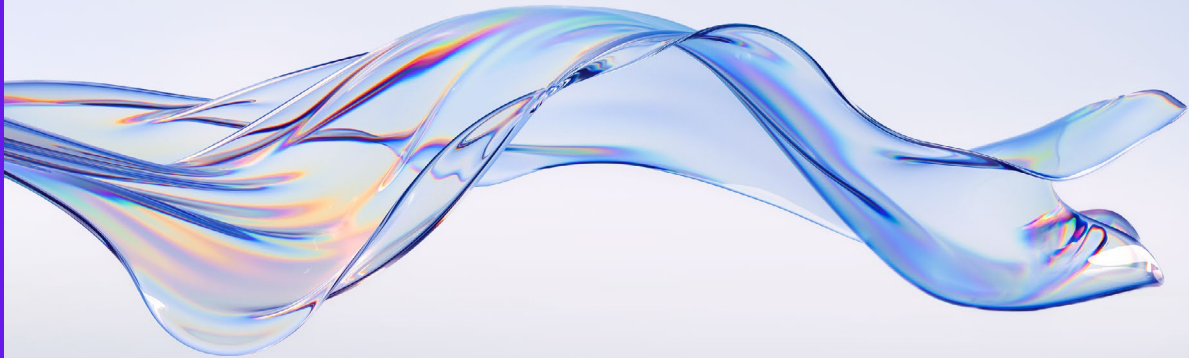




Transparency Report 2022

Our relentless focus on quality



KPMG Lower Gulf

January 2023

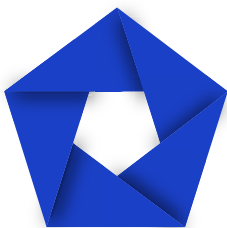


KPMG Values

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public’s trust through our actions and behaviors both professionally and personally.

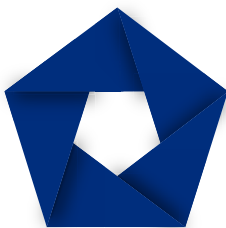
Our Values guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all of our stakeholders.

Our Values are:



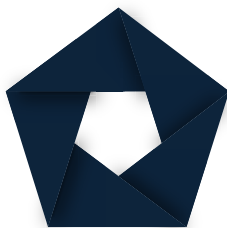
Integrity

We do what is right.



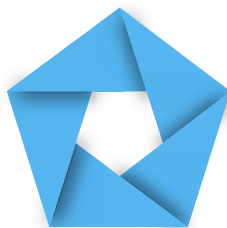
Excellence

We never stop learning and improving.



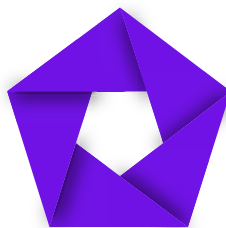
Courage

We think and act boldly.



Together

We respect each other and find strength in our



For Better

We do what matters.

Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Message from the Senior Partner & CEO, KPMG LG



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Together. For better: Driving quality across all we do.

I am pleased to present KPMG's Transparency Report for the financial year ended 30 September 2022.

At KPMG, our actions are guided by our values. They drive our daily behaviors, guide our decisions, and shape our culture. We have an exceptional business with remarkable people and extraordinary history with a strong local and global brand that we are all very proud of. For almost 50 years, **together** we have served our clients in the UAE and Oman with **integrity** and **excellence**, and we are proud of our **courage** to always do the right thing, the right way, at the right time. **For better**. Trust is at the heart of everything we do. We are a firm whose purpose is driven by inspiring confidence, and we are committed to maintaining the highest level of public trust.

In 2022, the KPMG Lower Gulf Board initiated a new CEO election process and also a review of the firms' governance. I am delighted to inform you that while the governance review is currently being concluded, I was elected by the Firm's Capital Partners through a robust election process managed by an Independent Governance Committee with oversight by a leading independent international law firm, as the new CEO and Senior Partner effective 1 January 2023. As a long-serving Partner of the Lower Gulf firm, and having led both the Audit and Tax practices, I was able to smoothly transition into my new role with minimal disruption to our clients and people. I am also pleased to inform that we have now reached conclusion on past Abraaj-related matters with the DFSA in which there was no suggestion that KPMG LLP (an affiliate of KPMG Lower Gulf) committed any deliberate misconduct and, along with other third parties, were deliberately misled.

The work of auditors is becoming more complex. Delivering high-quality audits takes hard work, dedication, and focus, as well as a continued investment in the people that make it happen. Our people are our greatest assets and we're helping them expand their careers,

supporting their well-being, and building a safe and inclusive workplace. Their individual success is key to our collective growth.

We are transforming the audit experience for both our clients and our teams by investing in KPMG Clara - our cloud-based audit methodology and workflow platform. KPMG Clara delivers smarter, data-driven outcomes and deeper insights by blending the best of technology with the best of our people. Globally, this market-leading technology helps our 90,000+ audit professionals in 144 countries, deliver consistent high-quality audits in a seamless way.

We have also strengthened the consistency and robustness of our System of Quality Management across our global organization to comply with the new International Standard on Quality Management (ISQM 1). We believe consistent execution and adherence to these requirements and the intent of the professional standards behind them will help drive higher quality across our organization for all our local and global clients.

Increasingly a major area of focus for our firm and for our clients will be Environmental, Social, and Governance (ESG) commitments for our assurance and advisory services. We are proud to be part of a firm that has invested significant resources to educate and train our colleagues, enabling us to better serve our clients.

KPMG Lower Gulf has always been a firm of integrity and excellence. We remain the most trusted and trustworthy firm for our clients, and we will continue to deliver our services to the highest quality that you have come to expect from us.

Thank you for trusting KPMG.



Emilio Pera
Senior Partner & CEO,
KPMG Lower Gulf Limited



About this report

This publication, KPMG’s Transparency Report for the financial year ended 30 September 2022, focuses on how we drive audit quality, our systems of quality management, and the initiatives we are continuously pursuing to improve it. We see audit quality as fundamental to maintaining public trust in the capital markets and the financial reports issued by audited organizations. We aim to lead the profession in audit quality.

Our commitment to Audit Quality

Quality is fundamental to our purpose, and we constantly monitor and evaluate it.

We recognize that great transparency is needed for the public to gain insight into audit services. **This report outlines KPMG’s approach and commitment to audit quality**, including actions taken to enhance it during the year.

This report also aligns with our Global KPMG Quality framework. The new framework describes how our commitment to integrity lies at the heart of everything

we do at KPMG. Our report covers the activities of KPMG Lower Gulf for the financial year ended 30 September 2022. All figures disclosed herein are as of 30 September each financial year, unless otherwise stated.

KPMG defines Audit Quality as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls
- Undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

Throughout this document, “KPMG”, “we”, “our” and “us” refers to the global organization or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.

No member firm has any authority to obligate or bind KPMG International Limited or any other member firm vis-à-vis third parties, nor does KPMG International Limited have any such authority to obligate or bind any member firm.

Throughout this document, references to “Firm”, “KPMG firm”, “member firm” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the ‘Governance and leadership’ section of the 2022 KPMG International Transparency Report.

Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Living our culture and Values

It’s not just what we do at KPMG that matters, we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.

Fostering the right culture, starting with tone at the top

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 integrity, accountability, quality, objectivity, independence, and ethics is essential in an organization that carries out audits and other services on which stakeholders rely.

Our values lie at the heart of the way we do things. To do the right thing, the right way, Always. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward — through our work and the example we set — as we inspire confidence and empower change throughout the world.

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public’s trust through our actions and behaviours both professionally and personally.

Our Values 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 of our stakeholders.



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.

As we continue to grow, we aim to evolve and progress, striving for the highest levels of public trust in our work.

To meet the changing needs of our clients, we have adopted an approach aligned with our global purpose: Inspiring Confidence, Empowering Change. Our three pillars – exceptional quality of service, an unwavering commitment to the public interest, and building empowered teams – are the foundation of our firm.

Disclaimer: Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Outlined in our Code of Conduct (“the Code”), which is inline with the global code of conduct, are the responsibilities all KPMG personnel have to each other, the public and our clients. It shows how our Values inspire our greatest aspirations and guide all our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Everyone at KPMG Lower Gulf limited (KPMG LG) is held accountable to comply with the Code and to confirm their compliance with it. All KPMG personnel are required to take annual training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code, or our Values.

