



Transparency report

The whole picture

2021

KPMG Lower Gulf Limited



Contents





Introduction



Message from the Chairman and CEO, KPMG Lower Gulf Limited

Welcome to the Transparency Report for KPMG in the Lower Gulf for the year ended 30 September 2020.

We at KPMG LG recognize the importance of sharing with our stakeholders what we do to enhance quality, to manage risk and to maintain independence. This publication focuses principally on our audit practice and underlying processes, policies and procedures.

We will reflect upon how we deliver on our fundamental promise of audit quality in the public interest: to investors, audit committees and the other stakeholders we serve. Continually delivering quality audits begins, we believe, with a culture that requires everyone in the firm to be focused on our mission to lead the industry in continually raising the standard for integrity and public trust.

Responsibility for this starts at the top and means driving and reinforcing accountability through the complete chain of command in all our audit teams and practices so that every action helps us meet our rigorous objectives. To demonstrate our commitment to continually advancing audit quality across our global organization, the KPMG International board has appointed an Audit Quality Committee, comprised of senior partners from our largest firms and led by Alison Kitchen, Chair of KPMG in Australia. Audit quality is a board focus, and it is also our priority.

Our actions are guided by our values, vision and purpose. We aim to live up to the high standards we set for ourselves while continually building upon our sound foundations, in terms of how we manage both our firms and our audit engagements.

We have dedicated significant resources toward a comprehensive review of our protocols and practices, to ensure the utmost consistency in our audit quality and client experience, as well as investment in best-in-class technology and tools for engagement teams.

Our vision is one that sees KPMG as the clear choice of professional services firm in the United Arab Emirates and Oman. We are committed to ensuring all our people do the right thing, every time. For us, integrity and independence are non-negotiable: we take decisive action when individual behavior or events occur that do not align with our values or that run counter to achieving rigorous, independent audits.

Together with our global colleagues we are united in our commitment to providing independent assurance on what matters to all our stakeholders: regulators, clients, people and our communities.

Our focus on quality is underpinned by:

- **Our culture.** We drive a relentless focus on quality and service excellence and aspire to be the standard of trust in our profession. We recognize that trust is not a given: it must be earned and maintained. A quality audit means the delivery of an appropriate and independent opinion that is properly supported in compliance with the applicable auditing standards, laws and professional requirements. This means being seen to be independent in mind and complying with our legal and professional obligations.

- **Our people.** We approach all matters in an audit with objectivity and professional skepticism to offer relevant, valued insight and impartial views through candid communications.
- **Our approach to audit quality.** This includes having globally consistent methodologies and policies, enabled by innovative tools. The expanding role of innovation and technology in audit continues to evolve, providing greater clarity and generating deeper and richer insight. Innovation in audit is an area where KPMG continues to invest significantly.
- **Our monitoring programmes.** These are fundamental to sustaining quality and to building on our success. We have a number of programs and initiatives aimed at identifying opportunities for continuous improvement and relevant remedial action. That means we also work closely with regulators, audit committees, investors and businesses to meet the expectations of stakeholders.



Nader Haffar
Chairman & CEO
KPMG Lower Gulf



Transparency Report 2020- 2021

Who we are



Who we are

2.1 Our business

KPMG Lower Gulf Limited is a provider of audit, tax and advisory services to a broad range of domestic and international clients across all sectors of business and the economy. We work closely with our clients, helping them to mitigate risks and grasp opportunities. Established in 1973, KPMG Lower Gulf consists of approximately 1,459 staff members, including 155 partners and directors, across three offices: Dubai, Abu Dhabi, and Muscat.

In addition to its presence in the UAE and Oman, KPMG is widely represented in the Middle East and has offices in Saudi Arabia, Bahrain, Qatar, Egypt, Kuwait, the Lebanon and Jordan. Full details of all the services we offer can be found on our website <https://home.kpmg.com/ae/en/home.html>.

KPMG Lower Gulf Limited (along with KPMG LLP) is part of KPMG International Cooperative's global network of professional member firms. The KPMG network includes approximately 219,000 professionals in over 147 countries around the world. KPMG in the UAE and Oman are well connected with its global member network and combine local knowledge with international expertise, providing the outstanding sector and specialist skills required by our clients. KPMG was the first major firm of its kind to organize itself along industry lines – a structure which enabled us to develop in-depth knowledge of our clients' businesses and to provide them with an informed perspective.

Over the years, KPMG has developed specialist industry and discipline groups to meet client requirements for professional advisors who understand and are experienced in a wide variety of business fields. We have significant experience across key geographic areas, and are engaged with leading industry players on a range of issues critical to the future of their industries. In addition to having many of the Middle East's leading organizations and government-related entities as its clients, KPMG in the Lower Gulf has participated in numerous milestone engagements in the region.



2.2 Our strategy | A foundation of uncompromising quality

KPMG International (KPMGI) has developed a Global Audit mission that fits within and complements the broader KPMGI story, our Collective Strategy ambition – to be the most trusted and trustworthy – and our Values. This mission statement sets forth our ultimate goal as a functional practice – to act in the public interest, which we do by:

- Enabling the capital markets to grow sustainably
- Inspiring trust in data and financial information shared
- Delivering innovation through efficiency and value
- And finally attracting and retaining diverse talent at KPMG

What we do counts.

KPMG's strategic objective is to be the most trusted and trustworthy professional services firm, with quality being our top priority. In line with our global vision, KPMG Lower Gulf's strategy includes driving a relentless focus on quality and operational excellence to achieve our collective strategy of trust and growth. The Head of Audit (HoA), Emilio Pera, reinforces this in his regular communications and meetings with partners and staff.

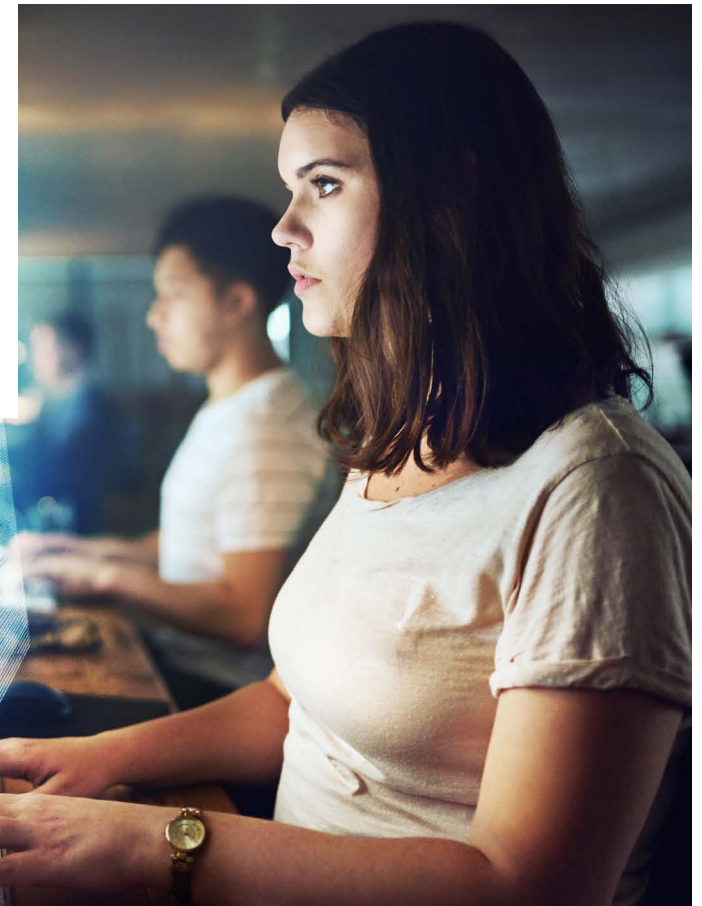
Our four global audit strategic priorities are as follows:

- Quality | Fulfill our duty to the capital markets and wider stakeholders
- Trust | Build trust with our stakeholders and people

- Growth | Revenue and stewardship – making the firm stronger for future generations by ensuring quality growth
- Operational Excellence | Achieving a globally consistent audit experience, ensuring quality, enabling growth and effectively managing costs of delivery

It is important to note that we cannot achieve these priorities without our people. Our people underpin everything we do and our success. We've already begun executing on critical People priorities with regard to role profiles, performance management, goals and KPIs.

Our KPMG values are stated in [Appendix A](#) of the report.





Our structure and governance

Our structure and governance

3.1 Legal structure

Legal structure and ownership for the financial year ending 30 September 2020

KPMG LG is affiliated with KPMG International Cooperative ("KPMG International"). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the 'Governance and leadership' section of the [2019 KPMGI Transparency Report](#).

Legal structure and ownership from 1 October 2020

On 1 October 2020, KPMG LG and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the 2020 [KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm. KPMG LG is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

KPMG Lower Gulf Limited (KPMG LG) is incorporated and registered as an exempted limited liability company in the Cayman Islands and operates all the branches registered in the United Arab Emirates and the subsidiary in the Sultanate of Oman. KPMG LG is wholly owned by the capital partners through KPMG Lower Gulf Limited Partnership, an exempted limited partnership in the Cayman Islands. KPMG LLP is incorporated in the Dubai International Financial Center (DIFC), a financial services free zone, and is an affiliated entity to KPMG LG.

During the year to 30 September 2020, there were 28 capital partners in KPMG LG (2019: 26 capital partners).

3.2 Name, ownership and legal relationships

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities. Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

3.3 Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values (see [Appendix A](#)).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is determined by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

3.4 Governance structure

KPMG LG applies high standards of corporate governance.

The Board

The main governing bodies of KPMG LG are the Board and the Executive Committee for the UAE and Oman practice. The principal governance and oversight body of KPMG LG is the LG Board which provides leadership to the organization and is responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand.

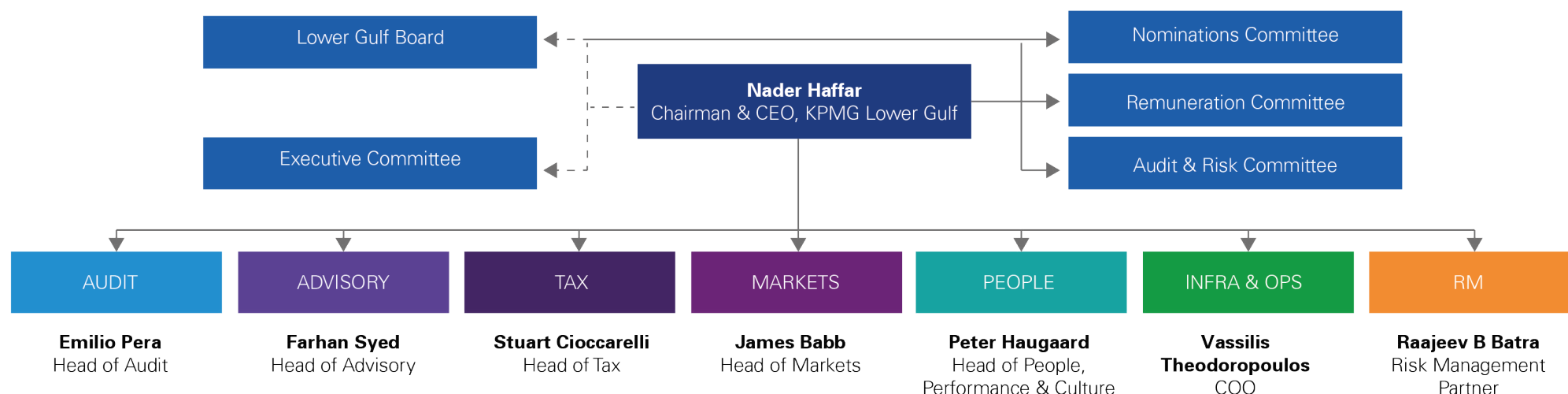
The current Chairman and CEO, Nader Haffar, was appointed with effect from 1 October 2018 as CEO following a nomination process by the members of the Nominations Committee appointed by the LG Board. Nader Haffar was appointed as Chairman from June 2019. Nader's appointment as CEO and Chairman of KPMG LG was ratified by the capital partners of KPMG LG. The Chairman chairs the Board ensuring that the Board members receive accurate, timely and clear information, and facilitates effective communication.

