

Accenture plc
2019 IRISH STATUTORY ACCOUNTS

Accenture plc

**Directors' Report and Consolidated Financial Statements
For the Year Ended August 31, 2019**

ACCENTURE PLC

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DIRECTORS' REPORT

For the Year Ended August 31, 2019

The directors present their annual report and audited Consolidated and Parent Company Financial Statements and related Notes of Accenture plc for the year ended August 31, 2019.

The directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with US accounting standards ("US GAAP"), as defined in section 279 (1) of the Companies Act 2014, to the extent that the use of those standards in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

This report contains forward-looking statements relating to our operations, results of operations and other matters that are based on our current expectations, estimates, assumptions and projections. Words such as "may," "will," "should," "likely," "anticipates," "expects," "intends," "plans," "projects," "believes," "estimates," "positioned," "outlook" and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in these forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include, but are not limited to, the factors discussed below under the section entitled "Principal Risks and Uncertainties." Our forward-looking statements speak only as of the date of this report or as of the date they are made, and we undertake no obligation to update them.

Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Accenture plc, an Irish company, and its controlled subsidiary companies (collectively, the "Company"). In this Directors' Report, we use the terms "Accenture," "we," the "Company," "our" and "us" to refer to Accenture plc and its subsidiaries.

All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31. For example, a reference to "fiscal 2019" means the 12-month period that ended on August 31, 2019. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year.

The Consolidated Financial Statements include the Consolidated Balance Sheets of Accenture plc and its subsidiaries as of August 31, 2019 and 2018, and the related Consolidated Statements of Profit and Loss Account, Comprehensive Income, Shareholders' Equity and Cash Flows for the twelve months ended August 31, 2019, 2018 and 2017. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2019 filed with the U.S. Securities and Exchange Commission on October 29, 2019.

Principal Activities

Accenture is one of the world's leading professional services companies with approximately 492,000 people serving clients in a broad range of industries and in three geographic regions: North America, Europe and Growth Markets (Asia Pacific, Latin America, Africa and the Middle East). Our five operating groups, organized by industry, bring together expertise from across the organization in strategy, consulting, digital, technology and operations to deliver end-to-end services and solutions to clients. For fiscal 2019, our revenues were \$43.2 billion, with the majority in digital-, cloud- and security-related services.

We operate globally with one common brand and business model, providing clients around the world with the same high level of service. Drawing on a combination of industry and functional expertise, technology and innovation capabilities, alliance relationships, and our global delivery resources, we seek to provide differentiated, innovative services that help our clients measurably improve their business performance and create sustainable value for their customers and stakeholders. Our global delivery capability enables us to assemble integrated teams to provide high-quality, cost-effective solutions to our clients.

In fiscal 2019, we continued to execute a strategy focused on industry and technology differentiation, increasingly taking an innovation-led approach to drive value for clients. We serve clients in locally relevant ways, leveraging our global organization as appropriate. As part of our growth strategy in fiscal 2019, we continued to make significant investments—in strategic acquisitions, in assets and offerings, in branding and thought leadership, and in attracting and developing talent—to further enhance our differentiation and competitiveness.

Operating Groups

Our five operating groups are Accenture’s reporting segments and primary market channel, organized around 13 industry groups that serve clients globally in more than 40 industries. Our industry focus gives us an understanding of industry evolution, business issues and applicable technologies, enabling us to deliver innovative solutions tailored to each client or, as appropriate, more standardized capabilities to multiple clients. The operating groups assemble integrated client engagement teams, which typically consist of industry experts, capability specialists and professionals with local market knowledge. The operating groups have primary responsibility for building and sustaining long-term client relationships; providing management and technology consulting services; orchestrating our expertise and working synergistically with the other parts of our business to sell and deliver the full range of our services and capabilities; ensuring client satisfaction; and achieving revenue and profitability objectives.

The following table shows the current organization of our five operating groups. We do not allocate total assets by operating group, although our operating groups do manage and control certain assets.

Operating Groups and Industry Groups

| Communications, Media & Technology | Financial Services | Health & Public Service | Products | Resources |
|---|--|--|---|--|
| <ul style="list-style-type: none"> • Communications & Media • High Tech • Software & Platforms | <ul style="list-style-type: none"> • Banking & Capital Markets • Insurance | <ul style="list-style-type: none"> • Health • Public Service | <ul style="list-style-type: none"> • Consumer Goods, Retail & Travel Services • Industrial • Life Sciences | <ul style="list-style-type: none"> • Chemicals & Natural Resources • Energy • Utilities |

Communications, Media & Technology

Our Communications, Media & Technology operating group serves communications, media, high tech, software and platform companies. Professionals in this operating group help clients accelerate and deliver digital transformation, developing comprehensive, industry-specific solutions to seize new opportunities and enhance efficiencies and business results. Examples of our services include helping clients capture new growth by shifting to data-driven and platform-based models, optimizing their cost structures, increasing product and business model innovation, and differentiating and scaling digital experiences for their customers. Our Communications, Media & Technology operating group comprises the following industry groups:

- Our **Communications & Media** industry group serves most of the world’s leading wireline, wireless, broadcast, entertainment, print, publishing, cable and satellite communications service providers. This group represented approximately 46% of our Communications, Media & Technology operating group’s revenues in fiscal 2019.
- Our **High Tech** industry group serves the enterprise technology, network equipment, semiconductor, consumer technology, aerospace & defense, and medical equipment industries. This group represented approximately 24% of our Communications, Media & Technology operating group’s revenues in fiscal 2019.
- Our **Software & Platforms** industry group serves computer software and digital platform companies. This group represented approximately 29% of our Communications, Media & Technology operating group’s revenues in fiscal 2019.

Financial Services

Our Financial Services operating group serves the banking, capital markets and insurance industries. Professionals in this operating group work with clients to address growth, cost and profitability pressures, industry consolidation, regulatory changes and the need to continually adapt to new digital technologies. We offer services designed to help our clients increase cost efficiency, grow their customer base, manage risk and transform their operations. Our Financial Services operating group comprises the following industry groups:

- Our **Banking & Capital Markets** industry group serves retail and commercial banks, mortgage lenders, payment providers, investment banks, wealth and asset management firms, broker/dealers, depositories, exchanges, clearing and settlement organizations, and other diversified financial enterprises. This group represented approximately 70% of our Financial Services operating group’s revenues in fiscal 2019.
- Our **Insurance** industry group serves property and casualty insurers, life insurers, reinsurance firms and insurance brokers. This group represented approximately 30% of our Financial Services operating group’s revenues in fiscal 2019.

Health & Public Service

Our Health & Public Service operating group serves healthcare payers and providers, as well as government departments and agencies, public service organizations, educational institutions and non-profit organizations around the world. The group's research-based insights and offerings, including consulting services and digital solutions, are designed to help clients deliver better social, economic and health outcomes to the people they serve. Our Health & Public Service operating group comprises the following industry groups:

- Our **Health** industry group works with healthcare providers, such as hospitals, public health systems, policy-making authorities, health insurers (payers), and industry organizations and associations around the world to improve the quality, accessibility and productivity of healthcare. This group represented approximately 38% of our Health & Public Service operating group's revenues in fiscal 2019.
- Our **Public Service** industry group helps governments transform the way they deliver public services and engage with citizens. We work primarily with defense departments and military forces; public safety authorities; justice departments; human services agencies; educational institutions; non-profit organizations; and postal, customs, revenue and tax agencies. Our Public Service industry group represented approximately 62% of our Health & Public Service operating group's revenues in fiscal 2019.

Our work with clients in the U.S. federal government is delivered through Accenture Federal Services, a U.S. company and a wholly owned subsidiary of Accenture LLP, and represented approximately 34% of our Health & Public Service operating group's revenues in fiscal 2019.

Products

Our Products operating group serves a set of increasingly interconnected consumer-relevant industries. Our offerings are designed to help clients transform their organizations and increase their relevance in the digital world. We help clients enhance their performance in distribution and sales and marketing; in research and development and manufacturing; and in business functions such as finance, human resources, procurement and supply chain while leveraging technology. Our Products operating group comprises the following industry groups:

- Our **Consumer Goods, Retail & Travel Services** industry group serves food and beverage, household goods, personal care, tobacco, fashion/apparel, agribusiness and consumer health companies; supermarkets, hardline retailers, mass-merchandise discounters, department stores and specialty retailers; as well as airlines and hospitality and travel services companies. This group represented approximately 54% of our Products operating group's revenues in fiscal 2019.
- Our **Industrial** industry group works with the following types of companies: freight and logistics; industrial and electrical equipment, consumer durables and heavy equipment; construction and infrastructure management; and automotive and public transportation. This group represented approximately 25% of our Products operating group's revenues in fiscal 2019.
- Our **Life Sciences** industry group serves pharmaceutical, medical technology and biotechnology companies. This group represented approximately 21% of our Products operating group's revenues in fiscal 2019.

Resources

Our Resources operating group serves the chemicals, energy, forest products, metals and mining, utilities and related industries. We work with clients to develop and execute innovative strategies, improve operations, manage complex change initiatives and integrate digital technologies designed to help them differentiate themselves in the marketplace, gain competitive advantage and manage their large-scale capital investments. Our Resources operating group comprises the following industry groups:

- Our **Chemicals & Natural Resources** industry group works with a wide range of industry segments, including petrochemicals, specialty chemicals, polymers and plastics, gases and agricultural chemicals, among others, as well as the metals, mining, forest products and building materials industries. This group represented approximately 32% of our Resources operating group's revenues in fiscal 2019.
- Our **Energy** industry group serves a wide range of companies in the oil and gas industry, including upstream, downstream, oilfield services and energy trading companies. This group represented approximately 27% of our Resources operating group's revenues in fiscal 2019.

- Our **Utilities** industry group works with electric, gas and water utilities, and new energy providers around the world. This group represented approximately 41% of our Resources operating group's revenues in fiscal 2019.

Services and Solutions

Our operating groups bring together expertise from Accenture Strategy, Accenture Consulting, Accenture Digital, Accenture Technology and Accenture Operations to develop and deliver integrated services and solutions for our clients.

Accenture Strategy

Accenture Strategy combines deep industry expertise, advanced analytics capabilities and design methodologies to help leaders in the C-suite envision and execute strategies that drive growth and digital transformation. We provide a range of strategy services to enable competitiveness and innovation, including new business and operating models, mergers and acquisitions, talent and organization, technology strategies, sustainability, security, advanced customer services, supply chain strategies and enterprise-wide strategies to realign resources for growth.

Accenture Consulting

Accenture Consulting provides industry experts with the insights and management and technology consulting capabilities to transform the world's leading companies. Our consulting capabilities, including advanced analytics and design expertise, enable our clients to develop and implement transformational change programs, either for one or more functions or business units, or across their entire organization. We provide industry-specific consulting services, as well as functional and technology consulting services. Our functional and technology consulting services include finance and enterprise performance; supply chain and operations; talent and organization; customers and channels; applications and architecture advisory; and technology advisory. We help our clients with the digital transformation of industries, enhancing our consulting services with digital, cloud, cybersecurity, artificial intelligence, blockchain and other capabilities.

Accenture Digital

Accenture Digital brings together our global digital capabilities to help clients unlock value and transform their businesses. We provide digital services across three broad areas:

- **Accenture Interactive.** Our end-to-end marketing solutions help clients deliver seamless multi-channel customer experiences and enhance their marketing performance. Our services span customer experience design, digital marketing, personalization and commerce, as well as digital content production and operations.
- **Accenture Applied Intelligence.** We embed analytics, automation and artificial intelligence into functions and processes at the core of our clients' businesses to realize new cost efficiencies and create new value from process, product and business transformation.
- **Accenture Industry X.0.** We help clients across industries digitally reinvent their design, engineering, manufacturing and production to create smart, connected products and services faster and at lower cost. We use advanced technologies including the Internet of Things, connected devices and digital platforms to unlock new revenue streams and create new efficiencies.

Accenture Technology

Accenture Technology comprises two primary areas: technology services and technology innovation & ecosystem.

- **Technology Services.** Technology Services includes our application services spanning systems integration and application outsourcing and covering the full application lifecycle, from custom systems to all emerging technologies, across every leading technology platform (both traditional and cloud/software-as-a-service-based). It also encompasses our cloud and infrastructure services, including security services, and our portfolio of products and intelligent platforms and services, as well as our Advanced Technology Centers. We continuously innovate new services, capabilities and platforms through early adoption of technologies such as artificial intelligence, blockchain, machine learning, intelligent automation, extended reality and quantum computing to enhance productivity and create new growth opportunities.
- **Technology Innovation & Ecosystem.** We harness innovation through the research and development activities in the Accenture Labs and through emerging technologies. We also develop and manage our alliance relationships across a broad range of technology providers, including Amazon Web Services, Google, Microsoft, Oracle, Pegasystems, Salesforce, SAP, Workday and many others, to enhance the value that we and our clients realize from the technology ecosystem.

Accenture Operations

Accenture Operations provides business process services for specific functions, including finance and accounting, procurement and supply chain, marketing and sales, as well as industry-specific services, such as platform trust and safety, health and utility services. We operate business processes on behalf of clients, through a combination of our talent powered by data, artificial intelligence, analytics and digital technologies, to help improve their productivity, customer experience and performance.

Global Delivery Capability

A key differentiator is our global delivery capability, which allows us to draw on the benefits of working with our people around the world—including scalable innovation; standardized processes, methods and tools; automation and artificial intelligence; industry expertise and specialized capabilities; cost advantages; foreign language fluency; proximity to clients; and time zone advantages—to deliver high-quality solutions. Emphasizing quality, productivity, reduced risk, speed to market and predictability, our global delivery model supports all parts of our business to provide clients with price-competitive services and solutions.

Alliances

We have sales and delivery alliances with companies whose capabilities complement our own by, among other things, enhancing a service offering, delivering a new technology or helping us extend our services to new geographies. By combining our alliance partners' products and services with our own capabilities and expertise, we create innovative, high-value business solutions for our clients. Most of our alliances are non-exclusive. These alliances can generate significant revenues from services we provide to implement our alliance partners' products as well as revenue from the resale of their products.

Research and Innovation

We are committed to developing leading-edge ideas. Research and innovation, which are components of our overall investment in our business, have been major factors in our success, and we believe they will help us continue to grow in the future. We use our investment in research and development—on which we spent \$800 million, \$791 million and \$704 million in fiscal 2019, 2018 and 2017, respectively—to help create, commercialize and disseminate innovative business strategies and technology solutions. We spend a significant portion of our research and development investment to develop market-ready solutions for our clients.

We view innovation as a source of competitive advantage. We seek to generate early insights into how knowledge can be harnessed to create innovative business solutions for our clients and to develop business strategies with significant value. Our innovation architecture brings together our innovation capabilities across the Company—from research, ventures and labs to our studios, innovation centers and delivery centers. This includes research and thought leadership to identify market, technology and industry trends. Through Accenture Ventures, we partner with and invest in growth-stage companies that create innovative enterprise technologies. Accenture Labs incubate and prototype new concepts through applied research and development projects. In addition, our studios, innovation centers and delivery centers build and scale the delivery of our innovations.

People

As a talent- and innovation-led organization, one of our key goals is to have the best people, with highly specialized skills, across our entire business to drive our differentiation and competitiveness. We are deeply committed to investing in our people to ensure they have opportunities to continually learn and grow in their careers, customized for the individual in an on-demand, digital environment. We provide our people ongoing feedback, and they are rewarded based on individual and Company performance. Our culture is underpinned by our core values, Code of Business Ethics and unwavering commitment to inclusion and diversity. As of August 31, 2019, we employed approximately 492,000 people and had offices and operations in more than 200 cities in 51 countries.

Competition

We operate in a highly competitive and rapidly changing global marketplace and compete with a variety of organizations that offer services and solutions competitive with those we offer. Our competitors include:

- large multinational providers, including the services arms of large global technology providers, that offer some or all of the services and solutions that we do;
- off-shore service providers in lower-cost locations, particularly in India, that offer services globally that are similar to the services and solutions we offer;
- accounting firms that provide consulting and other services and solutions in areas that compete with us;

- solution or service providers that compete with us in a specific geographic market, industry segment or service area, including digital and advertising agencies and emerging start-ups and other companies that can scale rapidly to focus on or disrupt certain markets and provide new or alternative products, services or delivery models; and
- in-house departments of large corporations that use their own resources, rather than engage an outside firm for the types of services and solutions we provide.

Our revenues are derived primarily from Forbes Global 2000 companies, governments, government agencies and other enterprises. We believe that the principal competitive factors in the industries in which we compete include:

- skills and capabilities of people;
- technical and industry expertise;
- innovative service and product offerings;
- ability to add business value and improve performance;
- reputation and client references;
- contractual terms, including competitive pricing;
- ability to deliver results reliably and on a timely basis;
- scope of services;
- service delivery approach;
- quality of services and solutions;
- availability of appropriate resources; and
- global reach and scale, including level of presence in key emerging markets.

Our clients typically retain us on a non-exclusive basis.

Intellectual Property

We provide value to our clients based in part on a differentiated range of proprietary inventions, methodologies, software, reusable knowledge capital and other intellectual property. We recognize the increasing value of intellectual property in the marketplace and create, harvest, and protect this intellectual property. We leverage patent, trade secret and copyright laws as well as contractual arrangements to protect our intellectual property. We have also established policies to respect the intellectual property rights of third parties, such as our clients, partners and others.

As of August 31, 2019, we had a portfolio of over 4,800 patents and over 2,500 patent applications pending worldwide.

To protect the Accenture brand, one of our most valuable assets, we rely on intellectual property laws and trademark registrations held around the world.

Trademarks appearing in this report are the trademarks or registered trademarks of Accenture Global Services Ltd., Accenture Global Solutions Ltd., or third parties, as applicable.

Organizational Structure and History

Accenture plc was incorporated in Ireland on June 10, 2009 as a public limited company. We operate our business through subsidiaries of Accenture plc.

On March 13, 2018, Accenture Holdings plc, a subsidiary of Accenture plc merged with and into Accenture plc, with Accenture plc as the surviving entity. As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. In connection with this internal merger, shareholders of Accenture Holdings plc (other than Accenture entities that held shares of Accenture Holdings plc), who primarily consisted of current and former members of Accenture Leadership and their permitted transferees, received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc owned by such shareholders.

In connection with our transition in 2001 from a series of related partnerships and corporations operated under the control of our partners to a corporate structure, partners in certain countries received common shares of Accenture SCA, the predecessor of Accenture Holdings plc, or exchangeable shares issued by Accenture Canada Holdings Inc., an indirect subsidiary of Accenture SCA. Generally, these partners also received a corresponding number of Accenture

Ltd (our predecessor holding company) Class X common shares, which entitled their holders to vote at Accenture Ltd shareholder meetings but did not carry any economic rights.

The Consolidated Financial Statements reflect the ownership interests in Accenture Holdings plc (for applicable periods) and Accenture Canada Holdings Inc. held by certain current and former members of Accenture Leadership as noncontrolling interests. “Accenture Leadership” is comprised of members of our global management committee (our primary management and leadership team, which consists of approximately 20 of our most senior leaders), senior managing directors and managing directors. The noncontrolling ownership interests percentage was less than 1% as of August 31, 2019.

Accenture plc Class A and Class X Ordinary Shares

Each Class A ordinary share and each Class X ordinary share of Accenture plc entitles its holder to one vote on all matters submitted to a vote of shareholders of Accenture plc. A Class X ordinary share does not, however, entitle its holder to receive dividends or to receive payments upon a liquidation of Accenture plc. As described above under “—Organizational Structure and History,” Class X ordinary shares generally provide the holders of Accenture Canada Holdings Inc. exchangeable shares with a vote at Accenture plc shareholder meetings that is equivalent to the voting rights held by Accenture plc Class A ordinary shareholders, while their economic rights consist of interests in Accenture Canada Holdings Inc. exchangeable shares.

Under its memorandum and articles of association, Accenture plc may redeem, at its option, any Class X ordinary share for a redemption price equal to the nominal value of the Class X ordinary share, or \$0.0000225 per share. Accenture plc, as successor to Accenture Ltd, has separately agreed with the original holders of Accenture Canada Holdings Inc. exchangeable shares not to redeem any Class X ordinary share of such holder if the redemption would reduce the number of Class X ordinary shares held by that holder to a number that is less than the number of Accenture Canada Holdings Inc. exchangeable shares owned by that holder. Accenture plc will redeem Class X ordinary shares upon the redemption or exchange of Accenture Canada Holdings Inc. exchangeable shares so that the aggregate number of Class X ordinary shares outstanding at any time does not exceed the aggregate number of Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

A transfer of Accenture plc Class A ordinary shares effected by transfer of a book-entry interest in The Depository Trust Company will not be subject to Irish stamp duty. Other transfers of Accenture plc Class A ordinary shares may be subject to Irish stamp duty (currently at the rate of 1% of the price paid or the market value of the Class A ordinary shares acquired, if higher) payable by the buyer.

Accenture Canada Holdings Inc. Exchangeable Shares

Holders of Accenture Canada Holdings Inc. exchangeable shares may exchange their shares for Accenture plc Class A ordinary shares at any time on a one-for-one basis. Accenture may, at its option, satisfy this exchange with cash at a price per share generally equal to the market price of an Accenture plc Class A ordinary share at the time of the exchange. Each exchangeable share of Accenture Canada Holdings Inc. entitles its holder to receive distributions equal to any distributions to which an Accenture plc Class A ordinary share entitles its holder. The exchange of all of the outstanding Accenture Canada Holdings Inc. exchangeable shares for Accenture plc Class A ordinary shares would not have a material impact on the equity ownership position of Accenture.

Principal Risks and Uncertainties

In addition to the other information set forth in this report, you should carefully consider the following factors which could materially adversely affect our business, financial condition, results of operations (including revenues and profitability) and/or stock price. Our business is also subject to general risks and uncertainties that may broadly affect companies, including us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could materially adversely affect our business, financial condition, results of operations and/or stock price.

Our results of operations could be adversely affected by volatile, negative or uncertain economic and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

Global macroeconomic and geopolitical conditions affect our clients' businesses and the markets they serve. Volatile, negative or uncertain economic and political conditions in our significant markets have undermined and could in the future undermine business confidence in our significant markets or in other markets, which are increasingly interdependent, and cause our clients to reduce or defer their spending on new initiatives and technologies, or may result in clients reducing, delaying or eliminating spending under existing contracts with us, which would negatively affect our business. Growth in the markets we serve could be at a slow rate, or could stagnate or contract, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate and the industries we serve have affected and may in the future affect demand for our services and solutions. Because we operate globally and have significant businesses in many markets, an economic slowdown in any of those markets could adversely affect our results of operations.

Ongoing economic and political volatility and uncertainty and changing demand patterns affect our business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build our revenue and resource plans, particularly in consulting. Economic and political volatility and uncertainty is particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in our business and results of operations. Changing demand patterns from economic and political volatility and uncertainty, including as a result of the United Kingdom referendum in favor of exiting the European Union, changes in global trade policies, trade disputes and trends such as populism and economic nationalism and their impact on us, our clients and the industries we serve, could have a significant negative impact on our results of operations.

Our business depends on generating and maintaining ongoing, profitable client demand for our services and solutions, including through the adaptation and expansion of our services and solutions in response to ongoing changes in technology and offerings, and a significant reduction in such demand or an inability to respond to the evolving technological environment could materially affect our results of operations.

Our revenue and profitability depend on the demand for our services and solutions with favorable margins, which could be negatively affected by numerous factors, many of which are beyond our control and unrelated to our work product. As described above, volatile, negative or uncertain global economic and political conditions and lower growth in the markets we serve have adversely affected and could in the future adversely affect client demand for our services and solutions. Our success depends, in part, on our ability to continue to develop and implement services and solutions that anticipate and respond to rapid and continuing changes in technology and offerings to serve the evolving needs of our clients. Examples of areas of significant change include digital-, cloud- and security-related offerings, which are continually evolving, as well as developments in areas such as artificial intelligence, augmented reality, automation, blockchain, Internet of Things, quantum computing and as-a-service solutions. Technological developments may materially affect the cost and use of technology by our clients and, in the case of as-a-service solutions, could affect the nature of how we generate revenue. Some of these technologies have reduced and replaced some of our historical services and solutions and may continue to do so in the future. This has caused, and may in the future cause, clients to delay spending under existing contracts and engagements and to delay entering into new contracts while they evaluate new technologies. Such delays can negatively impact our results of operations if the pace and level of spending on new technologies is not sufficient to make up any shortfall.

Developments in the industries we serve, which may be rapid, also could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries we serve, our clients demand new services and solutions, we may be less competitive in these new areas or need to make significant investment to meet that demand. Our growth strategy focuses on responding to these types of developments by driving innovation that will enable us to expand our business into new growth areas. If we do not sufficiently invest in new technology and adapt to industry developments, or evolve and expand our business at sufficient speed and scale, or if we do not make the right strategic investments to respond to these developments and successfully drive innovation, our services and

solutions, our results of operations, and our ability to develop and maintain a competitive advantage and to execute on our growth strategy could be negatively affected.

We operate in a rapidly evolving environment in which there currently are, and we expect will continue to be, new technology entrants. New services or technologies offered by competitors or new entrants may make our offerings less differentiated or less competitive when compared to other alternatives, which may adversely affect our results of operations. In addition, companies in the industries we serve sometimes seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If one of our current clients merges or consolidates with a company that relies on another provider for the services and solutions we offer, we may lose work from that client or lose the opportunity to gain additional work if we are not successful in generating new opportunities from the merger or consolidation. In a particular operating group, business, industry or geography, a small number of clients have contributed, or may, in the future contribute, a significant portion of the revenues of such operating group, business, industry or geography, and any decision by such a client to delay, reduce, or eliminate spending on our services and solutions could have a disproportionate impact on the results of operations in the relevant operating group, business, industry and/or geography.

Many of our consulting contracts are less than 12 months in duration, and these contracts typically permit a client to terminate the agreement with as little as 30 days' notice. Longer-term, larger and more complex contracts, such as the majority of our outsourcing contracts, generally require a longer notice period for termination and often include an early termination charge to be paid to us, but this charge might not be sufficient to cover our costs or make up for anticipated ongoing revenues and profits lost upon termination of the contract. Many of our contracts allow clients to terminate, delay, reduce or eliminate spending on the services and solutions we provide. Additionally, a client could choose not to retain us for additional stages of a project, try to renegotiate the terms of its contract or cancel or delay additional planned work. When contracts are terminated or not renewed, we lose the anticipated revenues, and it may take significant time to replace the level of revenues lost. Consequently, our results of operations in subsequent periods could be materially lower than expected. The specific business or financial condition of a client, changes in management and changes in a client's strategy are also all factors that can result in terminations, cancellations or delays.

If we are unable to keep our supply of skills and resources in balance with client demand around the world and attract and retain professionals with strong leadership skills, our business, the utilization rate of our professionals and our results of operations may be materially adversely affected.

Our success is dependent, in large part, on our ability to keep our supply of market-leading skills and capabilities in balance with client demand around the world and our ability to attract and retain personnel with the knowledge and skills to lead our business globally. We must hire or reskill, retain and motivate appropriate numbers of talented people with diverse skills in order to serve clients across the globe, respond quickly to rapid and ongoing changes in technology, industry and the macroeconomic environment, and continuously innovate to grow our business. For example, if we are unable to hire or retrain our employees to keep pace with the rapid and continuous changes in technology and the industries we serve or changes in the types of services and solutions clients are demanding, we may not be able to innovate and deliver new services and solutions to fulfill client demand. There is intense competition for scarce talent with market-leading skills and capabilities in new technologies, and our competitors have directly targeted our employees with these highly sought-after skills and may continue to do so. As a result, we may be unable to cost-effectively hire and retain employees with these market-leading skills, which may cause us to incur increased costs, or be unable to fulfill client demand for our services and solutions.

We are particularly dependent on retaining members of Accenture Leadership with critical capabilities. If we are unable to do so, our ability to innovate, generate new business opportunities and effectively lead large and complex transformations and client relationships could be jeopardized. We depend on identifying, developing and retaining top talent to innovate and lead our businesses. This includes developing talent and leadership capabilities in emerging markets, where the depth of skilled employees may be limited, and competition for these resources is intense. Our ability to expand in our key markets depends, in large part, on our ability to attract, develop, retain and integrate both leaders for the local business and people with critical capabilities.

Similarly, our profitability depends on our ability to effectively source and staff people with the right mix of skills and experience to perform services for our clients, including our ability to transition employees to new assignments on a timely basis. If we are unable to effectively deploy our employees globally on a timely basis to fulfill the needs of our clients, our profitability could suffer. If the utilization rate of our professionals is too high, it could have an adverse effect on employee engagement and attrition, the quality of the work performed as well as our ability to staff projects. If our utilization rate is too low, our profitability and the engagement of our employees could suffer. The costs associated with recruiting and training employees are significant. An important element of our global business model is the deployment of our employees around the world, which allows us to move talent as needed. Therefore, if we are not

able to deploy the talent we need because of increased regulation of immigration or work visas, including limitations placed on the number of visas granted, limitations on the type of work performed or location in which the work can be performed, and new or higher minimum salary requirements, it could be more difficult to staff our employees on client engagements and could increase our costs.

Our equity-based incentive compensation plans are designed to reward high-performing individuals for their contributions and provide incentives for them to remain with us. If the anticipated value of such incentives does not materialize because of volatility or lack of positive performance in our stock price, or if our total compensation package is not viewed as being competitive, our ability to attract and retain the personnel we need could be adversely affected. In addition, if we do not obtain the shareholder approval needed to continue granting equity awards under our share plans in the amounts we believe are necessary, our ability to attract and retain personnel could be negatively affected.

There is a risk that at certain points in time, and in certain geographical regions, we will find it difficult to hire and retain a sufficient number of employees with the skills or backgrounds to meet current and/or future demand. In these cases, we might need to redeploy existing personnel or increase our reliance on subcontractors to fill certain labor needs, and if not done effectively, our profitability could be negatively impacted. Additionally, if demand for our services and solutions were to escalate at a high rate, we may need to adjust our compensation practices, which could put upward pressure on our costs and adversely affect our profitability if we are unable to recover these increased costs. At certain times, however, we may also have more personnel than we need in certain skill sets or geographies or at compensation levels that are not aligned with skill sets. In these situations, we have engaged, and may in the future engage, in actions to rebalance our resources, including reducing the rate of new hires and increasing involuntary terminations as a means to keep our supply of skills and resources in balance with client demand. If we are not successful in these initiatives, our results of operations could be adversely affected.

We could face legal, reputational and financial risks if we fail to protect client and/or Accenture data from security breaches or cyberattacks.

We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our locations around the world and with our people, clients, alliance partners and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the use of mobile technologies, social media and cloud-based services, the risk of security breaches and cyberattacks increases. Such breaches could lead to shutdowns or disruptions of or damage to our systems and those of our clients, alliance partners and vendors, and unauthorized disclosure of sensitive or confidential information, including personal data. In the past, we have experienced data security breaches resulting from unauthorized access to our and our service providers' systems, which to date have not had a material impact on our operations; however, there is no assurance that such impacts will not be material in the future.