Everyone at KPMG is held accountable for reporting — and is required to report — any activity that could potentially be illegal or in violation of our values, KPMG policies, applicable laws, regulations, or professional standards.

To safeguard this, each KPMG firm is required to establish, communicate, and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries, raise concerns, provide feedback, and report matters without fear of reprisal and in accordance with applicable law or regulation.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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

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

The Global People Survey provides KPMG LG leadership and KPMG International leadership with results related to upholding the KPMG values. KPMG LG and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.

System of quality management

Audit quality is foundational to instilling confidence and public trust in the capital markets and it remains our highest priority. We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management. All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity. Our enhanced system of quality management in line with ISQM 1 ensures our performance meets the highest professional standards.

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. The quality of each audit rests on a foundational system of quality management.

Across our global organization we have strengthened the consistency and robustness of our system of quality management that enables compliance with the International System on Quality Management Standard 1 (ISQM 1), issued by the International Auditing and Assurance Standards Board (IAASB), which will take effect on 15 December 2022. We consider this a transformational and fundamental change for KPMG firms.

Our globally consistent approach to ISQM 1 drives the robustness of our responses to the risks of achieving the quality objectives set out in the standard.

For each component in the standard, we have established minimum required quality objectives, quality risks and responses for all KPMG firms.

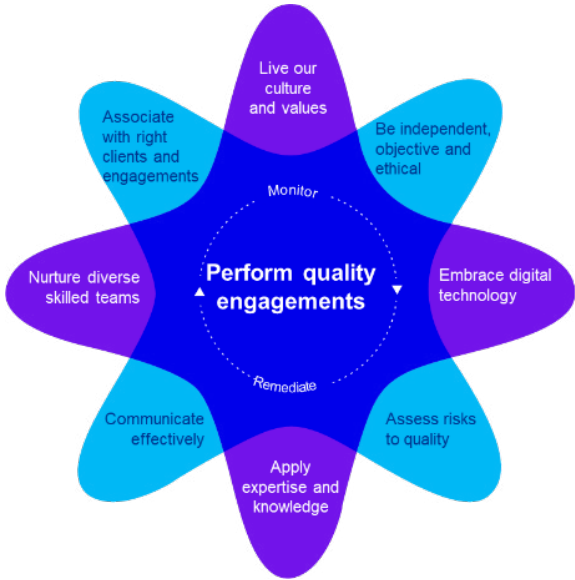
KPMG International has established a risk assessment process required to be used by KPMG firms in identifying additional firm specific quality objectives, quality risks, and

The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

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.

responses and requirements for testing and evaluation of their system of quality management together with guidance, tools and templates to support the consistent implementation of ISQM 1 across KPMG firms.

KPMG LG has substantially implemented the program initiated by KPMG International to redesign the network-wide requirements for member firms’ systems of quality management. ISQM 1 requires each KPMG firm to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.



The new requirements apply to all KPMG firms within our global organization. The objective of this centralized approach is to drive the consistency, robustness, and accountability of responses within KPMG firm’s processes.

In preparation for ISQM 1, we adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable to its delivery. ‘Perform quality engagements’ sits at the core of the framework, along with our commitment to continually monitor and remediate our processes as necessary.

Leadership responsibilities for quality and risk management

KPMG LG demonstrates commitment to integrity, quality, objectivity, independence, and ethics, and communicates our focus on quality to clients, stakeholders, and society. Our leadership plays a critical role in setting the right tone and leading by example — demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Our leadership team is committed to building a culture based on integrity, quality, objectivity, independence, and ethics, demonstrated through their actions.

KPMG LG is required to seek input from the Chair of the relevant Global Steering Group or his/her delegate on the performance of certain leaders within KPMG LG whose role most closely aligns with the activities of the Global Steering Group. Input is sought as part of the annual performance process and is based on an assessment of the leader’s performance, which includes matters of public interest, audit quality and risk management activities.

The following individuals have leadership responsibilities for quality and risk management at KPMG LG.

In accordance with the principles in ISQC 1, our CEO has assumed ultimate responsibility for KPMG LG’s system of quality management. The CEO, the executive committee, and the LG Board of Directors take measures to ensure that a culture of quality prevails within KPMG LG. Operational responsibility for the system of quality management, risk management and compliance in KPMG LG has been delegated to the Risk Management Partner (RMP), 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. The RMP has a seat on the executive committee (ExCom), as well as on the LG Board. RMP also has a direct reporting line to the CEO & Chairman.

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

Audit quality is also integral when we appoint and/or promote new partners in our audit practice. We require audit partner candidates to meet the quality thresholds as part of their progression to partner. Several dedicated committees and networks supporting audit quality have risk and quality responsibilities to oversee and influence the firm’s commitment towards audit quality, including the following:

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 local members, chaired by AbuRass Fawzi. The Audit and Risk Committee met four times during the year ended 30 September 2022.

Audit Quality Committee (AQC) and Audit Quality Management Committee (AQMC)

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

- Approve annual audit quality strategy and monitor the progress and outcome of implementation Ensure the Audit function is in compliance with ISQC1 and ready for compliance with ISQM1 by year end.
- Provide approvals or inputs required by ISQC1 for the components pertaining to audit quality including Transparency report, Root Cause Analysis, investment in networks supporting audit quality, GPS (AQ section).
- Review the outcome of global audit quality initiatives/programs including EMA Audit Quality workshops, GAQT programs (2LoD, EQCR policy), RCA, ARQI, Clara data mining, and Quality rating.
- Ensure a system of internal controls is in place to minimize, monitor, report and remediate audit quality incidents.
- Review the significant findings and outcome of the local initiatives addressing audit quality issues.
- Monitor progress of audit quality indicators identified by the Audit Quality Monitoring Group (AQMG) .
- Obtain significant updates on networks/ activities directly or indirectly impacting audit quality including DPP, 2LoD, Specialists, L&D, Clara, SoQM, QPR, Resourcing (Operations, PPC), ALT composition change, significant audit-wide policy changes etc.
- Review results and remediation plan of QPR and regulatory reviews.

The AQC includes three members who are independent of KPMG LG: KPMG EMA Head of Audit, a former KPMG UK Partner acting as an independent audit quality advisor and Audit Quality Leader of KPMG Saudi Levant Cluster.

With effect from July 2022, it was agreed that AQC will be conducted quarterly and introduced the Audit Quality Management Committee (AQMC) which meets monthly and is chaired by the Head of Audit. The AQMC comprises of the HoA, HoAQ and Audit Quality Leader. The AQC met nine times during the year and AQMC met three times.

The objective of the AQMC is to ensure that the Audit function is provided with sufficient guidance and support to make operational, short to medium-term decisions to enhance audit quality and thus maintain public trust.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Practice Protection Group (PPG)

The Practice Protection Group was formalized and made fully functional in FY2020. 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 led by the Audit FRMP, with support from the Department of Professional Practice and Audit quality. Findings from the group are reported to the ARC.

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 is accountable to the Executive Committee and the Audit Risk Committee of the LG Board. The Committee, chaired by Head of Audit has functional heads from Risk, Audit Quality, Advisory and Operations 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.

KPMG Clara Steering Committee

The KPMG Clara Steering Committee, chaired by the Head of Audit and facilitated by KCw deployment leader, is responsible for overseeing the staged implementation of our KPMG Clara workflow (KCw) in accordance with the global milestones. Established in FY18, the committee includes the Head of Audit, Head of Audit Quality, Audit Quality Leader and Clara Leader with the objective of ensuring a successful and seamless implementation of KCw, which is a significant local and global investment to improve audit quality.

Clearly articulated strategy focused on quality, consistency, trust, and growth

Our business

KPMG Lower Gulf Limited is a professional services firm that delivers Audit, Tax and Advisory services to a broad range of domestic and international clients across all sectors of business. We work closely with our clients, helping them to mitigate risks and grasp opportunities. Established in 1973, the Lower Gulf firm employs 1,678

people, including about 176 partners and directors across the UAE and Oman as at 30 September 2022.

In addition to its presence in the UAE and Oman, KPMG in Middle East, South Asia, and Caspian (“MESAC”) is a sub-region within the KPMG network of member firms and covers more than 30 office locations across 21 countries and territories, including Armenia, Azerbaijan, Bangladesh, Bahrain, Egypt, Georgia, Iraq, Jordan, Kazakhstan, Kyrgyzstan, Kuwait, Lebanon, Oman, Maldives, Palestine, Pakistan, Qatar, Saudi Arabia, Sri Lanka, UAE and Uzbekistan.