As of 30 September 2020, the LG Board consists of nine members, including the Chairman/CEO, two non-executive members and six additional members. The constitution of the Board is as determined by the governance documents. The Board meets periodically to undertake duties for KPMG LG (including approving the annual accounts and the transparency report). The Board met four times in addition to meetings conducted by conference calls during the year ended 30 September 2020.

The Executive Committee

The Executive Committee (ExCom) is responsible for management of the day-to-day activities of KPMG LG, recommending policy to the Board and developing the business plan within the overall strategy set by the Board, together with its subsequent implementation. It deals with operational matters affecting the firm (including monitoring operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, and retention and general remuneration, prioritization and allocation of resources and investment and managing the risk profile of KPMG LG).

The Executive Committee members are all KPMG LG service line leaders and heads of departments and are appointed by the CEO. As at 30 September 2020, in addition to the CEO, the Executive Committee included the Heads of Audit, Advisory, Tax, Risk Management, Markets, People Performance and Culture and the Chief Operating Officer. ExCom meetings are held monthly and summoned when needed in addition to the scheduled meetings.



The Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the CEO and making recommendations on policies for partners' remuneration. It is also responsible for approving the process for determining partner remuneration and hearing appeals from partners regarding their remuneration.

As part of its activities, the Remuneration Committee receives and considers appraisals on (i) the approach to ensuring that quality issues are appropriately considered in partner annual performance review, counseling and compensation (ii) whether or not there are any quality concerns about specific partners.

The Remuneration Committee comprises three members and one invitee, being the two senior independent members of the LG Board and the Chairman of KPMG LG. The Remuneration Committee met twice during the year ended 30 September 2020 and held one meeting post fiscal year end 2020 to discuss 2020 partner remuneration.

Further information regarding partner remuneration is set out in [section 6](#).

The Audit and Risk Committee

The principal role of the Audit and Risk Committee (ARC) is to provide oversight of audit and risk management matters across the firm. As part of its role it oversees that a culture of quality and integrity is maintained within the firm and,

where required, it will act as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programs and the adequacy of proposed remedial actions.

The Audit and Risk Committee consists of three members: a Board member, the Risk Management Partner and a senior advisor to the Board. The Audit and Risk Committee met six times during the year ended 30 September 2020.

Information regarding dedicated committees and networks supporting audit quality is covered in [section 4.1.2](#) below.



System of quality control

System of quality control

Overview

Tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. However, these must be backed up by a system of quality control that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) which applies to all KPMG partners and employees. KPMG LG is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG LG is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by the national regulators and other relevant regulators as well as applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG LG partners and employees. This responsibility includes the need to understand and adhere to firm policies and

associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG partners and employees wherever they are based.

While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

Audit quality framework

Audit quality is fundamental to maintaining public trust in the capital markets and the financial reports issued by audited organizations. Quality is fundamental to our purpose, and we constantly monitor and evaluate it.

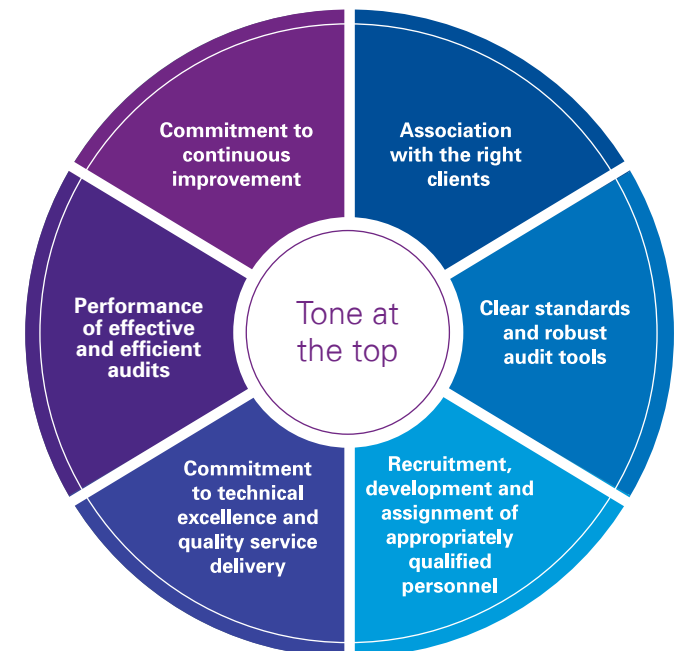
At KPMG LG, audit quality is not just about reaching the right audit opinion, but how that audit opinion is reached. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International developed the Audit Quality Framework. This framework uses a common language that is adopted by all KPMG member firms, including KPMG Lower Gulf, to describe what the KPMG network believes drives audit quality, and to highlight how every audit professional at each KPMG member firm contributes to the delivery of audit quality.

The KPMG Audit Quality Framework comprises seven key drivers. Each of the seven drivers is described in more detail in

the following sections of this report where we will cover the key initiatives taken in each of these areas along with our near term plans.

'Tone at the top' sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across the entire KPMG network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others.



4.1 Tone at the top

KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders and investors rely. At KPMG LG we promote a culture in which consultation is encouraged and recognized as a strength. Tone at the top means that KPMG LG leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust. The KPMG values are set out in [Appendix A](#).

KPMG Global Code of Conduct

KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personal and professional conduct emphasizing that, above all, KPMG people act with integrity. The KPMG values are communicated clearly to all people and are embedded into member firms' people processes — induction, performance development and reward.

Building on the KPMG values is the [KPMG Global Code of Conduct](#). Member firms, including KPMG LG are required to adopt, as a minimum standard, the Global Code of Conduct.

KPMG LG Code of Conduct

In addition, the KPMG LG Code of Conduct lays out the expectations of ethical behavior for all partners and employees at KPMG LG and is built on the foundation of the KPMG values. The KPMG LG Code of Conduct emphasizes that each

partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. The KPMG LG Code of Conduct sets out our commitments and includes provisions that require KPMG LG partners and employees, in summary to:

- Comply with laws, regulations and standards
- Work with the right clients and third parties
- Focus on quality
- Maintain our objectivity and independence
- Not tolerate illegal or unethical acts
- Protect information
- Compete fairly
- Create an inclusive environment where everyone can thrive
- Help our people to be extraordinary
- Be responsible corporate citizens
- Build public trust

All KPMG LG partners and employees are required to:

- comply with both the Global Code of Conduct and the KPMG LG Code of Conduct and confirm their compliance with the Code of Conduct, and
- complete regular training covering the Code.

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is inconsistent with the KPMG values. Moreover, everyone at KPMG is responsible for reporting, and is required to report, any activity that could potentially be illegal or in violation of the KPMG values, KPMG policies, applicable laws, regulations or professional standards.

We have procedures and established channels of communication so that our people can report ethical and quality issues. Retaliation is prohibited against individuals who 'raise their hand' and speak up in good faith.

In addition, the [KPMG International hotline](#) is a mechanism for all KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG LG, we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey (refer to [section \[4.4.6\]](#)).



4.1.1 Governance structure

Setting the tone and establishing responsibility at the top builds accountability and consistency through the complete chain of leadership and our teams. The main governing bodies of KPMG LG are the Board and the Executive Committee (covered in [section 3.4](#) above).

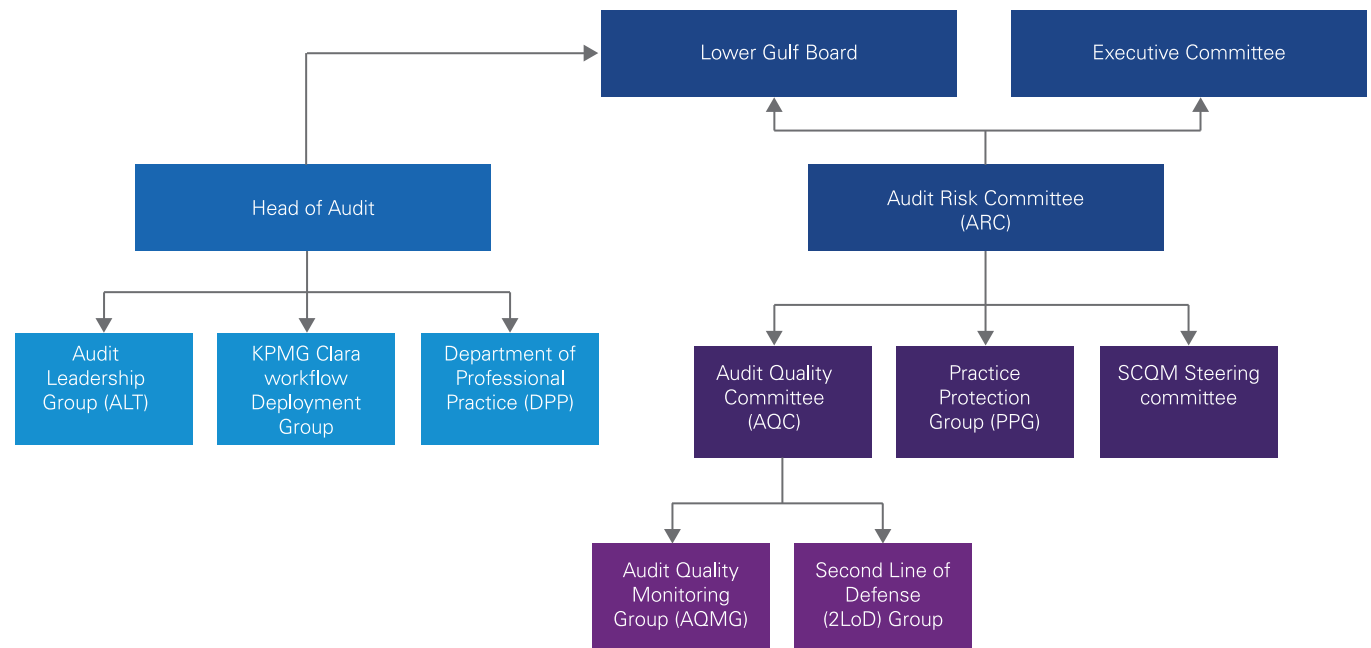
4.1.2 Leadership responsibilities for audit quality and risk management

In accordance with the principles in ISQC 1, the CEO and Chairman, Nader Haffar, has assumed ultimate responsibility for KPMG LG system of quality control. He, the Executive Committee and the Board take measures to ensure that a culture of quality prevails within KPMG LG. Operational responsibility for the system of quality control, risk management and compliance in KPMG LG has been delegated to the Risk Management Partner (RMP), Raajeev Batra, who provides quality and risk management leadership and promotes adherence to KPMG policy and professional standards within KPMG LG. The RMP is supported by an appointed Functional RMP (FRMP) in each of the service lines, Audit, Tax and Advisory. He has a seat on the Executive Committee (ExCom) and LG Board, He also has a direct reporting line to the CEO and Chairman.

Our Head of Audit (HOA), Emilio Pera, is directly accountable to the CEO and Chairman for the delivery of the firm's audit quality strategy. He determines the operation of the risk management, quality assurance and monitoring procedures for the audit function within the framework set by the RMP. He is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. He is supported by the Audit Quality Leader (AQL), Preethi Sarma, who is responsible for monitoring internal and external audit quality indicators and driving actions for continuous improvement.

