



# Transparency Report 2024

**Quality is how we make a difference**

KPMG Audit OOD

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[kpmg.com/bg](https://kpmg.com/bg)



# 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 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 draw strength from our differences.



## For Better

We do what matters.

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# Message from our Leadership

## Committed to delivering quality

We are pleased to present the Transparency Report of KPMG Audit OOD for the year ended 31 December 2024.

The year, and the period that has elapsed since then, have shown that the world is evolving extremely quickly and almost always changing. The challenges of geopolitical and wider political uncertainties still remain and it is attributable to this state of affairs that we see a more holistic approach emerging this year among the world's leading CEOs: they are no longer just concerned with solving individual crises, but also with creating a business environment and corporate model, a vision as well as a related strategy and a culture that can meet any challenge, respond to it, and steer or keep the company on course.

During this period, new technologies – notably Artificial Intelligence ('AI'), ESG and its integration into corporate planning and governance are putting companies in new situations where quality and meeting the highest standards are crucial and essential.

Quality, in the sense of complying with requirements, is an outcome, but it is also the standard to which we hold ourselves to account. KPMG has been committed to the highest quality for 150 years – no matter what changes around us – and so this is a benchmark that paves the way for trust. Quality and trust are cornerstones of all our relationships with our stakeholders, such as our clients, our socio-economic environment, our personnel, the representatives of the regulatory environment or the global KPMG organization.

Today, businesses are integrating technology into their operations at a speed and in ways once unimaginable. Geopolitical developments and economic uncertainty have altered – and in some cases even done away with – decades-old business practices and norms, and businesses are increasingly having to mobilise resources to confront these societal threats and phenomena.

Audit and other assurance quality remains the highest priority at KPMG. The pace and scale of change happening around us only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future as well.

Backed by ongoing investment, we're dedicated to a mindset of continuous improvement. Aligned with regulatory requirements, KPMG firms across the organization are operating a consistent and robust quality management system that is enabling stronger accountability, greater transparency and ongoing progress. Through a relentless focus, KPMG people are making the difference and are instrumental in evolving our approach to quality.

Continuous improvement also means that we learn from shortcomings and constantly look for opportunities to enhance the rigor, reliability and quality of the audit process. KPMG has responsibilities across the world to businesses, institutions and wider society and we are dedicated to the highest standards of



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ethical behavior. By utilizing the breadth of our organization and the expertise of our people, KPMG firms aim to deliver quality audit and assurance services that safeguard the public interest.

We strive to be employers of choice by creating an environment where people can fulfil their potential and feel motivated and proud to give their best. We work hard to focus on an inclusive culture of diverse talent and are committed to continued development and coaching of our employees. We recognize the resilience displayed by our people and appreciate the efforts of our teams in these unique and challenging times. We proactively support the wellbeing of our people as we continue to build a safe and inclusive workplace as a preferred employer.

We thank you for your trust and hope that this publication will inspire you and help you to understand KPMG’s commitment, its vision and its mission. We also provide this so we can be your partners in professional excellence and quality services.



**Kalin Hadjidimov**  
Managing Director, KPMG Audit OOD  
Country Managing Partner



**Ivan Andonov**  
Managing Director, KPMG Audit OOD  
Head of Audit

Throughout this document, “KPMG”, “we”, “our” and “us” refers to KPMG Audit OOD.

Any references to the KPMG global organization mean 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.

KPMG International means KPMG International Limited unless the context requires the reference to mean KPMG International Services Ltd (which provides services, products and support to, or for the benefit of, member firms or KPMG International Limited but not services, products or support to clients) or KPMG International Cooperative (which owns and licenses the KPMG brand)

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 [About Us](#) page of [kpmg.com](#).



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# Audit quality

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

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.



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# A system of quality management that sustains audit and assurance quality

Consistent and strong controls within our firm's system of quality management (SoQM) help reduce quality issues, drive operational efficiencies, and enhance transparency and accountability. We are committed to continually strengthening the consistency and robustness of our SoQM.

Across the global organization, KPMG firms have strengthened the consistency and robustness of their system of quality management (SoQM) to meet the requirements of the International Standard on Quality Management (ISQM) 1, issued by the International Auditing and Assurance Standards Board (IAASB).