In providing services and solutions to clients, we often manage, utilize and store sensitive or confidential client or Accenture data, including personal data, and we expect these activities to increase, including through the use of artificial intelligence, the internet of things and analytics. Unauthorized disclosure of sensitive or confidential client or Accenture data, whether through systems failure, employee negligence, fraud, misappropriation, or other intentional or unintentional acts, could damage our reputation, cause us to lose clients and could result in significant financial exposure. Similarly, unauthorized access to or through our or our service providers' information systems or those we develop for our clients, whether by our employees or third parties, including a cyberattack by computer programmers, hackers, members of organized crime and/or state-sponsored organizations, who continuously develop and deploy viruses, ransomware or other malicious software programs or social engineering attacks, could result in negative publicity, significant remediation costs, legal liability, damage to our reputation and government sanctions and could have a material adverse effect on our results of operations. Cybersecurity threats are constantly expanding and evolving, thereby increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols.

We are subject to numerous laws and regulations designed to protect this information, such as the European Union's General Data Protection Regulation ("GDPR"), various U.S. federal and state laws governing the protection of health or other personally identifiable information and data privacy and cybersecurity laws in other regions. These laws and regulations continue to evolve, are increasing in complexity and number and increasingly conflict among the various countries in which we operate, which has resulted in greater compliance risk and cost for us. The GDPR imposes new compliance obligations regarding the handling of personal data and has significantly increased financial penalties for noncompliance. For example, failure to comply with the GDPR may lead to regulatory enforcement actions, which can result in monetary penalties of up to 4% of worldwide revenue, orders to discontinue certain data processing operations, private lawsuits, or reputational damage. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client or Accenture data, or otherwise mismanages or misappropriates that data, we could be subject to significant litigation, monetary damages, regulatory

enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. These monetary damages might not be subject to a contractual limit of liability or an exclusion of consequential or indirect damages and could be significant. In addition, our liability insurance, which includes cyber insurance, might not be sufficient in type or amount to cover us against claims related to security breaches, cyberattacks and other related breaches.

The markets in which we operate are highly competitive, and we might not be able to compete effectively.

The markets in which we offer our services and solutions are highly competitive. Our competitors include:

- large multinational providers, including the services arms of large global technology providers, that offer some or all of the services and solutions that we do;
- off-shore service providers in lower-cost locations, particularly in India, that offer services globally that are similar to the services and solutions we offer;
- accounting firms that provide consulting and other services and solutions in areas that compete with us;
- solution or service providers that compete with us in a specific geographic market, industry segment or service area, including digital and advertising agencies and emerging start-ups and other companies that can scale rapidly to focus on or disrupt certain markets and provide new or alternative products, services or delivery models; and
- in-house departments of large corporations that use their own resources, rather than engage an outside firm for the types of services and solutions we provide.

Some competitors may have greater financial, marketing or other resources than we do and, therefore, may be better able to compete for new work and skilled professionals, may be able to innovate and provide new services and solutions faster than we can or may be able to anticipate the need for services and solutions before we do.

Even if we have potential offerings that address marketplace or client needs, competitors may be more successful at selling similar services they offer, including to companies that are our clients. Some competitors are more established in certain markets, and that may make executing our growth strategy to expand in these markets more challenging. Additionally, competitors may also offer more aggressive contractual terms, which may affect our ability to win work. Our future performance is largely dependent on our ability to compete successfully and expand in the markets we currently serve. If we are unable to compete successfully, we could lose market share and clients to competitors, which could materially adversely affect our results of operations.

In addition, we may face greater competition due to consolidation of companies in the technology sector through strategic mergers or acquisitions. Consolidation activity may result in new competitors with greater scale, a broader footprint or offerings that are more attractive than ours. Over time, our access to certain technology products and services may be reduced as a result of this consolidation. The technology companies described above, including many of our alliance partners, are increasingly able to offer services related to their software, platform and other solutions, or are developing software, platform and other solutions that require integration services to a lesser extent. These more integrated services and solutions may represent more attractive alternatives to clients than some of our services and solutions, which may materially adversely affect our competitive position and our results of operations.

Changes in our level of taxes, as well as audits, investigations and tax proceedings, or changes in tax laws or in their interpretation or enforcement, could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

We are subject to taxes in numerous jurisdictions. We calculate and provide for taxes in each tax jurisdiction in which we operate. Tax accounting often involves complex matters and requires our judgment to determine our worldwide provision for income taxes and other tax liabilities. We are subject to ongoing audits, investigations and tax proceedings in various jurisdictions. Tax authorities have disagreed, and may in the future disagree, with our judgments, and are taking increasingly aggressive positions opposing the judgments we make, including with respect to our intercompany transactions. We regularly assess the likely outcomes of our audits, investigations and tax proceedings to determine the appropriateness of our tax liabilities. However, our judgments might not be sustained as a result of these audits, investigations and tax proceedings, and the amounts ultimately paid could be materially different from the amounts previously recorded.

In addition, our effective tax rate in the future could be adversely affected by challenges to our intercompany transactions, changes in the valuation of deferred tax assets and liabilities and changes in tax laws or in their interpretation or enforcement, changes in the mix of earnings in countries with differing statutory tax rates, the expiration of current tax benefits and changes in accounting principles, including the U.S. generally accepted accounting principles. Tax rates in the jurisdictions in which we operate may change materially as a result of shifting economic conditions

and tax policies. In addition, changes in tax laws, treaties or regulations, or their interpretation or enforcement, have become more unpredictable and may become more stringent, which could materially adversely affect our tax position.

A number of countries where we do business, including the United States and many countries in the European Union, have implemented, and are considering implementing, changes in relevant tax, accounting and other laws, regulations and interpretations. For example, in December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the “Tax Act”), which significantly changed U.S. tax law. The Tax Act’s “base erosion and anti-abuse tax” provisions, and regulations issued thereunder, adversely impact our effective tax rate by limiting our ability to deduct certain expenses.

The overall tax environment has made it increasingly challenging for multinational corporations to operate with certainty about taxation in many jurisdictions. For example, the European Commission has been conducting investigations, focusing on whether local country tax rulings or tax legislation provide preferential tax treatment that violates European Union state aid rules. Furthermore, the Organization for Economic Co-operation and Development (“OECD”), which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting project, which is focused on a number of issues, including the shifting of profits among affiliated entities located in different tax jurisdictions. The changes recommended by the OECD have been or are being adopted by many of the countries in which we do business. In addition, the European Commission has expanded upon the OECD guidelines with anti-tax avoidance directives to be applied by its member states. Among other things, the directives require companies to provide increased country-by-country disclosure of their financial information to tax authorities, which in turn could lead to disagreements by jurisdictions over the proper allocation of profits between them. In connection with the OECD’s base erosion and profit shifting project, the OECD has undertaken a new project focused on “Addressing the Tax Challenges of the Digitalization of the Economy.” This project may impact all multinational businesses by implementing a global model for minimum taxation. Additionally, the European Commission and some foreign jurisdictions have introduced proposals to impose a separate tax on specified digital service activity. There is significant uncertainty regarding such proposals. The increasingly complex global tax environment, and any unfavorable resolution of these uncertainties, could have a material adverse effect on our effective tax rate, results of operations, cash flows and financial condition.

Although we expect to be able to rely on the tax treaty between the United States and Ireland, legislative or diplomatic action could be taken, or the treaty may be amended in such a way, that would prevent us from being able to rely on such treaty. Our inability to rely on the treaty would subject us to increased taxation or significant additional expense. In addition, congressional proposals could change the definition of a U.S. person for U.S. federal income tax purposes, which could also subject us to increased taxation. In addition, we could be materially adversely affected by future changes in tax law or policy (or in their interpretation or enforcement) in Ireland or other jurisdictions where we operate, including their treaties with Ireland or the United States. These changes could be exacerbated by economic, budget or other challenges facing Ireland or these other jurisdictions.

Our profitability could materially suffer if we are unable to obtain favorable pricing for our services and solutions, if we are unable to remain competitive, if our cost-management strategies are unsuccessful or if we experience delivery inefficiencies.

Our profitability is highly dependent on a variety of factors and could be materially impacted by any of the following:

Our results of operations could materially suffer if we are not able to obtain sufficient pricing to meet our profitability expectations. If we are not able to obtain favorable pricing for our services and solutions, our revenues and profitability could materially suffer. The rates we are able to charge for our services and solutions are affected by a number of factors, including:

- general economic and political conditions;
- our clients’ desire to reduce their costs;
- the competitive environment in our industry;
- our ability to accurately estimate our service delivery costs, upon which our pricing is sometimes determined, includes our ability to estimate the impact of inflation and foreign exchange on our service delivery costs over long-term contracts; and
- the procurement practices of clients and their use of third-party advisors.

Our profitability could suffer if we are not able to remain competitive. The competitive environment in our industry affects our ability to secure new contracts at our target economics in a number of ways, any of which could have a material negative impact on our results of operations. The less we are able to differentiate our services and solutions and/or clearly convey the value of our services and solutions, the more risk we have in winning new work in sufficient volumes and at our target pricing and overall economics. In addition, the introduction of new services or products by competitors could reduce our ability to obtain favorable pricing and impact our overall economics for the services or

solutions we offer. Competitors may be willing, at times, to price contracts lower than us in an effort to enter the market or increase market share.

Our profitability could suffer if our cost-management strategies are unsuccessful, and we may not be able to improve our profitability. Our ability to improve or maintain our profitability is dependent on our being able to successfully manage our costs, including taking actions to reduce certain costs. Our cost management strategies include maintaining appropriate alignment between the demand for our services and solutions and the workforce needed to deliver them. If we are not effective in managing our operating costs in response to changes in demand or pricing, or if we are unable to cost-effectively hire and retain personnel with the knowledge and skills necessary to deliver our services and solutions, particularly in areas of new technologies and offerings and in the right geographic locations, we may incur increased costs, which could reduce our ability to continue to invest in our business in an amount necessary to achieve our planned rates of growth and our desired levels of profitability.

If we do not accurately anticipate the cost, risk and complexity of performing our work or if third parties upon whom we rely do not meet their commitments, then our contracts could have delivery inefficiencies and be less profitable than expected or unprofitable. Our contract profitability is highly dependent on our forecasts regarding the effort and cost necessary to deliver our services and solutions, which are based on available data and could turn out to be materially inaccurate. If we do not accurately estimate the effort, costs or timing for meeting our contractual commitments and/or completing engagements to a client's satisfaction, our contracts could yield lower profit margins than planned or be unprofitable. Similarly, if we experience unanticipated delivery difficulties due to our management, the failure of third parties or our clients to meet their commitments, or for any other reason, our contracts could yield lower profit margins than planned or be unprofitable. In particular, large and complex arrangements often require that we utilize subcontractors or that our services and solutions incorporate or coordinate with the software, systems or infrastructure requirements of other vendors and service providers, including companies with which we have alliances. Our profitability depends on the ability of these subcontractors, vendors and service providers to deliver their products and services in a timely manner and in accordance with the project requirements, as well as on our effective oversight of their performance. In some cases, these subcontractors are small firms, and they might not have the resources or experience to successfully integrate their services or products with large-scale engagements or enterprises. Some of this work involves new technologies, which may not work as intended or may take more effort to implement than initially predicted. In addition, certain client work requires the use of unique and complex structures and alliances, some of which require us to assume responsibility for the performance of third parties whom we do not control. Any of these factors could adversely affect our ability to perform and subject us to additional liabilities, which could have a material adverse effect on our relationships with clients and on our results of operations.

Our results of operations could be materially adversely affected by fluctuations in foreign currency exchange rates.

Although we report our results of operations in U.S. dollars, a majority of our revenues is denominated in currencies other than the U.S. dollar. Unfavorable fluctuations in foreign currency exchange rates have had an adverse effect, and could in the future have a material adverse effect, on our results of operations.

Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, expenses and income, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, changes in the value of the U.S. dollar against other currencies will affect our revenues, operating income and the value of balance-sheet items, including intercompany payables and receivables, originally denominated in other currencies. These changes cause our growth stated in U.S. dollars to be higher or lower than our growth in local currency when compared against other periods. Our currency hedging programs, which are designed to partially offset the impact on consolidated earnings related to the changes in value of certain balance sheet items, might not be successful. Additionally, some transactions and balances may be denominated in currencies for which there is no available market to hedge.

As we continue to leverage our global delivery model, more of our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies, such as the Indian rupee or Philippine peso, against the currencies in which our revenue is recorded could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in local currency. Our contractual provisions or cost management efforts might not be able to offset their impact, and our currency hedging activities, which are designed to partially offset this impact, might not be successful. This could result in a decrease in the profitability of our contracts that are utilizing delivery center resources. In addition, our currency hedging activities are themselves subject to risk. These include risks related to counterparty performance under hedging contracts, risks related to ineffective hedges and risks related to currency fluctuations. We also face risks that extreme economic conditions, political instability, or hostilities or disasters of the type described below could impact or perhaps eliminate the underlying

exposures that we are hedging. Such an event could lead to losses being recognized on the currency hedges then in place that are not offset by anticipated changes in the underlying hedge exposure.

As a result of our geographically diverse operations and our growth strategy to continue to expand in our key markets around the world, we are more susceptible to certain risks.

We have offices and operations in more than 200 cities in 51 countries around the world. One aspect of our growth strategy is to continue to expand in our key markets around the world. Our growth strategy might not be successful. If we are unable to manage the risks of our global operations and growth strategy, including the concentration of our global delivery capability in India and the Philippines, international hostilities, terrorist activities, natural disasters and security or data breaches, failure to maintain compliance with our clients' control requirements and multiple legal and regulatory systems, our results of operations and ability to grow could be materially adversely affected. In addition, emerging markets generally involve greater financial and operational risks, such as those described below, than our more mature markets. Negative or uncertain political climates in countries or geographies where we operate could also adversely affect us.

Our global delivery capability is concentrated in India and the Philippines, which may expose us to operational risks. Our business model is dependent on our global delivery capability, which includes Accenture personnel based at more than 50 delivery centers around the world. While these delivery centers are located throughout the world, we have based large portions of our delivery capability in India, where we have the largest number of people located in our delivery centers, and the Philippines, where we have the second largest number of people located. Concentrating our global delivery capability in these locations presents a number of operational risks, including those listed in the following paragraph, many of which are beyond our control. Our business continuity and disaster recovery plans may not be effective, particularly if catastrophic events occur. If any of these circumstances occurs, we have a greater risk that interruptions in communications with our clients and other Accenture locations and personnel, and any down-time in important processes we operate for clients, could result in a material adverse effect on our results of operations and our reputation in the marketplace.

International hostilities, terrorist activities, natural disasters, pandemics and infrastructure disruptions could prevent us from effectively serving our clients and thus adversely affect our results of operations. Acts of terrorist violence; political unrest; regional and international hostilities and international responses to these hostilities; natural disasters, volcanic eruptions, sea level rise, floods, droughts and the increasing frequency and severity of adverse weather conditions; health emergencies or pandemics or the threat of or perceived potential for these events; and other acts of god could have a negative impact on us. These events could adversely affect our clients' levels of business activity and precipitate sudden and significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our people and to physical facilities and operations around the world, whether the facilities are ours or those of our alliance partners, suppliers or clients. By disrupting communications and travel and increasing the difficulty of obtaining and retaining highly skilled and qualified personnel, these types of events impact our ability to deliver our services and solutions to our clients. Extended disruptions of electricity, other public utilities or network services at our facilities, as well as physical infrastructure damage to, system failures at, cyberattacks on, or security breaches in, our facilities or systems, could also adversely affect our ability to conduct our business and serve our clients. We might be unable to protect our people, facilities and systems against all such occurrences. We generally do not have insurance for losses and interruptions caused by terrorist attacks, conflicts and wars. If these disruptions prevent us from effectively serving our clients, our results of operations could be adversely affected.

We could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies. In some countries, we could be subject to strict restrictions on the movement of cash and the exchange of foreign currencies, which would limit our ability to use this cash across our global operations and expose us to more extreme currency fluctuations. This risk could increase as we continue to expand in our key markets around the world, which include emerging markets that are more likely to impose these restrictions than more established markets.

Our global operations expose us to numerous and sometimes conflicting legal and regulatory requirements, and violation of these regulations could harm our business. We are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as anticorruption, import/export controls, content requirements, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-competition, anti-money-laundering, data privacy and protection, government compliance, wage-and-hour standards, and employment and labor relations. The global nature of our operations, including emerging markets where legal systems may be less developed or understood by us, and the diverse nature of our operations across a number of regulated industries, further increase the difficulty of compliance. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, enforcement actions or criminal sanctions against us and/or our employees, prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the

performance of our obligations to our clients also could result in liability for significant monetary damages, fines, enforcement actions and/or criminal prosecution or sanctions, unfavorable publicity and other reputational damage and restrictions on our ability to effectively carry out our contractual obligations and thereby expose us to potential claims from our clients. Due to the varying degrees of development of the legal systems of the countries in which we operate, local laws may not be well developed or provide sufficiently clear guidance and may be insufficient to protect our rights.

In particular, in many parts of the world, including countries in which we operate and/or seek to expand, practices in the local business community might not conform to international business standards and could violate anticorruption laws, or regulations, including the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010. Our employees, subcontractors, vendors, agents, alliance or joint venture partners, the companies we acquire and their employees, subcontractors, vendors and agents, and other third parties with which we associate, could take actions that violate policies or procedures designed to promote legal and regulatory compliance or applicable anticorruption laws or regulations. Violations of these laws or regulations by us, our employees or any of these third parties could subject us to criminal or civil enforcement actions (whether or not we participated or knew about the actions leading to the violations), including fines or penalties, disgorgement of profits and suspension or disqualification from work, including U.S. federal contracting, any of which could materially adversely affect our business, including our results of operations and our reputation.

Changes in laws and regulations could also mandate significant and costly changes to the way we implement our services and solutions or could impose additional taxes on our services and solutions. For example, changes in laws and regulations to limit using off-shore resources in connection with our work or to penalize companies that use off-shore resources, which have been proposed from time to time in various jurisdictions, could adversely affect our results of operations. Such changes may result in contracts being terminated or work being transferred on-shore, resulting in greater costs to us. In addition, these changes could have a negative impact on our ability to obtain future work from government clients.

Our business could be materially adversely affected if we incur legal liability.

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the ordinary course of our business. Our business is subject to the risk of litigation involving current and former employees, clients, alliance partners, subcontractors, suppliers, competitors, shareholders, government agencies or others through private actions, class actions, whistleblower claims, administrative proceedings, regulatory actions or other litigation. Regardless of the merits of the claims, the cost to defend current and future litigation may be significant, and such matters can be time-consuming and divert management's attention and resources. The results of litigation and other legal proceedings are inherently uncertain, and adverse judgments or settlements in some or all of these legal disputes may result in materially adverse monetary damages, fines, penalties or injunctive relief against us. Any claims or litigation, even if fully indemnified or insured, could damage our reputation and make it more difficult to compete effectively or to obtain adequate insurance in the future.

We could be subject to significant legal liability and litigation expense if we fail to meet our contractual obligations, contribute to internal control or other deficiencies of a client or otherwise breach obligations to third parties, including clients, alliance partners, employees and former employees, and other parties with whom we conduct business, or if our subcontractors breach or dispute the terms of our agreements with them and impede our ability to meet our obligations to our clients. For example, by taking over the operation of certain portions of our clients' businesses, including functions and systems that are critical to the core businesses of our clients, we may be exposed to additional and evolving operational, regulatory, reputational or other risks specific to these areas, including risks related to data security. A failure of a client's system based on our services or solutions could also subject us to a claim for significant damages that could materially adversely affect our results of operations. We may enter into agreements with non-standard terms because we perceive an important economic opportunity or because our personnel did not adequately follow our contracting guidelines. In addition, the contracting practices of competitors, along with the demands of increasingly sophisticated clients, may cause contract terms and conditions that are unfavorable to us to become new standards in the industry. We may find ourselves committed to providing services or solutions that we are unable to deliver or whose delivery will reduce our profitability or cause us financial loss. If we cannot or do not meet our contractual obligations and if our potential liability is not adequately limited through the terms of our agreements, liability limitations are not enforced or a third party alleges fraud or other wrongdoing to prevent us from relying upon those contractual protections, we might face significant legal liability and litigation expense and our results of operations could be materially adversely affected. In addition, as we expand our services and solutions into new areas, we may be exposed to additional and evolving risks specific to these new areas.

While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe

a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if they prevail, the amount of our recovery.

Our work with government clients exposes us to additional risks inherent in the government contracting environment.

Our clients include national, provincial, state and local governmental entities. Our government work carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

- Government entities, particularly in the United States, often reserve the right to audit our contract costs and conduct inquiries and investigations of our business practices and compliance with government contract requirements. U.S. government agencies, including the Defense Contract Audit Agency, routinely audit our contract costs, including allocated indirect costs, for compliance with the Cost Accounting Standards and the Federal Acquisition Regulation. These agencies also conduct reviews and investigations and make inquiries regarding our accounting, information technology and other systems in connection with our performance and business practices with respect to our government contracts. Negative findings from existing and future audits, investigations or inquiries, or failure to comply with applicable IT security requirements, could affect our future sales and profitability by preventing us, by operation of law or in practice, from receiving new government contracts for some period of time. In addition, if the U.S. government concludes that certain costs are not reimbursable, have not been properly determined or are based on outdated estimates of our work, then we will not be allowed to bill for such costs, may have to refund money that has already been paid to us or could be required to retroactively and prospectively adjust previously agreed to billing or pricing rates for our work. Negative findings from existing and future audits of our business systems, including our accounting system, may result in the U.S. government preventing us from billing, at least temporarily, a percentage of our costs. As a result of prior negative findings in connection with audits, investigations and inquiries, we have from time to time experienced some of the adverse consequences described above and may in the future experience further adverse consequences, which could materially adversely affect our future results of operations.
- If a government client discovers improper or illegal activities in the course of audits or investigations, we may become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act, and administrative sanctions, which may include termination of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. The inherent limitations of internal controls may not prevent or detect all improper or illegal activities.
- U.S. government contracting regulations impose strict compliance and disclosure obligations. Disclosure is required if certain company personnel have knowledge of “credible evidence” of a violation of federal criminal laws involving fraud, conflict of interest, bribery or improper gratuity, a violation of the civil U.S. False Claims Act or receipt of a significant overpayment from the government. Failure to make required disclosures could be a basis for suspension and/or debarment from federal government contracting in addition to breach of the specific contract and could also impact contracting beyond the U.S. federal level. Reported matters also could lead to audits or investigations and other civil, criminal or administrative sanctions.
- Government contracts are subject to heightened reputational and contractual risks compared to contracts with commercial clients. For example, government contracts and the proceedings surrounding them are often subject to more extensive scrutiny and publicity. Negative publicity, including an allegation of improper or illegal activity, regardless of its accuracy, may adversely affect our reputation.
- Terms and conditions of government contracts also tend to be more onerous and are often more difficult to negotiate. For example, these contracts often contain high or unlimited liability for breaches and feature less favorable payment terms and sometimes require us to take on liability for the performance of third parties.
- Government entities typically fund projects through appropriated monies. While these projects are often planned and executed as multi-year projects, government entities usually reserve the right to change the scope of or terminate these projects for lack of approved funding and/or at their convenience. Changes in government or political developments, including budget deficits, shortfalls or uncertainties, government spending reductions or other debt constraints could result in our projects being reduced in price or scope or terminated altogether, which also could limit our recovery of incurred costs, reimbursable expenses and profits on work completed prior to the termination. Furthermore, if insufficient funding is appropriated to the government entity to cover termination costs, we may not be able to fully recover our investments.
- Political and economic factors such as pending elections, the outcome of recent elections, changes in leadership among key executive or legislative decision makers, revisions to governmental tax or other policies and reduced tax revenues can affect the number and terms of new government contracts signed or the speed at which new contracts are signed, decrease future levels of spending and authorizations for programs that

we bid, shift spending priorities to programs in areas for which we do not provide services and/or lead to changes in enforcement or how compliance with relevant rules or laws is assessed.

- Our ability to work for the U.S. government is impacted by the fact that we are an Irish company. We elected to enter into a proxy agreement with the U.S. Department of Defense that enhances the ability of our U.S. federal government contracting subsidiary to perform certain work for the U.S. government. The proxy agreement regulates the management and operation of, and limits the control we can exercise over, this subsidiary. In addition, legislative and executive proposals remain under consideration or could be proposed in the future, which, if enacted, could place additional limitations on or even prohibit our eligibility to be awarded state or federal government contracts in the United States or could include requirements that would otherwise affect our results of operations. Various U.S. federal and state legislative proposals have been introduced and/or enacted in recent years that deny government contracts to certain U.S. companies that reincorporate or have reincorporated outside the United States. While Accenture was not a U.S. company that reincorporated outside the United States, it is possible that these contract bans and other legislative proposals could be applied in a way that negatively affects Accenture.

The occurrences or conditions described above could affect not only our business with the particular government entities involved, but also our business with other entities of the same or other governmental bodies or with certain commercial clients, and could have a material adverse effect on our business or our results of operations.

If we are unable to manage the organizational challenges associated with our size, we might be unable to achieve our business objectives.

As of August 31, 2019, we had approximately 492,000 employees worldwide. Our size and scale present significant management and organizational challenges. It might become increasingly difficult to maintain effective standards across a large enterprise and effectively institutionalize our knowledge. It might also become more difficult to maintain our culture, effectively manage and monitor our personnel and operations and effectively communicate our core values, policies and procedures, strategies and goals, particularly given our world-wide operations. The size and scope of our operations increase the possibility that we will have employees who engage in unlawful or fraudulent activity, or otherwise expose us to unacceptable business risks, despite our efforts to train them and maintain internal controls to prevent such instances. For example, employee misconduct could involve the improper use of our clients' sensitive or confidential information or the failure to comply with legislation or regulations regarding the protection of sensitive or confidential information. Furthermore, the inappropriate use of social networking sites by our employees could result in breaches of confidentiality, unauthorized disclosure of non-public company information or damage to our reputation. If we do not continue to develop and implement the right processes and tools to manage our enterprise and instill our culture and core values into all of our employees, our ability to compete successfully and achieve our business objectives could be impaired. In addition, from time to time, we have made, and may continue to make, changes to our operating model, including how we are organized, as the needs and size of our business change, and if we do not successfully implement the changes, our business and results of operation may be negatively impacted.

Our ability to attract and retain business and employees may depend on our reputation in the marketplace.

We believe the Accenture brand name and our reputation are important corporate assets that help distinguish our services and solutions from those of competitors and also contribute to our efforts to recruit and retain talented employees. However, our corporate reputation is potentially susceptible to material damage by events such as disputes with clients, cybersecurity breaches or service outages, internal control deficiencies, delivery failures, compliance violations, government investigations or legal proceedings. We may also experience reputational damage from employees, advocacy groups and other stakeholders that disagree with the services and solutions that we offer or the clients that we serve. Similarly, our reputation could be damaged by actions or statements of current or former clients, directors, employees, competitors, vendors, alliance partners, joint venture partners, adversaries in legal proceedings, legislators or government regulators, as well as members of the investment community or the media, including social media influencers. There is a risk that negative or inaccurate information about Accenture, even if based on rumor or misunderstanding, could adversely affect our business. Damage to our reputation could be difficult, expensive and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the Accenture brand name and could reduce investor confidence in us, materially adversely affecting our share price.

If we do not successfully manage and develop our relationships with key alliance partners or if we fail to anticipate and establish new alliances in new technologies, our results of operations could be adversely affected.

We have alliances with companies whose capabilities complement our own. A very significant portion of our revenue and services and solutions are based on technology or software provided by a few major alliance partners. See “Business—Alliances.”

The business that we conduct through these alliances could decrease or fail to grow for a variety of reasons. The priorities and objectives of our alliance partners may differ from ours, and our alliance partners are not prohibited from competing with us or forming closer or preferred arrangements with our competitors. In addition, some of our alliance partners are also large clients or suppliers of technology to us. The decisions we make vis-à-vis an alliance partner may impact our ongoing alliance relationship. In addition, our alliance partners could experience reduced demand for their technology or software, including, for example, in response to changes in technology, which could lessen related demand for our services and solutions.

We must anticipate and respond to continuous changes in technology and develop alliance relationships with new providers of relevant technology. We must secure meaningful alliances with these providers early in their life cycle so that we can develop the right number of certified people with skills in new technologies. If we are unable to maintain our relationships with current partners and identify new and emerging providers of relevant technology to expand our network of alliance partners, we may not be able to differentiate our services or compete effectively in the market.

If we do not obtain the expected benefits from our alliance relationships for any reason, we may be less competitive, our ability to offer attractive solutions to our clients may be negatively affected, and our results of operations could be adversely affected.

We might not be successful at acquiring, investing in or integrating businesses, entering into joint ventures or divesting businesses.

We expect to continue pursuing strategic acquisitions, investments and joint ventures to enhance or add to our skills and capabilities or offerings of services and solutions, or to enable us to expand in certain geographic and other markets. Depending on the opportunities available, we may increase the amount of capital invested in such opportunities. We may not succeed in completing targeted transactions, including as a result of the market becoming increasingly competitive, or achieve desired results of operations.

Furthermore, we face risks in successfully integrating any businesses we might acquire or create through a joint venture. Ongoing business may be disrupted, and our management’s attention may be diverted by acquisition, investment, transition or integration activities. In addition, we might need to dedicate additional management and other resources, and our organizational structure could make it difficult for us to efficiently integrate acquired businesses into our ongoing operations and assimilate and retain employees of those businesses into our culture and operations. The loss of key executives, employees, customers, suppliers, vendors and other business partners of businesses we acquire may adversely impact the value of the assets, operations or businesses. Furthermore, acquisitions or joint ventures may result in significant costs and expenses, including those related to retention payments, equity compensation, severance pay, early retirement costs, intangible asset amortization and asset impairment charges, assumed litigation and other liabilities, and legal, accounting and financial advisory fees, which could negatively affect our profitability. We may have difficulties as a result of entering into new markets where we have limited or no direct prior experience or where competitors may have stronger market positions.

We might fail to realize the expected benefits or strategic objectives of any acquisition, investment or joint venture we undertake. We might not achieve our expected return on investment or may lose money. We may be adversely impacted by liabilities that we assume from a company we acquire or in which we invest, including from that company’s known and unknown obligations, intellectual property or other assets, terminated employees, current or former clients or other third parties. In addition, we may fail to identify or adequately assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring, investing in or partnering with a company, including potential exposure to regulatory sanctions or liabilities resulting from an acquisition target’s previous activities, internal controls and security environment. If any of these circumstances occurs, they could result in unexpected legal or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes or other adverse effects on our business. In addition, we have a lesser degree of control over the business operations of the joint ventures and businesses in which we have made minority investments or in which we have acquired less than 100% of the equity. This lesser degree of control may expose us to additional reputational, financial, legal, compliance or operational risks. Litigation, indemnification claims and other unforeseen claims and liabilities may arise from the acquisition or operation of acquired businesses. For example, we may face litigation or other claims as a result of certain terms and conditions of the acquisition agreement, such as earnout payments or closing net asset adjustments. Alternatively, shareholder litigation

may arise as a result of proposed acquisitions. If we are unable to complete the number and kind of investments for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability or competitive position in specific markets or services.