Most KPMG member firms in the MESAC region provide a broad suite of Audit, Tax and Advisory services to meet the needs of a growing clientele of international, regional and local clients. Details of the services we offer can be found on our website <https://home.kpmg.com/ae/en/home.html>.

KPMG Lower Gulf Limited is part of KPMG International Cooperative’s global network of professional member firms. The KPMG network includes 90,000+ audit professionals in over 144 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.

Over the years, KPMG LG 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 LG has participated in numerous milestone engagements in the region.

Our strategy

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 capital markets to grow sustainably
- Inspiring trust in data and financial information shared
- Delivering innovation through efficiency and value
- 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) reinforces this in his regular communications and meetings with partners and staff.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Our four global audit strategic priorities are as follows:

- Quality | fulfil our duty to 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 focus on empowering our people underpins everything we do and is vital to our success. We’ve already begun executing critical People priorities regarding role profiles, performance management, goals and KPIs.

Defined accountability, roles, and responsibilities, including for leadership

Legal structure

KPMG LG and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became are 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 can be found in the ‘Governance and leadership’ section of the [2022 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 Lower Gulf Limited 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 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.

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.

Responsibilities and obligations of member firms

Pursuant to their membership agreements with KPMG International, 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 section Fostering the right culture, starting with tone at the top)

KPMG International’s activities are funded by an annual payment paid to it 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.

Overseen using robust governance structures

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



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan, and protecting and enhancing the KPMG brand.

As of 30 September 2022, the LG Board consists of nine members, including the Chairman/CEO, three non-executive members and five capital partners. 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 LG Board appointed a governance committee which appointed a leading external international law firm to conduct a review of KPMG LG's governance. The review process is under way. The firm is committed to embracing the recommendations of the review to ensure the firm's governance is appropriate.

Chief Executive Officer (CEO) and Senior Partner

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 Chairman from June 2019. Nader's appointment as CEO and Chairman of KPMG LG was ratified by the capital partners of KPMG LG. Nader chairs the Board ensuring that the Board members receive accurate, timely and clear information, and facilitates effective communication. Nader has retired as Chairman and CEO with effect from 31 December 2022.

In September 2022, the LG Board decided to run an election process for the CEO and Senior Partner role of KPMG LG. The process was run by an Independent Governance Committee of the LG Board advised by an independent international law firm. Emilio Pera was elected by the firm's capital partners, as CEO and Senior Partner of KPMG LG, effective 1 January 2023.

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 of 30 September 2022, in addition to the CEO, the executive committee included the Heads of Audit, Advisory, Tax, Risk Management, Markets, People Performance & 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 pertaining to 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, counselling, and compensation (ii) whether or not there are any quality concerns about specific partners.

The Remuneration Committee comprises three senior independent members of the LG Board. The Remuneration Committee met 6 times for the year ended 30 September 2022 and held a number of informal meetings to finalise staff and partner remuneration.

Nominations Committee

The Nominations Committee's role and responsibilities include (but are not limited to) the following:

- Carrying out the nomination and selection process for the five Capital Partners to be elected to the LG Board; and
- Interviewing Resident Partners that have been proposed for Capital Partnership and nominating recommended candidates to the Capital Partners for ratification.

The Nominations Committee consists of one Independent Director, who shall act as chairperson of the committee and three Capital Partners (provided they are not Ex-Com nor LG Board members).

Further information is set out in the Partner remuneration section regarding dedicated committees and networks supporting audit quality is covered in Leadership responsibilities for quality and risk management section.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

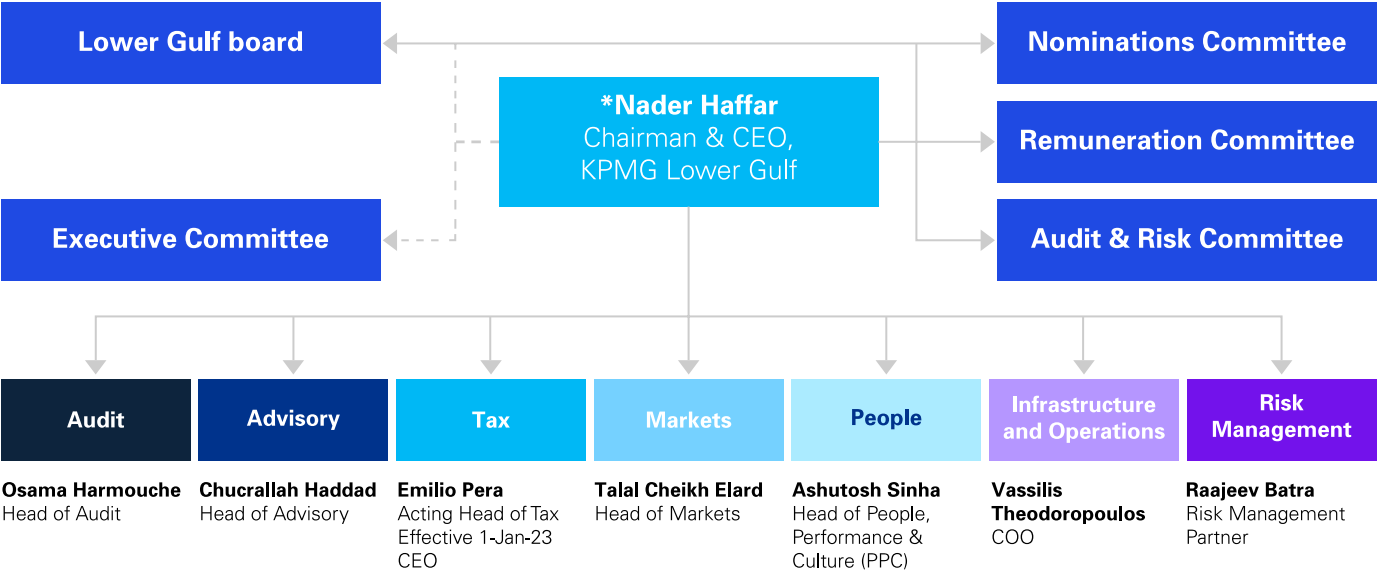
Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG



Nader Haffar was the Chairman & CEO with his term in office ending 31st December 2022. Effective 1st January 2023, Emilio Pera was elected as the CEO for KPMG LG.

Applying expertise and knowledge

We are committed to continuing to build on our technical expertise and knowledge recognizing its fundamental role in delivering quality audits.

Methodology aligned with professional standards, laws, and regulations

Consistent audit and assurance methodology and tools

Bringing consistency through our methodology

Our audit and assurance methodology, tools and guidance enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes:

- Globally consistent and fully compliant with the applicable standards, including the 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 and assurance professionals and required to be used, where necessary
- Applied even where local auditing standards may be less demanding than the ISAs.
- Based on the requirements of the International Standard on Assurance Engagements (ISAE) and aligned to assurance products in response to the growth of ESG reporting).

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAuditIT) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflows) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality.

The KPMG Assurance Manuals provide the requirements and guidance for a consistent approach to performing assurance engagements, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The audit and assurance methodologies emphasize applying appropriate professional skepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence.

Enhancements to the audit and assurance methodologies, guidance and tools are made regularly to maintain compliance with the applicable standards and address emerging auditing and assurance areas of focus and audit quality results (internal and external). For example, the current focus on ESG assurance is driving updates to our assurance methodologies, tools and guidance.

KPMG firms may add local requirements and/or guidance to the globally prescribed minimum requirements in the KPMG Audit Manual, the KPMG Audit Execution Guide and the KPMG Assurance Manuals to comply with additional local professional, legal, or regulatory requirements.

Deep technical expertise and knowledge

Access to specialist networks

Specialist expertise is an increasingly important part of modern audit. KPMG LG engagement teams have access to a network of KPMG specialists – either within their firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities, and objectivity to appropriately fulfil their role on our audits. They also receive a global annual update on global quality performance issues.

The need for specialists to be assigned to an audit engagement in areas such as information technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement. Information about key specialists is covered below:



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Technology enabled audit

Engagement teams may involve ITA Audit (ITA) specific team members when determining the effect of IT on the audit, understanding relevant IT applications and IT control environments and for designing and performing tests of controls. The ITA team is led by a Partner who oversees team for both KPMG LG and KPMG Saudi Levant. ITA team comprises of qualified chartered accountants, certified Information Systems Auditors (CISA) and data scientists.