Audit quality is also integral to when we appoint and promote new partners in our audit practice. We require audit partner candidates to meet the quality thresholds as part of their progression to partner.

A number of dedicated committees and networks supporting audit quality have risk and quality responsibilities to oversee and influence the firm's audit quality. These include the below:



Audit Quality Committee

The Audit Quality Committee (AQC), chaired by the RMP, reports to the ARC which in turn reports to LG Board and the Executive Committee and ensures the quality of audits and associated risks are a priority for audit leadership. Its responsibilities include:

- Global Audit Quality Transformation (GAQT) initiatives are implemented as appropriate and effectively
- Audits are executed consistently in line with KPMG methodology, other applicable standards and local regulatory frameworks
- Audit function in compliance with ISQC1 standard and ISQM1 standard requirements is ready in compliance with global timelines.
- Review local policies and initiatives impacting audit quality (including the annual revisions) formulated by AQMG or specialists to address issues impacting audit quality for completeness and relevance. Any deviations on the policies are reported, monitored and remediated appropriately.
- Further, ensure that all the related policies and documents are duly secured on a central portal and accessible to all staff.
- Review results and remediation plan of QPR and regulatory reviews.
- Identify, review and monitor key audit quality indicators.

The AQC has observers from KPMG EMA Audit Quality and Global Risk Management. Included in the members, we also

had a former KPMG UK Partner (John Hills) joining us in FY20 as an independent audit quality advisor.

Practice Protection Group (PPG)

The Practice Protection Group was formalized and made fully functional in FY 20. The PPG is formed to identify any major or multiple audit failures which could lead to reputational damage and investigate the causes of such incidents. The group is lead by the Audit FRMP, Sidharth Mehta, with support from the Department of Professional Practice. Findings from the group are reported to the Audit & Risk Committee.

SOQM Steering committee

KPMG International has policies of quality control based on the International Standard on Quality Control 1 (ISQC1) issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, relevant to firms that perform statutory audits and other assurance and related services engagements.

The firm set up an SoQM ('Standard on Quality Management') Steering Committee which reports to the ARC which in turn reports to the LG Board and the Executive Committee. The Committee, chaired by Head of Audit has functional heads from Risk, Audit Quality, Advisory, Operations and PPC as the main members.

The objective of the steering committee is to ensure the successful implementation and roll out of the SoQM in the firm, in accordance with the timelines from the Central SoQM team. The committee submits a monthly report for submission

to the Ex-Com and quarterly to the Audit Risk Committee, highlighting the progress on SoQM implementation, including key gaps and remedial actions required.

KPMG LG started the SoQM implementation process in January 2020 with a committed team in place. The Lower Gulf (LG) SoQM team is part of the EMA SoQM support team for the SOQM Implementation Readiness exercise.

Audit Leadership Group (ALT)

This group is the governance body for our external audit practice. Led by Emilio Pera, it is responsible for the development and implementation of our external audit strategy and operations. Members included the Audit Functional Risk Management Partner, Head of DPP, the Head of People for Audit, the COO for Audit and the Partners in charge of each of the audit Lines of Business (LOBs).

KPMG Clara Workflow Deployment Group

The KPMG Clara Workflow Deployment Group, led by a Deployment Partner Anurag Bajpai, is responsible for the staged implementation of our new audit workflow. Established in FY18, the group includes regional head of audits from Dubai, Abu Dhabi and Muscat, as well as DPP, ITS and Audit Quality members with the objective of ensuring a successful and seamless implementation of the Clara tool, which is a significant local and global investment to improve audit quality.

Networks supporting audit quality

KPMG uses networks to maintain our focus on audit quality. The visibility and proximity of these specialists to audit teams makes it easy to seek assistance and consult on a daily basis. Our networks include the following dedicated groups:

Department of Professional Practice (DPP)

The Department of Professional Practice (DPP) is the Centre of technical excellence responsible for providing technical accounting, reporting and auditing guidance and support to our people in the field. They are responsible for conducting technical research and interacting with local and global professional standards-setters. They provide technical guidance to client service professionals on specific engagement related matters, develop and disseminate specific topic related guidance on emerging local technical and professional issues and disseminate international guidance on IFRS and ISAs. They conduct just-in-time bite size training on an ongoing basis to senior audit professionals. They also perform pre-issuance reviews and inflight reviews as mandated by firm policy. The team comprises a dedicated partner and experienced auditing and accounting professionals.

Second Line of Defense (2LoD) Program

The program was launched in FY19 for the December 2019 year end audits. The program was supported by Global Audit Quality Monitoring Group (GAQMG) reviewers in the first year of implementation. The program supports specific audit teams throughout the lifecycle of audit focusing on key audit areas. All the reviewers are senior, experienced auditors. They coach teams to develop and robustly evidence risk assessment,

the audit approach, and execution of procedures in the key audit areas. Their goal is to improve audit quality on these specific audits as they are occurring and before opinions are issued, and more broadly through active engagement in the embedded quality networks.

Audit Quality Monitoring Group (AQMG)

The Audit Quality Monitoring Group, led by Audit Quality Leader, was set up in October, 2019. AQMG is different than the Global GAQMG and has been formed to ensure that audit quality is monitored on predefined audit quality indicators. AQMG reports to AQC and helps to drive the strategic decisions undertaken to enhance audit quality.

Key activities include thematic reviews on medium and low risk engagements, root cause analysis project, monitoring the second line of defense program, redesigning the eAudit close out processes, monitoring accelerated planning on key engagements, and supporting the firm's compliance with ISQC1 as regards certain specific pillars. At monthly AQC meetings, the team also reports any deviations at AQC to the critical policies formulated by Operations (engagement resourcing), Specialists (IRM, Valuation, Forensics) and any other quality issues on a pre-determined class of critical engagements identified.

Risk Management Group

Operational responsibility for the system emphasize of Quality Control, Risk Management (RM), Ethics and Independence (E&I) and Compliance in KPMG LG has been delegated to the Risk Management and Ethics and Independence Partner (RM&EIP), Raajeev Batra. He is responsible for providing leadership on quality, RM and E&I matters and ensuring adherence to relevant KPMG policies and professional standards within KPMG LG. Raajeev Batra is supported by Audit Risk Management Partner and Heads of Ethics and Independence, Legal and Compliance. He is also assisted by a Director for Risk Management matters.

4.2 Association with the right clients

4.2.1 Acceptance and continuance of clients and engagements

One of the keys to managing audit quality is to understand the nature of our clients and issues they face to build a robust audit response to the identified risks.

We understand our clients are linked to the quality of our work and our reputation.

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG's reputation, support our brand. These are an important part of our ability to provide high-quality professional services.

Accordingly, KPMG International has established policies and procedures which all member firms are required to implement in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

4.2.2 Client and engagement acceptance process

Client evaluation

KPMG LG undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In

addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG LG partners and employees and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be

introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with applicable professional standards, local regulatory independence requirements and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

4.2.3 Continuance process

KPMG LG undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

4.2.4 Withdrawal process

Where KPMG LG obtains information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

4.2.5 Client portfolio allocation management

Our audit leadership (LOB Lead Partner) appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement as per resource assignment policy.

We review each audit engagement leader's client portfolio at least annually in consultation with the engagement leader. The review considers the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the engagement leader to deliver a quality audit for every client.

The Head of Audit continues to monitor Partner/Director workloads and, in conjunction with the Chief Operations Officer, Audit, annually (or when the need arises) reallocates portfolios based on factors such as managed hours, utilization, area of expertise, nature of the engagement, work load, Accounting framework, Quality guidelines, any other key roles played by the engagement leader and also considering, firm's mandatory rotation policy requirements. Heads of Departments in conjunction with the business unit partners continue to analyze manager portfolios.

4.2.6 Managing risk during the COVID-19 pandemic

Our risk management team issued guidance on COVID-19 non-audit services, audit services and reminders to engagement teams on potential impacts to independence during this time of global disruption.

Key focus was on:

- Communications to those charged with governance
- Unpaid fees due from audit clients
- Activities impacting personal independence
- Recommended amendments to our engagement letters/ client contracts
- Implemented digital signature process and principles around its acceptability



4.3 Clear standards and robust audit tools

All KPMG LG professionals are expected to adhere to KPMG International and KPMG LG policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant / applicable local and international laws and regulations. We provide a range of tools to support the staff to adhere to the KPMG policies and procedures. We dedicate significant resources to keeping our standards and tools complete and up to date.

4.3.1 Our approach to audit

The KPMG organization has been investing significantly in evolving its audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG’s smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data science, audit automation, data visualization and more. Digital audit is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG’s high-quality audit process will continue to include:

- **timely partner and manager involvement** throughout the engagement
- **access to the right knowledge** including involvement of specialists, training and experience requirements and relevant industry expertise

- **critical assessment of all audit evidence obtained during the audit**, exercising appropriate professional judgment
- **ongoing mentoring, supervision and review** of the engagement team managing and documenting the audit.

KPMG’s commitment to audit quality during the COVID-19 pandemic

The COVID-19 pandemic has forced us all to think differently, we continue to respond to and embrace this challenge. Most organizations are likely to be impacted by the COVID-19 pandemic, either directly or indirectly, and the increased economic uncertainty and risk may have significant financial reporting implications. Issues including going concern, asset impairments and valuations will require careful judgment as organizations deal with a high degree of uncertainty and market volatility. KPMG firms’ role as auditors is to evaluate these judgements.

Since the start of the pandemic we have maintained an online COVID-19 | Financial reporting resource center to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence communications with Those Charged With Governance, and considerations for remote working environments.

KPMG’s guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with all audit technical accounting and auditing resources, guidance and audit platforms and tools available electronically, enabling the conversion to a remote working environment.

Communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide KPMG firms with more regular updates, including virtual meetings to share best practices and guidance.

4.3.1.1 Consistent audit methodology and tools

Bringing consistency through our methodology

Our audit methodology, tools and guidance are:

- globally consistent and fully compliant with the applicable standards, including International Standard on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by member firms
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- centered on identifying risk, focusing on risks of material misstatements and the necessary audit response

- made available to all KPMG audit professionals and required to be used, where necessary
- applied even where local auditing standards may be less demanding than the ISAs

The KPMG audit methodology is set out in KPMG’s Audit Manual (currently used with eAuditIT) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes additional requirements that go beyond the ISAs, which we believe enhance audit quality. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards, and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many companies are experiencing significant financial uncertainty. We have issued guidance to our auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairments and provided reminders of the importance of exercising professional skepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

KPMG firms may add local requirements and/or guidance in the Audit manual to comply with additional professional, legal, or regulatory requirements.

Delivering through our current audit workflow

The current KPMG audit is enabled through eAuditIT, an activity-based workflow and electronic audit file [used by all KPMG member firms. eAuditIT is KPMG’s audit documentation workflow that allows professionals to complete quality and consistent audits. eAuditIT integrates KPMG’s audit methodology, guidance and industry-specific, and the tools needed to execute and document the audit work performed. eAuditIT can be “scaled” to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to KPMG’s audit guidance, professional standards and documentation templates.

Investing for the future

While our current audit workflow and methodology are robust and consistent with all auditing standards’ requirements, the changes we are making will enable us to execute on our objective of a relentless focus on audit quality and provide us with the platform to build in continuous enhancements as the power of new technologies develops.

Bringing it all together in KPMG Clara

We recognize that in order to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today’s digital world.