We also periodically evaluate, and have engaged in, the disposition of assets and businesses. Divestitures could involve difficulties in the separation of operations, services, products and personnel, the diversion of management's attention, the disruption of our business and the potential loss of key employees. After reaching an agreement with a buyer for the disposition of a business, the transaction may be subject to the satisfaction of pre-closing conditions, including obtaining necessary regulatory and government approvals, which, if not satisfied or obtained, may prevent us from completing the transaction. Divestitures may also involve continued financial involvement in or liability with respect to the divested assets and businesses, such as indemnities or other financial obligations, in which the performance of the divested assets or businesses could impact our results of operations. Any divestiture we undertake could adversely affect our results of operations.

If we are unable to protect or enforce our intellectual property rights, or if our services or solutions infringe upon the intellectual property rights of others or we lose our ability to utilize the intellectual property of others, our business could be adversely affected.

Our success depends, in part, upon our ability to obtain intellectual property protection for our proprietary methodologies, processes, software and other solutions. Existing laws of the various countries in which we provide services or solutions may offer only limited intellectual property protection of our services or solutions, and the protection in some countries may be very limited. We rely upon a combination of confidentiality policies, nondisclosure and other contractual arrangements, and patent, trade secret, copyright and trademark laws to protect our intellectual property rights. These laws are subject to change at any time and could further limit our ability to obtain or maintain intellectual property protection. There is uncertainty concerning the scope of patent and other intellectual property protection for software and business methods, which are fields in which we rely on intellectual property laws to protect our rights. Even where we obtain intellectual property protection, our intellectual property rights may not prevent or deter competitors, former employees, or other third parties from reverse engineering our solutions or proprietary methodologies and processes or independently developing services or solutions similar to or duplicative of ours. Further, the steps we take in this regard might not be adequate to prevent or deter infringement or other misappropriation of our intellectual property by competitors, former employees or other third parties, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights. Enforcing our rights might also require considerable time, money and oversight, and we may not be successful in enforcing our rights.

In addition, we cannot be sure that our services and solutions, including, for example, our software solutions, or the solutions of others that we offer to our clients, do not infringe on the intellectual property rights of third parties, and these third parties could claim that we or our clients are infringing upon their intellectual property rights. Additionally, individuals and firms have purchased intellectual property assets in order to assert claims of infringement against technology providers and customers that use such technology. These claims could harm our reputation, cause us to incur substantial costs or prevent us from offering some services or solutions in the future. Any related proceedings could require us to expend significant resources over an extended period of time. In most of our contracts, we agree to indemnify our clients for expenses and liabilities resulting from claimed infringements of the intellectual property rights of third parties. In some instances, the amount of these indemnities could be greater than the revenues we receive from the client. Any claims or litigation in this area could be time-consuming and costly, damage our reputation and/or require us to incur additional costs to obtain the right to continue to offer a service or solution to our clients. If we cannot secure this right at all or on reasonable terms, or we are unable to implement in a cost-effective manner alternative technology, our results of operations could be materially adversely affected. The risk of infringement claims against us may increase as we expand our industry software solutions and continue to develop and license our software to multiple clients. Any infringement action brought against us or our clients could be costly to defend or lead to an expensive settlement or judgment against us.

Further, we rely on third-party software in providing some of our services and solutions. If we lose our ability to continue using any such software for any reason, including because it is found to infringe the rights of others, we will need to obtain substitute software or seek alternative means of obtaining the technology necessary to continue to provide such services and solutions. Our inability to replace such software, or to replace such software in a timely or cost-effective manner, could materially adversely affect our results of operations.

Our results of operations and share price could be adversely affected if we are unable to maintain effective internal controls.

The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our shareholders on our internal control over financial reporting that includes an

assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, incur incremental compliance costs, fail to meet our public reporting requirements on a timely basis, be unable to properly report on our business and our results of operations, or be required to restate our financial statements, and our results of operations, our share price and our ability to obtain new business could be materially adversely affected.

Changes to accounting standards or in the estimates and assumptions we make in connection with the preparation of our consolidated financial statements could adversely affect our financial results.

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. It is possible that changes in accounting standards could have a material adverse effect on our results of operations and financial position. The application of generally accepted accounting principles requires us to make estimates and assumptions about certain items and future events that affect our reported financial condition, and our accompanying disclosure with respect to, among other things, revenue recognition and income taxes. Our most critical accounting estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations under "Critical Accounting Policies and Estimates." We base our estimates on historical experience, contractual commitments and on various other assumptions that we believe to be reasonable under the circumstances and at the time they are made. These estimates and assumptions involve the use of judgment and are subject to significant uncertainties, some of which are beyond our control. If our estimates, or the assumptions underlying such estimates, are not correct, actual results may differ materially from our estimates, and we may need to, among other things, adjust revenues or accrue additional costs that could adversely affect our results of operations.

Many of our contracts include fees subject to the attainment of targets or specific service levels. This could increase the variability of our revenues and impact our margins.

Many of our contracts include clauses that tie our compensation to the achievement of agreed-upon performance standards or milestones. If we fail to satisfy these measures, it could significantly reduce or eliminate our fees under the contracts, increase the cost to us of meeting performance standards or milestones, delay expected payments or subject us to potential damage claims under the contract terms. Clients also often have the right to terminate a contract and pursue damage claims under the contract for serious or repeated failure to meet these service commitments. We also have a number of contracts in which a portion of our compensation depends on performance measures such as cost-savings, revenue enhancement, benefits produced, business goals attained and adherence to schedule. These goals can be complex and may depend on our clients' actual levels of business activity or may be based on assumptions that are later determined not to be achievable or accurate. These provisions could increase the variability in revenues and margins earned on those contracts.

We might be unable to access additional capital on favorable terms or at all. If we raise equity capital, it may dilute our shareholders' ownership interest in us.

We might choose to raise additional funds through public or private debt or equity financings in order to:

- take advantage of opportunities, including more rapid expansion;
- acquire other businesses or assets;
- repurchase shares from our shareholders;
- develop new services and solutions; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity could dilute shareholders' ownership percentage in us. Furthermore, any additional financing we need might not be available on terms favorable to us, or at all.

We are incorporated in Ireland and a significant portion of our assets is located outside the United States. As a result, it might not be possible for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States. We may also be subject to criticism and negative publicity related to our incorporation in Ireland.

We are organized under the laws of Ireland, and a significant portion of our assets is located outside the United States. A shareholder who obtains a court judgment based on the civil liability provisions of U.S. federal or state securities laws may be unable to enforce the judgment against us in Ireland or in countries other than the United States

where we have assets. In addition, there is some doubt as to whether the courts of Ireland and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liability provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws.

Although the United States and Ireland do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters, the Irish Courts will recognize a U.S. judgment if the following important requirements are satisfied:

- the originating court is a court of competent jurisdiction;
- the judgment is final and conclusive; and
- the judgment was not obtained by fraud and its recognition is not contrary to Irish public policy.

Any judgment obtained in contravention of the rules of natural justice or that is irreconcilable with an earlier foreign judgment would not be enforced in Ireland. Similarly, judgments might not be enforceable in countries other than the United States where we have assets.

Some companies that conduct substantial business in the United States but which have a parent domiciled in certain other jurisdictions have been criticized as improperly avoiding U.S. taxes or creating an unfair competitive advantage over U.S. companies. Accenture never conducted business under a U.S. parent company and pays U.S. taxes on all of its U.S. operations. Nonetheless, we could be subject to criticism in connection with our incorporation in Ireland.

Irish law differs from the laws in effect in the United States and might afford less protection to shareholders.

Our shareholders could have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As an Irish company, we are governed by the Companies Act. The Companies Act differs in some significant, and possibly material, respects from laws applicable to U.S. corporations and shareholders under various state corporation laws, including the provisions relating to interested directors, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors.

Under Irish law, the duties of directors and officers of a company are generally owed to the company only. Shareholders of Irish companies do not generally have rights to take action against directors or officers of the company under Irish law, and may only do so in limited circumstances. Directors of an Irish company must, in exercising their powers and performing their duties, act with due care and skill, honestly and in good faith with a view to the best interests of the company. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests might conflict and also are under a duty to disclose any personal interest in any contract or arrangement with the company or any of its subsidiaries. If a director or officer of an Irish company is found to have breached his duties to that company, he could be held personally liable to the company in respect of that breach of duty.

Under Irish law, we must have authority from our shareholders to issue any shares, including shares that are part of the company's authorized but unissued share capital. In addition, unless otherwise authorized by its shareholders, when an Irish company issues shares for cash to new shareholders, it is required first to offer those shares on the same or more favorable terms to existing shareholders on a pro-rata basis. If we are unable to obtain these authorizations from our shareholders, or are otherwise limited by the terms of our authorizations, our ability to issue shares under our equity compensation plans and, if applicable, to facilitate funding acquisitions or otherwise raise capital could be adversely affected.

Review of the Development and Performance of the Business

We use the term "in local currency" so that certain financial results may be viewed without the impact of foreign currency exchange rate fluctuations, thereby facilitating period-to-period comparisons of business performance. Financial results "in local currency" are calculated by restating current period activity into U.S. dollars using the comparable prior-year period's foreign currency exchange rates. This approach is used for all results where the functional currency is not the U.S. dollar.

Overview

Revenues are driven by the ability of our executives to secure new contracts, to renew and extend existing contracts, and to deliver services and solutions that add value relevant to our clients' current needs and challenges. The level of revenues we achieve is based on our ability to deliver market-leading services and solutions and to deploy skilled teams of professionals quickly and on a global basis.

Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. There continues to be significant volatility and economic and geopolitical uncertainty in many markets around the world, which may impact our business. We continue to monitor the impact of this volatility and uncertainty and seek to manage our costs in order to respond to changing conditions. There also continues to be volatility in foreign currency exchange rates. The majority of our revenues are denominated in currencies other than the U.S. dollar, including the Euro, U.K. pound and Japanese yen. Unfavorable fluctuations in foreign currency exchange rates have had and could have in the future a material effect on our financial results.

Effective September 1, 2018, we adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). In connection with the adoption, we present total revenues and no longer report revenues before reimbursements (net revenues). This change has no impact on operating income but does affect ratios calculated as a percentage of revenue, such as operating margin. Prior period results have been revised to reflect the fiscal 2019 presentation. For additional information, see Note 1 (Summary of Significant Accounting Policies) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

Summary of Results

Revenues for fiscal 2019 increased 5% in U.S. dollars and 8.5% in local currency compared to fiscal 2018. Demand for our services and solutions continued to be strong, resulting in growth across all areas of our business. During fiscal 2019, revenue growth in local currency was very strong in Resources, strong in Communications, Media & Technology, Products, and Health & Public Service and modest in Financial Services. We experienced local currency revenue growth that was very strong in Growth Markets, strong in North America and solid in Europe. Revenue growth in local currency was strong in both outsourcing and consulting during fiscal 2019. While the business environment remained competitive, we experienced pricing improvement in several areas of our business. We use the term “pricing” to mean the contract profitability or margin on the work that we sell.

In our consulting business, revenues for fiscal 2019 increased 5% in U.S. dollars and 8% in local currency compared to fiscal 2018. Consulting revenue growth in local currency in fiscal 2019 was led by very strong growth in Resources, strong growth in Health & Public Service, Products and Communications, Media & Technology and modest growth in Financial Services. Our consulting revenue growth continues to be driven by strong demand for digital-, cloud- and security-related services and assisting clients with the adoption of new technologies. In addition, clients continue to be focused on initiatives designed to deliver cost savings and operational efficiency, as well as projects to integrate their global operations and grow and transform their businesses.

In our outsourcing business, revenues for fiscal 2019 increased 6% in U.S. dollars and 9% in local currency compared to fiscal 2018. Outsourcing revenue growth in local currency in fiscal 2019 was led by very strong growth in Resources, Communications, Media & Technology and Products, solid growth in Financial Services and modest growth in Health & Public Service. We continue to experience growing demand to assist clients with the operation and maintenance of digital-related services and cloud enablement. In addition, clients continue to be focused on transforming their operations to improve effectiveness and cost efficiency.

As we are a global company, our revenues are denominated in multiple currencies and may be significantly affected by currency exchange rate fluctuations. If the U.S. dollar weakens against other currencies, resulting in favorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be higher. If the U.S. dollar strengthens against other currencies, resulting in unfavorable currency translation, our revenues, revenue growth and results of operations in U.S. dollars may be lower. The U.S. dollar strengthened against various currencies during fiscal 2019, resulting in unfavorable currency translation and U.S. dollar revenue growth that was approximately 3% lower than our revenue growth in local currency for the year. Assuming that exchange rates stay within recent ranges, we estimate that our full fiscal 2020 revenue growth in U.S. dollars will be approximately 1% lower in U.S. dollars than our revenue growth in local currency.

The primary categories of operating expenses include Cost of services, Sales and marketing and General and administrative costs. Cost of services is primarily driven by the cost of client-service personnel, which consists mainly of compensation, subcontractor and other personnel costs, and non-payroll costs on outsourcing contracts. Cost of services includes a variety of activities such as: contract delivery; recruiting and training; software development; and integration of acquisitions. Sales and marketing costs are driven primarily by: compensation costs for business development activities; marketing- and advertising-related activities; and certain acquisition-related costs. General and administrative costs primarily include costs for non-client-facing personnel, information systems, office space and certain acquisition-related costs.

Utilization for fiscal 2019 was 91%, consistent with fiscal 2018. We continue to hire to meet current and projected future demand. We proactively plan and manage the size and composition of our workforce and take actions as needed

to address changes in the anticipated demand for our services and solutions, given that compensation costs are the most significant portion of our operating expenses. Based on current and projected future demand, we have increased our headcount, the majority of which serve our clients, to approximately 492,000 as of August 31, 2019, compared to approximately 459,000 as of August 31, 2018. The year-over-year increase in our headcount reflects an overall increase in demand for our services and solutions, as well as headcount added in connection with acquisitions. Attrition, excluding involuntary terminations, for fiscal 2019 was 17%, up from 15% in fiscal 2018. We evaluate voluntary attrition, adjust levels of new hiring and use involuntary terminations as means to keep our supply of skills and resources in balance with changes in client demand. In addition, we adjust compensation in certain skill sets and geographies in order to attract and retain appropriate numbers of qualified employees. For the majority of our personnel, compensation increases become effective December 1st of each fiscal year. We strive to adjust pricing and/or the mix of resources to reduce the impact of compensation increases on our margin. Our ability to grow our revenues and maintain or increase our margin could be adversely affected if we are unable to: keep our supply of skills and resources in balance with changes in the types or amounts of services and solutions clients are demanding; recover increases in compensation; deploy our employees globally on a timely basis; manage attrition; and/or effectively assimilate and utilize new employees.

Effective September 1, 2018, we adopted ASU No. 2017-07, Compensation—Retirement Benefits (Topic 715), which required us to reclassify certain components of pension costs from operating expenses to non-operating expenses. Prior period results have been revised to reflect the fiscal 2019 presentation. For additional information, see Note 1 (Summary of Significant Accounting Policies) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

Gross margin (Revenues less Cost of services as a percentage of Revenues) for fiscal 2019 was 30.8%, compared with 30.5% for fiscal 2018. The increase in gross margin for fiscal 2019 was primarily due to lower non-payroll and labor costs as a percentage of revenues compared to fiscal 2018.

Sales and marketing and General and administrative costs as a percentage of revenues were 16.2% for fiscal 2019, compared with 16.1% for fiscal 2018. For fiscal 2019 compared to fiscal 2018, Sales and marketing costs as a percentage of revenues increased 10 basis points and General and administrative costs as a percentage of revenues were flat. We continuously monitor these costs and implement cost-management actions, as appropriate.

Operating margin (Operating income as a percentage of revenues) for fiscal 2019 was 14.6%, compared with 14.4% for fiscal 2018.

Effective September 1, 2018, we adopted ASU No. 2016-16, Income Taxes (Topic 740). Upon adoption, we recorded deferred tax assets of \$2.1 billion, and we will recognize incremental income tax expense going forward as these deferred tax assets are utilized. For additional information, see Note 1 (Summary of Significant Accounting Policies) to our Consolidated Financial Statements under Item 8, “Financial Statements and Supplementary Data.”

The effective tax rate for fiscal 2019 was 22.5%, compared with 27.4% for fiscal 2018. During fiscal 2018, we recorded a \$258 million charge associated with tax law changes. Absent this charge, our effective tax rate for fiscal 2018 would have been 23.0%. For additional information, see Note 10 (Income Taxes) to our Consolidated Financial Statements.

Diluted earnings per share were \$7.36 for fiscal 2019, compared with \$6.34 for fiscal 2018. The impact of tax law changes decreased diluted earnings per share by \$0.40 in fiscal 2018. Excluding the impact of these changes, diluted earnings per share would have been \$6.74 for fiscal 2018.

We have presented our effective tax rate and diluted earnings per share excluding the impacts of the tax law changes in fiscal 2018, as we believe doing so facilitates understanding as to both the impact of these changes and our financial performance when comparing these periods.

Our operating income and diluted earnings per share are affected by currency exchange rate fluctuations on revenues and costs. Most of our costs are incurred in the same currency as the related revenues. Where practical, we seek to manage foreign currency exposure for costs not incurred in the same currency as the related revenues, such as the costs associated with our global delivery model, by using currency protection provisions in our customer contracts and through our hedging programs. For more information on our hedging programs, see Note 8 (Financial Instruments) to our Consolidated Financial Statements.

Revenues by Segment/Operating Group

Our five reportable operating segments are our operating groups, which are Communications, Media & Technology; Financial Services; Health & Public Service; Products; and Resources. In addition to reporting revenues by operating group, we also report revenues by two types of work: consulting and outsourcing, which represent the services sold by our operating groups. Consulting revenues, which include strategy, management and technology

consulting and systems integration, reflect a finite, distinct project or set of projects with a defined outcome and typically a defined set of specific deliverables. Outsourcing revenues typically reflect ongoing, repeatable services or capabilities provided to transition, run and/or manage operations of client systems or business functions.

From time to time, our operating groups work together to sell and implement certain contracts. The resulting revenues and costs from these contracts may be apportioned among the participating operating groups. Generally, operating expenses for each operating group have similar characteristics and are subject to the same factors, pressures and challenges. However, the economic environment and its effects on the industries served by our operating groups affect revenues and operating expenses within our operating groups to differing degrees. The mix between consulting and outsourcing is not uniform among our operating groups. Local currency fluctuations also tend to affect our operating groups differently, depending on the geographic concentrations and locations of their businesses.

While we provide discussion about our results of operations below, we cannot measure how much of our revenue growth in a particular period is attributable to changes in price or volume. Management does not track standard measures of unit or rate volume. Instead, our measures of volume and price are extremely complex, as each of our services contracts is unique, reflecting a customized mix of specific services that does not fit into standard comparability measurements. Revenue for our services is a function of the nature of each service to be provided, the skills required and the outcome sought, as well as estimated cost, risk, contract terms and other factors.

Results of Operations for Fiscal 2019 Compared to Fiscal 2018

Revenues (by operating group, geographic region and type of work) were as follows:

| | Fiscal | | Percent Increase (Decrease) U.S. Dollars | Percent Increase Local Currency | Percent of Total Revenues for Fiscal | | |
|------------------------------------|-------------------------------|------------------|--|---------------------------------|--------------------------------------|-------------|--|
| | 2019 | 2018 (1) | | | 2019 | 2018 (1) | |
| | (in millions of U.S. dollars) | | | | | | |
| OPERATING GROUPS | | | | | | | |
| Communications, Media & Technology | \$ 8,757 | \$ 8,230 | 6% | 9% | 20% | 20% | |
| Financial Services | 8,494 | 8,566 | (1) | 3 | 20 | 21 | |
| Health & Public Service | 7,161 | 6,878 | 4 | 6 | 17 | 17 | |
| Products | 12,005 | 11,338 | 6 | 9 | 28 | 28 | |
| Resources | 6,772 | 5,942 | 14 | 18 | 16 | 14 | |
| Other | 26 | 39 | n/m | n/m | — | — | |
| TOTAL REVENUES | \$ 43,215 | \$ 40,993 | 5% | 8.5% | 100% | 100% | |
| GEOGRAPHIC REGIONS | | | | | | | |
| North America | \$ 19,986 | \$ 18,460 | 8% | 9% | 46% | 45% | |
| Europe | 14,681 | 14,626 | — | 5 | 34 | 36 | |
| Growth Markets | 8,548 | 7,906 | 8 | 14 | 20 | 19 | |
| TOTAL REVENUES | \$ 43,215 | \$ 40,993 | 5% | 8.5% | 100% | 100% | |
| TYPE OF WORK | | | | | | | |
| Consulting | \$ 24,177 | \$ 22,979 | 5% | 8% | 56% | 56% | |
| Outsourcing | 19,038 | 18,014 | 6 | 9 | 44 | 44 | |
| TOTAL REVENUES | \$ 43,215 | \$ 40,993 | 5% | 8.5% | 100% | 100% | |

n/m = not meaningful

Amounts in table may not total due to rounding.

- (1) Effective September 1, 2018, we adopted FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and eliminated our net revenues presentation. Prior period amounts have been revised to conform with the current period presentation. In addition, we updated operating group results for fiscal 2018 to include an acquisition previously categorized within Other.

Revenues

The following revenues commentary discusses local currency revenue changes for fiscal 2019 compared to fiscal 2018:

Operating Groups

- Communications, Media & Technology revenues increased 9% in local currency, driven by growth in Software & Platforms across all geographic regions, led by North America.
- Financial Services revenues increased 3% in local currency, driven by growth in Insurance across all geographic regions and Banking & Capital Markets in Growth Markets, partially offset by a decline in Banking & Capital Markets in Europe.
- Health & Public Service revenues increased 6% in local currency, driven by growth in Public Service in North America and Europe.
- Products revenues increased 9% in local currency, driven by growth across all industry groups and geographic regions, led by Consumer Goods, Retail & Travel Services in Europe and Growth Markets and Life Sciences in North America.
- Resources revenues increased 18% in local currency, driven by growth across all industry groups and geographic regions.

Geographic Regions

- North America revenues increased 9% in local currency, driven by the United States.
- Europe revenues increased 5% in local currency, led by Italy, the United Kingdom and Ireland.
- Growth Markets revenues increased 14% in local currency, driven by Japan, as well as Brazil and China.

Operating Income and Operating Margin

Operating income for fiscal 2019 increased \$406 million, or 7%, over fiscal 2018.

Operating income and operating margin for each of the operating groups were as follows:

| | Fiscal | | | | Increase (Decrease) |
|------------------------------------|-------------------------------|---------------------|---------------------|---------------------|------------------------|
| | 2019 | | 2018 (1) | | |
| | Operating Income | Operating Margin | Operating Income | Operating Margin | |
| | (in millions of U.S. dollars) | | | | |
| Communications, Media & Technology | \$ 1,555 | 18% | \$ 1,380 | 17% | \$ 175 |
| Financial Services | 1,238 | 15 | 1,365 | 16 | (128) |
| Health & Public Service | 739 | 10 | 766 | 11 | (27) |
| Products | 1,720 | 14 | 1,664 | 15 | 56 |
| Resources | 1,053 | 16 | 724 | 12 | 330 |
| TOTAL | \$ 6,305 | 14.6% | \$ 5,899 | 14.4% | \$ 406 |

Amounts in table may not total due to rounding.

- (1) Effective September 1, 2018, we adopted FASBASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Certain components of pension service costs were reclassified from Operating expenses to Non-operating expenses. Prior period amounts have been revised to conform with the current period presentation.

We estimate that the aggregate percentage impact of foreign currency exchange rates on our operating income during fiscal 2019 was similar to that disclosed for revenue. The commentary below provides insight into other factors affecting operating group performance and operating margin for fiscal 2019 compared with fiscal 2018:

- Communications, Media & Technology operating income increased primarily due to revenue growth and higher contract profitability.

- Financial Services operating income decreased as higher consulting contract profitability and revenue growth were offset by higher operating expenses as a percentage of revenues.
- Health & Public Service operating income decreased as revenue growth was offset by lower consulting contract profitability and higher operating expenses as a percentage of revenues.
- Products operating income increased primarily due to revenue growth and higher contract profitability, partially offset by higher operating expenses as a percentage of revenues.
- Resources operating income increased primarily due to revenue growth and higher contract profitability.

Capitalization and Acquisition of Shares

We intend to continue to use a significant portion of cash generated from operations for share repurchases during fiscal 2020. The number of shares ultimately repurchased under our open-market share purchase program may vary depending on numerous factors, including, without limitation, share price and other market conditions, our ongoing capital allocation planning, the levels of cash and debt balances, other demands for cash, such as acquisition activity, general economic and/or business conditions, and board and management discretion. Additionally, as these factors may change over the course of the year, the amount of share repurchase activity during any particular period cannot be predicted and may fluctuate from time to time. Share repurchases may be made from time to time through open-market purchases, in respect of purchases and redemptions of Accenture Canada Holdings Inc. exchangeable shares, through the use of Rule 10b5-1 plans and/or by other means. The repurchase program may be accelerated, suspended, delayed or discontinued at any time, without notice. For additional information, see Note 14 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements.

Dividends

Future dividends on Accenture plc Class A ordinary shares, if any, and the timing of declaration of any such dividends, will be at the discretion of the Board of Directors of Accenture plc and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board of Directors of Accenture plc may deem relevant, as well as our ability to pay dividends in compliance with the Companies Act.

In certain circumstances, as an Irish tax resident company, we may be required to deduct Irish dividend withholding tax ("DWT") (currently at the rate of 20%) from dividends paid to our shareholders. Shareholders resident in "relevant territories" (including countries that are European Union member states (other than Ireland), the United States and other countries with which Ireland has a tax treaty) may be exempted from Irish DWT. However, shareholders residing in other countries will generally be subject to Irish DWT.

For information about our dividend activity during fiscal 2019, see Note 14 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements.

Financial Risk Management

All of our market risk sensitive instruments were entered into for purposes other than trading.

Foreign Currency Risk

We are exposed to foreign currency risk in the ordinary course of business. We hedge material cash flow exposures when feasible using forward contracts. These instruments are subject to fluctuations in foreign currency exchange rates and credit risk. Credit risk is managed through careful selection and ongoing evaluation of the financial institutions utilized as counterparties.

Certain of these hedge positions are undesignated hedges of balance sheet exposures such as intercompany loans and typically have maturities of less than one year. These hedges—primarily U.S. dollar/Japanese yen, U.S. dollar/Euro, U.S. dollar/Indian rupee, U.S. dollar/Swiss franc, U.S. dollar/Philippine peso, U.S. dollar/Australian dollar, U.S. dollar/U.K. pound, and U.S. dollar/Chinese yuan—are intended to offset remeasurement of the underlying assets and liabilities. Changes in the fair value of these derivatives are recorded in Other expense, net in the Consolidated Income Statements. Additionally, we have hedge positions that are designated cash flow hedges of certain intercompany charges relating to our global delivery model. These hedges—U.S. dollar/Indian rupee, U.S. dollar/Philippine peso, U.K. pound/Indian rupee, Euro/Indian rupee, Australian dollar/Indian rupee and Japanese yen/Chinese yuan, which typically have maturities not exceeding three years—are intended to partially offset the impact of foreign currency movements on future costs relating to our global delivery resources. For additional information, see Note 8 (Financial Instruments) to our Consolidated Financial Statements.

For designated cash flow hedges, gains and losses currently recorded in Accumulated other comprehensive loss are expected to be reclassified into earnings at the time when certain anticipated intercompany charges are accrued as Cost of services. As of August 31, 2019, it was anticipated that approximately \$34 million of net gains, net of tax, currently recorded in Accumulated other comprehensive loss will be reclassified into Cost of services within the next 12 months.

We use sensitivity analysis to determine the effects that market foreign currency exchange rate fluctuations may have on the fair value of our hedge portfolio. The sensitivity of the hedge portfolio is computed based on the market value of future cash flows as affected by changes in exchange rates. This sensitivity analysis represents the hypothetical changes in value of the hedge position and does not reflect the offsetting gain or loss on the underlying exposure. A 10% change in the levels of foreign currency exchange rates against the U.S. dollar (or other base currency of the hedge if not a U.S. dollar hedge) with all other variables held constant would have resulted in a change in the fair value of our hedge instruments of approximately \$509 million and \$483 million as of August 31, 2019 and 2018, respectively.

Interest Rate Risk

The interest rate risk associated with our borrowing and investing activities as of August 31, 2019 is not material in relation to our consolidated financial position, results of operations or cash flows. While we may do so in the future, we have not used derivative financial instruments to alter the interest rate characteristics of our investment holdings or debt instruments.

Other Market Risk

The privately held companies in which we invest are often in a start-up or development stage, which is inherently risky. The technologies or products these companies have under development are typically in the early stages and may never materialize, which could result in a loss of a substantial part of our investment in these companies. The evaluation of privately held companies is based on information that we request from these companies, which is not subject to the same disclosure regulations as U.S. publicly traded companies, and as such, the basis for these evaluations is subject to the timing and accuracy of the data received from these companies. We have minimal exposure on our long-term investments in privately held companies as these investments were not material in relation to our consolidated financial position, results of operations or cash flows as of August 31, 2019.

Equity Price Risk

The equity price risk associated with our marketable equity securities that are subject to market price volatility is not material in relation to our consolidated financial position, results of operations or cash flows.

Future Developments

The directors do not anticipate that the activities of the Company and its subsidiaries will materially change in the foreseeable future.

Company Accounting Records

The directors believe that they have complied with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to adequate accounting records by engaging the services of a fellow group undertaking which employs accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are located at its registered office.

Directors Compliance Statement

As required by section 225(2) of the Companies Act 2014, the directors acknowledge that they are responsible for securing the Company's compliance with its relevant obligations (as defined in section 225(1)). The directors further confirm that a "compliance policy statement" (as defined in section 225(3)(a)) has been drawn up, that appropriate arrangements and structures that are, in the directors' opinion, designed to secure material compliance with the relevant obligations have been put in place and that a review of those arrangements and structures has been conducted in the financial year to which this report relates.

Audit Committee

As required by section 167(3) of the Companies Act 2014, the directors confirm that the Company has established an audit committee.

Relevant Audit Information

As required by section 330 of the Companies Act 2014, each of the persons who are directors at the time this report is approved confirm that:

- a) so far as the director is aware, there is no relevant audit information, within the meaning of that section, of which the Company's statutory auditors are unaware; and
- b) the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Political Donations

No political contributions that require disclosure under section 26(1) Electoral Act 1997 (as amended) were made during the fiscal year ended August 31, 2019.

Subsidiaries

Information regarding subsidiaries is provided in Note 21 (Subsidiaries) to the Consolidated Financial Statements and the business conducted by these subsidiaries is described above. See "Directors' Report—Principal Activities."

Significant Events Since Year End

This report was issued on October 29, 2019. The Company has evaluated events and transactions subsequent to the balance sheet date. Based on this evaluation, the Company is not aware of any events or transactions (other than those disclosed in Note 14 (Material Transactions Affecting Shareholders' Equity) to our Consolidated Financial Statements) that occurred subsequent to the balance sheet date but prior to October 29, 2019 that would require recognition or disclosure in its Consolidated or Parent Company Financial Statements.