## KPMG International's global approach to SoQM and ISQM 1



Sets **policies and procedures** to support KPMG firms' effective SoQM in accordance with ISQM 1 issued by the IAASB.



Establishes for each SoQM component, globally consistent **quality objectives, risks and responses including controls**.



Provides KPMG firms with a **risk assessment framework** that they have agreed to use in identifying incremental KPMG firm specific quality objectives, risks, and controls.



Supports KPMG firms with **guidance, tools and training** to drive consistent and effective firm SoQM operation and annual evaluation.



Includes **monitoring activities** over KPMG firms' SoQM to drive global consistency.



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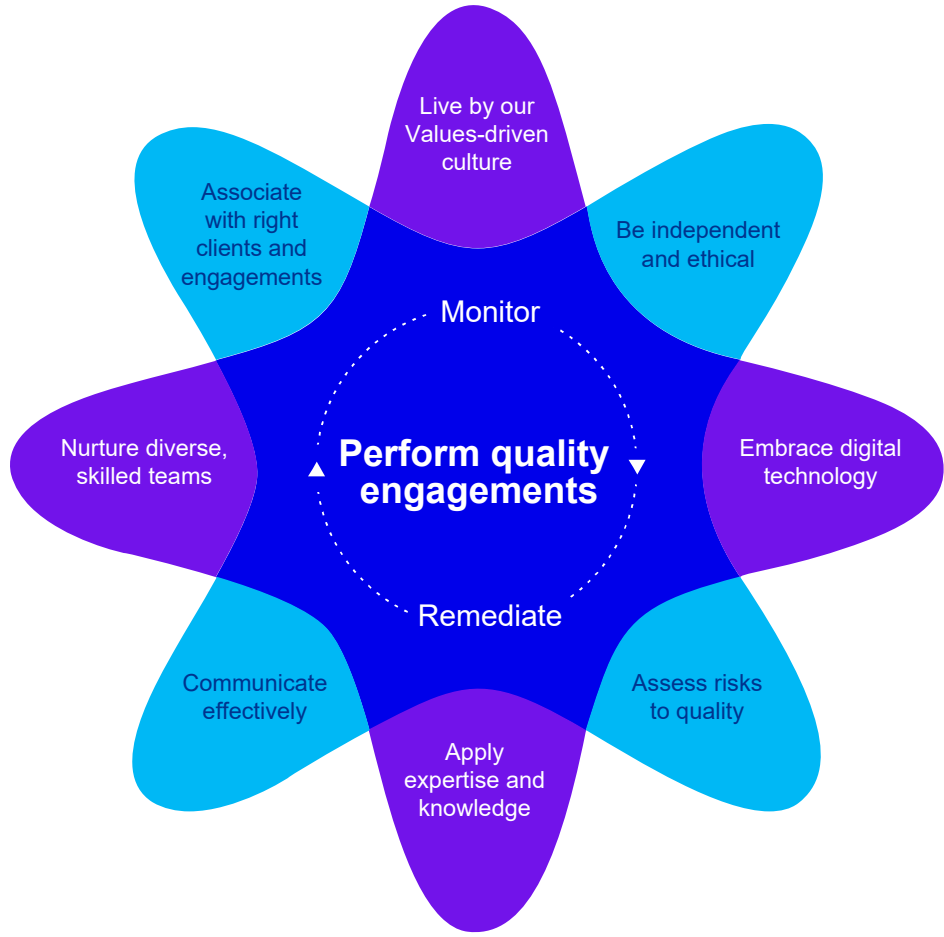
The globally consistent approach to ISQM 1 is used by all KPMG firms across the global organization to drive the consistency, robustness and accountability of responses within KPMG firms' processes.

To provide more transparency on what drives KPMG audit and assurance quality, this report is structured around the KPMG Global Quality Framework. For KPMG, the Global Quality Framework outlines how we deliver quality and how every KPMG professional contributes to its delivery. The drivers outlined in the Global Quality Framework align with the 10 components of KPMG firms' SoQM and ISQM 1.

In line with ISQM 1, our SoQM also aligns with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics).

The below sections of the Transparency Report describe how we operate each driver in the Global Quality Framework, aligned with the SoQM components. Combined with our firm's [SoQM Statement of Effectiveness](#), this Transparency Report summarizes how our SoQM effectively supports the consistent performance of quality engagements. This report may also be useful for stakeholders interested in KPMG firms' Tax and Advisory services, as certain aspects of our firm's SoQM are cross-functional and apply equally as the foundation of quality for all services offered.