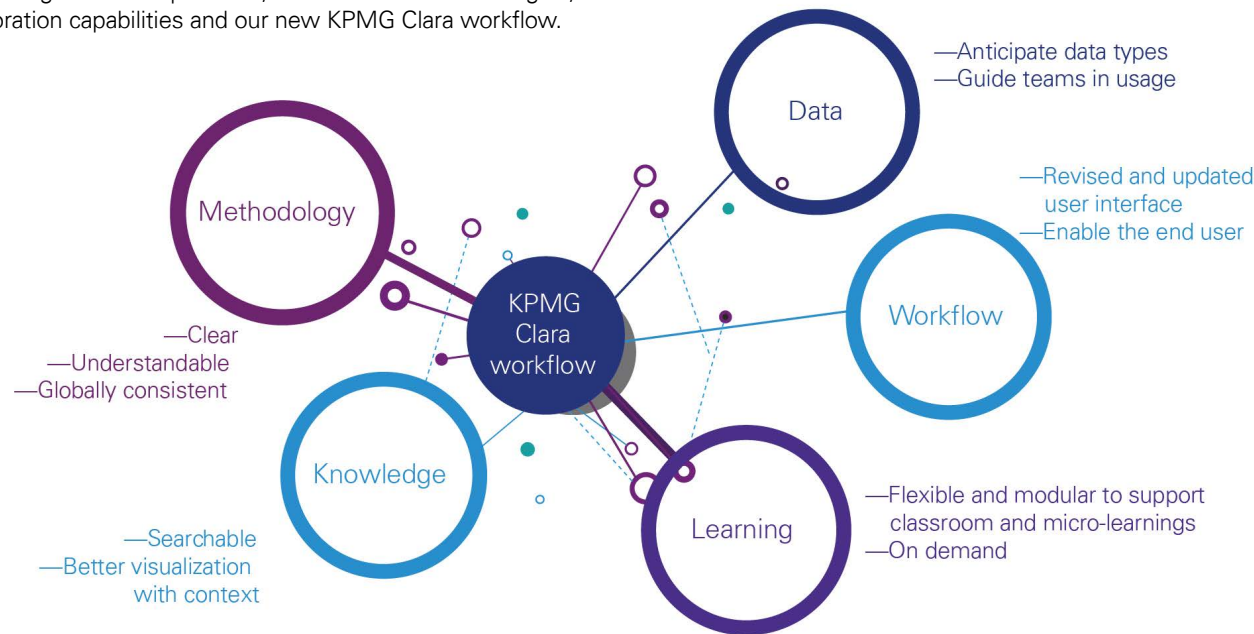
That is why we embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver more detailed insights to our clients, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

The continuation of this process will see a new workflow and revised audit methodology embedded into the KPMG Clara platform. Deployment of the “KPMG Clara workflow” is already in progress and full deployment globally is expected to be completed by the end of 2022.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience for our people.

It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

The KPMG Clara smart audit platform brings together KPMG’s digital audit capabilities, innovative new technologies, collaboration capabilities and our new KPMG Clara workflow.



The new KPMG Clara workflow will be used by our audit teams to execute and document KPMG audits. It will guide audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards with a clear display of information, visuals, and guidance available at the moment of need, and with embedded advanced digital audit capabilities. The workflow and revised audit methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and clearly drive audit quality and global consistency.

Through the use of data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow will also facilitate member firms’ monitoring of audit execution at the engagement level.

Once the KPMG Clara workflow has been fully deployed our predecessor audit workflow tool, eAudit, will be retired.

Strategically embedding the use of data through digital audit capabilities

KPMG Clara also allows us to more seamlessly build digital audit capabilities into our audits. Digital audit routines are capable of interrogating and analyzing vast quantities of data.



KPMG's audit is designed to:

- **enhance audit quality**; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- **be secure**; by restricting access to data both in transit and within KPMG's IT environments; and
- **be transparent**; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

Digital audit capabilities and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

Current capabilities in this area facilitate the performance of planning and risk assessment activities and substantive procedures, and include capabilities that:

- enable the analysis of account balances and journal entry data
- automate 'period on period' balances comparison and 'time series' evolution information
- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

Together with our KPMG Clara platform, we are significantly investing in digital audit capabilities and paving the way for the increasing use of emerging technologies such as robotic process automation and machine learning — which will take the power of technology applied in the audit to an even greater level.

Accounting and financial reporting

Accounting and financial reporting knowledge is core to quality service delivery and the performance of effective and efficient audits. To support the technical excellence of our people, DPP produces publications and reference materials describing KPMG's positions on accounting standards. Our DPP financial reporting team dedicates significant time to supporting teams auditing their clients' transition to new accounting standards, including most recently IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases. This ranges from one on one audit team support to developing and instructing learning material on complex issues.

Guidance available to support accounting, auditing and financial reporting matters

To maximize effectiveness and efficiency of audit, DPP regularly develops and distributes templates, standardized workpapers, checklists, quick reference cards, flashes, alerts and practice aids (collectively referred as 'Intellectual resources') developed locally taking leverage from the global resources. These resources are accessible to all staff on a portal. Currently, there are 500+ Intellectual resources (INTR) on the DPP portal which includes accounting, auditing and financial reporting. Some of the locally developed standardized workpapers include – materiality, Journal entries, estimates, group audit and predictive revenue SAP based on cash receipts. During the COVID-19 crisis, DPP also created a dedicated space to share local and global resources to help teams with the emerging

issues ranging to risk assessment to reporting requirements. The portal is also used to access all the local training material conducted by DPP covering the key technical topics e.g. Group audits, IFRS 9, 15 and 16, annual audit updates etc. On an annual basis, all the INTR is checked for updates.

Going forward, w.e.f. January 2021, as a part of compliance with ISQC1, DPP team will review the INTR on an annual basis. The Head of DPP signs off the changes made to the INTR.

Innovation and technology to drive efficiency

Technology and innovation are changing the way we execute our audit engagements, empowering our people to deliver greater quality and value. Making data and analytics (D&A) a core part of the KPMG audit is critical to our mission of driving audit quality. We believe that thinking differently, collaborating to create and execute ideas is the key to innovation and that's the direction we are moving in. Having developed our own Robotic Process Automation (RPA) solutions like ConfiBOT and PBC BOT, we are moving forward on an exciting journey of Innovation in Audit. A core team consisting of representatives from various Business Units has been created. This core team will be responsible to provide awareness, understanding and opportunity to engage in an educated conversation of innovation and those forces changing our client market.

In line with global member firms, we plan to focus on People, Technology and Innovation to go digital.

4.3.2 Independence, integrity, ethics and objectivity

4.3.2.1 Overview

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Quality & Risk Management Manual, which applies to all KPMG member firms. Automated tools, which must be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the standards issued by local regulators and those of other applicable regulatory bodies. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

KPMG International has a Partner-in-Charge of the Global Independence Group, who is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG member firms, and that tools are available to help them and their personnel comply with these requirements.

KPMG LG has a designated Ethics and Independence Partner (EIP) who is also the RMP. He has primary responsibility for the

direction and execution of ethics and independence policies and procedures in KPMG LG.

The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing resources responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials,
- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts, and this is checked through the internal monitoring programs.

KPMG LG personnel are required to consult with EIP on certain matters as defined in the Global Q&RM Manual. Consultations may also be required with the Global Independence Group, depending upon the facts and circumstances.

4.3.2.2 Personal financial independence

KPMG International policies require that each KPMG member firm and its professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG's audit and assurance clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners — irrespective of their member firm and function — are generally prohibited from owning securities of any audit client of any member firm.

KPMG LG professionals are responsible for making appropriate inquiries and taking other appropriate actions on an ongoing basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes.

In common with other KPMG member firms, we use a web-based KPMG independence compliance system, (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

Partners and:

- all client-facing personnel who are assistant manager grade or above; and
- non-client facing staff who are manager grade and above

are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publically traded entities in KICS, which automatically notifies them if their investments subsequently become restricted . Newly restricted investments must be disposed of immediately or within five business days of the notification. We monitor partner and employee compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Partners in leadership positions in the member firm are audited once every 3 years.

[In 2020 over 30 of KPMG LG partners and employees were subject to these audits (this included approximately [14%] of our partners).]

4.3.2.3 Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter into employment negotiations with that audit

client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG LG are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG LG, including payments which are not fixed and predetermined and/or would be material to KPMG LG and ceased participating in KPMG LG business and professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG LG professionals by audit clients.

KPMG professionals engaged in negotiations regarding possible employment with an entity we audit are immediately removed from the audit engagement.

If a professional accepts employment with an entity we audit, the engagement team gives active consideration to the appropriateness or necessity of modifying the audit procedure to adjust for risk of circumvention by the former professional of the KPMG LG.

4.3.2.4 Firm financial independence

KPMG LG must also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.

In common with other KPMG member firms, KPMG LG uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in pension, and employee benefit plans.

Additionally, KPMG LG is required to record in the system all borrowing and capital financing relationships, and custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG LG confirms compliance with independence requirements as part of the Risk Compliance Program.

4.3.2.5 Business relationships/suppliers

KPMG LG has policies and procedures in place that are designed to ensure its business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

These include establishing and maintaining a process to evaluate potential third-party arrangements (for example business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities) with particular regard to whether they have a bearing on auditor independence.

All prospective business relationships are evaluated to assess association risks and to identify potential auditor independence and conflicts of interest issues. A relationship involving a third-party service provider - that a member firm will use to assist with client engagements or other purposes - is also required to be evaluated to determine whether the third party has the competence to provide the relevant services. The individuals

providing the services are required to confirm they understand and will comply with applicable ethics and independence requirements, and they are also required to complete ethics training. Third parties providing services to audit or assurance clients are required to complete independence training.

4.3.2.6 Business acquisitions, admissions and investments

If KPMG LG is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultation requirements are required to enable independence and other issues to be addressed when integrating the business into KPMG LG and the wider KPMG network.

4.3.2.7 Independence clearance process

KPMG LG follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' must be completed prior to accepting an audit engagement for these entities.

The 'KPMG Independence Checkpoint' tool automates and standardizes all the workflows that comprise the independence clearance process.

4.3.2.8 Independence training and confirmations

All KPMG LG partners and client service professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining KPMG LG and on an annual basis thereafter.

New personnel who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG LG or (b) before providing any services to, or becoming a member of the chain of command for, any audit client, including any of its related entities or affiliates.

We also provide all personnel with annual training on the KPMG LG Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies. New personnel are required to complete this training within one month of joining the firm.

In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are also required to undertake anti-bribery training.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by, applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation as well as their understanding of, and compliance with, the applicable Code of Conduct. This confirmation is used to evidence the individual's compliance with and understanding of KPMG's independence policies.

4.3.2.9 Non-audit services

KPMG LG has policies that comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

We have established and maintain a process to review and approve all new and modified services that are developed by KPMG LG. KPMG LG's EIP is involved in the review of potential independence issues and the Global Independence Group is involved in the case of services developed which are intended to be delivered to audit or assurance clients in more than one jurisdiction and appropriate safeguards.

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential threats and safeguards is also required to be included in the Sentinel™ submission. Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their related entities or affiliates, in Sentinel™, and they are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners, for those entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

4.3.2.10 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. These policies require KPMG member firms to consult with their Area Q&RM Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In particular, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- This would be disclosed to those charged with governance at the audit entity; and
- A senior partner from another KPMG member firm would be appointed as the engagement quality control (EQC) reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG LG over the last two years.

4.3.2.11 Conflicts of interest

Conflicts of interest can arise in situations where KPMG LG personnel have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the EIP, who is also RMP, is required in these situations.