We also have a centralized Data and Analytics team (D&A). we use D&A to better understands the entities we audit, to carry out risk assessment and substantive procedures. This adds confidence and valuable insights. The D&A team has carried out tailored analytics specific to client industry and nature of business, using advanced analytic tools with data mining capabilities.

Valuation (real estate and business valuation)

The valuation specialists' team was established in January 2019. The team has experienced and qualified professionals. The team has Chartered Valuation Surveyors who are members of the Royal Institution of Chartered Surveyors (RICS) and a qualified Chartered Financial Analyst (CFA). The team supports UAE, Oman, and other Middle East 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

The actuarial valuations team was set up in year 2016 in the form of collaboration with KPMG South Africa (KPMG SA). 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)

The FRM team has been playing an instrumental role in the audit of banks and financial institutions since its establishment formally in 2016. Given the highly specialized skill sets related to statistical modeling, the team provides support on the validation of IFRS 9 ECL Models used to determine provisions. The robustness of

IFRS 9 mechanism is also benchmarked against leading industry practices across the globe. In addition, the team also provides support on hedge effectiveness testing and derivatives valuation for a few corporate clients.

Forensics

Involvement of Forensic specialists in the audit is an important component in the overall Lower Gulf Audit transformation journey. The team has developed detailed guidelines for the use of forensics in the audit based on a scoped approach, especially encouraging high risk and listed engagements to involve Forensic specialists on audits.

Our commitment to audit quality during significant external events

Significant external events such as the conflict in Ukraine, the Covid-19 pandemic and the emerging impacts of climate change have contributed to rising inflation and interest rates, supply chain disruption and increased global economic uncertainty.

Matters such as going concern, asset impairments and valuations will likely require careful judgment as organizations deal with elevated uncertainty and market volatility. KPMG firms' role as auditors is to evaluate these judgments.

We have maintained an online financial reporting resource center to assist financial statement preparers and other stakeholders to understand the potential accounting and disclosure implications of significant external events.

KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, audit and reporting related matters arising from the impacts of these external events, addressing the potential implications for going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, subsequent events, audit evidence and communications with those charged with governance.

KPMG's guidance is continually updated as new significant accounting, auditing, and reporting issues emerge.

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance and audit platforms and tools available electronically, which enables our engagement teams to effectively operate in office and remote working environments.

Quality and risk management manual

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



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Embracing digital technology

At KPMG, we are committed to serving the public interest and creating value through continuous innovation. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our ability to focus on the issues that matter.

Intelligent, standards-driven audit workflows

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.

Evolving our audit workflows

We recognize that 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 KPMG embarked on a process of we reimagined our audit platform, workflows, and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights, and future-proof our systems for the expected continued development of new technologies, such as robotic process automation, machine learning and cognitive technologies.

The release of the KPMG Clara workflows and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience. It is a significant investment that underlines our commitment to audit quality, consistency, and innovation.

KPMG Clara

KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. As a fully integrated, scalable, cloud-based platform, it enables enhanced audit methodology through data-enabled workflows.

The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization.

The digital audit is increasingly integral to how KPMG member firms obtain audit evidence and interact with clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment, and support of technology in our audits.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing every single transaction through a complex revenue process, or simply adding up the accounts. Current capabilities include:

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

Our vision of the future

KPMG Clara was developed to be a foundational technology platform for KPMG to deliver audit quality. It delivers this by being the base technology providing new capabilities in a globally consistent way, facilitating the audit workflows and providing a fully digital experience for our audit professionals



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.

KPMG Clara workflows

Our previous platform, eAudIT, is being replaced with new workflows embedded with our revised audit methodology and enabled by the KPMG Clara smart audit platform. Phased full deployment of the KPMG Clara workflows (with the exception of very small and less complex national audits) commenced globally in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits. Global transition for less complex national audits, leveraging enhanced scaling capability has commenced in 2022 and will be completed by 2023.

The web-enabled KPMG Clara workflows guide audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodologies are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflows significantly enhance the execution of an audit by KPMG professionals and drive audit quality and global consistency.

Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflows can also facilitate monitoring of audit execution at the engagement level.

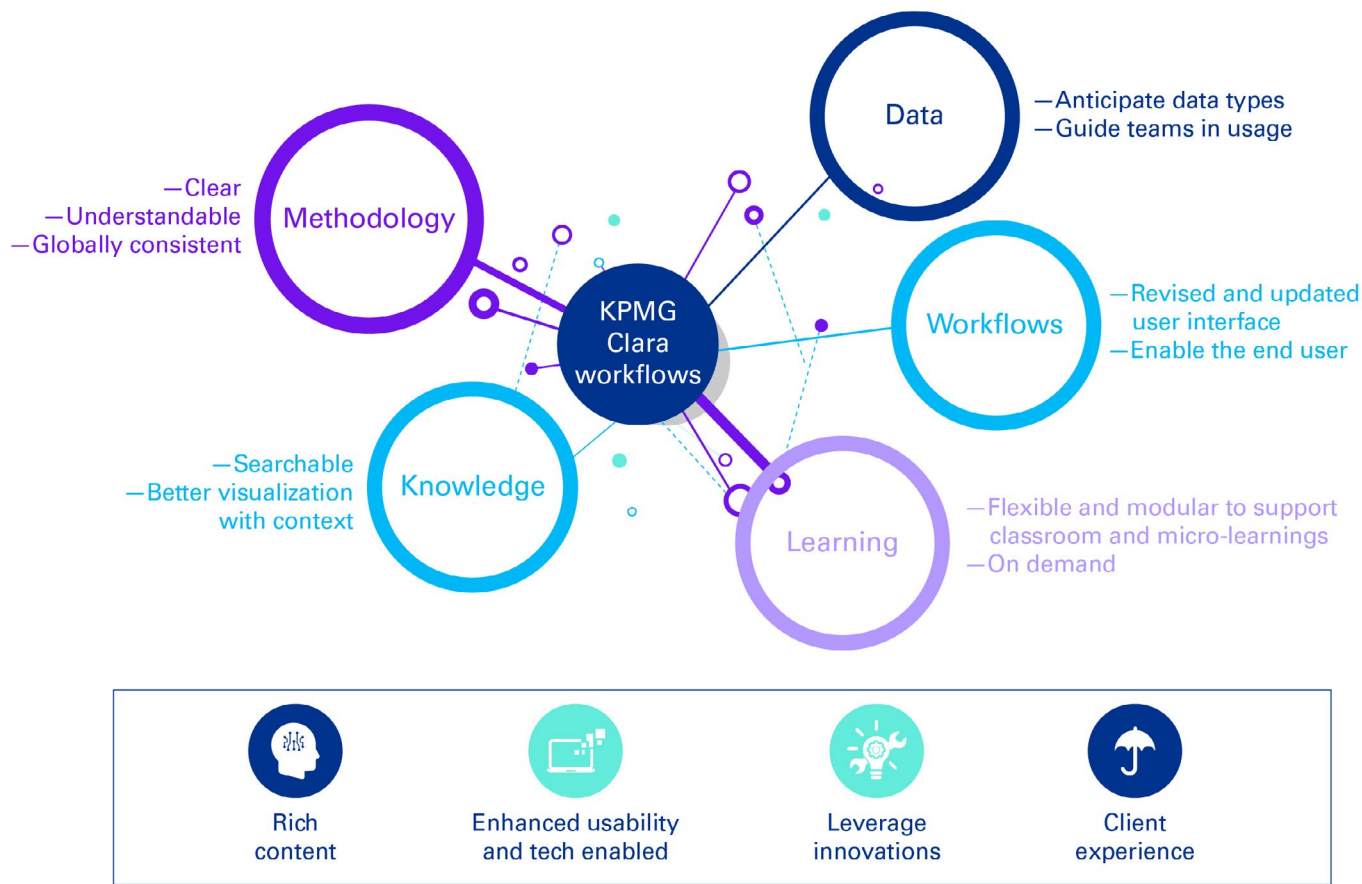
We continue to enhance the KPMG Clara smart audit platform to accommodate evolving security demands, further integrate existing audit applications, and develop new capabilities to digitalize additional audit processes.

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, annual training, and the annual affidavit/confirmation process, that all KPMG professionals are required to complete.