Leadership Changes

Accenture previously announced on July 11, 2019, that the Board of Directors of Accenture (the "Board") appointed Julie Sweet to serve as the chief executive officer and a member of the Board (the "Appointment"). The Appointment took effect on September 1, 2019. David Rowland continued to serve as Accenture's interim chief executive officer through August 31, 2019. Mr Rowland was appointed by the Board as executive chairman of the Board, effective as of September 1, 2019.

Ms. Sweet, 52, previously served as Accenture's chief executive officer—North America. Prior to assuming that role in 2015, Ms. Sweet served as Accenture's general counsel, secretary and chief compliance officer from March 2010 to June 2015. Prior to joining Accenture in 2010, Ms. Sweet was a partner for 10 years in the law firm Cravath, Swaine & Moore LLP, which she joined as an associate in 1992. Ms. Sweet has been with Accenture for 9 years.

In addition, in connection with these leadership changes, the independent directors of the Board also appointed Marge Magner to serve as the independent Lead Director, effective as of September 1, 2019.

Non-Financial Reporting

For the purpose of Statutory Instrument 360/2017 European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended), our Corporate Citizenship Report ("CCR"), Carbon Disclosure Project Response ("CDPR") and Code of Business Ethics, each as published on the Company's website (www.accenture.com), is deemed to be incorporated in this part of the Directors' Report. In addition, the following sections on pages 3 to 9 of this Directors' Report provide a description of the Company's business model: Principal Activities, Global Delivery Capability, Alliances, Research and Innovation, Employees, Competition, Intellectual Property and Organizational Structure. Lastly, a description of principal risks facing the Company and their impact on our business may be found in the Principal Risks and Uncertainties section on pages 10 to 23 of this Directors' Report. The relevant sections of the CCR and CDPR set out the detailed outcomes of our policies in our previous financial year. We will disclose detailed outcomes of our policies for our 2019 financial year in our revised CCR and CDPR that will be published on our website in the coming months. Our preliminary assessment of the outcomes of our policies for the 2019 financial year indicates that we have continued to make progress towards our environmental, diversity and other goals.

Directors' and Secretary's Interest in Shares

The directors and secretary of the Company as of August 31, 2019 are listed in the table below and, except as noted below, have served from the period of September 1, 2018 through August 31, 2019 and through the date of this report. On January 10, 2019, Pierre Nanterme stepped down as the Company's chairman and chief executive officer and as a director for health reasons. Effective January 10, 2019, the Board of Directors appointed David Rowland, who was serving as the Company's chief financial officer, as the interim chief executive officer and a director. Charles Giancarlo's term as a director of the Company ended on February 1, 2019. As they were not serving as directors or secretary of the Company on August 31, 2019, Mr. Nanterme and Mr. Giancarlo are not included in the table below in accordance with section 329 of the Companies Act 2014.

No director, company secretary or any member of their immediate families had any interest in shares or debentures of any subsidiary. Directors' remuneration is set forth in Note 19 (Directors' Remuneration) to the Consolidated Financial Statements. The interests of the current directors and secretary of the Company in the ordinary share capital of Accenture plc as of August 31, 2019 and as of September 1, 2018, or the date when they first became a director or secretary of the Company (if such appointment occurred later than September 1, 2018), as required to be stated pursuant to section 329 of the Companies Act 2014, are presented in the table below. No person listed below owns any Accenture plc Class X ordinary shares.

| | Accenture plc Class A ordinary shares | |
|--|--|---------|
| | Shares | Options |
| As of August 31, 2019 | | |
| Directors | | |
| David Rowland | 22,462 | — |
| Jaime Ardila | 10,099 | — |
| Herbert Hainer | 3,630 | — |
| Marjorie Magner | 14,067 | — |
| Nancy McKinstry | 2,751 | — |
| Gilles C. Pélisson | 13,055 | — |
| Paula A. Price | 5,345 | — |
| Venkata (Murthy) Renduchintala | 1,331 | — |
| Arun Sarin | 5,292 | — |
| Frank K. Tang | 6,506 | — |
| Tracey T. Travis | 1,994 | — |
| Secretary | | |
| Joel Unruch | 14,333 | — |
| As of September 1, 2018 or Date of Appointment (if later) | | |
| Directors | | |
| David Rowland | 24,438 | — |
| Jaime Ardila | 9,190 | — |
| Herbert Hainer | 2,471 | — |
| Marjorie Magner | 16,313 | — |
| Nancy McKinstry | 1,859 | — |
| Gilles C. Pélisson | 11,896 | — |
| Paula A. Price | 5,156 | — |
| Venkata (Murthy) Renduchintala | — | — |
| Arun Sarin | 3,288 | — |
| Frank K. Tang | 5,614 | — |
| Tracey T. Travis | 892 | — |
| Secretary | | |
| Joel Unruch | 13,066 | — |

Auditors

KPMG, Chartered Accountants, will continue in office in accordance with section 383(2) of the Companies Act 2014.

On behalf of the Directors



Julie Sweet
Director



Paula A. Price
Director

October 29, 2019

ACCENTURE PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Consolidated Financial Statements for each financial period which give a true and fair view of the state of affairs of the parent company and group and of the profit or loss of the group for the period there ended. Under that law, the directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with U.S. accounting standards ("U.S. GAAP"), as defined in section 279 (1) of the Companies Act 2014, to the extent that the use of those standards in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014. The directors have elected to prepare the Financial Statements of the parent company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied under the Companies Act 2014. Under company law the directors must not approve the group and company financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the group and parent company and of the group's profit or loss for that year. In preparing each of the group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements comply with the provision of the Companies Act 2014. They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Act 2014. The directors are responsible for the maintenance and integrity of the Irish Statutory Accounts included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACCENTURE PLC

1. Report on the audit of the financial statements

Opinion

We have audited the Group and Parent Company financial statements (the “financial statements”) of Accenture plc as of and for the year ended 31 August 2019, which comprise the Consolidated and Parent Company Balance Sheets, the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Changes in Shareholders' Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and US Generally Accepted Accounting Principles (“US GAAP”), and, as regards the Parent Company financial statements, International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, and as adopted by the European Union, both as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the Group financial statements give a true and fair view, in accordance with US GAAP, of the assets, liabilities and financial position of the Group as at 31 August 2019 and of its profit for the year then ended;
- the Parent Company statement of financial position gives a true and fair view, in accordance with IFRS, of the assets, liabilities and financial position of the Parent Company as at 31 August 2019;
- the Group financial statements have been properly prepared in accordance with US GAAP, as applied in accordance with the provisions of the Companies Act 2014;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (“ISAs (Ireland)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (“IAASA”) as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters were as follows (unchanged from 2018):

Key audit matters

Revenue

recognition

Refer to financial statements pages 46 and 47 (accounting policy) and page 52 (financial disclosures)

The key audit matter

How the matter was addressed in our audit

Customer contracts that span multiple accounting periods and for which revenue is recognised using the percentage of completion method require significant judgement. The inputs in the revenue recognition process that require significant judgement include the stage of completion of the contract, expected costs to complete, expected margins and other factors.

Our procedures included but were not limited to;

We evaluated the design and implementation, and tested the operating effectiveness of key controls over revenue and related financial statement accounts.

We inspected a sample of revenue contracts and assessed the estimates used to determine the related amounts of revenue recognised in the financial year. The procedures performed included inspecting the contract, management's documentation and customer correspondence; consideration of the appropriateness of the revenue recognition method used; and assessment of the reasonableness of the related balance sheet accounts.

Due to the significance of these judgments to the determination of revenues in a financial period, we identified a significant risk of misstatement with respect to the timely recording of adjustments at period-end on contracts that are accounted for using the percentage-of-completion method.

We assessed and corroborated the assumptions for a sample of adjustments to revenue contracts around the financial year end to ensure these contracts were being accounted for in accordance with applicable accounting standards and that the adjustments were appropriate.

As part of our cumulative evidence over revenues, we also tested the completeness, accuracy and recoverability of revenue-related assets, including accounts receivable and deferred transition costs, and the completeness and accuracy of revenue-related liabilities, including deferred revenue.

Based on the procedures performed, we identified no material errors in the calculation of percentage of completion revenues and we determined that the significant inputs into the stage of completion of the contracts inspected were balanced. We considered the disclosures on percentage of completion contracts to be sufficient.

Income

taxes

Refer to financial statements page 47 (accounting policy) and pages 60 to 61 (financial disclosures)

| The key audit matter | How the matter was addressed in our audit |
|---|--|
| <p>The Group operates in a complex multinational tax environment and enters into transactions that have complex tax implications spanning multiple taxing jurisdictions. Judgement is required in assessing the level of unrecognized tax benefits in respect of tax positions arising in different jurisdictions. We identified a significant risk of misstatement with respect to the accuracy of the calculation of unrecognized tax benefits related to transfer pricing and certain other intercompany transactions.</p> | <p>We evaluated the design, and tested the operating effectiveness of key controls over income taxes and the related financial statement accounts.</p> <p>Our substantive audit procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> – We critically assessed and challenged management’s estimates and judgements related to unrecognized tax benefits with respect to individually material tax positions based on our knowledge and experience of the application of the relevant legislation by authorities and courts; – We inspected correspondence with relevant tax authorities; – We engaged our own tax specialists, including international tax specialists in significant jurisdictions; – We involved specialists from our valuation practice in considering the methodology for the valuation and development of unrecognised tax benefits; and – We inspected the financial statement disclosures in respect of unrecognized tax benefits for completeness and accuracy. <p>Based on the procedures performed we found the Group’s estimates of the amounts to be recognised in respect of unrecognised tax benefits to be based on reasonable assumptions and that the financial statement disclosures provide a proportionate description of the current status of unrecognised tax benefits.</p> |

Parent Company key audit matters

Due to the nature of the Parent Company’s activities as a holding company, there are no key audit matters that we are required to communicate in accordance with ISAs (Ireland).

3 Our application of materiality and an overview of the scope of our audit

We determined materiality for the Group based on profit before tax from continuing operations (“PBTCO”). We set our measure of Group materiality for the financial statements as a whole at 5% of PBTCO, which is \$304 million for the year ended 31 August 2019. We use this materiality to determine the nature and extent of testing required to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements to an appropriately low level. Our evaluation of the impact of any identified misstatements considers the financial impact of such misstatements both individually, and in the aggregate, with respect to our materiality determination. We also consider other qualitative factors including the impact on line item disclosures in the financial statements. We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$15.2 million, in addition to other misstatements that warrant reporting on qualitative grounds.

With respect to the Parent Company, we based our calculation of materiality on total assets due to its nature as a holding company. As the calculated materiality was higher than Group materiality, we restricted our materiality to \$304 million.

Our Group audit was conducted over the consolidated results of the Group as a whole and we did not identify any individually material financial components. We used international audit teams to cover individual components that, while not financially material, presented specific individual risks that needed to be addressed as part of the Group audit. In considering the specific audit procedures to be performed at these components, materiality was set below Group materiality, and varied based principally on the revenues and net income of the relevant component.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate, or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in this respect for either the Group or Parent Company audits.

5 Other information

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the directors' report, including the Corporate Citizenship Report ("CCR"), Carbon Disclosure Project Response ("CDPR") and Code of Business Ethics as published on the company's website (www.accenture.com) and which are each deemed incorporated in the Non-Financial Reporting section of the directors' report.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Based solely on our work on the other information we report that, in those parts of the directors' report specified for our consideration;

- we have not identified material misstatements in the directors' report;
- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

6 Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Parent Company were sufficient to permit the financial statements to be readily and properly audited and the Parent Company's statement of financial position is in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

The European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (Amendment) Regulations 2018 also requires us to report to you if, in our opinion, the Company has not provided the information required by section 5(2) to (7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 for the year ended 31 August 2019 as required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (amendment) Regulations 2018.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on IAASA's website at

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

9 The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Parent Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members, as a body, for our audit work, for our report, or for the opinions we have formed.

Michael Gibbons

For and on behalf of

KPMG

Chartered Accountants, statutory audit firm

1 Stokes Place, St Stephen's Green, Dublin 2

October 29, 2019

Accenture plc
Consolidated Balance Sheets
August 31, 2019 and 2018
(In thousands of U.S. dollars)

| | <u>Note</u> | <u>2019</u> | <u>2018</u> |
|--|-------------|----------------------|----------------------|
| Fixed assets | | | |
| Intangible Assets | | | |
| Goodwill | 1, 7 | \$ 6,205,550 | \$ 5,383,012 |
| Other intangible assets, net | 1, 7 | 840,779 | 687,110 |
| Tangible Assets | | | |
| Property and equipment, net | 1, 5, 17 | 1,391,166 | 1,264,020 |
| Financial Assets | | | |
| Investments | 1 | 240,313 | 215,532 |
| | | <u>8,677,808</u> | <u>7,549,674</u> |
| Current assets | | | |
| Debtors | | | |
| Other current assets | | 1,225,364 | 1,024,639 |
| Receivables and contract assets | 1 | 8,095,071 | 7,496,368 |
| Investments | | | |
| | 1 | 3,313 | 3,192 |
| Cash and cash equivalents | 1 | <u>6,126,853</u> | <u>5,061,360</u> |
| | | 15,450,601 | 13,585,559 |
| Creditors: Amounts falling due within one year | | | |
| Current portion of long-term debt and bank borrowings | 9 | 6,411 | 5,337 |
| Accounts payable | | 1,646,641 | 1,348,802 |
| Deferred revenues | 1 | 3,188,835 | 2,837,682 |
| Accrued payroll and related benefits | | 4,890,542 | 4,569,172 |
| Income taxes payable | 1, 10 | 378,017 | 497,885 |
| Other accrued liabilities | | <u>951,450</u> | <u>892,873</u> |
| | | 11,061,896 | 10,151,751 |
| Net current assets | | <u>4,388,705</u> | <u>3,433,808</u> |
| Debtors: Amounts falling due after more than one year | | | |
| Contract assets | 1 | 71,002 | 23,036 |
| Deferred contract costs | 1 | 681,492 | 705,124 |
| Deferred income taxes, net | 1, 10 | 4,349,464 | 2,086,807 |
| Other non-current assets | | <u>559,513</u> | <u>498,883</u> |
| | | 5,661,471 | 3,313,850 |
| Total assets less current liabilities | | 18,727,984 | 14,297,332 |
| Creditors: Amounts falling due after more than one year | | | |
| Long-term debt | 9 | 16,247 | 19,676 |
| Deferred revenues | 1 | 565,224 | 618,124 |
| Income taxes payable | 1, 10 | 892,688 | 956,836 |
| Other non-current liabilities | | <u>526,988</u> | <u>441,723</u> |
| | | 2,001,147 | 2,036,359 |
| Net assets excluding provisions for liabilities | | 16,726,837 | 12,260,973 |
| Provisions for liabilities | | | |
| Retirement obligation | 11 | 1,765,914 | 1,410,656 |
| Non-current deferred income taxes, net | 1, 10 | <u>133,232</u> | <u>125,729</u> |
| | | 1,899,146 | 1,536,385 |
| Net assets including provisions for liabilities | | 14,827,691 | 10,724,588 |
| Shareholders' Equity: | | | |
| Ordinary shares | 13 | 72 | 72 |
| Restricted share units | 12 | 1,411,903 | 1,234,623 |
| Additional paid-in capital | 13 | 5,804,448 | 4,870,764 |
| Treasury shares | 14 | (1,388,376) | (2,116,948) |
| Retained earnings | | 10,421,538 | 7,952,413 |
| Accumulated other comprehensive loss | 1,4 | <u>(1,840,577)</u> | <u>(1,576,171)</u> |
| Total Accenture plc shareholders' equity | | <u>14,409,008</u> | <u>10,364,753</u> |
| Noncontrolling interests | 1 | <u>418,683</u> | <u>359,835</u> |
| Total shareholders' equity | | <u>\$ 14,827,691</u> | <u>\$ 10,724,588</u> |

Approved by the Board of Directors on October 29, 2019 and signed on its behalf by:



Julie Sweet
Director



Paula A. Price
Director

Accenture plc
Consolidated Profit and Loss Account
For the Years Ended August 31, 2019, 2018 and 2017
(In thousands of U.S. dollars, except per share amounts)

| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|---------------------|---------------------|---------------------|
| Turnover | 1, 17 | 43,215,013 | \$ 40,992,534 | \$ 36,176,841 |
| Cost of services | | 29,900,325 | 28,499,170 | 25,105,349 |
| Gross profit | | 13,314,688 | 12,493,364 | 11,071,492 |
| Sales and marketing | | 4,447,456 | 4,196,201 | 3,752,313 |
| General and administrative costs | | 2,562,158 | 2,398,384 | 2,127,777 |
| Operating profit | | 6,305,074 | 5,898,779 | 5,191,402 |
| Interest receivable and similar income | | 87,508 | 56,337 | 37,940 |
| Interest payable and similar charges | | (22,963) | (19,539) | (15,545) |
| Other income (expense), net | | (117,822) | (127,484) | (87,720) |
| Pension settlement charge | | | | (509,793) |
| Gain (loss) on sale of businesses | 6 | — | — | (252) |
| Profit on ordinary activities before taxation | | 6,251,797 | 5,808,093 | 4,616,032 |
| Taxation | 10 | 1,405,556 | 1,593,499 | 981,100 |
| Profit after taxation | | 4,846,241 | 4,214,594 | 3,634,932 |
| Noncontrolling interests | | (67,129) | (154,687) | (189,783) |
| Profit for the financial year | | <u>\$ 4,779,112</u> | <u>\$ 4,059,907</u> | <u>\$ 3,445,149</u> |
| Earnings per share attributable to Accenture plc ordinary shareholders: | | | | |
| Basic | 3 | \$ 7.49 | \$ 6.46 | \$ 5.56 |
| Diluted | 3 | \$ 7.36 | \$ 6.34 | \$ 5.44 |

Approved by the Board of Directors on October 29, 2019 and signed on its behalf by:



Julie Sweet
Director




Paula A. Price
Director

Accenture plc
Consolidated Statements of Comprehensive Income
For the Years Ended August 31, 2019, 2018 and 2017
(In thousands of U.S. dollars)

| | <u>Note</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|---------------------|---------------------|---------------------|
| Profit for the financial year | | \$ 4,846,241 | \$ 4,214,594 | \$ 3,634,932 |
| Other comprehensive income (loss), net of taxation: | | | | |
| Foreign currency translation | 4 | (132,707) | (305,225) | 149,920 |
| Defined benefit plans | 4 | (253,039) | 21,335 | 368,885 |
| Cash flow hedges | 4 | 123,003 | (198,645) | 46,624 |
| Investments | 4 | (1,663) | 1,148 | 1,507 |
| Other comprehensive income (loss) attributable to Accenture plc | | (264,406) | (481,387) | 566,936 |
| Other comprehensive income (loss) attributable to noncontrolling interests | 4 | (6,749) | (2,233) | 31,724 |
| Comprehensive income | | <u>\$ 4,575,086</u> | <u>\$ 3,730,974</u> | <u>\$ 4,233,592</u> |
| Comprehensive income attributable to Accenture plc | | 4,514,706 | 3,578,520 | 4,012,085 |
| Comprehensive income attributable to noncontrolling interests | | 60,380 | 152,454 | 221,507 |
| Comprehensive income | | <u>\$ 4,575,086</u> | <u>\$ 3,730,974</u> | <u>\$ 4,233,592</u> |

Accenture plc
Consolidated Shareholders' Equity Statements
For the Years Ended August 31, 2019, 2018 and 2017
(In thousands of U.S. dollars and share amounts)

| | Ordinary Shares | | Additional Paid-In Capital | Restricted Share Units | Treasury Shares | Retained Earnings | Accumulated Other Comprehensive Loss | Total Accenture plc Shareholders' Equity | Noncontrolling interests | Total Shareholders' Equity |
|---|-----------------|------------|-------------------------------|---------------------------|--------------------|----------------------|---|---|-----------------------------|----------------------------------|
| | \$ | No. Shares | | | | | | | | |
| Balance as of August 31, 2016 | \$ 72 | 676,160 | \$ 2,924,729 | \$ 1,004,128 | \$ (2,591,907) | \$ 7,879,960 | \$ (1,661,720) | \$ 7,555,262 | \$ 634,114 | \$ 8,189,376 |
| Profit for the financial year | | | | | | 3,445,149 | | 3,445,149 | 189,783 | 3,634,932 |
| Other comprehensive income (loss) | | | | | | | 566,936 | 566,936 | 31,724 | 598,660 |
| Purchases of Class A ordinary shares | | | 98,039 | | (2,552,880) | | | (2,454,841) | (98,039) | (2,552,880) |
| Cancellation of treasury shares | (1) | (26,858) | (413,509) | | 3,014,356 | (2,600,846) | | — | — | — |
| Share-based compensation expense | | | 40,224 | 755,011 | | | | 795,235 | | 795,235 |
| Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares | — | (1,386) | (92,160) | | | | | (92,160) | (4,011) | (96,171) |
| Issuances of Class A ordinary shares: | | | | | | | | | | |
| Employee share programs | — | 10,861 | 975,322 | (715,790) | 481,341 | (90,612) | | 650,261 | 25,784 | 676,045 |
| Upon redemption of Accenture Holdings plc ordinary shares | | 760 | 5,595 | | | | | 5,595 | (5,595) | — |
| Dividends | | | | 51,677 | | (1,550,411) | | (1,498,734) | (68,844) | (1,567,578) |
| Other, net | | | (21,841) | — | | (1,385) | | (23,226) | 55,807 | 32,581 |
| Balance as of August 31, 2017 | \$ 71 | 659,537 | \$ 3,516,399 | \$ 1,095,026 | \$ (1,649,090) | \$ 7,081,855 | \$ (1,094,784) | \$ 8,949,477 | \$ 760,723 | \$ 9,710,200 |
| Profit for the financial year | | | | | | 4,059,907 | | 4,059,907 | 154,687 | 4,214,594 |
| Other comprehensive income (loss) | | | | | | | (481,387) | (481,387) | (2,233) | (483,620) |
| Purchases of Class A ordinary shares | | | 49,766 | | (2,554,084) | | | (2,504,318) | (49,766) | (2,554,084) |
| Cancellation of treasury shares | — | (11,621) | (206,782) | | 1,582,067 | (1,375,285) | | — | — | — |
| Share-based compensation expense | | | 63,107 | 913,801 | | | | 976,908 | | 976,908 |
| Purchases/redemptions of Accenture Holdings plc ordinary shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares | — | (821) | (80,169) | | | | | (80,169) | (4,841) | (85,010) |
| Issuances of Class A ordinary shares: | | | | | | | | | | |
| Employee share programs | — | 10,077 | 1,132,024 | (829,085) | 504,159 | (68,656) | | 738,442 | 14,704 | 753,146 |
| Upon redemption of Accenture Holdings plc ordinary shares | 1 | 6,852 | 408,652 | | | | | 408,653 | (408,653) | — |
| Dividends | | | | 54,881 | | (1,725,953) | | (1,671,072) | (37,652) | (1,708,724) |
| Other, net | | | (12,233) | — | | (19,455) | | (31,688) | (67,134) | (98,822) |
| Balance as of August 31, 2018 | 72 | 664,024 | 4,870,764 | 1,234,623 | (2,116,948) | 7,952,413 | (1,576,171) | 10,364,753 | 359,835 | 10,724,588 |
| Cumulative effect adjustment | | | | | | 2,134,818 | | 2,134,818 | 3,158 | 2,137,976 |
| Profit for the financial year | | | | | | 4,779,112 | | 4,779,112 | 67,129 | 4,846,241 |
| Other comprehensive income (loss) | | | | | | | (264,406) | (264,406) | (6,749) | (271,155) |
| Purchases of Class A shares | | | 3,302 | | (2,669,336) | | | (2,666,034) | (3,302) | (2,669,336) |
| Cancellation of treasury shares | | (17,599) | (326,092) | | 2,745,321 | (2,419,229) | | — | — | — |
| Share-based compensation expense | | | 69,459 | 1,023,794 | | | | 1,093,253 | | 1,093,253 |
| Purchases/redemptions of Accenture Canada Holdings Inc. exchangeable shares and Class X shares | | (47) | (21,768) | | | | | (21,768) | (10) | (21,778) |
| Issuances of Class A shares for employee share | | 9,010 | 1,219,600 | (903,526) | 652,587 | (121,250) | | 847,411 | 1,034 | 848,445 |
| Dividends | | | | 57,012 | | (1,918,737) | | (1,861,725) | (2,628) | (1,864,353) |
| Other, net | | | (10,817) | | | 14,411 | | 3,594 | 216 | 3,810 |
| Balance as of August 31, 2019 | \$ 72 | 655,388 | \$ 5,804,448 | \$ 1,411,903 | \$ (1,388,376) | \$ 10,421,538 | \$ (1,840,577) | \$ 14,409,008 | \$ 418,683 | \$ 14,827,691 |

Accenture plc
Consolidated Cash Flows Statements
For the Years Ended August 31, 2019, 2018 and 2017
(In thousands of U.S. dollars)

| | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Profit for the financial year | \$ 4,846,241 | \$ 4,214,594 | \$ 3,634,932 |
| Adjustments to reconcile Profit for the financial year to Net cash provided by (used in) operating activities— | | | |
| Depreciation, amortization and asset impairments | 892,760 | 926,776 | 801,789 |
| Share-based compensation expense | 1,093,253 | 976,908 | 795,235 |
| Pension settlement charge | — | — | 460,908 |
| (Gain) loss on sale of businesses | — | — | 252 |
| Deferred income taxes, net | (96,360) | 94,000 | (364,133) |
| Other, net | (87,522) | 7,609 | 88,123 |
| Change in assets and liabilities, net of acquisitions— | | | |
| Receivables and contract assets, current and non-current | (526,297) | (710,804) | (73,322) |
| Other current and non-current assets | (489,817) | (510,102) | (415,568) |
| Accounts payable | 177,186 | (167,971) | 173,712 |
| Deferred revenues, current and non-current | 258,067 | 176,853 | (38,954) |
| Accrued payroll and related benefits | 386,930 | 646,416 | (117,725) |
| Income taxes payable, current and non-current | (162,916) | 183,933 | 15,721 |
| Other current and non-current liabilities | 335,428 | 188,479 | 12,069 |
| Net cash provided by (used in) operating activities | 6,626,953 | 6,026,691 | 4,973,039 |
| Cash flows from investing activities: | | | |
| Purchases of property and equipment | (599,009) | (619,187) | (515,919) |
| Purchases of businesses and investments, net of cash acquired | (1,193,071) | (657,546) | (1,704,188) |
| Proceeds from the sale of businesses and investments, net of cash transferred | 27,951 | 20,197 | (24,035) |
| Other investing, net | 8,553 | 6,932 | 10,263 |
| Net cash provided by (used in) investing activities | (1,755,576) | (1,249,604) | (2,233,879) |
| Cash flows from financing activities: | | | |
| Proceeds from issuance of ordinary shares | 848,445 | 753,146 | 676,045 |
| Purchases of shares | (2,691,114) | (2,639,094) | (2,649,051) |
| Proceeds from (repayments of) long-term debt, net | (4,772) | (4,195) | (2,120) |
| Cash dividends paid | (1,864,353) | (1,708,724) | (1,567,578) |
| Other, net | (55,377) | (110,161) | (17,531) |
| Net cash provided by (used in) financing activities | (3,767,171) | (3,709,028) | (3,560,235) |
| Effect of exchange rate changes on cash and cash equivalents | (38,713) | (133,559) | 42,326 |
| Net increase (decrease) in cash and cash equivalents | 1,065,493 | 934,500 | (778,749) |
| Cash and cash equivalents, beginning of period | 5,061,360 | 4,126,860 | 4,905,609 |
| Cash and cash equivalents, end of period | \$ 6,126,853 | \$ 5,061,360 | \$ 4,126,860 |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Accenture plc is one of the world's leading organizations providing consulting, technology and outsourcing services and operates globally with one common brand and business model designed to enable it to provide clients around the world with the same high level of service. Drawing on a combination of industry and functional expertise, technology and innovation capabilities, alliance relationships and global delivery resources, Accenture plc seeks to provide differentiated innovative services that help clients measurably improve their business performance and create sustainable value for their customers and stakeholders. Accenture plc's global delivery model enables it to assemble integrated teams to provide high-quality, cost-effective solutions to clients.

Basis of Presentation

The Consolidated Financial Statements include the accounts of Accenture plc, an Irish company, and our controlled subsidiary companies. Accenture plc is an Irish public limited company, which operates its business through its subsidiaries. Prior to March 13, 2018, Accenture plc's only business was to hold ordinary and deferred shares in, and to act as the controlling shareholder of, its subsidiary, Accenture Holdings plc, an Irish public limited company. We operated our business through Accenture Holdings plc and subsidiaries of Accenture Holdings plc. Accenture plc controlled Accenture Holdings plc's management and operations and consolidated Accenture Holdings plc's results in our Consolidated Financial Statements.

On March 13, 2018, Accenture Holdings plc merged with and into Accenture plc, with Accenture plc as the surviving entity. As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. In connection with this internal merger, shareholders of Accenture Holdings plc (other than Accenture entities that held shares of Accenture Holdings plc), who primarily consisted of current and former members of Accenture Leadership and their permitted transferees, received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc owned by such shareholders.

The shares of Accenture Holdings plc (for applicable periods) and Accenture Canada Holdings Inc. held by persons other than us are treated as a noncontrolling interest in the Consolidated Financial Statements. The noncontrolling interest percentage was less than 1% as of August 31, 2019 and 2018, respectively.

The directors have elected to prepare the Consolidated Financial Statements in accordance with section 279 of the Companies Act 2014, which provides that a true and fair view of assets and liabilities, financial position and profit or loss of a company and its subsidiary undertakings may be given by preparing its group financial statements in accordance with U.S. GAAP, to the extent that the use of U.S. GAAP in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

The Consolidated Financial Statements are prepared in accordance with Irish Company Law, to present to the shareholders of Accenture plc and file with the Companies Registration Office in Ireland. Accordingly, these Consolidated Financial Statements include disclosures required by the Companies Act 2014 of Ireland in addition to those required under U.S. GAAP.

All references to years, unless otherwise noted, refer to our fiscal year, which ends on August 31. For example, a reference to "fiscal 2019" means the 12-month period that ended on August 31, 2019. All references to quarters, unless otherwise noted, refer to the quarters of our fiscal year. All references to "revenues", "gross margin", "operating income", "noncontrolling interest", "income taxes" and "net income attributable to Accenture plc" within this report should be read interchangeably with the following terms: "turnover", "gross profit", "operating profit", "minority interest", "taxation" and "profit for the financial year", respectively.

The Consolidated Financial Statements include the Consolidated Balance Sheets of Accenture plc and its subsidiaries as of August 31, 2019 and 2018, and the related Consolidated Profit and Loss Account, Comprehensive Income, Shareholder's Equity and Cash Flows for the twelve months ended August 31, 2019, 2018 and 2017. The Consolidated Financial Statements and the majority of the information in the Notes thereto have been reconciled to our Annual Report on Form 10-K for the fiscal year ended August 31, 2019 filed with the U.S. Securities and Exchange Commission on October 29, 2019.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

The preparation of the Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions that we may undertake in the future, actual results may be different from those estimates.