KPMG International policies are also in place to prohibit KPMG partners and staff from accepting gifts and hospitality from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to have been offered with the intent to improperly influence the behavior of the audit team member or the member firm. KPMG partners and staff are also precluded from offering inducements, including gifts and entertainment, which are made or perceived to be made with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a member firm or its personnel in their ability to be objective or otherwise act without bias.

All KPMG member firms must use Sentinel™ for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG LG has risk management resource/s ('Resolver/s') who are/is responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented. It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise, or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal ethical dividers between engagement teams serving different

clients, and making arrangements to monitor the operation of such dividers

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated. Any potential conflict matters that raise important points of principle for KPMG LG are referred to our Risk Management Partner for resolution; in cases of difficulty a panel of partners may be convened to resolve the matter.

4.3.2.12 Independence breaches

All KPMG LG personnel are required to report an independence breach as soon as they become aware of it. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy.

KPMG LG has a documented and communicated disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Our Risk management team is led by an E&I Partner, who oversees implementation of policies and procedures in relation to ethical matters and breaches of requirements. Any breaches of auditor independence regulations are reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

Matters arising are factored into our promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

4.3.2.13 Compliance with laws, regulations, anti-bribery and corruption

Compliance with laws, regulation and standards is a key aspect for all KPMG LG personnel. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption can be found on the [anti-bribery and corruption site](#).

Please also refer to KPMG International's annual communication on progress report for the [UN Global Compact](#).

4.3.2.14 Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG LG partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive

years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit.

KPMG LG monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and EQC Reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The partner rotation monitoring is subject to compliance testing.

Firm rotation

KPMG LG has processes in place to track and manage audit firm rotation. The relevant regulatory requirements are as follows:

Abu Dhabi Accountability Authority (ADAA):

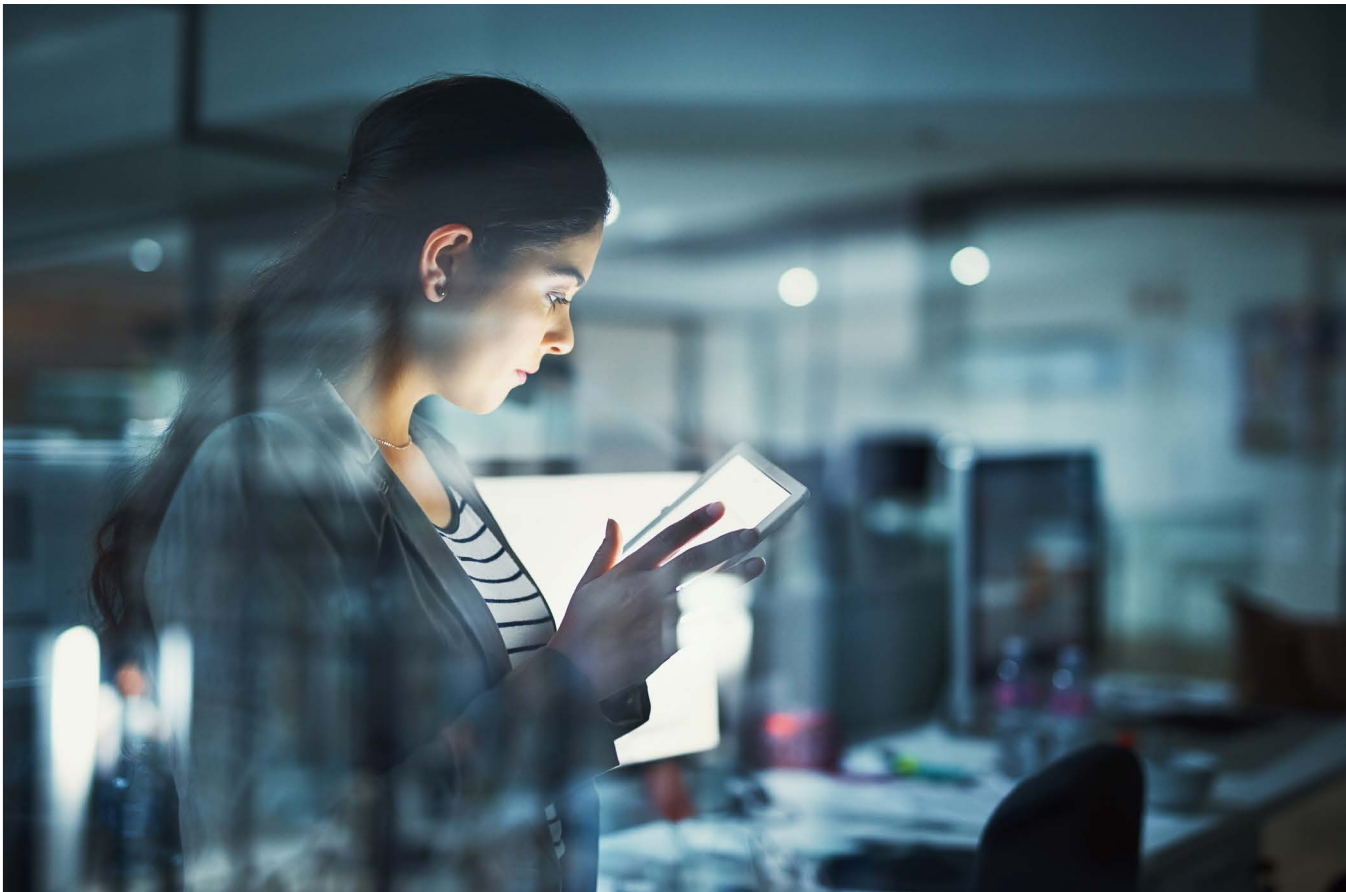
ADAA issued a rotation requirement in accordance with article 14 of Law number (14), specifying a rotation requirement of Four (4) Years for auditors. This requirement is applicable for ADAA regulated government entities. It is prohibited to appoint the Auditor or the Engagement Partner before completion of four years of last audit service provided by each of them to the Entity.

Government of UAE, Ministry of economy (MOE) & SCA:

UAE commercial companies Law reference "Federal Law No. 2 of 2015" issued on 1/04/2015 has been amended by UAE Federal Decree 26/2020 which has come into effect from 2 January 2021. Article 243 of the amended law specifies the term for audit firm and partner appointment as "The appointment term of the auditing company may not exceed six (6) consecutive fiscal years from the date of its appointment. In such case, the auditing partner; responsible for the auditing works of the company; shall be replaced after three (3) fiscal years. The same auditing company may be reappointed after the lapse of at least two (2) consecutive years from the expiration date of its appointment."

UAE Securities and Commodities Authority (applicable for all the local public joint stock company/companies of UAE)

It is expected that the UAE Securities and Commodities Authority (SCA) board resolution No. 25 of 2015, Article 11 (pursuant to which the Company or Fund was not permitted to appoint an Audit Firm for more than three (3) successive financial years, with reappointment after two (2) financial years from disengagement date) will be amended shortly to reflect the changes in relation to audit rotation.



DIFC registered companies

The DFSA Rulebook – Auditor Module specifies in section 5.2.2 (1) that a Registered Auditor must not consent to an appointment or continue to act as the Auditor of a Public Listed Company if the Audit Principal who has responsibility for the conduct of the audit of the Public Listed Company has acted as Audit Principal in relation to that Company for a period exceeding the maximum period permitted under the Code of Ethics for Professional Accountants and has not been rotated as required under that Code, consequently (7) years as per KPMG policy.

4.4 Recruitment, development and assignment of appropriately qualified people

One of the key drivers of quality is ensuring that our professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. The KPMG performance development approach, linked to the KPMG values, is designed to articulate what is required for success — both individually and collectively. Ensuring Audit quality is an essential element of the training, planning and development underway to support the KPMG Clara Workflow roll-out and the associated updated KPMG audit methodology, with processes embedded in all KPMG learning programs.

4.4.1 Recruitment

Attracting, retaining and developing talented individuals is at the very top of our people agenda and is key to KPMG LG being a magnet for talent. All candidates applying for professional positions apply and follow a thorough selection process, which includes application screening, competency-based interviews, ability testing and qualification and reference checks.

At the beginning of FY18, we conducted an extensive exercise to identify key positions in the firm that had to be filled. Based on the gaps identified, we developed a recruitment plan and invested our key resources to ensure that we hired the right individuals for the right engagements at the right time. KPMG UAE recruited over 450 individuals within a span of two years until end of FY 2020, which included strengthening the specialist teams such as IRM, DPP and our data analytics team to enhance audit quality. With quality being our top

priority, our focus is to recruit individuals who are qualified chartered accountants. There is a significant increase in the number of experienced and qualified chartered accountants from 34% in FY18 to 62% in FY20 owing to existing staff qualifying professional examinations or recruitment of qualified staff.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. On joining the firm, the new joiners participate in a 3 days long induction program which includes training in areas such as ethics and independence, quality and risk management principles, engagement management and our people management procedures. The program helps the new joiners learn about the processes and procedures within the firm. The objective of this session is to ensure the new joiner has a smooth integration within KPMG and understands the history, future, vision, mission and purpose of KPMG.

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG Lower Gulf does not accept any confidential information belonging to the candidate's former firm/employer.

The Partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles

4.4.2 Personal development

Development

It is important that all our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work ([see section 4.6.1](#)). We provided 41,057 hours of training in financial year 2020, constituting 2.7% of total chargeable hours (2019: 32,510 hours, constituting 2.3% of total chargeable hours).

Opportunities are provided to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills.

In October 2019, KPMG LG launched a new approach to performance management 'KPMG Open Performance Development' which was applied to all member firms and follows the principle 'Everyone a Leader', where stretching goals are set and reviewed regularly throughout the year. Leadership competencies include 'driving quality', 'advancing an ethical environment' and 'making sound decisions'. A goals library is available for colleagues to gain inspiration around what goals they want to set, with one category of goals focused specifically around quality.

In our performance development approach, feedback can be sought and received through two mechanisms, informal feedback, which should be regular and owned by the individual for their own development and growth, and formal feedback through an engagement review form which

specifically requests feedback on quality. KPMG LG monitors quality incidents and maintains quality and compliance metrics for the purpose of engagement leader assignments and also for the purposes of engagement leader evaluation, promotion and remuneration. In relation to audit, opportunities are provided for professionals to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills.

KPMG LG professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments, and country rotational and global mobility opportunities.

4.4.3 Inclusion and Diversity programs

Being inclusive and diverse enables us to bring together successful teams with the broadest range of skills, experiences and ways of working. We promote a positive integration between work and life to encourage not only professional achievements but also to provide an environment that enables everyone, regardless of gender, ethnicity, age, disability, religion or socio-economic background to reach their full potential. We strive to be an employer of choice by ensuring that all our people are empowered to make decisions and feel proud and motivated to do their best.

Over the past couple of years, we have improved our gender diversity (male to female ratio) from 64:36 in 2019 to 63:37 in FY 2020 with an increase mainly in the number of female directors and partners.

Further, our workforce includes 27% Arabic speakers who are integrated into our teams to support engagements where Arabic language skills are required. In addition, our partner group comprises of 18% Arabic speakers.

We embrace and harness diversity of background, diversity of experience, diversity of perspective – as a result of which our firm is represented by 53 nationalities.

Emiratization

The Emiratization initiative in the UAE has progressed at full speed in 2019 and is showing no signs of slowing down in 2020. As it was announced by the government of the UAE that this year will be the year of preparing for the next 50 years, it's important for us to embrace Emiratization in line with the UAE vision 2021

Pre-audit qualification training program ('PAQT')

- This program was initiated with Abu Dhabi Global Market and Human Resource Authority in early 2019.
- The purpose of the program is to train Emirati graduates and help them obtain their ACCA, plus helping them engage with clients as part of their on-job training.
- The program is clustered into 4 cohorts a year. Cohort 2 has been postponed due to Covid-19.
- Towards the end of the program, KPMG is committed to hire 50% of the graduates who complete ACCA and are rated 3 or higher.