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

We have policies on information security that cover a wide range of areas to protect confidentiality, personal information, and data privacy.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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 emphasized 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 as well as Lower Gulf Information Security Policy. Independent assessment of the operating effectiveness of the information security controls is carried out as part of our information protection controls audit (IPCA) program initiated annually by the Global Information Protection Group.

In addition, KPMG LG is certified for ISO 27001, the international standard for Information Security Management System (ISMS). The scope of our certification includes our IT standards, IT guidelines, IT processes, IT business assets, client data in core systems, offices, and physical locations.

Maintaining an effective ISO 27001 credential/certification is part of our commitment to protect confidentiality, security, and privacy of our client's personal and confidential information. We are independently audited against the standard annually by an accredited external certification body.

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



[Introduction and foreword](#)

[Living our culture and Values](#)

[Applying expertise and knowledge](#)

[Embracing digital technology](#)

[Nurturing diverse skilled teams](#)

[Associating with the right clients and engagements](#)

[Being independent and ethical](#)

[Performing quality engagements](#)

[Assessing risk to quality](#)

[Communicating effectively](#)

[Monitoring and remediation](#)

[Financial information](#)

[Partner remuneration](#)

[Network arrangements](#)

[Statement by the Board of KPMG LG](#)

Nurturing diverse skilled teams

Our people make the real difference and are instrumental in shaping the future of audit. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address complex problems.

Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation, and purpose, to deliver high-quality audits. This requires the right talent acquisition, development, reward, promotion, retention, and assignment of professionals.

Recruitment

KPMG LG has invested in understanding how we can attract the talent we need now and in the future across the organization. This requires the right recruitment, development, reward, promotion, the right design of candidate sourcing strategies, design of interview process, recruiting operations, offer and onboarding process, and assignment of professionals. This includes building an extraordinary people experience for all current and prospective partners and employees.

Our recruitment Talent Acquisition strategy is focused on drawing talent across various sourcing channels entry-level talent from a broad talent base, including working with established universities, colleges, and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. KPMG LG also recruits significant numbers at an experienced hire and partner level.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, behavioral and competency-based interviews, psychometric and ability testing as applicable, and qualification/reference checks. On joining the firm, the new joiners participate in a three two-day 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 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 LG does not accept any confidential information belonging to the candidate's former firm/employer.

The Partner hiring 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.

KPMG LG recruited over 290 employees in the year ended September 2022 across the audit function and within networks supporting audit quality.

Inclusion, diversity & equity programs

KPMG LG is committed to building a diverse and equitable firm that is inclusive to all.

Inclusion, diversity, and equity (IDE) is essential to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our values, and do what is right.

We recognize our firms' global position working with clients around the world affords us a privileged place. With that comes an opportunity and responsibility to achieve more and push for a fairer, more equitable society.

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,



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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) to 61:39 in FY2022. In 2022 KPMG LG signed the UAE Gender Balance pledge to achieve 30% women in leadership positions by 2025. In FY2022 we achieved a 10% increase in women in the positions of manager and above taking us to 28%.

Further, our workforce includes 26% Arabic speakers who are integrated into our teams to support engagements where Arabic language skills are required. In addition, our partner group comprises 29% Arabic speakers.

We embrace and harness diversity of background, diversity of experience, diversity of perspective – as a result of which our firm’s workforce includes approximately 79 nationalities. KPMG LG recognizes diversity through several observance days throughout the year, notably International Women’s Day, Emirati Women’s, and Omani Women’s Day.

Emiratization

Our Emiratization agenda is headed by Mohammad Zamani, the first Emirati Audit partner in KPMG LG, who joined the firm as an associate straight after university in 2011. Mohammad has also completed a 2-year secondment with KPMG UK.

As at 30 September 2022, we had 6% UAE nationals across the UAE offices, and 10% in Audit. During the first quarter of FY 2023, in line with one of the firm’s strategic priorities, the firm initiated a successful recruitment campaign, which resulted in the headcount of the UAE nationals across the firm exceeding 10% of the total headcount of KPMG UAE offices in January 2023. It’s worth highlighting that KPMG UAE has also exceeded the 2% Emiratization target mandated by the Ministry of Human Resources & Emiratization (MOHRE).

Omanization

Similar to Emiratization, KPMG is committed in supporting the Oman Government’s vision for Omanization. This is embedded in our hiring and sourcing strategy throughout the year. Our required Omanization target is Government mandated at 45%. We currently have 42% Omanis across the Oman firm with 37% in audit function.

Al Falaj program

This Program is an Omani National Development initiative led by Omani Partner Mr. Aqeel Al Lawati.

It seeks to provide opportunities for Omani employees to develop their relevant skills and knowledge to pursue a successful career.

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, help them obtain their ACCA qualification and provide them on-the-job experience. Every year, Four batches of training program are run. KPMG is committed to hiring 50% of the graduates under the PAQT program who complete ACCA and are rated 3 or higher.

Female Mentoring Program

This program was initiated in 2021 and is designed to provide mentoring opportunities to our female colleagues across the firm. The program provided a safe support structure for women, foster constructive conversations between experienced mentors (females/males) and female mentees. In 2022 we had over 50 females mentored by senior leaders in the firm which supported their personal goals and career aspirations.

KPMG Women’s Network (KNOW)

KPMG Global launched the KNOW network which is open to all colleagues and genders with monthly conferences each with a theme linked to our vision and mission. KPMG LG established our local KNOW network we conferences showcase our diversity and amazing women and men who balance professional and personal lives as well as sharing their stories.

KPMG LG IDE Training

KPMG LG developed our own in-house training specific to the topic of IDE in 2022. This was rolled out to all our Partners & Directors, and we achieved 100% attendance. We continue to offer this training as part of our core learning curriculum to all colleges. The training is designed to engage everyone of our IDE definitions, goals and explore the topic of bias and how through breaking bias we can all feel more included.

IDE Champions Network

An IDE Champions network was also established in 2022. This important group of passionate individuals who are responsible for driving IDE at grass roots level. We have over 50 members across LG.

Our KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity, and equity at KPMG LG and across all KPMG firms. For more about Inclusion and Diversity at KPMG [read here](#).



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Reward and promotion

Reward

KPMG LG has 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 as required.

Promotion

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

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. These are constant reference points 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.

Effective FY2021, the Quality & Risk compliance Rating (Q&RR) Framework (‘the Framework’) has been 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 input and the performance review and remuneration process
- Supplements the existing performance evaluation model for partners and staff.

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

Assigning an appropriately qualified team

KPMG LG has procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training, and capabilities, including time, to perform audit engagements in accordance with our audit methodology, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG member firms or external experts.

KPMG LG has implemented engagement resource guidelines 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 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, ensuring that the allocation follows the engagement resource guidelines. If the resources are not available locally, access is provided to a network of highly skilled KPMG professionals in other member firms.

When considering the appropriate competence and capabilities expected of the engagement team, the engagement partner’s considerations may include the following:

- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
- Understanding of, and practical experience of local public policies.
- Understanding of professional standards and legal and regulatory requirements.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

- Appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing.
- Knowledge of relevant industries in which the client operates.
- Ability to apply professional judgment.
- Understanding of KPMG LG’s quality control policies and procedures.
- Quality Performance Review (QPR) results and results of regulatory inspections.

Our Head of Audit is responsible for the partner assignment process and is supported by the Head of Operations and the Heads of Lines of Business. Key considerations include partner experience and capacity - based on an annual partner portfolio review—to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), our KPMG LG Head of Audit, Heads of Location (Dubai, Abu Dhabi, Oman), Chief Operating Officer and Head of Resource Planning together perform an annual review of the portfolio of all our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether taken as a whole the specific engagement partner has the appropriate time and the right support to enable them to perform a high-quality audit for each client in their portfolio.

Investing in data centric skills – including data mining, analysis, and visualization

KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in software, cloud capabilities. and artificial intelligence and who can bring leading technology capabilities to our smart audit platform. We provide training on a wide range of technologies to ensure that field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

Focused learning and development on technical expertise, professional acumen, and leadership skills

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 for consultation. If the right resource is not available within KPMG LG, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements. At KPMG LG, we promote a culture in which consultation is encouraged and recognized as a strength.

Lifetime learning strategy

Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development groups at global, regional level and, where applicable,

at KPMG firm level. Mandatory learning requirements for audit professionals across the KPMG organization are established annually. Training is delivered using a blend of learning approaches and performance support.