Revenue Recognition

We account for revenue in accordance with FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which we adopted on September 1, 2018 using the modified retrospective method.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the client and is the unit of accounting in Topic 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the relative standalone selling price. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service based on margins for similar services sold on a standalone basis. While determining relative standalone selling price and identifying separate performance obligations require judgment, generally relative standalone selling prices and the separate performance obligations are readily identifiable as we sell those performance obligations unaccompanied by other performance obligations. Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications, requirements or duration. If a contract modification results in the addition of performance obligations priced at a standalone selling price or if the post-modification services are distinct from the services provided prior to the modification, the modification is accounted for separately. If the modified services are not distinct, they are accounted for as part of the existing contract.

Our revenues are derived from contracts for outsourcing services, technology integration consulting services and non-technology consulting services. These contracts have different terms based on the scope, performance obligations and complexity of the engagement, which frequently require us to make judgments and estimates in recognizing revenues. We have many types of contracts, including time-and-materials contracts, fixed-price contracts, fee-per-transaction contracts and contracts with multiple fee types.

The nature of our contracts gives rise to several types of variable consideration, including incentive fees. Many contracts include incentives or penalties related to costs incurred, benefits produced or adherence to schedules that may increase the variability in revenues and margins earned on such contracts. These variable amounts generally are awarded or refunded upon achievement of or failure to achieve certain performance metrics, milestones or cost targets and can be based upon client discretion. We include these variable fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee and it is not probable a significant reversal of revenue will occur. These estimates reflect the expected value of the variable fee and are based on an assessment of our anticipated performance, historical experience and other information available at the time.

Our performance obligations are satisfied over time as work progresses or at a point in time. The majority of our revenues are recognized over time based on the extent of progress towards satisfying our performance obligations. The selection of the method to measure progress towards completion requires judgment and is based on the contract and the nature of the services to be provided.

Outsourcing Contracts

Our outsourcing contracts typically span several years. Revenues are generally recognized on outsourcing contracts over time because our clients benefit from the services as they are performed. Outsourcing contracts require us to provide a series of distinct services each period over the contract term. Revenues from unit-priced contracts are recognized as transactions are processed. When contractual billings represent an amount that corresponds directly with the value provided to the client (e.g., time-and-materials contracts), revenues are recognized as amounts become billable in accordance with contract terms.

Technology Integration Consulting Services

Revenues from contracts for technology integration consulting services where we design/redesign, build and implement new or enhanced systems and related processes for our clients are recognized over time as control of the

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

system is transferred continuously to the client. Contracts for technology integration consulting services generally span six months to two years. Generally, revenue is recognized using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Revenues, including estimated fees, are recorded proportionally as costs are incurred. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the client.

Non-Technology Integration Consulting Services

Our contracts for non-technology integration consulting services are typically less than a year in duration. Revenues are generally recognized over time as our clients benefit from the services as they are performed, or the contract includes termination provisions enabling payment for performance completed to date. When contractual billings represent an amount that corresponds directly with the value provided to the client (e.g. time-and-materials contracts), revenues are recognized as amounts become billable in accordance with contract terms. Revenues from fixed-price contracts are generally recognized using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying our performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the client. For non-technology integration consulting contracts which do not qualify to recognize revenue over time, we recognize revenues at a point in time when we satisfy our performance obligations and the client obtains control of the promised good or service.

Contract Estimates

Estimates of total contract revenues and costs are continuously monitored over the lives of our contracts, and recorded revenues and cost estimates are subject to revision as the contract progresses. If at any time the estimate of contract profitability indicates an anticipated loss on a technology integration consulting contract, we recognize the loss in the quarter it first becomes probable and reasonably estimable.

Contract Balances

The timing of revenue recognition, billings and cash collections results in Receivables, Contract assets, and Deferred revenues (Contract liabilities) on our Consolidated Balance Sheet. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., monthly or quarterly) or upon achievement of contractual milestones. Our receivables are rights to consideration that are conditional only upon the passage of time as compared to our contract assets, which are rights to consideration conditional upon additional factors. When we bill or receive payments from our clients before revenue is recognized, we record Contract liabilities. Contract assets and liabilities are reported on our Consolidated Balance Sheet on a contract-by-contract basis at the end of each reporting period.

For some outsourcing contracts, we receive payments for transition or set-up activities, which are deferred and recognized as revenue as the services are provided. These advance payments are typically not a significant financing component because they are used to meet working capital demands in the early stages of a contract and to protect us from the other party failing to complete its obligations under the contract. We elected the practical expedient to report revenues net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Employee Share-Based Compensation Arrangements

Share-based compensation expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant date fair value of those awards expected to ultimately vest. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Income Taxes

We calculate and provide for income taxes in each of the tax jurisdictions in which we operate. Deferred tax assets and liabilities, measured using enacted tax rates, are recognized for the future tax consequences of temporary differences between the tax and financial statement bases of assets and liabilities. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized. We establish liabilities or reduce assets when we believe tax positions are not more likely than not of being sustained if challenged. Recognized tax positions are measured at the largest amount of benefit greater than 50 percent likely of being realized. Each fiscal quarter, we evaluate tax positions and adjust the related tax assets and liabilities in light of changing facts and circumstances.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Translation of Non-U.S. Currency Amounts

Assets and liabilities of non-U.S. subsidiaries whose functional currency is not the U.S. dollar are translated into U.S. dollars at fiscal year-end exchange rates. Revenue and expense items are translated at average foreign currency exchange rates prevailing during the fiscal year. Translation adjustments are included in Accumulated other comprehensive income (loss). Gains and losses arising from intercompany foreign currency transactions that are of a long-term investment nature are reported in the same manner as translation adjustments.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and liquid investments with original maturities of three months or less, including certificates of deposit and time deposits. Cash and cash equivalents also include restricted cash of \$159 and \$45,658 as of August 31, 2019 and 2018, respectively, which primarily relates to cash held to meet certain insurance requirements. As a result of certain subsidiaries' cash management systems, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are classified as Current portion of long term debt and bank borrowings.

Allowances for Client Receivables

We record our client receivables at their face amounts less allowances. On a periodic basis, we evaluate our receivables and establish allowances based on historical experience and other currently available information. As of August 31, 2019 and 2018, total allowances recorded for client receivables were \$45,538 and \$49,913, respectively. The allowance reflects our best estimate of collectibility risks on outstanding receivables. In limited circumstances, we agree to extend financing to certain clients. The terms vary by contract, but generally payment for services is contractually linked to the achievement of specified performance milestones.

Concentrations of Credit Risk

Our financial instruments, consisting primarily of cash and cash equivalents, foreign currency exchange rate instruments and client receivables, are exposed to concentrations of credit risk. We place our cash and cash equivalents and foreign exchange instruments with highly-rated financial institutions, limit the amount of credit exposure with any one financial institution and conduct ongoing evaluations of the credit worthiness of the financial institutions with which we do business. Client receivables are dispersed across many different industries and countries; therefore, concentrations of credit risk are limited.

Investments

All liquid investments with an original maturity greater than three months but less than one year are considered to be short-term investments. Non-current investments are primarily non-marketable equity securities of privately held companies and are accounted for using either the equity or fair value measurement alternative method of accounting. For investments in which we can exercise significant influence but do not control, we use the equity method of accounting. For equity securities without a readily determinable fair value, we use the fair value measurement alternative and measure the securities at cost less impairment, if any, plus or minus observable price changes in orderly transactions for an identical or similar investment of the same issuer.

Investments are periodically assessed for other-than-temporary impairment. If an investment is deemed to have experienced an other-than-temporary decline below its cost basis, we reduce the carrying amount of the investment to its estimated fair value.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

| | |
|---|----------------------------------|
| Computers, related equipment and software | 2 to 7 years |
| Furniture and fixtures | 5 to 10 years |
| Leasehold improvements | Lesser of lease term or 15 years |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Goodwill

Goodwill represents the excess of the purchase price of an acquired entity over the fair value of net assets acquired. We review the recoverability of goodwill by reportable operating segment annually, or more frequently when indicators of impairment exist. Based on the results of our annual impairment analysis, we determined that no impairment existed as of August 31, 2019 or 2018, as each reportable operating segment’s estimated fair value substantially exceeded its carrying value.

Long-Lived Assets

Long-lived assets, including deferred contract costs and identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Recoverability of long-lived assets or groups of assets is assessed based on a comparison of the carrying amount to the estimated future net cash flows. If estimated future undiscounted net cash flows are less than the carrying amount, the asset is considered impaired and a loss is recorded equal to the amount required to reduce the carrying amount to fair value.

Intangible assets with finite lives are generally amortized using the straight-line method over their estimated economic useful lives, ranging from one to sixteen years.

Operating Expenses

Selected components of operating expenses were as follows:

| | Fiscal | | |
|--|---------------|------------|------------|
| | 2019 | 2018 | 2017 |
| Research and development costs | \$ 799,734 | \$ 790,779 | \$ 704,317 |
| Advertising costs (1) | 85,521 | 78,464 | 79,883 |
| Provision for (release of) doubtful accounts (2) | 974 | (1,060) | 10,117 |

(1) Advertising costs are expensed as incurred.

(2) For additional information, see “Allowances for Client Receivables”.

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09 (“Topic 606”)

On September 1, 2018, we adopted Topic 606, which replaced most existing revenue recognition guidance. The core principle of Topic 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. Topic 606 has been applied to contracts that were not completed as of September 1, 2018. Results for reporting periods beginning after September 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting. See Note 2 (Revenues) to these Consolidated Financial Statements for further details.

In connection with the adoption of Topic 606, we are now presenting total revenues and no longer reporting revenues before reimbursements. Prior period results have been revised to reflect this change in presentation. Additionally, revisions were made to decrease both revenues and cost of services by \$610,894, and \$588,637 in fiscal 2018 and 2017, respectively, for hardware/software resale previously included in reimbursements. These revisions had no impact on operating income.

The impact of adopting the new standard was not material to our Consolidated Financial Statements. The primary impacts included additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from client contracts, including judgments and changes in estimates. Upon adoption, we recorded a decrease to retained earnings of \$6,451, net of an income tax impact of \$3,071, as of September 1, 2018.

The impact of adopting the new standard for fiscal 2019 was an increase to revenues of approximately \$51.1 million. The impact on our balance sheet as of August 31, 2019 was not material with the exception of the classification of \$2.2 billion of receivables and \$627.7 million of contract assets, which were classified as Unbilled services, net prior to fiscal 2019.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

FASB ASU No. 2016-16

On September 1, 2018, we adopted FASB ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which requires an entity to recognize the income tax consequences of intra-entity transfers, other than inventory, when the transfer occurs. Upon adoption, we recorded deferred tax assets and an increase in retained earnings of \$2,144,427, and we will recognize incremental income tax expense as these deferred tax assets are utilized. Our fiscal 2019 annual effective tax rate was 3.3% higher due to the adoption. The adoption had no impact on cash flows.

The impact of adoption as of September 1, 2018 of FASB ASU No. 2014-09 (Topic 606) and No. 2016-16 (Topic 740) on our Consolidated Balance Sheets was as follows:

| | Balance as of August 31, 2018 | Adjustments Due to ASU 2014-09 (Topic 606) | Adjustments Due to ASU 2016-16 (Topic 740) | Balance as of September 1, 2018 |
|---------------------------------|----------------------------------|--|--|------------------------------------|
| Balance Sheet | | | | |
| CURRENT ASSETS | | | | |
| Receivables from clients, net | \$ 4,996,454 | \$ 2,100,402 | \$ — | \$ 7,096,856 |
| Unbilled services, net | 2,499,914 | (2,499,914) | — | — |
| Contract assets | — | 547,809 | — | 547,809 |
| Receivables and contract assets | <u>\$ 7,496,368</u> | <u>\$ 148,297</u> | <u>\$ —</u> | <u>\$ 7,644,665</u> |
| NON-CURRENT ASSETS | | | | |
| Unbilled services, net | \$ 23,036 | \$ (23,036) | \$ — | \$ — |
| Contract assets | — | 23,036 | — | 23,036 |
| Deferred contract costs | 705,124 | (2,867) | — | 702,257 |
| Deferred income taxes, net | 2,086,807 | 3,071 | 2,144,427 | 4,234,305 |
| CURRENT LIABILITIES | | | | |
| Deferred revenues | 2,837,682 | 154,952 | — | 2,992,634 |
| SHAREHOLDERS' EQUITY | | | | |
| Retained earnings | 7,952,413 | (6,451) | 2,144,427 | 10,090,389 |

FASB ASU No. 2017-07

On September 1, 2018, we adopted FASB ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The new guidance amends certain presentation and disclosure requirements for employers with defined benefit pension and post-retirement medical plans. The standard requires the service cost component of the net benefit cost to be in the same line item as other compensation in operating income and the other components of net benefit cost to be presented outside of operating income on a retrospective basis. Upon adoption, we reclassified \$58 million and \$558 million (including fiscal 2017 pension settlement charge of \$510 million) of operating expenses to non-operating expense for fiscal 2018 and fiscal 2017, respectively, to conform with the fiscal 2019 treatment of these expenses.

FASB ASU No. 2016-01

On September 1, 2018, we adopted FASB ASU No. 2016-01, Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The standard requires investments previously accounted for under the cost method of accounting to be measured at fair value with changes in fair value recognized in net income. Investments in equity securities that do not have readily determinable fair values will be measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions. We adopted this standard using the prospective method. The adoption did not have a material impact on our Consolidated Financial Statements.

FASB ASU No. 2018-02

On August 31, 2019, we early adopted FASB ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits entities to reclassify the disproportionate income tax effects of the Tax

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Act on items within accumulated other comprehensive income (loss) (“AOCI”) to retained earnings. These disproportionate income tax effect items are referred to as “stranded tax effects.” The amendments in this update only relate to the reclassification of the income tax effects of the Tax Act. Other accounting guidance that requires the effect of changes in tax laws or rates to be included in net income is not affected by this update. Upon adoption we elected not to reclassify immaterial stranded tax effects. We release stranded tax effects from AOCI using the specific identification approach for our defined benefit plans and the portfolio approach for other items.

New Accounting Pronouncement

The following standard, issued by the FASB, will result in a change in practice and will have a financial impact on our Consolidated Financial Statements:

| Standard | Description | Accenture Adoption Date | Impact on the Financial Statements or Other Significant Matters |
|---|---|-------------------------|--|
| 2016-02: Leases <i>and related updates</i> (<i>Topic 842</i>) | The ASU amends existing guidance to require lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases and to disclose additional quantitative and qualitative information about leasing arrangements. The guidance allows either a modified retrospective or an effective date transition method. | September 1, 2019 | We adopted the ASU on September 1, 2019, using the effective date method. We expect to recognize approximately \$3 billion of operating lease assets and liabilities on our Consolidated Balance Sheets, primarily relating to real estate. We do not expect the ASU to have a material impact on our other Consolidated Financial Statements or footnotes. We elected the package of practical expedients which does not require reassessment of prior conclusions related to contracts containing leases, lease classification or initial direct costs. We also elected to combine lease and non-lease components for our real estate and automobile leases. |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

2. REVENUES

Disaggregation of Revenue

See Note 17 (Segment Reporting) to these Consolidated Financial Statements for our disaggregated revenues.

Remaining Performance Obligations

On August 31, 2019, we had approximately \$20 billion of remaining performance obligations. Our remaining performance obligations represent the amount of transaction price for which work has not been performed and revenue has not been recognized. The majority of our contracts are terminable by the client on short notice with little or no termination penalties, and some without notice. Under Topic 606, only the non-cancelable portion of these contracts is included in our performance obligations. Additionally, our performance obligations only include variable consideration if we assess it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty is resolved. Based on the terms of our contracts, a significant portion of what we consider contract bookings is not included in our remaining performance obligations. We expect to recognize approximately 66% of our remaining performance obligations as revenue in fiscal 2020, an additional 14% in fiscal 2021, and the balance thereafter.

Contract Estimates

Adjustments in contract estimates related to performance obligations satisfied or partially satisfied in prior periods decreased our revenues by approximately \$4 million for fiscal 2019. No adjustment on any one contract was material to our Consolidated Financial Statements during fiscal 2019.

Contract Balances

Deferred transition revenues were \$563,245 and \$581,395 as of August 31, 2019 and 2018, respectively, and are included in Non-current deferred revenues. Costs related to these activities are also deferred and are expensed as the services are provided. Generally, deferred amounts are protected in the event of early termination of the contract and are monitored regularly for impairment. Impairment losses are recorded when projected remaining undiscounted operating cash flows of the related contract are not sufficient to recover the carrying amount of contract assets. Deferred transition costs were \$681,492 and \$690,868 as of August 31, 2019 and 2018, respectively, and are included in Deferred contract costs. Deferred transition amortization expense for fiscal 2019, 2018 and 2017 was \$274,814, \$333,118 and \$289,555, respectively.

The following table provides information about the balances of our Receivables, Contract assets and Contract liabilities (Deferred revenues):

| | August 31, 2019 | As of September 1, 2018 (as adjusted) |
|---|-----------------|--|
| Receivables, net of allowance | \$ 7,467,338 | \$ 7,096,856 |
| Contract assets (current) | 627,733 | 547,809 |
| Receivables and contract assets (current) | 8,095,071 | 7,644,665 |
| Contract assets (non-current) | 71,002 | 23,036 |
| Deferred revenues (current) | 3,188,835 | 2,992,634 |
| Deferred revenues (non-current) | 565,224 | 618,124 |

Changes in the contract asset and liability balances during fiscal 2019, were a result of normal business activity and not materially impacted by any other factors.

Revenues recognized during fiscal 2019 that were included in Deferred revenues as of September 1, 2018 were \$2.9 billion.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

3. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

| | Fiscal | | |
|--|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 |
| Basic Earnings per share | | | |
| Net income attributable to Accenture plc | \$ 4,779,112 | \$ 4,059,907 | \$ 3,445,149 |
| Basic weighted average Class A ordinary shares | 638,098,125 | 628,451,742 | 620,104,250 |
| Basic earnings per share | <u>\$ 7.49</u> | <u>\$ 6.46</u> | <u>\$ 5.56</u> |
| Diluted Earnings per share | | | |
| Net income attributable to Accenture plc | \$ 4,779,112 | \$ 4,059,907 | \$ 3,445,149 |
| Net income attributable to noncontrolling interests in Accenture Holdings plc and Accenture Canada Holdings Inc. (1) | 6,694 | 95,063 | 149,131 |
| Net income for diluted earnings per share calculation | <u>\$ 4,785,806</u> | <u>\$ 4,154,970</u> | <u>\$ 3,594,280</u> |
| Basic weighted average Class A ordinary shares | 638,098,125 | 628,451,742 | 620,104,250 |
| Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1) | 892,654 | 14,716,884 | 28,107,510 |
| Diluted effect of employee compensation related to Class A ordinary shares | 11,111,679 | 11,948,075 | 12,082,241 |
| Diluted effect of share purchase plans related to Class A ordinary shares | 102,415 | 179,449 | 169,226 |
| Diluted weighted average Class A ordinary shares | <u>650,204,873</u> | <u>655,296,150</u> | <u>660,463,227</u> |
| Diluted earnings per share | <u>\$ 7.36</u> | <u>\$ 6.34</u> | <u>\$ 5.44</u> |

(1) Diluted earnings per share assumes the exchange of all Accenture Canada Holdings Inc. exchangeable shares for Accenture plc Class A ordinary shares on a one-for-one basis and the redemption of all Accenture Holdings plc ordinary shares owned by holders of noncontrolling interests prior to March 13, 2018, when these were redeemed for Accenture plc Class A ordinary shares. The income effect does not take into account "Net income attributable to noncontrolling interests - other," since those shares are not redeemable or exchangeable for Accenture plc Class A ordinary shares.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

4. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive loss attributable to Accenture plc:

| | Fiscal | | |
|---|-----------------------|-----------------------|-----------------------|
| | 2019 | 2018 | 2017 |
| Foreign currency translation | | | |
| Beginning balance | \$ (1,075,268) | \$ (770,043) | \$ (919,963) |
| Foreign currency translation | (138,680) | (310,548) | 164,073 |
| Income tax benefit (expense) | (607) | 3,354 | (988) |
| Portion attributable to noncontrolling interests | 6,580 | 1,969 | (13,165) |
| Foreign currency translation, net of tax | (132,707) | (305,225) | 149,920 |
| Ending balance | (1,207,975) | (1,075,268) | (770,043) |
| Defined benefit plans | | | |
| Beginning balance | (419,284) | (440,619) | (809,504) |
| Actuarial gains (losses) | (379,090) | 19,862 | 49,565 |
| Pension settlement | 793 | 3,030 | 509,793 |
| Prior service costs arising during the period | (2,105) | (28,696) | 847 |
| Reclassifications into net periodic pension and post-retirement expense (1) | 32,985 | 34,972 | 44,913 |
| Income tax benefit (expense) | 94,052 | (7,799) | (219,817) |
| Portion attributable to noncontrolling interests | 326 | (34) | (16,416) |
| Defined benefit plans, net of tax | (253,039) | 21,335 | 368,885 |
| Ending balance | (672,323) | (419,284) | (440,619) |
| Cash flow hedges | | | |
| Beginning balance | (84,010) | 114,635 | 68,011 |
| Unrealized gain (loss) | 209,017 | (169,958) | 195,848 |
| Reclassification adjustments into Cost of services | (48,333) | (93,105) | (118,840) |
| Income tax benefit (expense) | (37,522) | 64,118 | (28,309) |
| Portion attributable to noncontrolling interests | (159) | 300 | (2,075) |
| Cash flow hedges, net of tax | 123,003 | (198,645) | 46,624 |
| Ending balance (2) | 38,993 | (84,010) | 114,635 |
| Investments | | | |
| Beginning balance | 2,391 | 1,243 | (264) |
| Unrealized gain (loss) | (1,970) | 1,455 | 1,758 |
| Income tax benefit (expense) | 305 | (305) | (183) |
| Portion attributable to noncontrolling interests | 2 | (2) | (68) |
| Investments, net of tax | (1,663) | 1,148 | 1,507 |
| Ending balance | 728 | 2,391 | 1,243 |
| Accumulated other comprehensive loss | \$ (1,840,577) | \$ (1,576,171) | \$ (1,094,784) |

- (1) As of August 31, 2019, \$54,799 of net losses is expected to be reclassified into net periodic pension and post-retirement expense recognized in cost of services, sales and marketing, general and administrative costs and non-operating expenses in the next twelve months.
- (2) As of August 31, 2019, \$34,207 of net unrealized gains related to derivatives designated as cash flow hedges is expected to be reclassified into cost of services in the next twelve months.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

5. PROPERTY AND EQUIPMENT

The components of Property and equipment, net were as follows:

| | August 31, 2019 | August 31, 2018 |
|---|---------------------|---------------------|
| Buildings and land | \$ 56 | \$ 60 |
| Computers, related equipment and software | 1,723,623 | 1,625,950 |
| Furniture and fixtures | 394,671 | 374,294 |
| Leasehold improvements | 1,228,845 | 1,125,814 |
| Property and equipment, gross | 3,347,195 | 3,126,118 |
| Total accumulated depreciation | (1,956,029) | (1,862,098) |
| Property and equipment, net | <u>\$ 1,391,166</u> | <u>\$ 1,264,020</u> |

Depreciation expense for fiscal 2019, 2018 and 2017 was \$440,796, \$423,471 and \$362,817, respectively.

6. BUSINESS COMBINATIONS

We completed a number of individually immaterial acquisitions during fiscal years 2019, 2018 and 2017. These acquisitions were completed primarily to expand our services and solutions offerings. The table below gives additional details related to these acquisitions:

| | Fiscal | | |
|---------------------|--------------|------------|--------------|
| | 2019 | 2018 | 2017 |
| Total consideration | \$ 1,170,044 | \$ 596,148 | \$ 1,643,205 |
| Goodwill | 920,696 | 431,087 | 1,350,969 |
| Intangible assets | 282,144 | 140,403 | 328,776 |

The intangible assets primarily consist of customer-related intangibles, which are being amortized over one to twelve years. The goodwill was allocated among our reportable operating segments and is partially deductible for U.S. federal income tax purposes.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill by reportable operating segment were as follows:

| | August 31, 2017 | Additions/ Adjustments | Foreign Currency Translation | August 31, 2018 | Additions/ Adjustments | Foreign Currency Translation | August 31, 2019 |
|------------------------------------|--------------------|---------------------------|------------------------------------|---------------------|---------------------------|------------------------------------|--------------------|
| Communications, Media & Technology | \$ 775,802 | \$ 98,223 | \$ (8,516) | \$ 865,509 | \$ 146,632 | \$ (19,398) | \$ 992,743 |
| Financial Services | 1,151,024 | 32,390 | (21,348) | 1,162,066 | 252,870 | (21,308) | 1,393,628 |
| Health & Public Service | 934,374 | 27,816 | (3,142) | 959,048 | 54,441 | (8,061) | 1,005,428 |
| Products | 1,698,140 | 270,701 | (20,440) | 1,948,401 | 423,525 | (43,609) | 2,328,317 |
| Resources | 443,012 | 13,163 | (8,187) | 447,988 | 47,274 | (9,828) | 485,434 |
| Total | <u>\$5,002,352</u> | <u>\$ 442,293</u> | <u>\$ (61,633)</u> | <u>\$ 5,383,012</u> | <u>\$ 924,742</u> | <u>\$ (102,204)</u> | <u>\$6,205,550</u> |

Goodwill includes immaterial adjustments related to prior period acquisitions.

Intangible Assets

Our definite-lived intangible assets by major asset class were as follows:

| Intangible Asset Class | August 31, 2018 | | | August 31, 2019 | | |
|------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer-related | \$ 862,418 | \$ (299,702) | \$ 562,716 | \$ 1,013,976 | \$ (358,130) | \$ 655,846 |
| Technology | 94,844 | (55,690) | 39,154 | 119,686 | (45,851) | 73,835 |
| Patents | 128,179 | (66,659) | 61,520 | 127,796 | (66,167) | 61,629 |
| Other | 50,490 | (26,770) | 23,720 | 78,344 | (28,875) | 49,469 |
| Total | <u>\$ 1,135,931</u> | <u>\$ (448,821)</u> | <u>\$ 687,110</u> | <u>\$ 1,339,802</u> | <u>\$ (499,023)</u> | <u>\$ 840,779</u> |

Total amortization related to our intangible assets was \$177,150, \$170,187 and \$149,417 for fiscal 2019, 2018 and 2017, respectively. Estimated future amortization related to intangible assets held at August 31, 2019 is as follows:

| Fiscal Year | Estimated Amortization |
|-------------|------------------------|
| 2020 | \$ 189,490 |
| 2021 | 155,186 |
| 2022 | 134,594 |
| 2023 | 117,959 |
| 2024 | 94,022 |
| Thereafter | 149,528 |
| Total | <u>\$ 840,779</u> |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

8. FINANCIAL INSTRUMENTS

Derivatives

In the normal course of business, we use derivative financial instruments to manage foreign currency exchange rate risk. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored using techniques such as market value and sensitivity analyses. We do not enter into derivative transactions for trading purposes. We classify cash flows from our derivative programs as cash flows from operating activities in the Consolidated Cash Flows Statements.

Certain derivatives give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to us, and the maximum amount of loss due to credit risk, based on the gross fair value of our derivative financial instruments that are in an asset position, was \$110,617 as of August 31, 2019.

We utilize standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. These provisions may reduce our potential overall loss resulting from the insolvency of a counterparty and reduce a counterparty's potential overall loss resulting from our insolvency. Additionally, these agreements contain early termination provisions triggered by adverse changes in a counterparty's credit rating, thereby enabling us to accelerate settlement of a transaction prior to its contractual maturity and potentially decrease our realized loss on an open transaction. Similarly, a decrement in our credit rating could trigger a counterparty's early termination rights, thereby enabling a counterparty to accelerate settlement of a transaction prior to its contractual maturity and potentially increase our realized loss on an open transaction. The aggregate fair value of our derivative instruments with credit-risk-related contingent features that were in a liability position as of August 31, 2019 was \$59,791.

Our derivative financial instruments consist of deliverable and non-deliverable foreign currency forward contracts. Fair values for derivative financial instruments are based on prices computed using third-party valuation models and are classified as Level 2 in accordance with the three-level hierarchy of fair value measurements. All of the significant inputs to the third-party valuation models are observable in active markets. Inputs include current market-based parameters such as forward rates, yield curves and credit default swap pricing. For additional information related to the three-level hierarchy of fair value measurements, see Note 11 (Retirement and Profit Sharing Plans) to these Consolidated Financial Statements.

Cash Flow Hedges

Certain of our subsidiaries are exposed to currency risk through their use of our global delivery resources. To mitigate this risk, we use foreign currency forward contracts to hedge the foreign exchange risk of the forecasted intercompany expenses denominated in foreign currencies for up to three years in the future. We have designated these derivatives as cash flow hedges. As of August 31, 2019 and 2018, we held no derivatives that were designated as fair value or net investment hedges.

In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. The documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, our risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both inception of the hedge and on an ongoing basis. We assess the ongoing effectiveness of our hedges using the Hypothetical Derivative Method, which measures hedge ineffectiveness based on a comparison of the change in fair value of the actual derivative designated as the hedging instrument and the change in fair value of a hypothetical derivative. The hypothetical derivative would have terms that identically match the critical terms of the hedged item. We measure and record hedge ineffectiveness at the end of each fiscal quarter.

For a cash flow hedge, the effective portion of the change in estimated fair value of a hedging instrument is recorded in Accumulated other comprehensive loss as a separate component of Shareholders' Equity and is reclassified into Cost of services in the Consolidated Income Statements during the period in which the hedged transaction is recognized. The amounts related to derivatives designated as cash flow hedges that were reclassified into Cost of services were a net gain of \$48,333, \$93,105 and \$118,840 during fiscal 2019, 2018 and 2017, respectively. The ineffective portion of the change in fair value of a cash flow hedge is recognized immediately in Other income (expense),

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net in the Consolidated Income Statements and for fiscal 2019, 2018 and 2017, was not material. In addition, we did not discontinue any cash flow hedges during fiscal 2019, 2018 or 2017.

Other Derivatives

We also use foreign currency forward contracts, which have not been designated as hedges, to hedge balance sheet exposures, such as intercompany loans. These instruments are generally short-term in nature, with typical maturities of less than one year, and are subject to fluctuations in foreign exchange rates. Realized gains or losses and changes in the estimated fair value of these derivatives were net losses of \$112,113 and \$114,076 for fiscal 2019 and 2018, respectively, and a net gain of \$66,748 for fiscal 2017. Gains and losses on these contracts are recorded in Other income (expense), net in the Consolidated Income Statements and are offset by gains and losses on the related hedged items.