KPMG's Global Quality Framework



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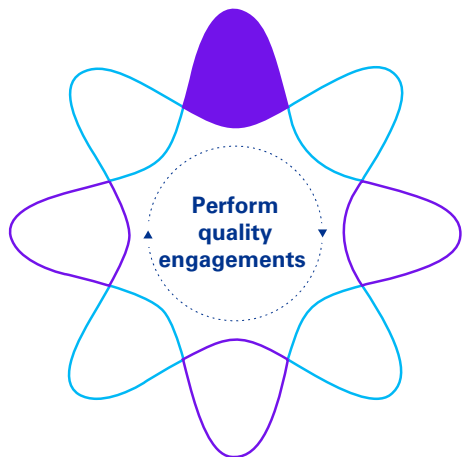
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# Live by our Values-driven culture

- **Foster the right culture, starting with tone at the top**
- **Clearly articulate strategy focused on quality, consistency, trust and growth**
- **Define accountabilities, roles and responsibilities related to quality and risk management**
- **Institute robust governance structures**

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 all personnel, they are the foundation of our unique culture.

## Foster the right culture, starting with tone at the top

### Tone at the top

KPMG international's leadership, working with regional and KPMG firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence and ethics. A culture based on integrity, accountability, quality, objectivity, independence, and ethics is essential in an organization that carries out audit, assurance and other professional services on which stakeholders rely.

### Clear Values and a strong Code of Conduct

At KPMG, our [Values](#) lie at the heart of the way we do things. To do the right thing, the right way.



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They form the foundation of a resilient and ethical culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to serve the public interest.

We are committed to the highest standards of professional behavior in everything we do. Ethics and integrity are core to who we are and within our [Global Code of Conduct](#) ("the Code"), we outline the responsibilities all KPMG people have to each other, our clients and the public. It shows how our Values and Purpose inspire our greatest aspirations and guide our behaviors and actions. It defines what it means to work at and be part of the KPMG organization, as well as our individual and collective responsibilities.

Everyone at KPMG can expect to be held accountable for their behavior consistent with the Code and is required to confirm their compliance with it. Individuals are strongly 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 required to report any activity that could potentially be illegal or in violation of our Values, KPMG policies, professional standards and applicable laws or regulations.

To safeguard this principle of holding each other accountable, each KPMG firm has agreed to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on and notify reportable matters, without fear of reprisal,

in accordance with applicable law or regulation.

The [KPMG International hotline](#) is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to KPMG International, activities of KPMG firms or KPMG personnel. KPMG International considers how to respond to each report received through the hotline and where necessary, investigates and takes appropriate action.

As required by the Bulgarian Whistleblowing Law, KPMG Audit has established a local internal whistleblowing channel which is available for KPMG partners and employees, suppliers, and some other third parties to confidentially report potential and actual breaches of relevant legislation. The reports are processed in strict confidentiality and protection of whistleblower's identity.

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.

In addition to the processes outlined above, the Global People Survey provides our leadership and KPMG International leadership with insights related to upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

**KPMG's Global Values Week — Building a values-led firm of the future**

Kicking off FY 2024, the KPMG global network came together to celebrate our Values during a week-long series of events. Global Values Week engaged our people in dialogue around our five Values and the role they play in our everyday work. This organization-wide celebration was followed by the launch of a Values Immersion initiative in our firm that included leader-led group sessions focused on living our Values under pressure.

**The KPMG multidisciplinary model**

The KPMG global organization is at its strongest when its over 275 000 people across 142 countries and territories, aligned behind a common set of values, are working together to provide quality services to some of the most important organizations in the world, from the public sector to finance to healthcare. Regardless of the sector or industry they operate in, KPMG's people leverage multidisciplinary knowledge and experience from across the organization to deliver independent and rigorous audit and assurance, tax and consulting services to clients and stakeholders, earning their trust by meeting our commitment to deliver professional excellence. We firmly believe that our multidisciplinary model is the best way to serve clients and is essential to delivering high quality.



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

**Our business**

KPMG Audit OOD (“KPMG Audit”, the “Company”) is a professional services firm that delivers Audit and Assurance services. KPMG Audit is an audit firm and a member of the Institute of Certified Public Accountants in Bulgaria, registered in the Register of registered auditors under No 045.