Audit Learning and Development team works 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 a single approach. We are committed to provide rich learning experiences which are available when needed through coaching and just-in-time learning and aligned with job-specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence, and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential; every team member is responsible for building the capacity of the team, coaching other team members, and sharing experiences.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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
- Provides 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 has developed professional judgment tools, designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism provides courses to enhance personal effectiveness and develop leadership and business skills. Our partners and employees are developed further for high performance through coaching and mentoring on the job, stretch assignments and global mobility opportunities.

We provided 43,211 hours of training in 2022 CPD cycle (1 August 2021 to 31 July 2022), with an average of 56 learning hours per audit staff (FY 2021: 42,463 hours, average of 58 learning hours per audit staff).

Licensing and mandatory requirements for IFRS and US GAAP engagements

Licensing

All KPMG LG professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice.

KPMG LG policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework – IFRS.

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

Mandatory requirements – IFRS and US GAAP engagements

In addition, KPMG has specific requirements for partners, managers, and Engagement Quality Control (EQC) reviewers working on engagements performed outside the US to report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with US auditing standards, including reporting on the effectiveness of the entity’s internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

Recognizing quality

Personal development

KPMG LG’s approach to performance development, ‘Open Performance Development’, is built around the ‘Everyone a Leader’ performance principles, and includes:

- Global role profiles (including role profiles specific to audit quality accountabilities and responsibilities).
- A goal library (including audit quality content).
- Standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success — both individually and collectively. We know that by being clear and consistent about the behavior we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, KPMG is driving a shift in our performance-driven culture, supported by, and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organization.

KPMG LG considers quality and risk compliance metrics in assessing the overall evaluation, promotion, and remuneration of all staff. These evaluations are conducted by performance managers and partners who are able to assess performance.

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



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Associating with the right clients and engagements

Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

Following the client and engagement acceptance and continuance policies

The KPMG client and engagement acceptance and continuance policies and processes are designed to identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG firms are required to evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

Accepting appropriate clients and engagements

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. If necessary, we obtain additional information required to satisfy legal and regulatory requirements.

Engagement evaluation

Prospective engagements are 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, whether the services would be unethical or inconsistent

with our values 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 personnel and includes additional reviews 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.

Continuance process

KPMG LG undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any risks 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



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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.

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.

Managed portfolio of clients

KPMG LG leadership appoints engagement partners who have the appropriate competence, capabilities, time, and

authority to perform the role for each engagement as per engagement resource assignment guidelines.

Each audit engagement leader’s client portfolio is reviewed at least annually in individual discussions with the engagement leader to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed. 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 KPMG LG Head of Audit, Heads of Location (Dubai, Abu Dhabi, Muscat), Chief Operating Officer and Head of Resource Planning monitor the engagement leader’s workload annually (or when the need arises) to reallocate portfolios based on factors such as workload (average managed hours), utilization, area of expertise, nature of the engagement, accounting framework, quality guidelines, and any other key roles played by the engagement leader. The firm’s mandatory rotation policy requirements are also taken into consideration when making such decisions.



[Introduction and foreword](#)

[Living our culture and Values](#)

[Applying expertise and knowledge](#)

[Embracing digital technology](#)

[Nurturing diverse skilled teams](#)

[Associating with the right clients and engagements](#)

[Being independent and ethical](#)

[Performing quality engagements](#)

[Assessing risk to quality](#)

[Communicating effectively](#)

[Monitoring and remediation](#)

[Financial information](#)

[Partner remuneration](#)

[Network arrangements](#)

[Statement by the Board of KPMG LG](#)

Being independent and ethical

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

Acting with integrity and living our value

KPMG International’s detailed independence policies and procedures incorporate the IESBA Code of Ethics. These are set out in the KPMG GQ&RM manual, which applies to all KPMG firms. Automated tools, which are required to 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 policies and 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, the firm’s financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

The head of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel comply with these requirements.

In addition, 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 fulfils 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
- 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 and this is checked through the programs described in the section pertaining to internal monitoring and compliance programs.

KPMG LG partners and employees are required to consult with EIP on certain matters as defined in the Global GQ&RM manual. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Maintaining an objective, independent and ethical mindset, in line with the Code

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 firm 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, KPMG LG uses the 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 along with client facing/ nonclient facing employees of assistant manager/ 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 publicly available funds and securities registered on recognized or regulated exchanges 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 the KPMG 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 three years. In 2022: 83 (2021: 60) of KPMG LG partners and employees were subject to these

audits. This included approximately 43% (2021: 20%) of our partners).

Employment relationships

Any professional providing services to an audit or assurance client, irrespective of function is required to notify the EIP if they intend to enter into employment negotiations with that 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 or assurance team or former partners of KPMG LG are prohibited from joining an audit or assurance 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 has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG LG professionals by audit and assurance 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 considers the appropriateness or necessity of modifying the audit procedure to adjust for risk of circumvention by the former professional of KPMG LG.

Firm financial independence

KPMG firms are required to 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 KICS 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 KPMG Quality & Compliance Evaluation program.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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 and independence and other training necessary to their role. Third parties providing services to audit or assurance clients are required to complete independence training.

Business acquisitions, admissions, and investments (if applicable)

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 with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG LG and the wider global organization.

Independence clearance process

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, 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 is used to automate and standardize the procedures that comprise the independence clearance process.

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 behaviors
- 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 partners and employees 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 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. 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.

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.

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 (LAEPs) are required to maintain group structures for their public interest entity and certain other audit clients including their related entities or affiliates in Sentinel™. 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.

For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision to, approve, or deny any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG



valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG LG is required to maintain a process to review and approve all new and significantly modified services that are developed by KPMG LG. KPMG LG's EIP is involved in the review of potential independence issues related to these new or modified services. The Global Independence Group is involved if required 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.

KPMG global independence policies prohibit KPMG firm audit partners from being evaluated on, or compensated based on, their success in selling non-audit services to their audit clients.

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 Regional Risk Management Partner where it is expected that total fees from an audit client will exceed 10% of the annual fee income of the member firm for two consecutive years. In addition, 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% 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.
- 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% of the total fees received by KPMG LG over the last two years.

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG LG personnel have a personal connection with the client that 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 the Risk Management Partner (RMP), is required in these situations.

All KPMG 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 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 resources ('Resolvers') who are 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.

KPMG International policies are also in place to prohibit KPMG personnel from offering or accepting inducements, including gifts and hospitality to or 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 behaviour of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity, or judgment.

Independence breaches

All KPMG LG personnel are required to report an independence breach as soon as they become aware of it to the EIP. 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. All breaches of independence requirements of the IESBA Code of ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible, except where alternative timing for less significant breaches has been agreed with those charged with governance.

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. The Ethics and Independence team is led by the 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

Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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.

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.
- In any way influence the outcome of the audit.
- Lead or coordinate professional services at the client.
- Oversee the relationship of the firm with the audit client
- Have any other significant or frequent interaction with senior management or those charged with governance at the client.

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 in line with the relevant laws and regulatory requirements.

Zero tolerance of bribery and corruption

Compliance with laws, regulation and standards is a key aspect for all KPMG LG personnel. 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. KPMG International requires KPMG firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

All KPMG firm partners and employees are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

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



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Performing quality engagements

How an audit is conducted is as important as the result. KPMG LG partners and employees are expected to demonstrate behaviors consistent with our Values and follow all policies and procedures in the performance of effective and efficient audits.

Consulting when appropriate

Encouraging a culture of consultation

KPMG encourages a 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 matters, including procedures to facilitate resolution of differences of opinion on engagement issues. KPMG audit, assurance and reporting manuals also include required consultations. GQ&RM manual includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Technical accounting, auditing, reporting and assurance support is available to member firms through the local Department of Professional Practices (DPP), the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG).

Global Audit Methodology Group (GAMG)

KPMG’s audit and assurance methodology are developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit and assurance methodology based on the requirements of the applicable audit standards – of the IAASB, PCAOB and AICPA.

KPMG Global Solutions Group (KGSG)

The KGSG is responsible for the envisioning, development, and deployment of global audit solutions, including new technology and automation innovations.

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation, and

technology. We have made significant investment in our audit and assurance methodology and tools with the core focus of improving audit quality, global consistency, and standardization.

With locations, in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, assurance, 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 Methodology Advisory Group (MAG) to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis. The ISG recently has expanded its remit to encompass the activities of the International Sustainability Standards Board (ISSB), including providing global thought leadership and guidance as the ISSB issues standards.