Fair Value of Derivative Instruments

The notional and fair values of all derivative instruments were as follows:

| | August 31, 2019 | August 31, 2018 |
|-------------------------------|---------------------|---------------------|
| Assets | | |
| Cash Flow Hedges | | |
| Other current assets | \$ 53,033 | \$ 29,380 |
| Other non-current assets | 49,525 | 1,065 |
| Other Derivatives | | |
| Other current assets | 8,059 | 28,700 |
| Total assets | \$ 110,617 | \$ 59,145 |
| Liabilities | | |
| Cash Flow Hedges | | |
| Other accrued liabilities | \$ 18,826 | \$ 50,870 |
| Other non-current liabilities | 8,770 | 64,365 |
| Other Derivatives | | |
| Other accrued liabilities | 32,195 | 25,455 |
| Total liabilities | \$ 59,791 | \$ 140,690 |
| Total fair value | \$ 50,826 | \$ (81,545) |
| Total notional value | \$ 8,709,917 | \$ 8,783,014 |

We utilize standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for the set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. In the Consolidated Balance Sheets, we record derivative assets and liabilities at gross fair value. The potential effect of netting derivative assets against liabilities under the counterparty master agreements was as follows:

| | August 31, 2019 | August 31, 2018 |
|----------------------------|--------------------|--------------------|
| Net derivative assets | \$ 88,811 | \$ 23,599 |
| Net derivative liabilities | 37,985 | 105,144 |
| Total fair value | \$ 50,826 | \$ (81,545) |

Equity Securities Without Readily Determinable Fair Values

We hold investments in equity securities that do not have readily determinable fair values. We record these investments at cost and remeasure them to fair value based on certain observable price changes or impairment events as they occur. The carrying amount of these investments was \$131,675 as of August 31, 2019. Prior to the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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adoption of FASB ASU No. 2016-01, these investments were accounted for under the cost method. For additional information, see Note 1 (Summary of Significant Accounting Policies) to these Consolidated Financial Statements.

9. BORROWINGS AND INDEBTEDNESS

As of August 31, 2019, we had the following borrowing facilities, including the issuance of letters of credit, to support general working capital purposes:

| | Facility Amount | Borrowings Under Facilities |
|--|---------------------|-----------------------------------|
| Syndicated loan facility (1) | \$ 1,000,000 | \$ — |
| Separate, uncommitted, unsecured multicurrency revolving credit facilities (2) | 790,191 | — |
| Local guaranteed and non-guaranteed lines of credit (3) | 220,355 | 2,458 |
| Total | <u>\$ 2,010,546</u> | <u>\$ 2,458</u> |

- (1) This facility, which matures on December 22, 2020, provides unsecured, revolving borrowing capacity for general working capital purposes, including the issuance of letters of credit. Financing is provided under this facility at the prime rate or at the London Interbank Offered Rate, plus a spread. We continue to be in compliance with relevant covenant terms. The facility is subject to annual commitment fees. As of August 31, 2019 and 2018, we had no borrowings under the facility.
- (2) We maintain separate, uncommitted and unsecured multicurrency revolving credit facilities. These facilities provide local currency financing for the majority of our operations. Interest rate terms on the revolving facilities are at market rates prevailing in the relevant local markets. As of August 31, 2019 and 2018, we had no borrowings under these facilities.
- (3) We also maintain local guaranteed and non-guaranteed lines of credit for those locations that cannot access our global facilities. As of August 31, 2019 and 2018, we had borrowings under these various facilities of \$2,458 and \$0, respectively.

Under the borrowing facilities described above, we had an aggregate of \$390,295 and \$324,602 of letters of credit outstanding as of August 31, 2019 and 2018, respectively. In addition, we had total outstanding debt of \$22,658 and \$25,013 as of August 31, 2019 and 2018, respectively.

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(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

10. INCOME TAXES

| | Fiscal | | |
|--------------------------------|---------------------|---------------------|-------------------|
| | 2019 | 2018 | 2017 |
| Current tax expense | \$ 1,501,916 | \$ 1,499,499 | \$ 1,345,233 |
| Deferred tax (benefit) expense | (96,360) | 94,000 | (364,133) |
| Total | \$ 1,405,556 | \$ 1,593,499 | \$ 981,100 |

Income tax expense attributable to income from continuing operations was \$1,405,556 and \$1,593,499 for the years ended August 31, 2019 and 2018, respectively. This is different from the amount computed by applying our relevant income tax rates to pre-tax income from continuing operations due to our global operations being taxed at different rates around the world and a net increase to prior-year non-U.S. tax liabilities, offset by benefits related to final determinations of tax liabilities for prior years. The revaluation of deferred tax assets and liabilities due to enacted changes in tax laws and tax rates did not have a material impact on our income tax expense in fiscal 2019. Changes in tax laws and tax rates decreased our net deferred tax assets by \$247,216 in fiscal 2018.

As of August 31, 2019, we had not recognized a deferred tax liability on \$425,028 of undistributed earnings for certain foreign subsidiaries, because these earnings are intended to be indefinitely reinvested. If such earnings were distributed, some countries may impose additional taxes. The unrecognized deferred tax liability (the amount payable if distributed) is approximately \$54,000.

The components of our deferred tax assets and liabilities included the following:

| | August 31, 2019 | August 31, 2018 |
|--|---------------------|---------------------|
| Deferred tax assets | | |
| Pensions | \$ 446,920 | \$ 343,415 |
| Revenue recognition | 116,518 | 110,424 |
| Compensation and benefits | 623,986 | 428,703 |
| Share-based compensation | 292,045 | 259,276 |
| Tax credit carryforwards | 527,748 | 400,253 |
| Net operating loss carryforwards | 175,196 | 122,821 |
| Deferred amortization deductions | 793,084 | 728,564 |
| Indirect effects of unrecognized tax benefits | 302,093 | 355,152 |
| Licenses and other intangibles | 1,964,506 | 31,798 |
| Other | 213,496 | 212,710 |
| Total deferred tax assets | 5,455,592 | 2,993,116 |
| Valuation allowance | (606,765) | (451,775) |
| Deferred tax assets, net of valuation allowance | 4,848,827 | 2,541,341 |
| Deferred tax liabilities | | |
| Revenue recognition | (43,124) | (66,128) |
| Investments in subsidiaries | (182,186) | (138,417) |
| Intangibles | (234,098) | (205,741) |
| Other | (173,187) | (169,977) |
| Total deferred tax liabilities | (632,595) | (580,263) |
| Net deferred tax assets | \$ 4,216,232 | \$ 1,961,078 |

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We recorded valuation allowances of \$606,765 and \$451,775 as of August 31, 2019 and 2018, respectively, against deferred tax assets principally associated with certain tax credit and tax net operating loss carryforwards, as we believe it is more likely than not that these assets will not be realized. For all other deferred tax assets, we believe it is more likely than not that the results of future operations will generate sufficient taxable income to realize these deferred tax assets. During fiscal 2019, we recorded a net increase of \$154,990 in the valuation allowance. The majority of this change related to valuation allowances on certain tax credit carryforwards, as the Company believes it is more likely than not that these assets will not be realized. During fiscal 2018, we recorded a net decrease of \$1,112,779 in the valuation allowance. Substantially all of this change related to the write-off of certain tax credit carryforwards for which we had a full valuation allowance.

We had tax credit carryforwards as of August 31, 2019 of \$527,748, of which \$24,958 will expire between 2020 and 2029, \$113 will expire between 2030 and 2039, and \$502,677 has an indefinite carryforward period. We had net operating loss carryforwards as of August 31, 2019 of \$832,118. Of this amount, \$206,741 expires between 2020 and 2029, \$28,216 expires between 2030 and 2039, and \$597,161 has an indefinite carryforward period.

We recognize interest and penalties related to unrecognized tax benefits in the Provision for income taxes. During fiscal 2019, 2018 and 2017, we recognized expense of \$8,645, \$37,230 and \$37,350 in interest and penalties, respectively. Accrued interest and penalties related to unrecognized tax benefits of \$114,566 (\$105,852, net of tax benefits) and \$125,886 (\$114,631, net of tax benefits) were reflected on our Consolidated Balance Sheets as of August 31, 2019 and 2018, respectively.

We are currently under audit by the U.S. Internal Revenue Service for fiscal 2016. We are also currently under audit in numerous state and non-U.S. tax jurisdictions. Although the outcome of tax audits is always uncertain and could result in significant cash tax payments, we do not believe the outcome of these audits will have a material adverse effect on our consolidated financial position or results of operations. With limited exceptions, we are no longer subject to income tax audits by taxing authorities for the years before 2010. We believe that it is reasonably possible that our unrecognized tax benefits could decrease by approximately \$291,000 or increase by approximately \$397,000 in the next 12 months as a result of settlements, lapses of statutes of limitations, tax audit activity and other adjustments. The majority of these amounts relate to transfer pricing matters in both U.S. and non-U.S. tax jurisdictions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
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11. RETIREMENT AND PROFIT SHARING PLANS

Defined Benefit Pension and Postretirement Plans

In the United States and certain other countries, we maintain and administer defined benefit retirement plans and postretirement medical plans for certain current, retired and resigned employees. In addition, our U.S. defined benefit pension plans include a frozen plan for former pre-incorporation partners, which is unfunded. Benefits under the employee retirement plans are primarily based on years of service and compensation during the years immediately preceding retirement or termination of participation in the plan. The defined benefit pension disclosures include our U.S. and material non-U.S. defined benefit pension plans.

Assumptions

The weighted-average assumptions used to determine the defined benefit pension obligations as of August 31 and the net periodic pension expense were as follows:

| | Pension Plans | | | | | | Postretirement Plans | | |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|-------------------------|-------------------------|-------------------------|
| | August 31, 2019 | | August 31, 2018 | | August 31, 2017 | | August 31, 2019 | August 31, 2018 | August 31, 2017 |
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Discount rate for determining projected benefit obligation | 3.00% | 2.24% | 4.00% | 3.29% | 3.75% | 2.83% | 3.00% | 3.98% | 3.73% |
| Discount rate for determining net periodic pension expense | 4.00% | 3.29% | 3.75% | 2.83% | 3.50% | 2.40% | 3.98% | 3.73% | 3.51% |
| Long term rate of return on plan assets | 4.25% | 3.02% | 4.25% | 3.56% | 4.25% | 3.52% | 3.18% | 3.64% | 4.13% |
| Rate of increase in future compensation for determining projected benefit obligation | 2.23% | 4.02% | 2.23% | 3.67% | 2.25% | 3.63% | N/A | N/A | N/A |
| Rate of increase in future compensation for determining net periodic pension expense | 2.23% | 3.67% | 2.25% | 3.63% | 2.57% | 3.47% | N/A | N/A | N/A |

We utilize a full yield curve approach to estimate the service and interest cost components by applying specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This approach provides a correlation between projected benefit cash flows and the corresponding yield curve spot rates and provides a precise measurement of service and interest costs. The discount rate assumptions are based on the expected duration of the benefit payments for each of our defined benefit pension and postretirement plans as of the annual measurement date and are subject to change each year.

The expected long-term rate of return on plan assets should, over time, approximate the actual long-term returns on defined benefit pension and postretirement plan assets and is based on historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the asset portfolio.

Assumed U.S. Health Care Cost Trend

Our U.S. postretirement plan assumed annual rate of increase in the per capita cost of health care benefits is 6.6% for the plan year ending June 30, 2020. The rate is assumed to decrease on a straight-line basis to 4.5% for the plan year ending June 30, 2038 and remain at that level thereafter. A one percentage point increase in the assumed health care cost trend rates would increase the benefit obligation by \$93,643, while a one percentage point decrease would reduce the benefit obligation by \$72,873.

U.S. Defined Benefit Pension Plan Settlement Charges

In May 2017, we settled our U.S. pension plan obligations. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. As a result of the settlement, we were relieved of any further obligation under our U.S. pension plan. During fiscal 2017, we recorded a pension settlement charge of \$509,793, and related income tax benefits of \$198,219. The charge primarily consisted of unrecognized actuarial losses

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of \$460,908 previously included in Accumulated other comprehensive loss. In connection with the settlement, we made a \$118,500 cash contribution (\$48,885 related to additional actuarial losses and \$69,615 to fund previously recorded pension liabilities). In connection with the plan termination, we created a separate defined benefit plan, with substantially the same terms as the terminated plan, for approximately 600 active employees who are currently eligible to accrue benefits.

Pension and Postretirement Expense

Pension expense for fiscal 2019, 2018 and 2017 was \$137,030, \$125,320 and \$622,302 (including the above noted settlement charge), respectively. Postretirement expense for fiscal 2019, 2018 and 2017 was not material to our Consolidated Financial Statements. Starting in fiscal 2019, the service cost component of pension and postretirement expense is included in operating expenses while the other components of net benefit cost are included in Other income (expense), net. Prior period amounts have been revised to conform with the current period presentation.

Benefit Obligation, Plan Assets and Funded Status

Selected information regarding pension and postretirement benefit plans as of August 31, 2019 and 2018 were as follows:

| | Pension Plans | | | | Postretirement Plans | |
|---|---------------------|---------------------|---------------------|---------------------|-------------------------|-------------------------|
| | August 31, 2019 | | August 31, 2018 | | August 31, 2019 | August 31, 2018 |
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Benefit obligation, end of year | \$ 383,557 | \$ 2,166,377 | \$ 331,916 | \$ 1,772,712 | \$ 576,596 | \$ 535,632 |
| Fair value of plan assets, end of year | 257,280 | 1,214,062 | 210,576 | 1,127,376 | 31,920 | 28,713 |
| Funded status, end of year | <u>\$ (126,277)</u> | <u>\$ (952,315)</u> | <u>\$ (121,340)</u> | <u>\$ (645,336)</u> | <u>\$ (544,676)</u> | <u>\$ (506,919)</u> |
| Amounts recognized in the Consolidated Balance Sheets | | | | | | |
| Non-current assets | \$ 6,707 | \$ 67,396 | \$ 6,757 | \$ 106,621 | \$ — | \$ — |
| Current liabilities | (10,473) | (33,981) | (10,854) | (27,306) | (1,257) | (1,856) |
| Non-current liabilities | (122,511) | (985,730) | (117,243) | (724,651) | (543,419) | (505,063) |
| Funded status, end of year | <u>\$ (126,277)</u> | <u>\$ (952,315)</u> | <u>\$ (121,340)</u> | <u>\$ (645,336)</u> | <u>\$ (544,676)</u> | <u>\$ (506,919)</u> |

The employer contributions, participant contributions, pension settlement and benefits paid for fiscal 2019 and 2018 were as follows:

| | Fiscal | | | |
|---------------------------|------------|----------------|------------|----------------|
| | 2019 | | 2018 | |
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Employer contributions | \$ 10,131 | \$ 81,531 | \$ 20,882 | \$ 109,292 |
| Participant contributions | — | 11,989 | — | 12,189 |
| Pension settlement | — | (8,801) | 4,289 | (71,562) |
| Benefits paid | (13,824) | (85,624) | (13,946) | (69,841) |

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Accumulated Other Comprehensive Loss

The pre-tax accumulated net loss and prior service (credit) cost recognized in Accumulated other comprehensive loss as of August 31, 2019 and 2018 was as follows:

| | Pension Plans | | | | Postretirement Plans | |
|---|-----------------|----------------|-----------------|----------------|-------------------------|-------------------------|
| | August 31, 2019 | | August 31, 2018 | | August 31, 2019 | August 31, 2018 |
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Net loss | \$ 106,328 | \$ 633,619 | \$ 105,580 | \$ 357,250 | \$ 121,798 | \$ 114,827 |
| Prior service (credit) cost | — | 21,954 | — | 22,293 | 19,427 | 23,671 |
| Accumulated other comprehensive loss, pre-tax | \$ 106,328 | \$ 655,573 | \$ 105,580 | \$ 379,543 | \$ 141,225 | \$ 138,498 |

Funded Status for Defined Benefit Plans

The accumulated benefit obligation for defined benefit pension plans as of August 31, 2019 and 2018 was as follows:

| | August 31, 2019 | | August 31, 2018 | |
|--|--------------------------------|----------------|-----------------|----------------|
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| | Accumulated benefit obligation | \$ 376,886 | \$ 1,964,148 | \$ 325,152 |

The following information is provided for defined benefit pension plans and postretirement plans with projected benefit obligations in excess of plan assets and for defined benefit pension plans with accumulated benefit obligations in excess of plan assets as of August 31, 2019 and 2018:

| | Pension Plans | | | | Postretirement Plans | |
|---|-----------------|----------------|-----------------|----------------|-------------------------|-------------------------|
| | August 31, 2019 | | August 31, 2018 | | August 31, 2019 | August 31, 2018 |
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. and Non-U.S. Plans | U.S. and Non-U.S. Plans |
| Projected benefit obligation in excess of plan assets | | | | | | |
| Projected benefit obligation | \$ 132,984 | \$ 1,514,448 | \$ 128,097 | \$ 1,009,762 | \$ 576,596 | \$ 535,632 |
| Fair value of plan assets | — | 494,065 | — | 257,805 | 31,920 | 28,713 |

| | August 31, 2019 | | August 31, 2018 | |
|--------------------------------|---|----------------|-----------------|----------------|
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| | Accumulated benefit obligation in excess of plan assets | | | |
| Accumulated benefit obligation | \$ 132,984 | \$ 1,300,082 | \$ 128,097 | \$ 848,217 |
| Fair value of plan assets | — | 465,935 | — | 220,220 |

Investment Strategies
U.S. Pension Plans

The overall investment objective of the defined benefit pension plans is to match the duration of the plans' assets to the plans' liabilities while managing risk in order to meet current defined benefit pension obligations. The plans' future prospects, their current financial conditions, our current funding levels and other relevant factors suggest that the plans can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives without undue risk to the plans' ability to meet their current benefit obligations. We recognize that asset

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allocation of the defined benefit pension plans' assets is an important factor in determining long-term performance. Actual asset allocations at any point in time may vary from the target asset allocations and will be dictated by current and anticipated market conditions, required cash flows and investment decisions of the investment committee and the pension plans' investment funds and managers. Ranges are established to provide flexibility for the asset allocation to vary around the targets without the need for immediate rebalancing.

Non-U.S. Pension Plans

Plan assets in non-U.S. defined benefit pension plans conform to the investment policies and procedures of each plan and to relevant legislation. The pension committee or trustee of each plan regularly, but at least annually, reviews the investment policy and the performance of the investment managers. In certain countries, the trustee is also required to consult with us. Asset allocation decisions are made to provide risk adjusted returns that align with the overall investment strategy for each plan. Generally, the investment return objective of each plan is to achieve a total annualized rate of return that exceeds inflation over the long term by an amount based on the target asset allocation mix of that plan. In certain countries, plan assets are invested in funds that are required to hold a majority of assets in bonds, with a smaller proportion in equities. Also, certain plan assets are entirely invested in contracts held with the plan insurer, which determines the strategy. Defined benefit pension plans in certain countries are unfunded.

Risk Management

Plan investments are exposed to risks including market, interest rate and operating risk. In order to mitigate significant concentrations of these risks, the assets are invested in a diversified portfolio primarily consisting of fixed income instruments and equities. To minimize asset volatility relative to the liabilities, plan assets allocated to debt securities appropriately match the duration of individual plan liabilities. Equities are diversified between U.S. and non-U.S. index funds and are intended to achieve long term capital appreciation. Plan asset allocation and investment managers' guidelines are reviewed on a regular basis.

Plan Assets

Our target allocation for fiscal 2020 and weighted-average plan assets allocations as of August 31, 2019 and 2018 by asset category for defined benefit pension plans were as follows:

| Asset Category | 2020 Target Allocation | | 2019 | | 2018 | |
|---------------------------------|------------------------|----------------|-------------|----------------|-------------|----------------|
| | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans | U.S. Plans | Non-U.S. Plans |
| Equity securities | —% | 27% | —% | 19% | —% | 20% |
| Debt securities | 100 | 53 | 95 | 59 | 94 | 57 |
| Cash and short-term investments | — | 1 | 5 | 2 | 6 | 2 |
| Insurance contracts | — | 16 | — | 17 | — | 17 |
| Other | — | 3 | — | 3 | — | 4 |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

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Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

The three-level hierarchy of fair value measurements is based on whether the inputs to those measurements are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect our market assumptions. The fair-value hierarchy requires the use of observable market data when available and consists of the following levels:

- Level 1—Quoted prices for identical instruments in active markets;
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

The fair values of defined benefit pension and postretirement plan assets as of August 31, 2019 were as follows:

Non-U.S. Plans

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------|
| Equity | | | | |
| Mutual fund equity securities | \$ — | \$ 226,386 | \$ — | \$ 226,386 |
| Fixed Income | | | | |
| Non-U.S. government debt securities | 125,332 | — | — | 125,332 |
| Non-U.S. corporate debt securities | 19,562 | — | — | 19,562 |
| Mutual fund debt securities | — | 569,712 | — | 569,712 |
| Cash and short-term investments | 9,799 | 9,426 | — | 19,225 |
| Insurance contracts | — | 76,219 | 133,421 | 209,640 |
| Other | — | 44,205 | — | 44,205 |
| Total | \$ 154,693 | \$ 925,948 | \$ 133,421 | \$ 1,214,062 |

There were no transfers between Levels 1 and 2 during fiscal 2019. The level 3 assets are invested in an insurance buy-in contract in a Non-U.S. plan. The fair value of the assets is set to an actuarially calculated present value of the underlying liabilities.

The U.S. Plans have \$289,200 in Level 2 assets, primarily made up of U.S. corporate debt securities of \$166,756 and U.S. government, state and local debt securities of \$71,745.

The following table provides a reconciliation of the beginning and ending balances of Level 3 assets for fiscal 2019:

| Level 3 Assets | Fiscal 2019 |
|----------------------------------|-------------------|
| Beginning balance | \$ 114,960 |
| Purchases, sales and settlements | 17,428 |
| Changes in fair value | 1,033 |
| Ending Balance | \$ 133,421 |

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The fair values of defined benefit pension and postretirement plan assets as of August 31, 2018 were as follows:

Non-U.S. Plans

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------------|-------------------|-------------------|---------------------|
| Equity | | | | |
| Mutual fund equity securities | \$ — | \$ 222,061 | \$ — | \$ 222,061 |
| Fixed Income | | | | |
| Non-U.S. government debt securities | 117,389 | — | — | 117,389 |
| Mutual fund debt securities | 4 | 535,092 | — | 535,096 |
| Cash and short-term investments | 17,687 | 5,502 | — | 23,189 |
| Insurance contracts | — | 72,820 | 114,960 | 187,780 |
| Other | — | 41,861 | — | 41,861 |
| Total | \$ 135,080 | \$ 877,336 | \$ 114,960 | \$ 1,127,376 |

There were no transfers between Levels 1 and 2 during fiscal 2018. The level 3 assets are invested in an insurance buy-in contract in a Non-U.S. plan. The fair value of the assets is set to an actuarially calculated present value of the underlying liabilities.

The U.S. Plans have \$239,289 in Level 2 assets, primarily made up of U.S. corporate debt securities of \$136,814 and U.S. government, state and local debt securities of \$58,239.

Expected Contributions

Generally, annual contributions are made at such times and in amounts as required by law and may, from time to time, exceed minimum funding requirements. We estimate we will pay approximately \$93,292 in fiscal 2020 related to contributions to our U.S. and non-U.S. defined benefit pension plans and benefit payments related to the unfunded frozen plan for former pre-incorporation partners. We have not determined whether we will make additional voluntary contributions for our defined benefit pension plans. Our postretirement plan contributions in fiscal 2020 are not expected to be material to our Consolidated Financial Statements.

Estimated Future Benefit Payments

Benefit payments for defined benefit pension plans and postretirement plans, which reflect expected future service, as appropriate, are expected to be paid as follows:

| | Pension Plans | | Postretirement Plans |
|-----------|---------------|-------------------|-----------------------------|
| | U.S. Plans | Non-U.S. Plans | U.S. and Non- U.S. Plans |
| 2020 | \$ 14,097 | \$ 73,946 | \$ 11,727 |
| 2021 | 14,870 | 80,978 | 13,378 |
| 2022 | 15,638 | 87,353 | 15,144 |
| 2023 | 16,425 | 101,844 | 17,065 |
| 2024 | 17,144 | 102,642 | 19,224 |
| 2025-2029 | 95,831 | 559,093 | 131,206 |

Defined Contribution Plans

In the United States and certain other countries, we maintain and administer defined contribution plans for certain current, retired and resigned employees. Total expenses recorded for defined contribution plans were \$530,501, \$485,736 and \$454,124 in fiscal 2019, 2018 and 2017, respectively.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

12. SHARE-BASED COMPENSATION

Share Incentive Plans

The Amended and Restated Accenture plc 2010 Share Incentive Plan, as amended and approved by our shareholders in 2018 (the “Amended 2010 SIP”), is administered by the Compensation Committee of the Board of Directors of Accenture and provides for the grant of nonqualified share options, incentive stock options, restricted share units and other share-based awards. A maximum of 99,000,000 Accenture plc Class A ordinary shares are currently authorized for awards under the Amended 2010 SIP. As of August 31, 2019, there were 16,684,906 shares available for future grants. Accenture plc Class A ordinary shares covered by awards that terminate, lapse or are cancelled may again be used to satisfy awards under the Amended 2010 SIP. We issue new Accenture plc Class A ordinary shares and shares from treasury for shares delivered under the Amended 2010 SIP.

A summary of information with respect to share-based compensation is as follows:

| | Fiscal | | |
|---|--------------|------------|------------|
| | 2019 | 2018 | 2017 |
| Total share-based compensation expense included in Net income | \$ 1,093,253 | \$ 976,908 | \$ 795,235 |
| Income tax benefit related to share-based compensation included in Net income | 356,062 | 404,124 | 349,114 |

Restricted Share Units

Under the Amended 2010 SIP, participants may be, and previously under the predecessor 2001 Share Incentive Plan were, granted restricted share units, each of which represent an unfunded, unsecured right to receive an Accenture plc Class A ordinary share on the date specified in the participant’s award agreement. The fair value of the awards is based on our stock price on the date of grant. The restricted share units granted under these plans are subject to cliff or graded vesting, generally ranging from two to seven years. For awards with graded vesting, compensation expense is recognized over the vesting term of each separately vesting portion. Compensation expense is recognized on a straight-line basis for awards with cliff vesting. Restricted share unit activity during fiscal 2019 was as follows:

| | Number of Restricted Share Units | Weighted Average Grant-Date Fair Value |
|---|-------------------------------------|---|
| Nonvested balance as of August 31, 2018 | 19,078,607 | \$ 125.59 |
| Granted (1) | 8,942,952 | 144.52 |
| Vested (2) | (7,625,120) | 119.89 |
| Forfeited | (1,394,324) | 127.32 |
| Nonvested balance as of August 31, 2019 | <u>19,002,115</u> | <u>\$ 136.66</u> |

- (1) The weighted average grant-date fair value for restricted share units granted for fiscal 2019, 2018 and 2017 was \$144.52, \$153.33 and \$117.72, respectively.
- (2) The total grant-date fair value of restricted share units vested for fiscal 2019, 2018 and 2017 was \$914,206, \$842,002 and \$726,324, respectively.

As of August 31, 2019, there was \$967,811 of total unrecognized restricted share unit compensation expense related to nonvested awards, which is expected to be recognized over a weighted average period of 1.2 years. As of August 31, 2019, there were 530,575 restricted share units vested but not yet delivered as Accenture plc Class A ordinary shares.

Stock Options

There were no stock options granted during fiscal 2019, 2018 or 2017. As of August 31, 2019 we had 3,751 stock options outstanding and exercisable at a weighted average exercise price of \$48.11 and a weighted average remaining contractual term of 1.4 years.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Employee Share Purchase Plan

2010 ESPP

The Amended and Restated Accenture plc 2010 Employee Share Purchase Plan (the “2010 ESPP”) is a nonqualified plan that provides eligible employees of Accenture plc and its designated affiliates with an opportunity to purchase Accenture plc Class A ordinary shares through payroll deductions. Under the 2010 ESPP, eligible employees may purchase Accenture plc Class A ordinary shares through the Employee Share Purchase Plan (the “ESPP”) or the Voluntary Equity Investment Program (the “VEIP”). Under the ESPP, eligible employees may elect to contribute 1% to 10% of their eligible compensation during each semi-annual offering period (up to \$7.5 per offering period) to purchase Accenture plc Class A ordinary shares at a discount. Under the VEIP, eligible members of Accenture Leadership may elect to contribute up to 30% of their eligible compensation towards the monthly purchase of Accenture plc Class A ordinary shares at fair market value. At the end of the VEIP program year, Accenture Leadership participants who did not withdraw from the program will be granted restricted share units under the Amended 2010 SIP equal to 50% of the number of shares purchased during that year and held by the participant as of the grant date.

A maximum of 90,000,000 Accenture plc Class A ordinary shares may be issued under the 2010 ESPP. As of August 31, 2019, we had issued 59,545,725 Accenture plc Class A ordinary shares under the 2010 ESPP. We issued 5,433,817, 5,428,356 and 6,103,977 shares to employees in fiscal 2019, 2018 and 2017, respectively, under the 2010 ESPP.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

13. SHAREHOLDERS' EQUITY

Accenture plc

Ordinary Shares

We have 40,000 authorized ordinary shares, par value €1 per share. Each ordinary share of Accenture plc entitles its holder to receive payments upon a liquidation of Accenture plc; however a holder of an ordinary share is not entitled to vote on matters submitted to a vote of shareholders of Accenture plc or to receive dividends.

Class A Ordinary Shares

An Accenture plc Class A ordinary share entitles its holder to one vote per share, and holders of those shares do not have cumulative voting rights. Each Class A ordinary share entitles its holder to a pro rata part of any dividend at the times and in the amounts, if any, which Accenture plc's Board of Directors from time to time determines to declare, subject to any preferred dividend rights attaching to any preferred shares. Each Class A ordinary share is entitled on a winding-up of Accenture plc to be paid a pro rata part of the value of the assets of Accenture plc remaining after payment of its liabilities, subject to any preferred rights on liquidation attaching to any preferred shares.

Class X Ordinary Shares

Most of our partners who received Accenture Canada Holdings Inc. exchangeable shares in connection with our transition to a corporate structure received a corresponding number of Accenture plc Class X ordinary shares. An Accenture plc Class X ordinary share entitles its holder to one vote per share, and holders of those shares do not have cumulative voting rights. A Class X ordinary share does not entitle its holder to receive dividends, and holders of those shares are not entitled to be paid any amount upon a winding-up of Accenture plc. Accenture plc may redeem, at its option, any Class X ordinary share for a redemption price equal to the par value of the Class X ordinary share. Accenture plc has separately agreed with the original holders of Accenture Canada Holdings Inc. exchangeable shares not to redeem any Class X ordinary share of such holder if the redemption would reduce the number of Class X ordinary shares held by that holder to a number that is less than the number of Accenture Canada Holdings Inc. exchangeable shares owned by that holder, as the case may be. Accenture plc will redeem Class X ordinary shares upon the redemption or exchange of Accenture Canada Holdings Inc. exchangeable shares so that the aggregate number of Class X ordinary shares outstanding at any time does not exceed the aggregate number of Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

Equity of Subsidiaries Redeemable or Exchangeable for Accenture plc Class A Ordinary Shares

Accenture Canada Holdings Inc. Exchangeable Shares

Partners resident in Canada and New Zealand received Accenture Canada Holdings Inc. exchangeable shares in connection with our transition to a corporate structure. Holders of Accenture Canada Holdings Inc. exchangeable shares may exchange their shares for Accenture plc Class A ordinary shares at any time on a one-for-one basis. We may, at our option, satisfy this exchange with cash at a price per share generally equal to the market price of an Accenture plc Class A ordinary share at the time of the exchange. Each exchangeable share of Accenture Canada Holdings Inc. entitles its holder to receive distributions equal to any distributions to which an Accenture plc Class A ordinary share entitles its holder.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

14. MATERIAL TRANSACTIONS AFFECTING SHAREHOLDERS' EQUITY

Share Purchases and Redemptions

The Board of Directors of Accenture plc has authorized funding for our publicly announced open-market share purchase program for acquiring Accenture plc Class A ordinary shares and for purchases and redemptions of Accenture plc Class A ordinary shares and Accenture Canada Holdings Inc. exchangeable shares held by current and former members of Accenture Leadership and their permitted transferees. As of August 31, 2019, our aggregate available authorization was \$3,674,089 for our publicly announced open-market share purchase and these other share purchase programs.