For more about Inclusion and Diversity at KPMG International and its member firms read [here](#)

4.4.4 Reward and Promotion

Evaluation process including quality and compliance metrics

KPMG LG professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed goals, demonstration of our global behavior, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from junior and senior colleagues as well as peers. The feedback gathered forms an integral part of performance reviews.

Going beyond performance reviews and compensation, the KPMG Global Behaviors are designed to extend across all our people processes, including recruitment methodologies, recognition approaches and development planning. The behaviors are a constant reference point, articulating to our people what is required for success individually and collectively.

KPMG LG monitors quality and compliance incidents and maintain quality metrics in assessing overall evaluation, promotion and remuneration of partner and staff. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

During FY20, the Quality & Risk Rating (Q&RR) Framework ('the Framework') was developed and:

- is issued as input to the annual goal setting and performance review process to drive and reward quality performance and risk awareness

- uses Quality, E&I and Risk Metrics to objectively assess individuals who have fallen short in demonstrating the required standards of Quality, E&I & Risk Management expected by the Firm
- aims to improve the clarity of the linkage between quality-related inputs and the performance review and remuneration process
- supplements the existing performance evaluation model for partners and staff.

The Framework will apply to all partners and staff from the financial year ending September 30, 2021.

KPMG LG policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

Reward

We have compensation and promotion policies that are clear, simple, and linked to the performance review process which, for partners, includes the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return.

Reward decisions are based on consideration of both individual and organizational performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to [section 4.4.6](#)).

Promotion

The results of performance evaluations directly affect the promotion and remuneration of partners and staff and, in some cases, their continued association with KPMG.

Partner admissions

The KPMG LG process for admission to partnership is rigorous and thorough, involving multiple, appropriate members of leadership. Our criteria for admission to the KPMG LG partnership are aligned and consistent with our KPMG Values, and our commitment to professional integrity, quality, client service and to being an employer of choice. On average, an audit partner with KPMG LG has 11 years experience with the UAE practice. This average number of years increases to 18 once we consider the number of years these partners have worked with other network KPMG practices. The current partner pool brings in experience from e.g. United Kingdom, South Africa, Canada, India, Russia and Australia which enables us to bring together successful teams; teams with a broad range of skills, experience and perspectives that not only reflects the diversity within our firm, but more importantly the diversity of our clients.

4.4.5 Assignment of professionals

We have procedures in place to assign engagement leaders and other professionals to a specific engagement on the basis of their skills, relevant professional and industry experience and the nature of the assignment or engagement.

During FY20, a formal engagement resource policy was established. The intent of this policy is to outline the requirements of staff engagement assignment and portfolio

allocation for partners, directors and managers on audit, assurance and related services engagements. These requirements consider the competence, capabilities and workload of each staff member to ensure that engagements are adequately staffed in a timely manner.

Resources planning and allocation of Associates to Partners are managed centrally, ensuring optimum utilization of staff across the firm. The Designated Resource Planning Team manages and approves the allocation of the specific team member involvement in the respective engagement to audit, review or other assurance or related engagements, checking that the allocation is in compliance with the resource planning policy. If the resources are not available locally, access is provided to a network of highly skilled KPMG professionals in other member firms.

Our Head of Audit is responsible for the partner assignment process and is supported by the Head of Operations and the Heads of LOB's.

4.4.6 Insights from our people – Global People Survey (GPS)

The firm annually invites all its people to participate in an independent Global People Survey which measures their overall level of engagement with the firm. The GPS provides an overall Engagement Index, Trust Index and Growth Index aligned to the Collective Strategy. In addition to insights into a variety of category areas that drive engagement and indicate where strengths or opportunities lie. Results can be analyzed by functional or geographical area, grade, role and gender, to provide greater understanding. Additional insight is provided on how we are faring on categories known to impact employee engagement and where we stand versus a variety of local, global and periodic benchmarks. The survey also specifically provides KPMG LG leadership and KPMG global leadership with results related to audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership and tone at the top. KPMG LG participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the KPMG network and are presented to the global board each year and appropriate follow-up actions are agreed.



4.5 Commitment to technical excellence and quality service delivery

All KPMG LG professionals are provided with the technical training and support they need. This includes access to specialists and the professional practice department, which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG LG, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

At the same time, audit policies require professionals to have the appropriate knowledge and experience for their assigned engagements.

4.5.1 Lifetime learning strategy

In addition to personal development discussed in the section above, our lifetime learning strategy is underpinned by policies requiring all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, regional level and, where applicable, at KPMG LG. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job. Audit Learning and Development teams work with subject matter experts and leaders from DPP as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

Mentoring and on the job training

Learning is not confined to the classroom — rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles. All classroom courses are reinforced with appropriate support to assist auditors on the job.

In relation to audit, KPMG LG:

- deploys a variety of learning solutions that are designed to reinforce our Values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit
- provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics — this is used by audit teams and this guidance is embedded across audit learning solutions
- provide courses to enhance personal effectiveness and develop leadership and business skills. Our personnel are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

4.5.2 Accreditation and Licensing

Our partners and directors are subject to additional internal accreditation and knowledge requirements in relation to International Financial Reporting Standards (IFRS), US accounting and auditing standards (if applicable), and an Assurance Accreditation framework, acknowledging the need for specific skills in auditing.

The firm provides 100% financial support on key qualifications/certifications to our staff in their initial years for a maximum of 4 years. The firm has also developed a structured progression policy to ensure that all staff above assistant manager and above holds a valid qualification/certification. The policy has been enhanced in 2019 in a way that allows to qualify smoothly in stages until the Senior Associate 2 level while receiving recognition at each milestone achieved. The policy is strictly monitored by the learning and development team, key business leaders and counsellors.

4.5.3 Access to specialist networks

We understand that not all audits are the same or managed in the same way, so KPMG specialists provide input on significant risks in the audit. In certain situations specialist involvement is mandated. Otherwise, the audit partner and manager determine whether to use a specialist by considering the risks for the engagement, and the nature and complexity of the information, data, assumptions or calculations to be audited. We provide additional learning on audit concepts to our specialists who are considered members of an audit team. Key specialists are listed below:

Information Risk Management (IRM)

The firm invested heavily in the IRM network in Lower Gulf since 2019 owing to audit quality considerations. The team supports UAE and Oman engagement teams. An experienced full time Director was hired to lead the network. The team has evolved multifold not only by size but also with the quality of the involvement.

Data and analytics (D&A)

Audit Data & Analytics team is a team of professionals with diverse backgrounds and skill sets including Accountants, Computer Science and Data Science specialists. D&A team is responsible for deployment of Global D&A tools to align with quality initiatives run by the firm globally e.g. KPMG Clara Advanced Analytics. D&A team enables enhancement of audit quality by providing a deeper understanding of data populations, giving focus to higher risk transactions.

Valuation (Real Estate and business valuation)

The valuation specialists team was established in January 2019 and currently has three specialists. Two are Chartered Valuation Surveyors who are members the Royal Institution of Chartered Surveyors (RICS) and one is a qualified Chartered Financial Analyst (CFA). The team supports UAE and Oman and KSA Levant engagement teams. The valuation specialists team provides assurance that valuation estimates reported in financial statements are reasonable, well supported by market data and aligned with IFRS and RICS Valuation Standards. The areas of specialization covered by the team are real estate valuations and review of business valuation models that support the audit

Actuarial Valuations

Actuarial valuations was set up in year 2016 in the form of collaboration with KPMG South Africa ("KPMG SA") for providing the insurance liabilities valuations and EOSB. The team provides the following services:

- Review of the actuarial valuation reports (prepared by the client or independent consultants) of the Post-Employment

Benefits and Other Long-term Employee Benefits to ensure compliance with IAS 19 Employee Benefits.

- Review of the insurance liabilities/reserves of insurance companies included in the financial statements, to ensure compliance with IFRS 4.
- Review of the actuarial valuation reports (prepared by the client or independent consultants) of the liabilities of Pension Funds, where relevant.

Financial Risk Management (FRM)

FRM team has been playing an instrumental role in the audit of banks and finance companies since its establishment formally in 2016. Given the highly specialized skill sets related to statistical modeling, the team provides support on assessment of IFRS 9 model appropriateness and accuracy of model output used to determine the provisions. The robustness of IFRS 9 mechanism is also benchmarked against leading industry practices across the globe.

Forensics

Involvement of Forensic Specialists in the audit is an important component in the overall Lower Gulf Audit transformation journey. A mandatory involvement policy for use of forensics in the audit based on a scoped approach has been rolled out for high risk and listed engagements will be effective for all audits with year ending 31 March 2020 and onwards.

4.5.4 Culture of Consultation

Encouraging a culture of consultations

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG LG promotes a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters.

To help with this, firms are required to have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the GQRMM includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Technical auditing and accounting support is available to member firms through the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the ISG and the PCAOB Standards Group (PSG).

Information regarding these groups is available in the [KPMG International Transparency report](#).

Global Audit Methodology Group (GAMG)

KPMG's audit methodology is developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit methodology based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

KPMG Global Solutions Group (KGSG)

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in our audit methodology and tools with the core focus of improving audit quality and global consistency.

Key areas of work performed include:

- developing innovative audit capabilities (i.e. technology solutions) and deploying and using advanced audit solutions
- deploying KPMG Clara — our smart audit platform, incorporating advanced technologies, data science, audit automation, data visualization and more
- enhancing KPMG’s audit methodology, workflow and knowledge used by member firms’ audit professionals.

With locations, in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG’s audit capabilities.

International Standards Group (ISG)

The ISG works with Global IFRS topic teams, with geographic representation from around the world, and the IFRS Panel and ISA Panel to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

PCAOB Standards Group (PSG)

The PCAOB Standards Group (PSG) comprises a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in KPMG firms’ audits of non-US components and foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

KPMG LG professional practice resource

At KPMG LG, the Department of Professional Practice (DPP) is the custodian of KPMG’s accounting and auditing technical knowledge and related tools. DPP assists audit teams with technical queries, providing updates on new or upcoming standards, providing tools and guidance to correctly apply the standards and performing pre-issuance reviews. The team has evolved multifold since December 2015 and is now lead by a fully dedicated Partner supported by full time experienced managers. DPP offers training courses, coaching initiatives, thematic reviews and several educational material to the audit engagement teams.

DPP participates in global and local networks and working groups to ensure that they are updated and able to communicate the most relevant and appropriate information to audit teams.

DPP also performs pre-issuance reviews of annual financial statements as per a defined DPP consultation policy. These pre-issuance reviews ensure compliance with International Financial Reporting Standards (IFRS).

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for formal and informal consultations.

4.5.5 Developing business understanding and industry knowledge

A key part of quality is having a detailed understanding of the client’s business and industry.

For significant industries, global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals within eAuditIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available which provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in eAuditIT.

4.6 Performance of effective and efficient audits

We understand that how an audit is conducted is as important as the final result. Effective and efficient audits are dependent on the demonstration of certain behaviors. We focus on these behaviors during the performance of the audit, through training sessions , coaching, and our review processes.

4.6.1 Ongoing mentoring, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of KPMG professionals, without compromising on quality, KPMG LG promotes a continuous learning environment and supports a coaching culture.

The engagement partner, supported by the engagement manager, is responsible for driving a culture of coaching and continuous learning throughout the audit process and setting an example in the performance of the audit to drive a culture of continuous audit quality improvement.