KPMG 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 Department of professional practice resource (DPP)

Across KPMG LG, the role of DPP is crucial in terms of the support that it provides to the Audit function. It provides technical guidance to client service professionals



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

DPP has evolved multi-fold since financial year 2016 and the KPMG SLG cluster is led by a dedicated Partner supported by experienced directors and managers.

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for formal and informal consultations. DPP also performs pre-issuance reviews of financial statements as per a defined DPP consultation policy.

Further, DPP delivers training courses, provides coaching, performs thematic review and develops guidance material, templates and workpapers to help the audit engagement teams in performing audits.

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.

Critically assessing audit evidence using professional judgment and skepticism

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member is required to exercise professional judgment and maintain professional skepticism throughout the audit engagements. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to good judgments.

Direct, coach, supervise and review

Embedding ongoing coaching, supervision, and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG LG promotes a continuous learning environment and supports a coaching culture.

Ongoing direction, 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 engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions.
- Whether the team understands its instructions and 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 to review and discuss with more experienced team members during the engagement.

The timely review of the work performed so that significant matters are promptly identified, discussed, and addressed is also used as a coaching opportunity.

Engagement quality control (EQC) reviewers

The EQC review is an important part of KPMG’s approach to quality. An EQC reviewer is required to be appointed for audit engagements, 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, including certain assurance engagements, as designated by the Risk Management Partner or country Head of Audit.

An EQC review is an objective evaluation of significant judgments made by the engagement team and it’s related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer’s evaluation of significant judgments includes an evaluation of the engagement team’s assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate.

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

EQC reviewers are required to meet training, knowledge, and experience criteria to perform the EQC review for a particular engagement. Reviewers must be objective and cannot be members of the engagement team and must be independent of the audit client.

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. In recent years, a number of actions have been taken to reinforce this, including:
- Adoption of EQCR policy as released by KPMG’s Global Audit Quality Transformation (GAQT).



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

- Engagement resource guidelines include recommended thresholds ofEQCR involvement.
- 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

Appropriately support and document conclusions

Reporting

Auditing standards largely dictate the format and content of the auditors’ report that includes an opinion on the fair presentation of the reporting entity’s financial statements in all material respects. Engagement leaders form all audit opinions based on the audit performed and evidence obtained.

In preparing auditors’ reports, engagement partners have access to extensive reporting guidance and technical support through templates on DPP Portal and 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).

Engagement documentation

Audit documentation is completed and assembled according to the timeline determined by the KPMG firm in accordance with KPMG International policy and applicable auditing standards. We have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and KPMG firm information. The policies that KPMG International adopts apply to all KPMG firms to help reduce the time period allowed to assemble audit documentation, which is significantly less than the time period required by the applicable auditing standards.



[Introduction and foreword](#)

[Living our culture and Values](#)

[Applying expertise and knowledge](#)

[Embracing digital technology](#)

[Nurturing diverse skilled teams](#)

[Associating with the right clients and engagements](#)

[Being independent and ethical](#)

[Performing quality engagements](#)

[Assessing risk to quality](#)

[Communicating effectively](#)

[Monitoring and remediation](#)

[Financial information](#)

[Partner remuneration](#)

[Network arrangements](#)

[Statement by the Board of KPMG LG](#)

Assessing risks to quality

KPMG International reviews the results of the quality monitoring programs and develops additional global remediation actions as needed.

Global remediation actions developed by KPMG International are aimed at changing behavior and driving quality and consistency across the global organization. Remediation actions may be implemented through the development of global policies, procedures, training, tools and guidance.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Communicating effectively

We recognize that another important contributor to upholding audit quality is to obtain and promptly act upon feedback from key stakeholders.

Provide insights, and maintain open and honest two-way communication

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.

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

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) customized 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.

IFRS Institute

KPMG’s Global IFRS Standards 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 through thought leadership about the evolving global financial and sustainability reporting frameworks.

Conduct and follow-up on the Global People Survey (GPS)

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Annually KPMG LG personnel are invited to participate in the KPMG’s Global People Survey (GPS) to share their perception about their experience of working at KPMG. The GPS provides a measure of our people’s engagement and insights into areas driving engagement. Results can be analyzed by several factors, for example functional or geographic area, grade, and gender to provide additional focus for action.

Through the GPS, KPMG LG gains additional insight on how we are faring on categories known to impact employee engagement. We also cover areas of focus that are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

The survey also provides KPMG LG leadership and KPMG International leadership with insights related to quality and risk behavior, audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership, and tone at the top.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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 entire global organization and are presented to the Global Board each year and appropriate follow-up actions agreed. Audit-specific analysis of GPS results is also undertaken with a particular focus on audit quality. Results and key themes are presented to the KPMG LG leadership on an annual basis for consideration of appropriate remedial action, if needed.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Monitoring and remediation

Integrated quality monitoring and compliance programs enable KPMG firms to identify quality deficiencies, to perform root cause analysis and develop, implement, and report remedial action plans, both in respect of individual

Rigorously monitor and measure quality

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency, and efficiency of KPMG firm audits. The quality monitoring and compliance programs are globally 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 takes appropriate action.

Internal monitoring and compliance programs

KPMG LG monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

- Engagement performance in compliance with the applicable professional 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

Our internal monitoring programs also contribute to the assessment of whether our system of quality management has been appropriately designed, effectively implemented, and operates effectively.

These include Quality Performance Reviews (QPR), the KPMG Quality & Compliance Evaluation program (KQCE) and the Global Quality & Compliance Review (GQ&CR) program.

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

Audit Quality Performance Reviews (QPRs) program

The Audit 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 four-year cycle. A risk-based approach is used to select engagements.

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.

Reviewer selection, preparation, and process

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

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

Evaluations from Audit QPR

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

Audit engagements selected for review are rated as 'Compliant', 'Compliant Improvement Needed' or 'Not Compliant'.

Reporting

Findings from the QPR program are disseminated to member firm professionals through written communication, 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 not compliant ratings on their respective cross-border engagements. Additionally, LAEPS of parent companies/ head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR program.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Global Audit Quality Monitoring Group (GAQMG)

The GAQMG 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 GAQMG reviewers takes the Global QPR training. The GAQMG team is responsible for performing and overseeing selected QP reviews of LRE audit engagements.

KPMG Quality & Compliance Evaluation (KQCE) program (formerly known as Risk Compliance Program (RCP))

KPMG International develops and maintains quality management policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of the GQ&RM manual, ISQC 1, and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE program are to:

- Document, assess and evidence KPMG LG’s implementation of ISQM 1, extent of compliance of their system of quality management with the GQ&RM policies and key legal and regulatory requirements relating to the delivery of professional services.
- 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 exceptions are identified, we are required to develop appropriate action plans and monitor the status of each action item.

Global Quality & Compliance Review (GQ&CR) program

Each KPMG firm is subject to a GQ&CR conducted by KPMG International’s GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria.

The GQ&CR team performing the review is independent of the firm and is objective and knowledgeable of GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GQ&CR provides an independent assessment of:

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

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

Obtain, evaluate, and act on stakeholder feedback

Regulators

In the UAE, there are multiple regulatory bodies which have oversight over the entities regulated by them. Some regulators also conduct reviews in accordance with the scope and frequency as defined in the underlying regulations, updated intermittently as per official notifications. We have considered each of the findings and recommendations and have implemented actions to address deficiencies and strengthen policies and procedures as appropriate.

KPMG LG is also registered with the FRC UK and the Japanese Financial Services Authority.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through IFIAR’s Global Audit Quality Working Group (GAQ WG), to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues.

Every KPMG firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

Client feedback

We proactively seek feedback from clients through in-person conversations and independent client feedback to monitor their satisfaction with services delivered. We endeavor to take this feedback and make dynamic changes at both the engagement and firm level to meet clients’ needs.

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. The KPMG international hotline link is available in contact section of our external website.

Other assessment of audit quality

Second line of defence

In 2019, we implemented the second line of defence program, to enhance audit quality by conducting independent review of areas of focus on audit engagements and provide direct real time support and coaching to engagement teams before the audit opinions



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

are signed, with the goal of helping teams deliver an audit that complies with the relevant professional standards.

The second line of defence focuses on specific engagements based on well-designed selection criteria. The review is carried out on a timely basis during each stage of the audit process by an experienced reviewer, independent of the engagement team.