Our share purchase activity during fiscal 2019 was as follows:

| | Accenture plc Class A Ordinary Shares | | Accenture Canada Holdings Inc. Exchangeable Shares | |
|---------------------------------|--|---------------------|---|------------------|
| | Shares | Amount | Shares | Amount |
| Open-market share purchases (1) | 13,686,253 | \$ 2,254,576 | — | \$ — |
| Other share purchase programs | — | — | 128,282 | 21,778 |
| Other purchases (2) | 2,744,554 | 414,760 | — | — |
| Total | <u>16,430,807</u> | <u>\$ 2,669,336</u> | <u>128,282</u> | <u>\$ 21,778</u> |

- (1) We conduct a publicly announced open-market share purchase program for Accenture plc Class A ordinary shares. These shares are held as treasury shares by Accenture plc and may be utilized to provide for select employee benefits, such as equity awards to our employees.
- (2) During fiscal 2019, as authorized under our various employee equity share plans, we acquired Accenture plc Class A ordinary shares primarily via share withholding for payroll tax obligations due from employees and former employees in connection with the delivery of Accenture plc Class A ordinary shares under those plans. These purchases of shares in connection with employee share plans do not affect our aggregate available authorization for our publicly announced open-market share purchase and the other share purchase programs.

Cancellation of Treasury Shares

During fiscal 2019, we cancelled 17,599,481 Accenture plc Class A ordinary shares that were held as treasury shares and had an aggregate cost of \$2,745,321. The effect of the cancellation of these treasury shares was recognized in Class A ordinary shares and Additional paid-in capital with the residual recorded in Retained earnings. There was no effect on total shareholders' equity as a result of this cancellation.

Dividends

Our dividend activity during fiscal 2019 was as follows:

| Dividend Payment Date | Dividend Per Share | Accenture plc Class A Ordinary Shares | | Accenture Canada Holdings Inc. Exchangeable Shares | | Total Cash Outlay |
|-----------------------|--------------------------|--|---------------------|---|-----------------|----------------------|
| | | Record Date | Cash Outlay | Record Date | Cash Outlay | |
| November 15, 2018 | \$ 1.46 | October 18, 2018 | \$ 931,460 | October 16, 2018 | \$ 1,378 | \$ 932,838 |
| May 15, 2019 | 1.46 | April 11, 2019 | 930,265 | April 9, 2019 | 1,250 | 931,515 |
| Total Dividends | | | <u>\$ 1,861,725</u> | | <u>\$ 2,628</u> | <u>\$ 1,864,353</u> |

The payment of the cash dividends also resulted in the issuance of an immaterial number of additional restricted share units to holders of restricted share units.

Subsequent Events

On September 23, 2019, the Board of Directors of Accenture plc declared a quarterly cash dividend of \$0.80 per share on our Class A ordinary shares for shareholders of record at the close of business on October 17, 2019 payable on November 15, 2019. The payment of the cash dividend will result in the issuance of an immaterial number of additional restricted share units to holders of restricted share units.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

15. LEASE COMMITMENTS

We have operating leases, principally for office space, with various renewal options. Substantially all operating leases are non-cancelable or cancelable only by the payment of penalties. Rental expense in agreements with rent holidays and scheduled rent increases is recorded on a straight-line basis over the lease term. Rental expense, including operating costs and taxes, and sublease income from third parties during fiscal 2019, 2018 and 2017 was as follows:

| | Fiscal | | |
|------------------------------------|------------|------------|------------|
| | 2019 | 2018 | 2017 |
| Rental expense | \$ 666,461 | \$ 653,531 | \$ 617,014 |
| Sublease income from third parties | (26,863) | (28,219) | (28,992) |

Future minimum rental commitments under non-cancelable operating leases as of August 31, 2019 were as follows:

| | Operating Lease Payments | Operating Sublease Income |
|------------|--------------------------------|---------------------------------|
| 2020 | \$ 688,020 | \$ (24,884) |
| 2021 | 597,307 | (17,908) |
| 2022 | 516,544 | (8,535) |
| 2023 | 428,481 | (7,541) |
| 2024 | 363,107 | (7,184) |
| Thereafter | 1,246,097 | (30,708) |
| | <u>\$ 3,839,556</u> | <u>\$ (96,760)</u> |

16. COMMITMENTS AND CONTINGENCIES

Commitments

We have either the right to purchase at fair value or, if certain events occur, may be required to purchase at fair value outstanding shares of our SinnerSchrader AG subsidiary. As of August 31, 2019 and 2018, we have reflected the fair value of approximately \$10,000 and \$47,000, respectively, related to redeemable common stock of the subsidiary in Other accrued liabilities in the Consolidated Balance Sheets.

Indemnifications and Guarantees

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients with respect to certain matters. These arrangements with clients can include provisions whereby we have joint and several liability in relation to the performance of certain contractual obligations along with third parties also providing services and products for a specific project. In addition, our consulting arrangements may include warranty provisions that our solutions will substantially operate in accordance with the applicable system requirements. Indemnification provisions are also included in arrangements under which we agree to hold the indemnified party harmless with respect to third-party claims related to such matters as title to assets sold or licensed or certain intellectual property rights.

Typically, we have contractual recourse against third parties for certain payments we made in connection with arrangements where third-party nonperformance has given rise to the client's claim. Payments we made under any of the arrangements described above are generally conditioned on the client making a claim, which may be disputed by us typically under dispute resolution procedures specified in the particular arrangement. The limitations of liability under these arrangements may be expressly limited or may not be expressly specified in terms of time and/or amount.

As of August 31, 2019 and 2018, our aggregate potential liability to our clients for expressly limited guarantees involving the performance of third parties was approximately \$794,000 and \$782,000, respectively, of which all but approximately \$128,000 and \$130,000, respectively, may be recovered from the other third parties if we are obligated to make payments to the indemnified parties as a consequence of a performance default by the other third parties. For arrangements with unspecified limitations, we cannot reasonably estimate the aggregate maximum potential liability,

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

as it is inherently difficult to predict the maximum potential amount of such payments, due to the conditional nature and unique facts of each particular arrangement.

To date, we have not been required to make any significant payment under any of the arrangements described above. We have assessed the current status of performance/payment risk related to arrangements with limited guarantees, warranty obligations, unspecified limitations and/or indemnification provisions and believe that any potential payments would be immaterial to the Consolidated Financial Statements.

Legal Contingencies

As of August 31, 2019, we or our present personnel had been named as a defendant in various litigation matters. We and/or our personnel also from time to time are involved in investigations by various regulatory or legal authorities concerning matters arising in the course of our business around the world. Based on the present status of these matters, including the putative class action lawsuit discussed below, management believes the range of reasonably possible losses in addition to amounts accrued, net of insurance recoveries, will not have a material effect on our results of operations or financial condition.

On July 24, 2019, Accenture was named in a putative class action lawsuit filed by consumers of Marriott International, Inc. ("Marriott") in the U.S. District Court for the District of Maryland. The complaint alleges negligence by us, and seeks monetary damages, costs and attorneys' fees and other related relief, relating to a data security incident involving unauthorized access to the reservations database of Starwood Worldwide Resorts, Inc. ("Starwood"), which was acquired by Marriott on September 23, 2016. Since 2009, we have provided certain IT infrastructure outsourcing services to Starwood. We believe the lawsuit is without merit and we will vigorously defend it. We cannot reasonably estimate a range of loss, if any, at this time.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

17. SEGMENT REPORTING

Operating segments are components of an enterprise where separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance.

Our chief operating decision makers are our Chief Executive Officer and Chief Financial Officer. Our operating segments are managed separately because each operating segment represents a strategic business unit providing consulting and outsourcing services to clients in different industries.

Our reportable operating segments are our five operating groups, which are Communications, Media & Technology, Financial Services, Health & Public Service, Products and Resources. Information regarding our reportable operating segments is as follows:

| <u>Fiscal</u> | | Communications, Media & Technology | Financial Services | Health & Public Service | Products | Resources | Other | Total |
|--|----|--|-----------------------|-------------------------------|--------------|--------------|-----------|--------------|
| <u>2019</u> | | | | | | | | |
| Revenues | \$ | 8,757,250 | \$ 8,493,819 | \$ 7,160,787 | \$2,004,934 | \$ 6,771,976 | \$ 26,247 | \$43,215,013 |
| Depreciation and amortization (2) | | 146,607 | 150,451 | 154,177 | 282,772 | 158,753 | — | 892,760 |
| Operating income | | 1,554,820 | 1,237,918 | 738,974 | 1,719,881 | 1,053,481 | — | 6,305,074 |
| Net assets (liabilities) as of August 31 (3) | | 1,202,697 | (46,302) | 1,092,836 | 1,736,031 | 1,016,019 | 92,224 | 5,093,505 |
| <u>2018</u> | | | | | | | | |
| Revenues (1) | \$ | 8,229,842 | \$ 8,565,695 | \$ 6,877,779 | \$1,337,863 | \$ 5,942,012 | \$ 39,343 | \$40,992,534 |
| Depreciation and amortization (2) | | 176,232 | 161,451 | 171,084 | 271,853 | 146,156 | — | 926,776 |
| Operating income (1) | | 1,379,914 | 1,365,427 | 765,838 | 1,663,852 | 723,748 | — | 5,898,779 |
| Net assets as of August 31 (3) | | 984,345 | 23,666 | 989,150 | 1,571,620 | 1,046,216 | 153,725 | 4,768,722 |
| <u>2017</u> | | | | | | | | |
| Revenues (1) | \$ | 7,097,353 | \$ 7,654,465 | \$ 6,360,695 | \$ 9,921,960 | \$ 5,096,324 | \$ 46,044 | \$36,176,841 |
| Depreciation and amortization (2) | | 148,690 | 147,343 | 143,659 | 228,400 | 133,697 | — | 801,789 |
| Operating income (1) | | 1,057,334 | 1,256,125 | 715,136 | 1,573,477 | 589,330 | — | 5,191,402 |
| Net assets as of August 31 (3) | | 916,325 | 155,386 | 911,605 | 1,299,898 | 953,820 | 112,264 | 4,349,298 |

- (1) Effective September 1, 2018, we adopted FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) and FASB ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. Prior period amounts have been revised to conform with the current period presentation. In addition, we updated operating group results for fiscal 2018 to include an acquisition previously categorized within Other.
- (2) Amounts include depreciation on property and equipment and amortization of intangible assets controlled by each operating segment, as well as an allocation for amounts they do not directly control.
- (3) We do not allocate total assets by operating segment. Operating segment assets directly attributed to an operating segment and provided to the chief operating decision makers include receivables and current and non-current contract assets, deferred contract costs and current and non-current deferred revenues.

The accounting policies of the operating segments are the same as those described in Note 1 (Summary of Significant Accounting Policies) to these Consolidated Financial Statements.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

Revenues are attributed to geographic regions and countries based on where client services are supervised. Information regarding geographic regions and countries is as follows:

| <u>Fiscal</u> | <u>North America</u> | <u>Europe</u> | <u>Growth Markets</u> | <u>Total</u> |
|---|----------------------|---------------|-----------------------|---------------|
| <u>2019</u> | | | | |
| Revenues | \$ 19,986,136 | \$ 14,680,739 | \$ 8,548,138 | \$ 43,215,013 |
| Property and equipment, net as of August 31 | 395,782 | 354,362 | 641,022 | 1,391,166 |
| <u>2018</u> | | | | |
| Revenues (1) | \$ 18,460,395 | \$ 14,625,769 | \$ 7,906,370 | \$ 40,992,534 |
| Property and equipment, net as of August 31 | 375,237 | 319,487 | 569,296 | 1,264,020 |
| <u>2017</u> | | | | |
| Revenues (1) | \$ 16,889,272 | \$ 12,471,454 | \$ 6,816,115 | \$ 36,176,841 |
| Property and equipment, net as of August 31 | 274,463 | 294,154 | 571,981 | 1,140,598 |

(1) Effective September 1, 2018, we adopted FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Prior period amounts have been revised to conform with the current period presentation.

Our business in the United States represented 44%, 43% and 45% of our consolidated revenues during fiscal 2019, 2018 and 2017, respectively. No other country individually comprised 10% or more of our consolidated revenues during these periods. Business in Ireland, our country of domicile, represented approximately 1% of our consolidated revenues during each of fiscal 2019, 2018 and 2017.

We conduct business in Ireland and in the following countries that hold 10% or more of our total consolidated Property and equipment, net:

| | <u>August 31,</u> <u>2019</u> | <u>August 31,</u> <u>2018</u> | <u>August 31,</u> <u>2017</u> |
|---------------|----------------------------------|----------------------------------|----------------------------------|
| United States | 26% | 27% | 23% |
| India | 18 | 19 | 25 |
| Ireland | 7 | 7 | 5 |

Revenues by type of work were as follows:

| | <u>Fiscal</u> | | |
|----------------|---------------|-----------------|-----------------|
| | <u>2019</u> | <u>2018 (1)</u> | <u>2017 (1)</u> |
| Consulting | \$ 24,177,428 | \$ 22,978,798 | \$ 20,080,455 |
| Outsourcing | 19,037,585 | 18,013,736 | 16,096,386 |
| Total Revenues | 43,215,013 | 40,992,534 | 36,176,841 |

(1) Effective September 1, 2018, we adopted FASB ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). Prior period amounts have been revised to conform with the current period presentation.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

18. EMPLOYEES

The average number of persons employed by Accenture during fiscal 2019 and 2018 was as follows:

| | Fiscal | |
|--------------|----------------|----------------|
| | 2019 | 2018 |
| Billable | 446,632 | 413,986 |
| Non-Billable | 29,059 | 27,960 |
| Total | 475,691 | 441,946 |

Employee costs for fiscal 2019 and 2018 were as follows:

| | Fiscal | |
|--------------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| Wages and salaries | \$ 21,231,893 | \$ 20,000,507 |
| Social welfare costs | 2,233,800 | 2,129,549 |
| Share-based compensation expense | 1,093,253 | 976,908 |
| Pension and postretirement expense | 780,624 | 711,912 |
| Other, principally employee benefits | 1,677,861 | 1,642,335 |
| Total employee costs | \$ 27,017,431 | \$ 25,461,211 |

19. DIRECTORS' REMUNERATION

Directors' remuneration for fiscal 2019 and 2018 is set forth in the table below. Mr. Rowland, our executive chairman, and Mr. Nanterme, our former chairman and chief executive officer, have not been compensated for their service as directors. Accordingly, the amounts below include compensation for Mr. Rowland's service as executive chairman and Mr. Nanterme's service as chairman and chief executive officer (referred to as "Managerial Services") as well as compensation for all non-employee directors in their capacities as such (referred to as "Director Services").

| | Fiscal | |
|-------------------------|-----------|-----------|
| | 2019 | 2018 |
| Managerial services (1) | \$ 51,275 | \$ 23,528 |
| Director services (2) | 3,593 | 3,608 |

(1) This calculation was made in accordance with the requirements of the Companies Act 2014 and includes the following for Mr. Rowland and Mr. Nanterme for fiscal 2019 and for Mr. Nanterme for fiscal 2018, respectively: base compensation earned of \$1,729 and \$1,077; share-based compensation expense of \$47,139 and \$18,629 calculated in accordance with US GAAP; and other of \$135 and \$118. The calculation also includes non-equity incentive plan cash payments of \$2,272 and \$3,704 for Mr. Rowland for fiscal 2019 and for Mr. Nanterme for fiscal 2018, respectively.

(2) This calculation was made in accordance with the requirements of the Companies Act 2014.

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

20. AUDITORS' REMUNERATION

Fees paid to KPMG, our statutory auditor, during fiscal 2019 and 2018 were as follows:

| | Fiscal | |
|--|------------------|------------------|
| | 2019 | 2018 |
| Audit fees | | |
| Audit fees paid to KPMG and its affiliates (1) | \$ 20,146 | \$ 18,778 |
| Audit of the parent company financial statements | 75 | 75 |
| Total audit fees | 20,221 | 18,853 |
| Audit-related fees | 1,406 | 974 |
| Tax fees (2) | 1,172 | 1,247 |
| All other fees | 3 | 4 |
| Total | <u>\$ 22,802</u> | <u>\$ 21,078</u> |

(1) Includes audit fees paid to KPMG Ireland for the statutory audit of Accenture plc's Consolidated Financial Statements of \$903 and \$967 for fiscal 2019 and 2018, respectively.

(2) Includes tax fees paid to KPMG Ireland for statutory tax advisory services for Accenture plc's Consolidated Financial Statements of \$629 and \$776 for fiscal 2019 and 2018, respectively.

ACCENTURE PLC**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****21. SUBSIDIARIES**

As of August 31, 2019, our principal subsidiaries, being those subsidiaries whose assets, liabilities, financial position or profit or loss, in the opinion of the directors of Accenture principally affected our Consolidated Financial Statements or whose financial performance is not consolidated into our Consolidated Financial Statements, were as follows:

| <u>Name</u> | <u>Country of Organization</u> |
|---|--------------------------------|
| Sistemas Consulting S.L. | Andorra |
| Accenture SRL | Argentina |
| Accenture Service Center SRL | Argentina |
| Insitum Consultoria Argentina SRL | Argentina |
| Accenture Australia Pty Ltd | Australia |
| Accenture Australia Holdings Pty Ltd | Australia |
| Accenture Cloud Solutions Australia Pty Ltd | Australia |
| Accenture Cloud Solutions Pty Ltd | Australia |
| Accenture Solutions Pty Ltd | Australia |
| Analytics 8 LP | Australia |
| Analytics 8 Pty Ltd | Australia |
| Avanade Australia Pty Ltd | Australia |
| BCT Solutions Pty Ltd | Australia |
| Loud & Clear Creative Pty Ltd | Australia |
| Maud Corp Pty Limited | Australia |
| The Monkeys Pty Limited | Australia |
| Octo Technology Pty Ltd | Australia |
| Orbium Pty Ltd | Australia |
| Parker Fitzgerald PTY Ltd | Australia |
| PrimeQ Ltd | Australia |
| PrimeQ Australia Pty Ltd | Australia |
| Redcore Group Holdings Pty Ltd | Australia |
| Redcore Pty Ltd | Australia |
| Simian Pty Limited | Australia |
| Troop Studios Pty Ltd | Australia |
| Accenture GmbH | Austria |
| Avanade Österreich GmbH | Austria |
| Accenture Communications Infrastructure Solutions Ltd | Bangladesh |
| Accenture BPM S.C.R.L. | Belgium |
| Accenture NV/SA | Belgium |
| Accenture Technology Ventures S.P.R.L. | Belgium |
| Avanade Belgium SPRL | Belgium |
| Accenture Tecnologia, Consultoria e Outsourcing S.A. | Bolivia |
| Accenture (Botswana) (Proprietary) Limited | Botswana |
| Accenture Consultoria de Industria e Consumo Ltda | Brazil |
| Accenture Consultoria de Recursos Naturais Ltda | Brazil |
| Accenture do Brasil Limitada | Brazil |
| Accenture Servicos de Suporte de Negocios Ltda | Brazil |
| Accenture Servicos Administrativos Ltda | Brazil |
| AD Dialeto Agencia de Publicidade SA | Brazil |
| Avanade do Brasil Limitada | Brazil |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|---|--------------------------------|
| BPO Servicos Administrativos Ltda | Brazil |
| Concrete Desenvolvimento de Sistemas Ltda. | Brazil |
| Concrete Solutions Ltda. | Brazil |
| Gapso Servicos de Informatica Ltda. | Brazil |
| Insitum Consultoria Brasil LTDA | Brazil |
| New Content Editora e Produtora Ltda. | Brazil |
| Vivere Brasil Servicos e Solucoes SA | Brazil |
| Accenture Bulgaria EOOD | Bulgaria |
| Accenture Business Services for Utilities Inc | Canada |
| Accenture Business Services of British Columbia Limited Partnership | Canada |
| Accenture Canada Holdings Inc. | Canada |
| Accenture Inc | Canada |
| Accenture Nova Scotia Unlimited Liability Co. | Canada |
| Avanade Canada Inc. | Canada |
| Gestion Altima Canada Inc. | Canada |
| Kurt Salmon Canada LTD | Canada |
| NBS Marketing Inc. | Canada |
| PCO Innovation Canada Inc. | Canada |
| Disco (Cayman) GP Co. | Cayman Islands |
| Disco Topco Holdings Cayman LP | Cayman Islands |
| Accenture Chile Asesorias y Servicios Ltda | Chile |
| Neo Metrics Chile, S.A. | Chile |
| New Content Chile SpA | Chile |
| Shackleton Chile, S.A. | Chile |
| Accenture (China) Co Ltd | China |
| Accenture Enterprise Development (Shanghai) Co Ltd. | China |
| Accenture (Shenzhen) Technology Co., Ltd. | China |
| Accenture Technology Solutions (Dalian) Co Ltd | China |
| Aorui Advertising (Shanghai) Co., Ltd. | China |
| Avanade (Guangzhou) Computer Technology Development Co., Ltd. | China |
| Beijing Guowang Xintong Accenture Information Technology Co Ltd f/k/a NARI | China |
| Chengdu Mensa Advertising Co., Ltd. | China |
| China Communications Service Application and Solutions Technology Co Ltd (CCS Soft) | China |
| designaffairs Business Consulting (Shanghai) Co. Ltd. | China |
| Hangzhou Aiyunzhe Technology Co., Ltd. | China |
| Inventor Advertisement (Beijing) Co., Ltd. | China |
| Mackevision CG Technology and Service (Shanghai) Co. Ltd. | China |
| Nanjing Demeng Advertising Co., Ltd. | China |
| Qi Jie Beijing Information Technologies Co Ltd | China |
| Shanghai Baiyue Advertising Co., Ltd. | China |
| Shanghai Electric Group Enterprise Services Co., Ltd. | China |
| Shenzhen SAIT Information Technology Co., Ltd. | China |
| Shun Zhe Technology Development Co. Ltd. | China |
| Vertical Retail Consulting (Shanghai) Ltd. | China |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|--|--------------------------------|
| ?What If! Shanghai Co., Ltd | China |
| Zielpuls (Shanghai) Co., Ltd. | China |
| Accenture Ltda | Colombia |
| Accenture S.R.L. | Costa Rica |
| Accenture Services SRL | Costa Rica |
| Search Technologies LATAM, S.A. | Costa Rica |
| Accenture Business and Technology Services LLC | Croatia |
| Insitum Consultoria Colombia SAS | Columbia |
| Accenture Services s.r.o. | Czech Republic |
| SinnerSchrader Praha s.r.o. | Czech Republic |
| Accenture A/S | Denmark |
| Avanade Denmark A/S | Denmark |
| Filmproduction ApS | Denmark |
| Hjaltelin Stahl K/S | Denmark |
| Odgaard ApS | Denmark |
| Pegasus Production K/S | Denmark |
| Accenture Ecuador S.A. | Ecuador |
| Accenture Egypt LLC | Egypt |
| Accenture Oy | Finland |
| Accenture Services Oy | Finland |
| Accenture Technology Solutions Oy | Finland |
| Avanade Finland Oy | Finland |
| Paja Finanssivalvelut Oy | Finland |
| Accenture Customer Services Distribution SAS | France |
| Accenture Holdings France SAS | France |
| Accenture Post Trade Processing SAS | France |
| Accenture SAS | France |
| Accenture Technology Solutions SAS | France |
| Altima SAS | France |
| Appaloosa Technology SAS | France |
| Avanade France SAS | France |
| Cirruseo SAS | France |
| Digiplug SAS | France |
| Enterprise System Partners S.A.S. | France |
| Octo Technology SA | France |
| Pach Invest SAS | France |
| Accenture CAS GmbH | Germany |
| Accenture Cloud Services GmbH | Germany |
| Accenture Dienstleistungen GmbH | Germany |
| Accenture Digital Holdings GmbH | Germany |
| Accenture GmbH | Germany |
| Accenture Holding GmbH & Co. KG | Germany |
| Accenture Management GmbH | Germany |
| Accenture Services für Kreditinstitute GmbH | Germany |
| Accenture Services GmbH | Germany |
| Avanade Deutschland GmbH | Germany |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|---|--------------------------------|
| designaffairs GmbH | Germany |
| GoodFilm GmbH Filmproduktion Stuttgart | Germany |
| Kolle Rebbe GmbH | Germany |
| Mackevision Medien Design GmbH | Germany |
| Orbium GmbH | Germany |
| SinnerSchrader AG | Germany |
| SinnerSchrader Content GmbH | Germany |
| SinnerSchrader Deutschland GmbH | Germany |
| Zielpuls GmbH | Germany |
| Accenture Ghana Limited | Ghana |
| Accenture Minority III Ltd | Gibraltar |
| Accenture plc | Gibraltar |
| Accenture S.A. | Greece |
| Accenture BPM Operations Support Services S.A. | Greece |
| Accenture Company Ltd | Hong Kong |
| Accenture Technology Solutions (HK) Co. Ltd. | Hong Kong |
| Altima Asia Ltd. | Hong Kong |
| Avanade Hong Kong Ltd | Hong Kong |
| AvantBiz Consulting Limited | Hong Kong |
| designaffairs group China Co. Ltd. | Hong Kong |
| DMA Solutions Limited | Hong Kong |
| Inventor Technology Limited | Hong Kong |
| LemonXL Limited | Hong Kong |
| Most Champion Ltd | Hong Kong |
| Orbium Limited | Hong Kong |
| PacificLink iMedia Ltd. | Hong Kong |
| Pixo Punch Limited | Hong Kong |
| Seabury Aviation & Aerospace Asia (Hong Kong) Limited | Hong Kong |
| Vertical Retail Consulting Hong Kong, Ltd. | Hong Kong |
| Vertical Retail Consulting Ltd. | Hong Kong |
| Accenture Hungary Holdings Kft | Hungary |
| Accenture Industrial Software Solutions Kft | Hungary |
| Accenture Tanacsado Kolatolt Felelossegu Tarsasag | Hungary |
| Accenture Solutions Private Limited | India |
| DAZSI Systems (India) Pvt. Ltd. | India |
| Energy Quote Private Ltd. | India |
| Innoveer Solutions India Pvt Ltd | India |
| Intrigo Systems India Pvt. Limited | India |
| Kogentix Technologies Private Limited | India |
| Redcore (India) Private Limited (India) | India |
| Sanchez Capital Services Pvt Ltd | India |
| SolutionsIQ India Consulting Services Private Limited | India |
| PT Accenture | Indonesia |
| PT Asta Catur Indra | Indonesia |
| PT Kogentix Teknologi Indonesia | Indonesia |
| Accenture Capital DAC | Ireland |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|--|--------------------------------|
| Accenture Defined Benefit Pension Plan Trustees Ltd | Ireland |
| Accenture Defined Contribution Pension Plan Trustees Ltd | Ireland |
| Accenture Finance Limited | Ireland |
| Accenture Finance II Ltd | Ireland |
| Accenture Global Holdings Ltd. | Ireland |
| Accenture Global Services Ltd | Ireland |
| Accenture Global Solutions Ltd | Ireland |
| Accenture International Limited | Ireland |
| Accenture Limited | Ireland |
| Accenture Participations II Limited | Ireland |
| Avanade Ireland Limited | Ireland |
| Enterprise System Partners Limited | Ireland |
| Exactside Limited | Ireland |
| Rothco Holdings Designated Activity Company | Ireland |
| Rothco Unlimited Company | Ireland |
| S3 TV Technology Limited | Ireland |
| Tadata Creative Unlimited Company | Ireland |
| Tara Risk DAC | Ireland |
| Accenture Ltd | Israel |
| Maglan Information Defense Technologies Research Ltd. | Israel |
| Accenture Finance and Accounting BPO Services S.p.A. | Italy |
| Accenture Finance and Accounting Services Srl | Italy |
| Accenture HR Services S.p.A. | Italy |
| Accenture Managed Services SpA | Italy |
| Accenture Services and Technology Srl | Italy |
| Accenture SpA | Italy |
| Accenture Technology Solutions SRL | Italy |
| Accenture Outsourcing SRL | Italy |
| Avanade Italy SRL | Italy |
| Fruendo Srl | Italy |
| I-Faber S.p.A. | Italy |
| SEC Servizi S.p.A. | Italy |
| Accenture Japan Ltd | Japan |
| Avanade KK | Japan |
| DayNine Consulting Japan K.K. | Japan |
| IMJ Corporation | Japan |
| K4 Digital Co.,KK | Japan |
| Mackevision Japan Co., Ltd. | Japan |
| Wearex Co, Ltd | Japan |
| Accenture East Africa Limited | Kenya |
| Accenture Sàrl | Luxembourg |
| Accenture International Capital SCA | Luxembourg |
| Orbium Sàrl | Luxembourg |
| Accenture Sendirian Berhad | Malaysia |
| Accenture Technology Solutions Sdn. Bhd. | Malaysia |
| Accenture Solutions Sdn Bhd | Malaysia |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|--|--------------------------------|
| Aspiro Solutions (Malaysia) Sdn Bhd | Malaysia |
| Avanade Malaysia Sdn Bhd | Malaysia |
| Hytracc Consulting Malaysia Sdn. Bhd. | Malaysia |
| NewsPage (Malaysia) Sdn Bhd | Malaysia |
| Seabury Malaysia Sdn. Bhd. | Malaysia |
| Accenture Customer Services Limited | Mauritius |
| Accenture Services (Mauritius) Ltd | Mauritius |
| Accenture Process Ltd | Mauritius |
| Accenture S.C. | Mexico |
| Accenture Technology Solutions S.A. de C.V. | Mexico |
| Design Strategy and Research de México, S.A. de C.V. | Mexico |
| Insitum Consultoría S.A. de C.V. | Mexico |
| Operaciones Accenture S.A. de C.V. | Mexico |
| Servicios Técnicos de Programación Accenture S.C. | Mexico |
| Accenture Services Morocco SA | Morocco |
| Accenture Maghreb S.a.r.l. | Morocco |
| Octo Technology SA | Morocco |
| Accenture Mozambique Limitada | Mozambique |
| ACN Consulting Co Ltd | Myanmar |
| Accenture Australia Holding B.V. | Netherlands |
| Accenture Branch Holdings B.V. | Netherlands |
| Accenture BV | Netherlands |
| Accenture Central Europe B.V. | Netherlands |
| Accenture Holdings B.V. | Netherlands |
| Accenture International BV | Netherlands |
| Accenture Korea BV | Netherlands |
| Accenture Middle East BV | Netherlands |
| Accenture Minority I BV | Netherlands |
| Accenture Participations BV | Netherlands |
| Accenture Technology Ventures BV | Netherlands |
| Avanade Netherlands BV | Netherlands |
| Enterprise System Partners B.V., | Netherlands |
| Storm Digital B.V. | Netherlands |
| Accenture NZ Limited | New Zealand |
| Cloud Sherpas New Zealand Ltd. | New Zealand |
| DayNine Consulting (New Zealand) Limited | New Zealand |
| PrimeQ NZ Pty Ltd | New Zealand |
| Redcore (New Zealand) Limited | New Zealand |
| Accenture Ltd | Nigeria |
| Accenture AS | Norway |
| Accenture Services AS | Norway |
| Avanade Norway AS | Norway |
| Hytracc Consulting AS | Norway |
| Accenture Panama Inc | Panama |
| Accenture Peru S.R.L. | Peru |
| Accenture Technology Solutions Srl | Peru |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|---|--------------------------------|
| Insitum Consultoría Perú SAC | Peru |
| Accenture Inc | Philippines |
| Accenture Healthcare Processing Inc. | Philippines |
| Cloudsherpas, Inc. | Philippines |
| Orbium Inc. | Philippines |
| Search Technologies BPO, Inc. | Philippines |
| Zenta Global Philippines, Inc. | Philippines |
| Accenture Delivery Poland sp. z o.o. | Poland |
| Accenture Operations Sp. z o.o. | Poland |
| Accenture Services Sp. z o.o. | Poland |
| Accenture Sp. z o.o. | Poland |
| Avanade Poland Sp. z o.o. | Poland |
| Orbium International sp. z o.o. | Poland |
| Orbium Services sp. z o.o. | Poland |
| Accenture 2 Business Process Services S.A. | Portugal |
| Accenture Consultores de Gestao S.A. | Portugal |
| Accenture Technology Solutions - Soluções Informáticas Integradas, S.A. | Portugal |
| Tech - Avanade Portugal, Unipessoal Lda | Portugal |
| Accenture Puerto Rico LLC | Puerto Rico |
| Enterprise System Partners PR LLC | Puerto Rico |
| Accenture Industrial Software Solutions SA | Romania |
| Accenture Managed Services SRL | Romania |
| Accenture Services S.r.l. | Romania |
| Accenture OOO | Russia |
| Accenture Saudi Arabia Limited | Saudi Arabia |
| Accenture Pte Ltd | Singapore |
| Accenture SG Services Pte Ltd | Singapore |
| Accenture Solutions Pte Ltd | Singapore |
| Avanade Asia Pte Ltd | Singapore |
| Brand Learning Pte Limited | Singapore |
| Cloud Sherpas (SN) (PTE.) Limited | Singapore |
| Kogentix Singapore Pte. Ltd | Singapore |
| Mackevision Singapore Pte. Ltd. | Singapore |
| NewsPage Pte Ltd | Singapore |
| Orbium Pte. Ltd. | Singapore |
| Redcore (Asia) Pte Ltd | Singapore |
| ?What If! Innovation Singapore Holdings Pte | Singapore |
| Accenture Services s.r.o. | Slovak Republic |
| Accenture s.r.o. | Slovak Republic |
| Accenture Technology Solutions Slovakia s.r.o. | Slovak Republic |
| Accenture Africa Pty Ltd | South Africa |
| Accenture Mzansi (Pty) Ltd | South Africa |
| Accenture Services Pty Ltd | South Africa |
| Accenture (South Africa) Pty Limited | South Africa |
| Accenture Technology Solutions Pty Ltd | South Africa |
| Avanade South Africa Pty Ltd | South Africa |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|--|--------------------------------|
| Mackevision Korea Ltd | South Korea |
| Accenture Holdings (Iberia) S.L. | Spain |
| Accenture Outsourcing Services, S.A. | Spain |
| Accenture S.L. | Spain |
| Avanade Spain SL | Spain |
| BBVA Information Technology España, S.L. | Spain |
| CustomerWorks Europe SL | Spain |
| Energua Web, S.A. | Spain |
| Global Public Firm, S.L. | Spain |
| Informatica de Euskadi S.L. | Spain |
| Insitum Consultoría Europa SL | Spain |
| ITBS Servicios Bancarios de Tecnología de la Información SL | Spain |
| Pragsis Technologies, S.L | Spain |
| Shackleton S.A. | Spain |
| Shackleton Barcelona, S.L. | Spain |
| Shackleton Madrid, S.L. | Spain |
| Tecnologica Ecosistemas, S.A. | Spain |
| Accenture Lanka (Private) Ltd | Sri Lanka |
| Accenture AB | Sweden |
| Accenture Services AB | Sweden |
| Avanade Sweden AB | Sweden |
| Northstream AB | Sweden |
| Northstream Holding AB | Sweden |
| Accenture AG | Switzerland |
| Accenture Finance GmbH in liquidation | Switzerland |
| Accenture Finance II GmbH in liquidation | Switzerland |
| Accenture Holding GmbH in liquidation | Switzerland |
| Accenture Services AG | Switzerland |
| Avanade Schweiz GmbH | Switzerland |
| Octo Technology SA | Switzerland |
| Orbium AG | Switzerland |
| Orbium Holding AG | Switzerland |
| Orbium International AG | Switzerland |
| Orbium Licences AG | Switzerland |
| Accenture Co Ltd | Taiwan |
| Accenture Consulting Services Ltd Tanzania | Tanzania |
| Accenture Co Ltd. | Thailand |
| Accenture Solutions Co Ltd | Thailand |
| Accenture Technology Solutions (Thailand) Co., Ltd | Thailand |
| IT One Company Limited | Thailand |
| AGS Business and Technology Services Limited | Trinidad and Tobago |
| Accenture Danismanlik Limited Sirketi | Turkey |
| Accenture Industrial Software Limited Liability Company (Accenture Endüstriyel Yazılım Çözümleri Limited Şirketi) | Turkey |
| Enterprise System Partners Bilisim Danismanlik Ticaret Anonim Sirketi | Turkey |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|---|--------------------------------|
| Accenture Azerbaijan Ltd | United Kingdom |
| Accenture Cloud Software Solutions Ltd | United Kingdom |
| Accenture HR Services Ltd | United Kingdom |
| Accenture Post-Trade Processing Limited | United Kingdom |
| Accenture Systems Integration Limited | United Kingdom |
| Accenture (UK) Ltd | United Kingdom |
| Acquity Customer Insight Limited | United Kingdom |
| Adaptly UK Limited | United Kingdom |
| Allen International Consulting Group Ltd | United Kingdom |
| Avanade Europe Holdings Ltd | United Kingdom |
| Avanade Europe Services Ltd | United Kingdom |
| Avanade UK Ltd | United Kingdom |
| Brand Learning Group Limited | United Kingdom |
| Brand Learning Partners Limited | United Kingdom |
| Certus Solutions Consulting Services Ltd | United Kingdom |
| Cutting Edge Solutions Ltd | United Kingdom |
| Droga5 UK Ltd. | United Kingdom |
| Energy Management Brokers Ltd. | United Kingdom |
| GenFour Limited | United Kingdom |
| Imagine Broadband (USA) Ltd | United Kingdom |
| Infusion Development UK Limited | United Kingdom |
| K Comms Group Limited | United Kingdom |
| Kaper Communications Limited | United Kingdom |
| Karma Communications Debtco Limited | United Kingdom |
| Karma Communications Group Limited | United Kingdom |
| Karma Communications Holdings Limited | United Kingdom |
| Karmarama Comms Limited | United Kingdom |
| Karmarama Limited | United Kingdom |
| Kogentix Ltd | United Kingdom |
| Kream Comms Limited | United Kingdom |
| Kurt Salmon UKI, Ltd. | United Kingdom |
| Mackevision UK Ltd | United Kingdom |
| Nice Agency Limited | United Kingdom |
| Orbium Consulting Ltd | United Kingdom |
| Parker Fitzgerald Services Limited | United Kingdom |
| Parker Fitzgerald International Limited | United Kingdom |
| Parker Fitzgerald Limited | United Kingdom |
| Parker Fitzgerald Solutions Limited | United Kingdom |
| Pragsis Bidoop UK Ltd | United Kingdom |
| Seabury Aviation & Aerospace (UK) Limited | United Kingdom |
| Search Technologies Limited | United Kingdom |
| ?What If! China Holdings Ltd | United Kingdom |
| ?What If! Holdings Limited | United Kingdom |
| ?What If! Limited | United Kingdom |
| Accenture 2 LLC | United States |
| Accenture Capital Inc | United States |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|--|--------------------------------|
| Accenture Cloud Solutions LLC | United States |
| Accenture Credit Services LLC | United States |
| Accenture Federal Services LLC | United States |
| Accenture Flex LLC | United States |
| Accenture GP LLC | United States |
| Accenture Inc | United States |
| Accenture Insurance Services LLC | United States |
| Accenture International LLC | United States |
| Accenture LLC | United States |
| Accenture LLP | United States |
| Accenture State Healthcare Services LLC | United States |
| Accenture Sub LLC | United States |
| Accenture Sub II Inc. | United States |
| Adaptly, LLC | United States |
| Altitude LLC | United States |
| ASM Research LLC | United States |
| Avanade Federal Services LLC | United States |
| Avanade Holdings LLC | United States |
| Avanade Inc | United States |
| Avanade International Corporation | United States |
| BABCN LLC | United States |
| Bridge Energy Group LLC | United States |
| Capital Consultancy Services, Inc. | United States |
| Clearhead Group, LLC | United States |
| Cloud Sherpas (GA) LLC | United States |
| Computer Research and Telecommunications LLC | United States |
| DayNine Consulting LLC | United States |
| DAZ Systems, LLC | United States |
| Declarative Holdings, LLC | United States |
| Déjà Vu Security LLC | United States |
| Designaffairs, LLC | United States |
| Droga5, LLC | United States |
| Droga5 Studios, LLC | United States |
| D5 Global Holdings, LLC | United States |
| Enaxis Consulting, L.P. | United States |
| Enterprise Business System Solutions Corp (Japan) (EBSS) | United States |
| Enterprise System Partners Global Corporation | United States |
| Fairway Technologies, LLC | United States |
| First Annapolis Consulting, LLC | United States |
| Imagine Broadband USA LLC | United States |
| InfusionDev LLC | United States |
| Intrigo Systems, LLC | United States |
| Investtech Systems Consulting LLC | United States |
| Knowledgent Group LLC | United States |
| Kogentix LLC | United States |
| Kurt Salmon US LLC | United States |

