselves to recover business profitability or change the organisation's culture and reputation.

Changing leadership approach

We see that leaders within the businesses we work with, are becoming more open to new ways of leading, as well as becoming comfortable that complexity is now a constant state of play. This requires self-awareness, strong people skills and the ability to analyse context and make choices about the right approach⁶. Senior leaders who were interviewed for this article spoke about a heightened requirement for executive coaching to support both individual and leadership team development. They described that today's climate of consistent change has added a new level of complexity to their role. They spoke about utilising coaching to get their head around the challenges and to 'pause' and reflect on what ripples are out there and which of those ripples will impact on their businesses. What they said was:

"Executive Coaching has taken my leadership abilities to the next level, and has acted as a catalyst to deeper self-awareness and ultimately changes in behaviours, approach and outcomes."

"Executive coaching has enabled me to shape and implement a set of personal objectives that have materially improved my performance as a leader. It has empowered me to clearly identify the areas on which to focus in order to bring the greatest benefit to myself and the organisation."

Support for a new approach

Individual change in leadership style is an important part for ensuring that organisations are focused on a growth agenda, rather than just operating in survival mode. Cultivating a new leadership style takes courage and conscious effort on the part of the organisation as a whole, the leaders, and the people they are leading. Leaders can't simply 'keep up'- rather they can be supported on the how to steer their teams and the organisation into the unknown by preparing for today and equipping themselves for tomorrow.

"Leading the way we did when environments and organisations were more stable, where we could distinguish between change and 'business as usual', simply won't work anymore"

¹ Dr Jane Gunn, Partner People & Change and Australian Talent Management Lead, KPMG

² Kathy Hilyard, Partner in People & Change Australia at KPMG

³ Fugate, M. E. L., Kinicki, A. J., & Prussia, G. E. (2008). Employee coping with organizational change: an examination of alternative theoretical perspectives and models. *Personnel Psychology*, 61(1), 1-36.

⁴ Gilley, A., McMillan, H. S., & Gilley, J. W. (2009). Organizational change and characteristics of leadership effectiveness. *Journal of Leadership & Organizational Studies*, 16(1), 38-47.

⁵ Goleman, D. (2000). Leadership that gets results. *Harvard Business Review*, March-April, pp. 70-90.

⁶ Prof. E.J. van Niekerk. Conscious Leadership: A Conceptual Framework of Elements for Short-Term and Long-Term Effectiveness. South Africa.

What does it mean to be a Global Delivery Centre?

Etienne Falzon, Senior Manager, KPMG Microsoft Business Solutions

KPMG's Microsoft Business Solutions team in Malta (formerly known as KPMG Crimsonwing) has recently been on-boarded as a Global Microsoft Delivery Centre for the implementation of the KPMG's Powered Enterprise solution. KPMG continues to grow its delivery centers to form a Global Delivery Network focusing on enhancing quality, and achieving delivery excellence through economies of scale and implementing best-in-class practices.

Powered Enterprise is KPMG's key service offering for business transformation in the cloud. It combines deep functional knowledge, proven delivery capability and cloud technology to drive sustainable change, rising performance and lasting value for our clients. It offers a consistent way to transform business functions such as Finance, Enterprise Performance Management, Human Resources, Procurement, Supply Chain Management and, Sales and Service. The result is the delivery of high-quality solutions, at a competitive price, in a repeatable manner. This scalability and consistency of implementing Powered solutions, helps to underpin KPMG's trust, ambition, and ultimately growth.

Being recognised as a Microsoft Delivery Centre across all the KPMG network, offers significant benefits to KPMG's Microsoft Business Solutions team in Malta. As a Global Delivery Centre for Microsoft solutions, the KPMG Microsoft Business Solution team will have more opportunities to establish its presence with an even greater international reach and opportunities for larger scale projects. This will in turn accelerate the team's progress, creating opportunities for everyone to learn and grow professionally, and also drive forward the team to become a leading Microsoft Transformation Partner.

The KPMG Microsoft Business Solutions Malta Delivery Center currently has 200 on-site experts to help sell and deliver large Powered Enterprise projects, with a particular focus on Enterprise solutions and technology enablement for Microsoft Dynamics ERP (AX/D365, NAV/D365BC) and CRM/D385CE.

This scalability and consistency of implementing Powered solutions, helps to underpin KPMG's trust, ambition, and ultimately growth.



Client stories



The Central Bank of The Bahamas

The Central Bank was seeking to ensure it had the talent needed to support its vision, both in terms of numbers and competencies. It also wanted to ensure that no knowledge was lost due to retirements and resignations, and that an adequate succession plan can be implemented. Furthermore, it was seeking to harmonise working relationships between those that have been with the Bank for decades, and the new, younger employees just joining the organisation.

KPMG's Strategic Workforce Planning approach was the solution. This was structured across 4 key phases, where we:

- Evaluated the Bank's current vision and business objectives, workforce composition for structure, capacity and capability, together with external and internal drivers of change on said workforce;
- Forecasted the future workforce capacity and capability, whilst identifying existing gaps in numbers and competencies in order to reach the desired future workforce composition;
- Designed and developed models and recommendations for workforce capacity and capability gap closing, including an updated organisational structure and job levels, frameworks and action plans for recruitment, learning and development, succession management, HR function development, change management, and strategic talent management;
- Supported in the delivery of the recommended frameworks and action plans.

The above is achieved through a robust quantitative and qualitative data analysis of employee engagement and organisational culture, enterprise-wide skills evaluation, job grading, interviews, workshops and focus groups. Our People and Change advisory team assists organisations to implement an effective data-driven process to enable talent gap closing and get to a stage when the organisation is functioning with the right amount of people, with the right skills, in the right place, at the right time.

BRND WGN

BRND WGN started by engaging KPMG People & Change Advisory to assist the Directors in gaining a deeper understanding of its overall talent management strategy, and its role in enhancing the performance of its workforce.

Discussions with the management team were held to gain an understanding of their current talent management strategy, its level of alignment with their business strategy, together with, understanding their thoughts on the evolution of their organisational structure and development of their workforce.

A Culture Assessment was also carried out in conjunction with these interventions to further understand the organisational context, desired behaviours, and improvements expected in management practices. This allowed us to provide an overview of strengths and areas where improvement is required in the way talent is acquired, developed and retained.

Typical of the dynamic and forward-looking culture present at BRND WGN, the Directors were immediately interested in actioning the recommendations made, with a focus on the performance, development and career management of its workforce, whilst retaining its culture and core values at the heart of all talent management frameworks.

We have subsequently embarked upon supporting BRND WGN in:

- Identifying their core competencies, and creating behavioural illustrations for each competency;
- Defining high performance and high potential of talent in the organisation;
- The creation of a framework that will enable specific individual development plans for all its employees to be created through objective appraisals of growth and performance needs.

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