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement partner participation in planning discussions
- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement

- helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.

A key part of effective mentoring and supervision is timely review of the work performed so that significant matters are promptly identified, discussed and addressed.

4.6.1.1 Timely engagement quality control (EQC) reviewers

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner or country Head of Audit.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.

EQC reviewers are required to meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

KPMG is continually seeking to strengthen and improve the role that the EQC review plays in member firm audits and have taken a number of actions to reinforce this, including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

Our EQC reviewers are independent of the engagement team and have appropriate experience and knowledge to perform an objective review and challenge of the more critical and judgmental elements of the audit. The audit report can only be released when the EQC reviewer is satisfied that all significant questions raised have been resolved.

The EQC review takes place before the date of the auditor's report and includes, among other matters:

- review of selected audit documentation relating to significant judgments the engagement team made and the conclusions it reached
- review of the financial statements and proposed auditor's report
- evaluation of the conclusions reached in formulating the auditors' report and consideration of whether the proposed report is appropriate.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

KPMG LG is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control. In recent years, a number of actions have been taken to reinforce this, including:

- Expecting to adopt the updated EQCR policy as released by KPMG’s Global Audit Quality Transformation (GAQT) program in line with ISOQM 2
- Policy for resource planning will include EQCR involvement guidelines i.e. minimum hours of the total engagement hours recommended
- Frequent monitoring and remediation of cases of inadequate involvement
- Balancing portfolio of engagement partners which allows them to perform EQC reviewer role adequately and on a timely basis
- Collaborating with member firms to share EQCR resources, thereby increasing the bandwidth and tapping into the combined experience

4.6.1.2 Reporting

Auditing standards largely dictate the format and content of the auditors’ report that includes an opinion on the fair presentation of the client’s financial statements in all material respects.

In preparing auditors’ reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors’ report (e.g. a modification to the opinion or through the inclusion of an ‘emphasis of matter’ or ‘other matter’ paragraph, as well as key audit matters to be communicated).

Effective for December 2016 year end onwards in compliance with the new IAASB requirements, we have enhanced auditor reporting for those auditors’ reports prepared under the ISAs. The changes in auditors’ reporting give users more insight into the audit and improve transparency. ISA 701 panel was set up initially to help audit teams with selection and proper documentation of KAMs. Later in December 2019, the panel was re-initiated to review the KAMs as a part of mandatory consultation for first timers and where there are more than one Kam in the audit report.

4.6.1.3 Engagement Documentation

Our audit documentation is completed and assembled according to the timeline established by the global policy, auditing standards and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

4.6.1.4 Insightful, open, and honest two-way communication

Two-way communication with those charged with governance, often identified as the audit committee, is key to audit quality and is a key aspect of reporting and service delivery.

At KPMG LG we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the audit committee.

Communications with audit committees include:

- an overview of the planned scope and timing of the audit, which includes communicating significant risks identified
- significant findings from the audit which may include control deficiencies and audit misstatements
- an annual written communication that states the engagement team and KPMG LG have complied with relevant independence requirements; describes all relationships and other matters between KPMG LG and the audit client that, in our professional judgment, may reasonably be thought to bear on independence; and states related safeguards we have applied to eliminate (or reduce to an acceptable level) identified threats to independence.

We ensure such communications meet the requirements of professional standards. On an annual basis, DPP issues the standard templates of the audit reports from International Standards of Reporting Manual (ISRM) customised for entities regulatory framework. The audit reports are accompanied by tailored narratives for Key Audit Matters (KAMs), Material Uncertainty Related to Going Concern and Other matters.

Experienced partners form the audit opinion after involvement in and review of work performed by the team. The importance of ensuring the clarification of any uncertainties before signing audit reports with DPP is emphasized and well understood.

Audit Committee Institute

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, the [Audit Committee Institute](#) (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes. The ACI operates in more than 40 countries across the globe including KPMG LG and provides audit committee members with authoritative guidance (such as the [ACI Audit Committee Handbook](#)) on matters of interest to audit committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing Audit Committees and businesses today — from risk management and emerging technologies to strategy and global compliance.

IFRS Institute

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

4.6.2 Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, training, and the annual affidavit/confirmation process, that all KPMG professionals are required to complete.

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable local laws, standards and regulations.

We have clear policies on information security that cover a wide range of areas.

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and other third parties.

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including through regular communications on the topic, the Code of Conduct, training and the annual independence/confirmation process, which all of our professionals are required to complete.

Within Quality and Risk Management the Firm has a dedicated National IT Security Officer ('NITSO') and Privacy Liaison ('PL') who have the necessary authority, skills and experience to lead the LG Firm's information protection and data privacy function.

Our information protection requirements are set out in the Global Information Security Policy published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal information security audit programme and is supplemented by annual checks by the Global Information Protection Group.

In addition, KPMG LG is certified for ISO27001, the international standard for Information Security Management. The scope of our certification includes our IT processes, IT business assets, client data in core systems, offices and physical locations. Obtaining and maintaining ISO27001 is part of our commitment to information security. We are independently audited against the standard at six monthly intervals by an accredited external third party.

We believe that everyone has a role to play in protecting client and confidential information. Policies and practices are communicated to all personnel and, as appropriate, reinforced through guidance, awareness and training. All users of KPMG LG are required to comply with our Acceptable Use Policy – this policy encourages effective and appropriate use of KPMG information technology resources, and highlights the protection requirements of all employee, KPMG and client confidential information. Data privacy and Information Management policies are also in place governing the handling of personal and confidential information.

4.7 Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. Integrated quality monitoring and compliance programs enable member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.

The quality monitoring and compliance programs (see section 4.8.1 for details) are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG LG compares the results of its internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

4.7.1 Internal monitoring and compliance programs

Our monitoring programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures
- KPMG LG compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Results and lessons from the integrated monitoring programs are communicated internally, and the overall results and lessons from the programs are considered and appropriate action is taken at local, regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax, and Advisory functions: Quality Performance Reviews (QPR) and Risk Compliance Program (RCP).

Additionally, all member firms are covered at least every three years by the cross functional Global Compliance Review (GCR) program. Participation in QPR, RCP and GCR is a condition of ongoing membership of the KPMG network.

Participation in QPR, RCP and GCR programs is mandatory for all KPMG firms.

Firms communicate the results of the programs internally and take action to make improvements where needed. The results are also considered at a wider regional and global level. We give more detail on these programs and how they work in the following sections.

Audit Quality Performance Reviews (QPRs)

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

Risk-based approach

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements in line with the global QPR guidelines.

KPMG LG conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG LG level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG LG system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for KPMG LG to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

Global Compliance Review (GCR) program

Each member firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at least once in a 3 year cycle.

The GCR team performing the reviews is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. GCRs assess

compliance with selected KPMG International policies and procedures and share best practices among member firms. The GCR provides an independent assessment of:

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

KPMG LG develops action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global Quality & Risk Management Steering Group and, where necessary, to appropriate KPMG International and regional leadership, to help ensure timely remedial actions taken by the member firm.

Global Audit Quality Monitoring Group (GAQMG)

To further enhance the quality, rigor and consistency of the QPR program, the Global Audit Quality Monitoring Program was launched by KPMG International in 2016.

The GAQMP is comprised of a team of partners, directors and senior managers experienced in performing QPR program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

Each of the GAQMP reviewers attends the Global QPR training delivered for their respective member firm. The GAQMP team is responsible for performing selected QP reviews of LRE audit engagements as determined by Global Quality & Risk Management. KPMG LG was covered under this program as part of the 2019 QPR cycle.

LG Audit Quality Monitoring group

The Audit Quality Monitoring Group, led by Audit Quality Leader, was set up in October, 2019. The objective of the team is to ensure that audit quality is monitored on pre defined audit quality indicators. AQMG reports to AQC and helps to drive the strategic decisions undertaken to enhance audit quality.

Key activities include monitoring of the audit quality policies to help the developed by AQMG, Specialists, Operations to address audit quality issues, perform thematic reviews on medium and low risk engagements, conduct root cause analysis program, monitoring the second line of defense program and supporting the firm's compliance with ISQC1 as regards certain specific pillars.

Second Line of Defense (2LoD) Program

Following a global mandate, a second line of defense program was implemented in FY 2019-20 for engagements with year ended 31 December 2019. The reviewers under the programs are a combination of global reviewers from GAQMG as well. This program will continue with some enhancements in FY21 on engagements with year ended 31 December 2020 which have already been selected for review.

The objective of the reviews is to:

- pro-actively improve the quality of audit execution and documentation during the course of the audit before audit opinions are signed
- Coach engagement teams to help better understand the gaps with the intention of enhancing the engagement teams understanding of the methodology

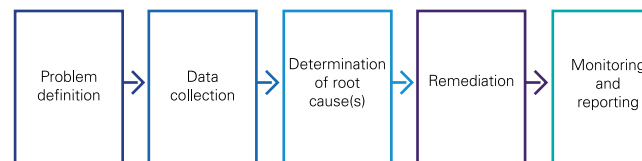
Conducting Root Cause Analysis (RCA)

Root cause analysis is important in order to identify and address audit quality issues and prevent them from recurring in the future. The practice of root cause analysis is predicated on a belief that problems are best solved by remediating their underlying (root) causes, as opposed to merely addressing the immediately obvious symptoms. Robust root cause analysis is therefore key to understanding and properly responding to audit quality issues.

The following principles were developed by the Global Audit Quality Issues Council to assist member firms in performing root cause analysis of audit quality issues identified through:

- monitoring programs and activities of the audit function related to member firm systems of quality control (e.g. Risk Compliance Program (RCP), Global People Survey (GPS)); and
- the performance of audit engagements (e.g. Quality Performance Review (QPR) and regulatory reviews)

- ‘Root cause analysis’ is a collective term that describes a wide range of approaches, tools and techniques used to uncover the underlying causes of problems – or the ‘why of the why’.



Global Five Step RCA Principles

At LG, the RCA project is performed by AQMG extensively in line with the global RCA guide. AQMG comes up with the comprehensive remediation plan and monitor the plan on an ongoing basis. The progress of the remediation plan is discussed at AQC.

4.7.2 Recommendations for improvements

At a global level, through the Global Audit Quality Council and the GQRMSG, KPMG International reviews the results of the quality monitoring program reviews root causes and planned remedial actions, and develops additional global remediation actions as require Remediation actions are implemented with the support of global training, tools and guidance to drive consistency. This helps ensure the fundamentals are right and that leading practices are shared across the global organization.

4.7.3 External feedback and dialogue

4.7.3.1 Regulators

In the UAE there are multiple regulatory bodies however the regulators active in terms of undertaking engagement level reviews only include Dubai Financial Services Authority (DFSA) and Abu Dhabi Accountability Authority (ADAA). Other regulatory bodies currently are not undertaking any reviews as a matter of practice.

The regulatory reviews conducted by DFSA and ADAA are done for the regulated entities in accordance with the scope as defined in the underlying regulations, updated time to time as per official notifications.

None of the external inspections have identified any issues that have a material impact on the conduct of our statutory audit business.

KPMG LG is also registered with the FRC UK and Japanese Financial Services Authority, however for the period there have been no quality reviews from them.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues across the entire organization.

The Area Quality & Risk Management Leaders (ARL) is made aware of any findings and the proposed actions in order to assist in consistent application across the network.



4.7.3.2 Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

4.7.3.3 Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in our general terms of business as well as the KPMG international hotline link is available at contact section of our external website.