ACCENTURE PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

| <u>Name</u> | <u>Country of Organization</u> |
|---|--------------------------------|
| Mackevision Corporation | United States |
| MCG US Holdings LLC | United States |
| Meredith Specialty LLC | United States |
| Meredith Xcelerated Marketing Corporation | United States |
| Mindtribe Product Engineering LLC | United States |
| Mortgage Cadence LLC | United States |
| Parker Fitzgerald Inc. | United States |
| Procurian International I LLC | United States |
| Procurian International II LLC | United States |
| Procurian LLC | United States |
| Procurian USA LLC | United States |
| Proquire LLC | United States |
| Radiant Services, LLC | United States |
| Seabury Corporate Advisors LLC | United States |
| Search Technologies International LLC | United States |
| Search Technologies LLC | United States |
| Sente Partners, LLC | United States |
| Solutions IQ, LLC | United States |
| TargetST8 Consulting, LLC | United States |
| Wire Stone, LLC | United States |
| Zenta Mortgage Services LLC | United States |
| Zenta Recoveries Inc | United States |
| Zenta US Holdings Inc. | United States |
| ?What If! USA LLC | United States |
| Accenture Uruguay SRL | Uruguay |
| Accenture C.A | Venezuela |
| Accenture Vietnam Co., LTD | Vietnam |
| Accenture Zambia Limited | Zambia |

ACCENTURE PLC
PARENT COMPANY FINANCIAL STATEMENTS

ACCENTURE PLC
COMPANY STATEMENTS OF FINANCIAL POSITION
As at August 31, 2019 and 2018
(In thousands of U.S. dollars)

| | August 31, 2019 | August 31, 2018 |
|---|----------------------|----------------------|
| Assets | | |
| Financial fixed assets | \$ 28,981,467 | \$ 29,716,201 |
| Total non-current assets | 28,981,467 | 29,716,201 |
| Receivables from subsidiaries | 2,588,557 | 1,816,852 |
| Prepayments and other assets | 318 | 329 |
| Cash and cash equivalents | 176 | 238 |
| Total current assets | 2,589,051 | 1,817,419 |
| Total assets | \$ 31,570,518 | \$ 31,533,620 |
| Liabilities | | |
| Payables to subsidiaries | \$ 6,547 | \$ 96,378 |
| Other current liabilities | 250 | 612 |
| Total current liabilities | 6,797 | 96,990 |
| Equity | | |
| Share capital | 72 | 72 |
| Capital redemption reserve | 5 | 5 |
| Share premium | 8,160,667 | 7,808,948 |
| Share-based payments reserve | 1,456,298 | 1,276,808 |
| Treasury share reserve | (931,513) | (1,660,085) |
| Retained earnings | 22,878,192 | 24,010,882 |
| Total equity attributable to owners of the Company | 31,563,721 | 31,436,630 |
| Total equity and liabilities | \$ 31,570,518 | \$ 31,533,620 |

These financial statements were approved and signed on behalf of the Board of Directors on October 29, 2019 by:



Julie Sweet
Director



Paula A. Price
Director

ACCENTURE PLC
COMPANY STATEMENTS OF CHANGES IN EQUITY
For years ended August 31, 2019 and 2018
(In thousands of U.S. dollars)

| | Share capital | Capital redemption reserve | Share premium | Share-based payments reserve | Treasury share reserve | Retained earnings | Total equity |
|--|------------------|----------------------------------|---------------------|------------------------------------|------------------------------|----------------------|----------------------|
| Balance as at August 31, 2017 | \$ 71 | \$ 5 | \$ 3,252,733 | \$ 1,134,558 | \$ (1,192,227) | \$ 23,547,061 | \$ 26,742,201 |
| Profit attributable to owners of the Company | | | | | | 3,052,333 | 3,052,333 |
| Issuance of ordinary shares | 1 | | 4,556,215 | | 504,160 | (68,656) | 4,991,720 |
| Net activity related to share-based payments reserve | | | | 87,369 | | 831,067 | 918,436 |
| Purchases of treasury shares | | | | | (2,554,085) | | (2,554,085) |
| Dividends paid | | | | 54,881 | | (1,768,856) | (1,713,975) |
| Retirement of shares | | — | | | 1,582,067 | (1,582,067) | — |
| Balance as at August 31, 2018 | <u>72</u> | <u>5</u> | <u>7,808,948</u> | <u>1,276,808</u> | <u>(1,660,085)</u> | <u>24,010,882</u> | <u>31,436,630</u> |
| Profit attributable to owners of the Company | | | | | | 2,760,890 | 2,760,890 |
| Issuance of ordinary shares | — | | 351,719 | | 652,587 | (121,250) | 883,056 |
| Net activity related to share-based payments reserve | | | | 122,478 | | 923,947 | 1,046,425 |
| Purchases of treasury shares | | | | | (2,669,336) | | (2,669,336) |
| Dividends paid | | | | 57,012 | | (1,950,956) | (1,893,944) |
| Retirement of shares | | | | | 2,745,321 | (2,745,321) | — |
| Balance as at August 31, 2019 | <u>\$ 72</u> | <u>\$ 5</u> | <u>\$ 8,160,667</u> | <u>\$ 1,456,298</u> | <u>\$ (931,513)</u> | <u>\$ 22,878,192</u> | <u>\$ 31,563,721</u> |

ACCENTURE PLC
COMPANY STATEMENTS OF CASH FLOWS
For years ended August 31, 2019 and 2018
(In thousands of U.S. dollars)

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Operating activities | | |
| Profit attributable to owners of the Company | \$ 2,760,890 | \$ 3,052,333 |
| Adjustments to reconcile Profit attributable to owners of the Company to net cash provided by operating activities: | | |
| Gain on sale of subsidiary shares | — | (734,258) |
| Changes in assets and liabilities | | |
| Receivables and payables from/to subsidiaries | (249,930) | 92,502 |
| Prepayments and other assets | 11 | 429 |
| Other current liabilities | (362) | (269) |
| Net cash provided by (used in) operating activities | <u>2,510,609</u> | <u>2,410,737</u> |
| Investing activities | | |
| Share based payment excess recharge received from subsidiaries | 310,780 | 465,618 |
| Net cash proceeds related to share based payment plans | (341,345) | (1,547,630) |
| Shares purchased under share buy-back program | — | 889,271 |
| Net cash provided by (used in) investing activities | <u>(30,565)</u> | <u>(192,741)</u> |
| Financing activities | | |
| Dividends paid | (1,893,944) | (1,713,975) |
| Proceeds from issuance of ordinary shares | 848,445 | 753,147 |
| Proceeds from recharges to subsidiaries | 1,234,729 | 1,296,686 |
| Purchases of treasury shares | (2,669,336) | (2,554,085) |
| Net cash provided by (used in) financing activities | <u>(2,480,106)</u> | <u>(2,218,227)</u> |
| Net increase (decrease) in cash and cash equivalents | (62) | (231) |
| Cash and cash equivalents, beginning of period | 238 | 469 |
| Cash and cash equivalents, end of period | \$ 176 | \$ 238 |

ACCENTURE PLC

NOTES TO COMPANY FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

1. REPORTING ENTITY

Accenture plc (the “Company”) is a public limited company incorporated under registered number 471706 and domiciled in Ireland.

The address of its registered office is:
1 Grand Canal Square
Grand Canal Harbour
Dublin 2

2. ACCOUNTING POLICIES

Except as explained in Note 3, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company’s financial statements.

Statement of Compliance

The Company financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and as applied under the Companies Act 2014, which comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

Basis of Preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

In 2019 the Company adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The implementation of these standards had no material impact on the Company’s financial statements.

The following standards and interpretations have been issued but are not yet effective (or in some cases have not yet been adopted by the EU) and the Company does not expect a material impact to its Company financial statements:

- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Amendments to References to Conceptual Framework in IFRS Standards

In the year ended August 31, 2019, the Company did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Functional Currency

Items included in the Company financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The Company financial statements are presented in United States dollars, which is the Company’s functional currency. Transactions in currencies other than the functional currency are recorded using the prevailing rate at the date of the transaction. The resulting monetary assets and liabilities are translated at the balance sheet rate with the resulting gains or losses reflected in the profit and loss account.

Profit and Loss Account

In accordance with Section 304 of the Companies Act 2014, the Company has availed itself of an exemption from presenting the entity profit and loss account. The Company’s profits for the years ended August 31, 2019 and 2018 were \$2,761 million and \$3,052 million, respectively.

Financial Fixed Assets

The Company’s investment in subsidiary was recorded at cost which equaled fair value on September 1, 2009. This initial valuation is the Company’s cost basis for its investment in its subsidiaries. The investment is tested for impairment if circumstances or indicators suggest that impairment may exist. Subsequent activity related to subsidiary share transactions and share-based payment transactions are accounted for at cost.

ACCENTURE PLC**NOTES TO COMPANY FINANCIAL STATEMENTS (continued)**

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

The Company's only other material financial instruments are receivables from subsidiary undertakings. Receivables from subsidiary undertakings are initially recognized at fair value and subsequently measured as assets held at amortised cost in accordance with IFRS 9, as they meet the following criteria:

- they are held in a business model whose objective is to hold assets to collect contractual cashflows; and
- their contractual cashflows give rise to cash flows that do not contain any payments other than principal or interest.

The Company has adopted in the current year the Expected Credit Loss ("ECL") model to measure impairment losses on financial assets. The Company measures loss allowances as an amount equal to 12 month ECLs. The Company determined an application of the standard that a previously unrecognised impairment loss at 1 September 2018 should be recorded, however as the amount involved is wholly immaterial, no opening balance sheet adjustment was required.

The Company recognizes a loss allowance on financial assets at an amount equal to 12 month ECLs, which are the portion of ECLs, that are possible within 12 months of the reporting date.

Taxation

Income tax represents the sum of current and deferred tax. Income tax is recognized in the statement of profit and loss except to the extent that it relates to items recognized directly in other comprehensive income or equity.

Current tax is based on taxable profit and represents the expected tax payable for the year. Taxable profit differs from net profit as reported in the statement of profit and loss because it excludes items of income or expenditure that are taxable or deductible in other periods or are not taxable/tax deductible. The liability to current tax is calculated using corporation tax rates that have been substantively enacted at the period end date.

The Company determines whether a tax position is likely to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax provision recognized is measured as the future probable outflow or economic benefit upon ultimate settlement, which could result in recording a tax liability that would reduce net assets.

Deferred tax is accounted for in respect of all time differences that have originated but not reversed at the balance sheet date. Provision is made at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Timing differences arise from the inclusion of items in income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

A deferred tax asset is only recognized when it is more likely than not the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be recovered.

Share-based payment

The Company and its subsidiaries operate a number of share-based payment plans, the details of which are presented in Note 12 (Share-Based Compensation) to the Consolidated Financial Statements. The share-based payment expense associated with the share-based payment plans is recognized by the entity which receives services in exchange for the share-based compensation. Share-based payment expense is recognized over the requisite service period for awards of equity instruments to employees based on the grant date fair value of those awards expected to ultimately vest.

Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates. The Profit and loss account of the Company is charged with the expense related to the services received by the Company. The remaining portions of the share-based payments represent a contribution to Company entities and are added to the carrying amount of those investments.

The Company issued new Accenture plc Class A ordinary shares and shares from treasury for shares delivered under its subsidiaries' various share-based payment plans. Under an agreement, the subsidiaries pay the Company an amount equal to the value of the ordinary shares issued that is in excess of the award exercise price with such amount reducing the Company's investment in its subsidiaries.

The net effect of the grant date fair value of the Company's share-based compensation to employees of the Company's subsidiaries and recharges received from those subsidiaries is reflected as an increase or decrease in financial fixed assets.

ACCENTURE PLC**NOTES TO COMPANY FINANCIAL STATEMENTS (continued)****(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)****3. HISTORY AND DESCRIPTION OF THE COMPANY**

The principal activity of the Company is an investment holding company. The Company is the parent company of one of the world's leading organizations providing management consulting, technology and outsourcing services, and operates globally with one common brand and business model designed to enable it to provide clients around the world with the same high level of service.

On March 13, 2018, Accenture Holdings plc, an Irish public company with limited liability and, at the time, a direct subsidiary of the Company, merged with and into the Company, in accordance with Chapter 16 of Part 17 of the Companies Act 2014, with the Company as the surviving entity (the "Merger"). As a result, all of the assets and liabilities of Accenture Holdings plc were acquired by Accenture plc, and Accenture Holdings plc ceased to exist. In connection with this internal merger, shareholders of Accenture Holdings plc (other than Accenture entities that held shares of Accenture Holdings plc), who primarily consisted of current and former members of Accenture Leadership and their permitted transferees, received one Class A ordinary share of Accenture plc for each share of Accenture Holdings plc that they owned, and Accenture plc redeemed all Class X ordinary shares of Accenture plc owned by such shareholders. As a result of the Merger, the Company recorded an increase of \$4,152 million in its financial fixed assets (reflecting the fair value of the issued ordinary shares in Accenture Holdings plc held by shareholders outside of the Accenture Group and excluding the shares held by the Company and Accenture Holdings plc itself), with a corresponding increase in the total amount of shareholder equity.

4. FINANCIAL FIXED ASSETS

The Company's investment in its subsidiary was recorded at fair value on September 1, 2009. This initial investment has been subsequently adjusted to reflect the activity related to subsidiary share transactions and share-based payment transactions.

| | | |
|---|----|-------------------|
| Balance as at August 31, 2017 | \$ | 25,203,434 |
| Additions in the year | | 4,152,330 |
| Net activity related to subsidiary share transactions | | (102,464) |
| Net activity related to share-based payment plans | | 462,901 |
| Balance as at August 31, 2018 | \$ | 29,716,201 |
| Net activity related to share-based payment plans | | (734,734) |
| Balance as at August 31, 2019 | \$ | <u>28,981,467</u> |

ACCENTURE PLC
NOTES TO COMPANY FINANCIAL STATEMENTS (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

5. CALLED UP SHARE CAPITAL

| | August 31, 2019 | August 31, 2018 |
|--|--------------------|--------------------|
| <i>Authorized:</i> | | |
| 40,000 ordinary shares of €1 par value | \$ 57 | \$ 57 |
| 20,000,000,000 Class A ordinary shares of \$0.0000225 par value | 450 | 450 |
| 1,000,000,000 Class X ordinary shares of \$0.0000225 par value | 23 | 23 |
| 2,000,000,000 undesignated shares of \$0.0000225 par value | 45 | 45 |
| | <u>\$ 575</u> | <u>\$ 575</u> |
| <i>Allotted, called up and fully paid equity:</i> | | |
| Ordinary shares, par value €1 per share, 40,000 shares as at August 31, 2019 and 2018 | \$ 57 | \$ 57 |
| Class A ordinary shares, par value \$0.0000225 per share, 654,739,267 and 663,327,677 shares as at August 31, 2019 and 2018, respectively(1) | 15 | 15 |
| Class X ordinary shares, par value \$0.0000225 per share, 609,404 and 655,521 shares as at August 31, 2019 and 2018, respectively(2) | — | — |
| | <u>\$ 72</u> | <u>\$ 72</u> |

(1) Includes the issuance of 9,011,071 and 35,982,509 Class A ordinary shares during the years ended August 31, 2019 and 2018, respectively.

(2) 46,711 and 19,875,862 Class X ordinary shares were cancelled during the years ended August 31, 2019 and 2018, respectively.

Ordinary Shares

The Company has 40,000 authorized ordinary shares, par value €1 per share. Each ordinary share of Accenture plc entitles its holder to receive payments upon a liquidation of Accenture plc; however a holder of an ordinary share is not entitled to vote on matters submitted to a vote of shareholders of Accenture plc or to receive dividends.

Class A Ordinary Shares

An Accenture plc Class A ordinary share entitles its holder to one vote per share, and shareholders do not have cumulative voting rights. Each Class A ordinary share entitles its holder to a pro rata part of any dividend at the times and in the amounts, if any, which Accenture plc's Board of Directors determines to declare, subject to any preferred dividend rights attaching to any preferred shares. Each Class A ordinary share is entitled on a winding-up of Accenture plc to be paid a pro rata part of the value of the assets of Accenture plc remaining after payment of its liabilities, subject to any preferred rights on liquidation attaching to any preferred shares.

Class X Ordinary Shares

An Accenture plc Class X ordinary share entitles its holder to one vote per share, and holders of those shares do not have cumulative voting rights. A Class X ordinary share does not entitle its holder to receive dividends, and holders of those shares are not entitled to be paid any amount upon a winding-up of Accenture plc. Most of our partners who received Accenture Canada Holdings Inc. exchangeable shares in connection with our transition to a corporate structure received a corresponding number of Accenture plc Class X ordinary shares. Accenture plc may redeem, at its option, any Class X ordinary share for a redemption price equal to the par value of the Class X ordinary share. Accenture plc has separately agreed with the original holders of Accenture Canada Holdings Inc. exchangeable shares not to redeem any Class X ordinary share of such holder if the redemption would reduce the number of Class X ordinary shares held by that holder to a number that is less than the number of Accenture Canada Holdings Inc. exchangeable shares owned by that holder, as the case may be. Accenture plc will redeem Class X ordinary shares upon the redemption or exchange of Accenture Canada Holdings Inc. exchangeable shares so that the aggregate number of Class X ordinary shares outstanding at any time does not exceed the aggregate number of Accenture Canada Holdings Inc. exchangeable shares outstanding. Class X ordinary shares are not transferable without the consent of Accenture plc.

ACCENTURE PLC**NOTES TO COMPANY FINANCIAL STATEMENTS (continued)**

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

6. RELATED PARTY TRANSACTIONS

The Company has entered into various related party transactions with its subsidiaries that comprise \$2,767 million and \$3,058 million of profit recorded during the years ended August 31, 2019 and 2018, respectively. Additionally, dividends of \$40 million and \$37 million were paid to subsidiaries of the Company during the years ended August 31, 2019 and 2018, respectively. The amounts recorded in Receivables from subsidiaries and Payables to subsidiaries represent amounts due entirely from and to directly and indirectly held subsidiaries. The Company had no related party transactions with any parties outside of the group of companies headed by Accenture plc that would require disclosure under IAS 24, "Related Party Disclosure" ("IAS 24"), other than fees paid to members of the Board of Directors. The Company considers the members of the Board of Directors to constitute Key Management Personnel as defined in IAS 24. Disclosure of remuneration paid to the members of the Board of Directors is provided in Note 19 (Directors' Remuneration) to the Consolidated Financial Statements.

7. GUARANTEES

The Company's borrowing facilities are the same as those described in Note 9 to the Consolidated Financial Statements.

The Company has irrevocably guaranteed the liabilities of certain of its Irish subsidiaries and, pursuant to the provisions of section 357 of the Companies Act 2014, such subsidiaries have been exempted from the filing provisions of sections 347 and 348 of the Companies Act 2014. These subsidiaries are as follows: Accenture Limited, Accenture Capital DAC, Accenture Finance Limited, Accenture Finance II Limited, Accenture Global Holdings Limited, Accenture Global Services Limited, Accenture Global Solutions Limited, Accenture International Limited, Exactside Limited, Rothco Holdings Designated Activity Company, Rothco Unlimited Company, and Tadata Creative Unlimited Company.

8. TAX

As of August 31, 2019 and 2018, the Company had unrecognized deferred tax assets of \$260 million and \$275 million, respectively, principally from tax credits on foreign dividends. The Company believes it is more likely than not that these assets will not be realized in the future and accordingly has not recognized the assets.

9. FINANCIAL INSTRUMENTS

The Company has no material financial assets or liabilities that cannot be immediately settled and has no significant exposure to interest rate or currency risk.

The Company has intercompany receivable balances totaling \$2.6 billion at year end. Management has assessed that the estimated credit loss on such balances is low based on the cash generating ability of the relevant subsidiaries and latest forecasts. On this basis management determined that it is appropriate to apply a 12-month expected credit loss model in calculating the estimated credit provision. Accenture plc has a credit rating of AA as supported by recent publications. The credit ratings for individual subsidiaries on a standalone basis would be lower than the overall Group credit rating. Taking this into account and applying a 12-month probability of default rate of between 0.00% - 0.20% to the entire balance, which would be considered highly unlikely to arise, would result in an insignificant estimated credit loss and on this basis no such provision has been recorded.

10. EMPLOYEES

The Company has no employees.

11. SUBSEQUENT EVENTS

Since the end of the fiscal year, the Directors are not aware of any other matters or circumstances not otherwise dealt with in the financial statements, that have significantly or may significantly affect the operation of the Company.