The Company operates in Bulgaria through its offices in Sofia and Varna and has approximately 120 employees and partners for the year ended 31 December 2024.

Further details of our service offerings can be found on our website [www.kpmg.com/bg](http://www.kpmg.com/bg).

**Our strategy**

Our strategy is set by our partners and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a global strategy execution.

**Defined accountabilities, roles and responsibilities related to quality and risk management**

**Leadership responsibilities for quality and risk management**

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

Our firm has agreed to seek input from the chair of the relevant Global Steering Group or their delegate on the performance of certain leaders within the firm 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, quality and risk management activities.

The following individuals have leadership responsibilities for quality and risk management in our firm.



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## Managing Partner

In accordance with the principles in ISQM1, our Managing Partner Kalin Hadjidimov is the leader who has ultimate responsibility for our SoQM.



## Risk Management Partner

Our firm's Risk Management Partner (RMP) is responsible for the firm's direction and execution of risk, compliance, and quality. The RMP is a member of KPMG Audit's Executive team and has a direct reporting line to the Managing Partner. She consults, as appropriate, with the Managing Partner, the KPMG Regional RMP, Global Quality & Risk Management resources, and the legal counsel.

The seniority of the reporting lines underlines the importance that the firm places on risk and quality issues. The Risk Management Partner is supported by a central quality and risk management team.



## Ethics and Independence Partner

Our firm's Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Audit and reports on ethics and independence issues to the Managing Partner.



## Head of Audit

The Head of Audit is accountable to the Managing Partner for the quality of service delivered in the Audit function. The Head of Audit is responsible for the execution of the risk management and quality management procedures for the Audit function within the framework set by the Risk Management Partner. These procedures make it clear that at the engagement level, risk management and quality management is ultimately the responsibility of all professionals in the firm.

Our Head of Audit is responsible for the effective management and control of the Audit Function. This includes:

- Setting a strong tone and culture supporting audit quality through communication, engagement support and commitment to the highest standards of professional excellence, including professional skepticism, objectivity, and ethics and integrity;
- Developing and implementing an audit strategy that is aligned with the firm's quality requirements;
- Working with the RMP to monitor and address quality and risk matters as they relate to the Audit practice.



## Audit Leadership Team

The Audit Leadership Team has regular discussions to agree actions about current and emerging audit quality issues arising from external and internal quality review processes, queries being raised by engagement teams, our SoQM evaluation, root cause analysis procedures and other quality matters identified from a variety of sources.

More complex issues (which might require amendments to KPMG's global audit methodology or audit tools) are raised with KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG), Global Audit Methodology Group (GAMG) and the International Standards Group (ISG). For more information about the KGSG, the GAMG and the ISG refer to sections [KPMG Global Solutions Group \(KGSG\)](#) and [International Standards Group \(ISG\)](#).

Our Head of Audit Quality considers matters relating to maintaining and improving audit quality, including the detailed findings (and related actions) from our SoQM evaluation, external regulatory reviews, the internal Quality Performance Review program and other quality control programs.



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Institute robust governance structures

Our legal and governance structure

KPMG Audit OOD is a limited liability company incorporated in 1992 and registered with the Commercial Register at the Registry Agency of the Republic of Bulgaria under Unified Identification Code 040595851, with a registered office and business address at: 45/A Bulgaria Boulevard, 1404 Sofia, Bulgaria.

The registered capital of KPMG Audit amounts to BGN 174,000 (one hundred and seventy-four thousand Bulgarian leva) distributed into 17,400 (seventeen thousand and four hundred) shares with a nominal value of BGN 10 (ten Bulgarian leva) each as follows:

- KPMG CEE HOLDING, a.s., joint stock company, registered in the Czech Republic, owns 6,438 (six thousand four hundred and thirty-eight) shares with a nominal value of BGN 10 (ten Bulgarian leva) each, representing 37% of the capital of the Company.
- Ivan Andonov, registered auditor with the Institute of Certified Public Accountants in Bulgaria, owns 4,176 (four thousand one hundred and seventy-six) shares with a nominal value of BGN 10 (ten Bulgarian leva) each, representing 24% of the capital of the

Company.