Statement by the Board of KPMG LG on the effectiveness of quality controls and independence

Statement by the Board of KPMG LG on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG LG outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Board of KPMG LG has considered:

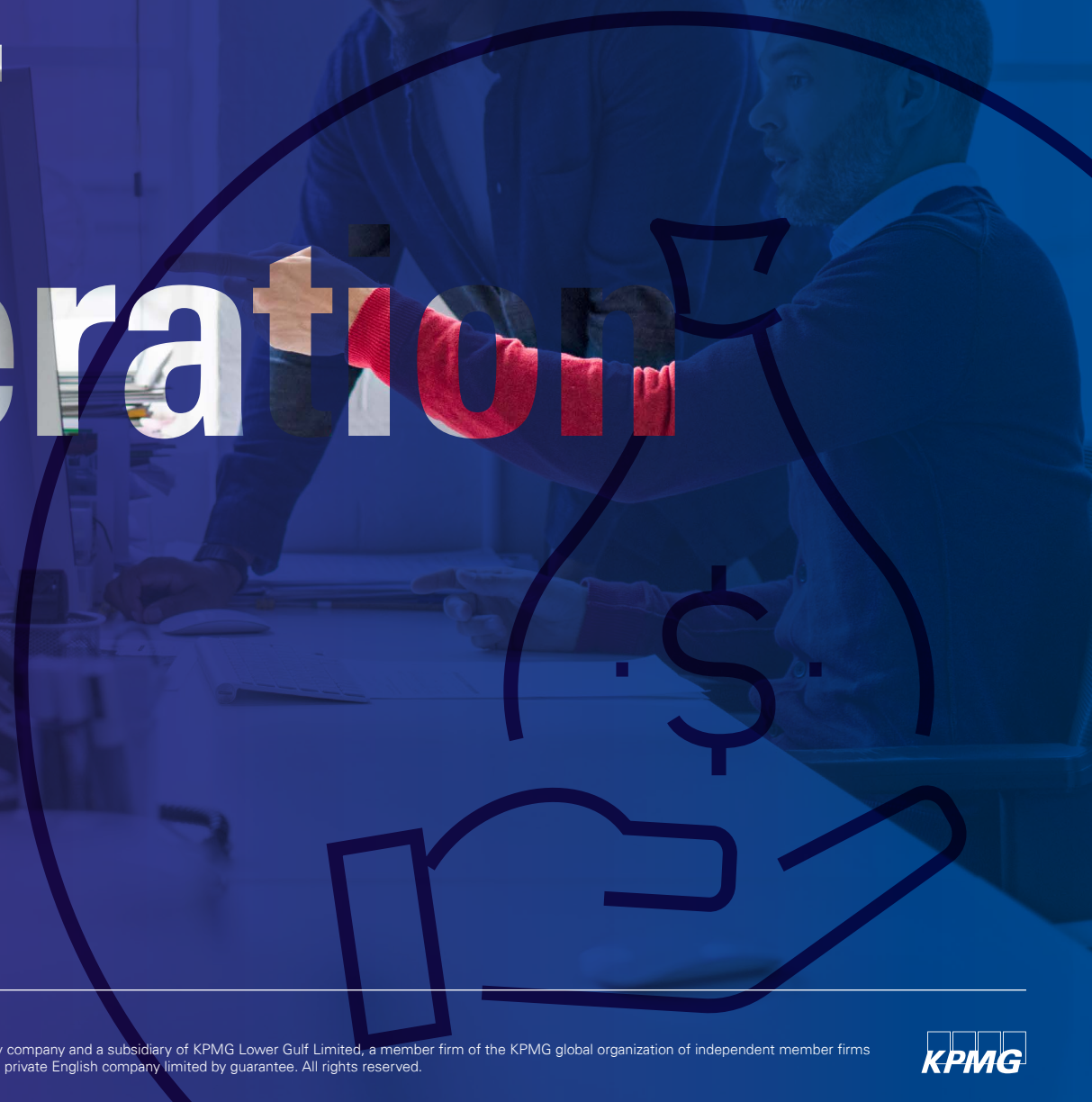
- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 4.8.1 and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Board of KPMG LG is working towards implementation of the systems of quality control within our firm to be fully compliant in the year 30 September 2021.

Further, the Board of KPMG LG confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2020.



Partner remuneration



Partner remuneration

Partners' profit share

Partners are remunerated out of the distributable profits of KPMG LG (such profits being determined by the KPMG LG Board) and are responsible for funding own pensions along with KPMG LG's contribution towards pensions and other benefits. The final allocation of profits to partners is made by KPMG LG after assessing each partner's performance for the year. The KPMG LG Board's Remuneration Committee (comprising members of the Board) are final decision-makers in this process and oversees its application.

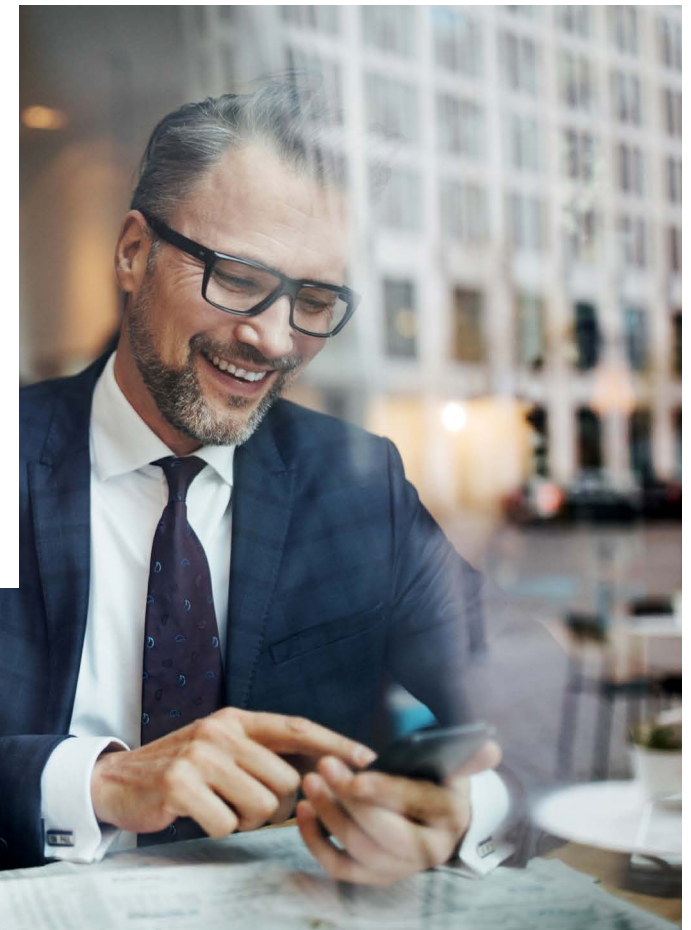
There are two elements to partner remuneration:

- base component – a proportion of the KPMG LG budgeted profits are allocated to members as base component; this is effectively member salary. The amount of base component reflects the role and seniority of each partner; and
- profit related performance component – rewards performance in the year by each partner against individual objectives previously agreed and the service lines performance and profits of the KPMG LG as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the Values of KPMG LG. Audit partners are not permitted to have objectives related to, or receive any remuneration from selling non-audit services to their audit clients.

Drawings

During the year, partners working within KPMG LG received monthly drawings, and additional profit distributions related to performance related to the previous year. The level of profit distribution is decided by the Remuneration Committee, and the timing of payouts is at the discretion of the Executive Committee (ExCom), taking into account cash requirements for operating and investment activities.

Drawings represent monthly payments based on expected earnings in a year, and while the aim is to keep these stable month over month, reality is that monthly drawings can vary in the course of a year if business conditions warrants this - and in any such case this would require involvement of the ExCom. Profit distribution (as indicated by the name) represents payment of personally allocated profits related to performance and contribution in the previous year, and as such is not related to the current financial year but rather to profits generated in the past financial year.



Network arrangements



Network arrangements

7.1 Legal structure

Legal structure for the Financial Year ending 30 September 2020

KPMG LG is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the ‘Governance and leadership’ section of the [2019 report](#).

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International’s policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable, having an ownership, governance and management structure that ensures continuity and stability and long term success and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available on this [link](#).

For more information on KPMG International governance bodies, please refer the [KPMG International Transparency Report](#).

Legal structure from 1 October 2020

On 1 October 2020, KPMG LG and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. From 1 October 2020, KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October

2020 can be found in section ‘Governance and leadership’ of the [2020 KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements*

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.8 billion during the year ending 30th September 2020. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30th September 2020.

**The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.*

7.2 Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values (as set out in the Appendices to this document).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its other obligations owed to KPMG International.

7.3 Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

7.4 Governance structure

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

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee are generally indirectly represented by a member.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms.

It is led by the Global Chairman, and also includes the Chairman of each of the regions and a number of other member firm senior partners. The list of current Global Board members is set out at <https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>.

One of the other Global Board members is elected as the lead director by those Global Board members who are not also members of the Executive Committee of the Global Board ("non-executive" members). A key role of the lead director is to act as liaison between the Global Chairman and the "non-executive" Global Board members.

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing the global strategy by working together with the Executive Committee, and jointly recommending the global strategy to the Global Board for its approval. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable against their commitments.

Unless otherwise stated, the words 'member firm' or 'KPMG member firm' when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e. similar to shareholders, albeit KPMG International has no share capital and, therefore, only has members not shareholders).
- Those entities ('sublicensees') that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and also an entity that is a 'member'.

It is led by the Global Chairman and includes the Global Chief Operating Officer, Global Chief Administrative Officer, global function and infrastructure heads, the Global Head of Quality, Risk and Regulatory and the General Counsel.

The list of current Global Management Team members is available in the [Leadership](#) section on KPMG.com

Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together they assist the Global Management Team in discharging its responsibilities. In particular the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- Establish, and ensure communication of, appropriate audit and quality/risk management policies;
- Establish and support effective and efficient risk processes to promote audit quality;
- promote and support strategy implementation in member firms' audit functions, including standards of audit quality; and
- assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2019 KPMG International Transparency Report](#).

Each firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements for the year ending 30 September 2020, can be found in section 'Governance and leadership' of the [2019 KPMG International Transparency Report](#).

7.5 Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GQ&RM leadership. The objectives of the ARL role are to:

- assist GQ&RM leadership in the monitoring of member firms' quality and risk activities;
- work with GQ&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled; and
- assist in monitoring the effectiveness of firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.



Appendices

Appendices

A. KPMG Values

Our Values represent what we believe in, and what's important to us as an organization. They guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:



Integrity

We do what is right.



Excellence

We never stop learning and improving



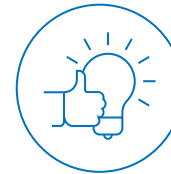
Courage

We think and act boldly.



Together

We respect each other and draw strength from our differences.



For Better

We do what matters.

Our Values express our firm's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler, and more memorable to help each of us bring them to life every day.

B. Public Interest Entities

The following list includes the firm's relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU during the firm's fiscal year ended September 30, 2020:

KPMG LG only has one PIE client, First Abu Dhabi Bank P.J.S.C., as the firm's relevant audit client whose transferable securities are traded on a regulated market within the EU as of 30 September 2020.

C. Financial information

The following list includes the firm's relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU during the firm's fiscal year ended September 30, 2020:

KPMG LG only has one PIE client, First Abu Dhabi Bank P.J.S.C., as the firm's relevant audit client whose transferable securities are traded on a regulated market within the EU as of 30 September 2020.

Revenue (AED millions)	FY20	FY19	FY18
Total revenue for KPMG in Lower Gulf	593	540	497
Total revenue split for the firm can be further analyzed on the following percentage basis	FY20	FY19	FY18
Audits of financial statements	44%	51%	53%
Assurance and other services for audit clients	4%	3%	3%
Services for non-audit clients	52%	45%	44%

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