Audit Milestone monitoring of selected engagements

KPMG LG released the audit planning milestone and closeout policy to monitor and review the timely completion of audit planning activities on a milestone basis, and appropriate file assembly with all required documents on the audit file. The emerging themes based on the findings of the monitoring process are used to assess the quality of audits performed.

RI Quality Compliance and Efficiency review

The RI Quality Compliance and Efficiency review was launched in FY22. This is a peer review quality inspection program. The program was put in place to ensure that all our client-facing audit Partners and Directors are covered in an annual quality inspection program. One engagement of Partners or Directors, not covered in our Global QPR or external review, is selected for limited scope review. Engagement are rated Compliant, Compliant – Improvement needed, or Not compliant based on specific criteria. Partners’ and Directors’ quality ratings are impacted based on the rating of their engagements.

The engagement selection process for the review focuses on the RIs who are not covered in any other (QPR or external) review process to ensure 100% coverage of client-facing Partners and Directors.

Pre-issuance

A pre-issuance review is an objective evaluation by a DPP/ DPP designated reviewer on engagements which meet pre-defined criteria on or before the date of the auditors’ report, of:

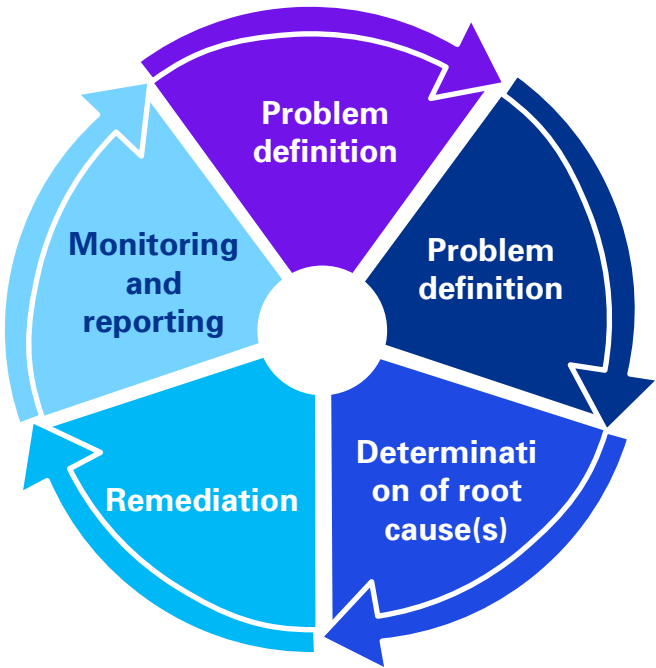
- The financial statements/financial information (or relevant sections thereof) for compliance with relevant presentation and disclosure requirements
- The related auditors’ report on the financial statements/financial information for compliance with relevant auditing standards.

Perform root cause analysis

KPMG LG conducts Root Cause Analysis (RCA) in respect of audit quality issues. In 2021, RCA training based

on our Global RCA 5 Step Principles was attended by those individuals at KPMG LG who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning, and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is the responsibility of all KPMG firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

At KPMG LG, RCA is performed by the Audit Quality team led by the Audit Quality leader. KPMG LG’s Head of Audit is responsible for audit quality including the remediation of audit quality issues. Over the last year we have significantly increased the formality of root-cause analysis performed. We conducted seven RCA projects in total in last three financial years. The outcome of this process is increased visibility of the underlying factors at engagement level that hinder the consistent delivery of high-quality audits. This improved visibility allows us to develop more insightful and focused actions. These actions are broader than training, tools and guidance and are designed to address behavioral and structural matters in addition to areas such as technical knowledge and work allocation.

The progress of the project and remediation plan is discussed and monitored by the AQC.



[Introduction and foreword](#)

[Living our culture and Values](#)

[Applying expertise and knowledge](#)

[Embracing digital technology](#)

[Nurturing diverse skilled teams](#)

[Associating with the right clients and engagements](#)

[Being independent and ethical](#)

[Performing quality engagements](#)

[Assessing risk to quality](#)

[Communicating effectively](#)

[Monitoring and remediation](#)

[Financial information](#)

[Partner remuneration](#)

[Network arrangements](#)

[Statement by the Board of KPMG LG](#)

Financial information

Revenue (AED millions)	FY22	FY21	FY20
Total Net revenue for KPMG Lower Gulf	770	638	593
Total revenue split for the firm can be further analyzed on the following percentage basis	FY22	FY21	FY20
Audits of financial statements	34%	34%	44%
Assurance and other services for audit clients	2%	5%	4%
Services for non-audit clients	64%	61%	52%



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Partner remuneration

Partners are remunerated after assessing each partners’ performance during 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;
- Performance related component – rewards performance in the year by each partner against individual objectives previously agreed and the service lines and firms’ performance. 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, expected future role in the firm, 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. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

Drawings

During the year, partners working within KPMG LG received monthly drawings, and variable pay, a performance-related component pertaining to the previous year. The level of the variable component is decided by the executive committee (ExCom) and reviewed by the remuneration committee, and the timing of pay-out is at the discretion of the 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 ensure these are stable month-to-month, the reality is that monthly drawings can vary in the course of a year if business conditions warrant this; this would require the involvement of the ExCom.



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

Network arrangements

Legal structure

Legal structure

KPMG LG and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited has been 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.

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 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.

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found in the 'Governance and leadership' section of the [2022 KPMG International Transparency Report](#).

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 2.2 billion during the year ending 30th September 2022. 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 2022.

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.

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

Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides territorial coverage on a worldwide basis.

Governance structure

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



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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 approves the appointment of Global Board members. It includes representation from 53 KPMG firms that are “members” of KPMG International Limited as a matter of English law.

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. It also approves the admittance or termination of KPMG firms to/from the global organization.

It is led by the Global Chairman, Bill Thomas, and includes the Chairman of each of the regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)), and a number of members who are also member-firm Senior Partners.

The list of current Global Board members, as at 1 October 2022, is set out on the Leadership page of our website.

Global Board committees:

The Global Board is supported in its oversight and governance responsibilities by several committees, including:

- Executive Committee
- Governance Committee
- Global Quality, Risk Management and Reputation Committee
- Global Audit Quality Committee

The overarching responsibility of the Global Audit Quality Committee is to strive for globally consistent audit quality across all firms and to oversee those KPMG International activities which relate to improving and maintaining the consistency and quality of audits assurance engagements and the system of quality management provided by KPMG firms.

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

KPMG firms in their execution of the global strategy and KPMG International decisions and policies by member firms, including holding them accountable against their commitments. It is led by the Global Chairman, Bill Thomas.

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. They act under delegated authority from the Global Board and oversight by the Global Management Team (GMT). Under the oversight of the GMT, they promote the execution of the global strategy and compliance with KPMG International decisions and policies by member firms.

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 the implementation of strategy implementation in member firms’ audit functions, including standards of audit quality.
- Assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to increase audit quality.

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 [2022 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 2022, can be found in section ‘Governance and leadership’ of the [2022 KPMG International Transparency Report](#).



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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 management 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.

Due to 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 management systems as described in this report.
- The findings from the various compliance programs operated by our firm (including the local and KPMG International Review Programs as described in the section pertaining to internal monitoring and compliance programs).
- Findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Board of KPMG LG confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2022.

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 2022.



Introduction and
foreword

Living our culture
and Values

Applying expertise
and knowledge

Embracing digital
technology

Nurturing diverse
skilled teams

Associating with
the right clients and
engagements

Being independent
and ethical

Performing quality
engagements

Assessing risk
to quality

Communicating
effectively

Monitoring and
remediation

Financial
information

Partner
remuneration

Network
arrangements

Appendix

Public Interest Entities (PIEs)

The list below includes the firm’s relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU as of 30 September 2022.

- First Abu Dhabi Bank PJSC
- National Bank of Oman
- Oman Arab Bank
- Majid Al Futtaim Sukuk Limited
- Majid Al Futtaim Global Securities Limited
- EFG-Hermes MENA Securities
- Commercial Bank of Dubai
- Emirates Telecommunication Group Company PJSC
- Majid Al Futtaim Properties



Introduction and foreword

Living our culture and Values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

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Being independent and ethical

Performing quality engagements

Assessing risk to quality

Communicating effectively

Monitoring and remediation

Financial information

Partner remuneration

Network arrangements

Statement by the Board of KPMG LG

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Designed by Evalueserve.

Publication name: Transparency Report 2022

Publication number: 4535

Publication date: December 2022