- Maria Peneva, registered auditor with the Institute of Certified Public Accountants in Bulgaria, owns 2,436 (two thousand four hundred and thirty-six) shares with a nominal value of BGN 10 (ten Bulgarian leva) each, representing 14% of the capital of the Company.
- Sevdalina Dimova, registered auditor with the Institute of Certified Public Accountants in Bulgaria, owns 2,262 (two thousand two hundred and sixty-two) shares with a nominal value of BGN 10 (ten Bulgarian leva) each, representing 13% of the capital of the Company.
- Kalin Hadjidimov owns 2,088 (two thousand and eighty-eight) shares with a nominal value of BGN 10 (ten Bulgarian leva) each, representing 12% of the capital of the Company.

Kalin Hadjidimov and Ivan Andonov manage and represent the Company individually. The other registered Managing Directors – Maria Peneva and Sevdalina Dimova, registered auditors with the Institute of Certified Public Accountants in Bulgaria, manage and represent the Company only jointly with Kalin Hadjidimov or Ivan Andonov.

The information with regard to the legal and ownership structure of the Company, its management bodies and the other circumstances

which under the law are subject to registration is publicly available under the batch of the Company at the Commercial Register with the Registry Agency.

At KPMG, we apply high standards of corporate governance.

Empowered individuals admitted as KPMG partners play the key role in the governance and management of the firm. Within the KPMG structure, the position of a partner is not equivalent to a registered equity owner of the local KPMG member firm.

All Partner Board

The main governance body of KPMG entities in Bulgaria is the All Partner Board, which includes all partners. The All Partner Board is responsible for the long-term growth, continuity and legacy of the firm, business plans and their implementation. As such, it sets the goals of the firm, agrees on its strategy and generally, takes decisions on all matters of strategic importance to the firm. These responsibilities require the All Partner Board to oversee the SoQM and engagement quality through the establishment of an SoQM and Engagement Quality Oversight Committee. The All Partner Board is responsible for overseeing the Executive Team.

Executive Team

The Executive Team comprises the Managing Partner, Heads of Functions, the



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Risk Management Partner and the Head of Markets. The Executive Team is responsible for the day-to-day running of the firm, including recommendations for approval of the annual business plan and the budget and other operational matters.

**Managing Partner**

The Managing Partner is responsible for leading the Partners group and ensuring that the partners receive accurate, timely and clear information and for ensuring effective communication and relationships among the partners. The Managing Partner is appointed by the KPMG CEE Chairman after consultation with the local partners.

See section [Legal structure](#) for information on the KPMG legal structure and section [Governance structure](#) for information on the KPMG International Governance structure.



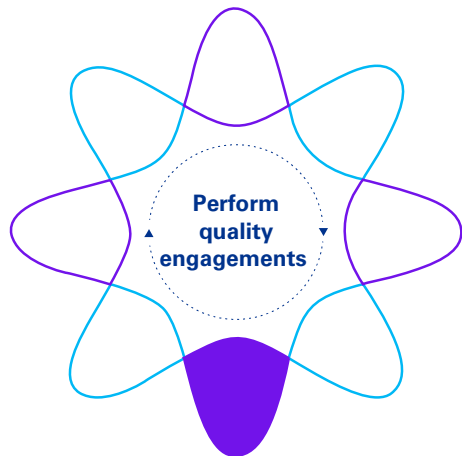
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# Apply expertise and knowledge

- **Methodology aligned with professional standards, laws and regulations**
- **Technology-enabled standardized methodology and guidance**
- **Deep technical expertise and knowledge**
- **Quality and risk management policies**

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

## Methodology aligned with professional standards, laws and regulations

### Consistent audit and assurance methodology and tools

We use KPMG International's audit and assurance methodology, tools and guidance to drive consistent approach to planning, performing and documenting audit and assurance procedures.

Key elements include:

- Meeting the applicable standards, including International Standards on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB), the American Institute of CPAs (AICPA), the International Standards on Assurance Engagements (ISAE), and the local



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regulatory or statutory requirements for the firm;

- Identifying risks of material misstatements and the necessary audit response;
- Use by our audit and assurance professionals to drive consistent interpretation on the application of ISAs and ISAEs;

Our audit and assurance methodologies emphasize applying appropriate professional skepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence. The methodologies evolve to reflect new and revised audit standards and requirements as well as to keep pace with innovative and technological advances that drive quality and efficiency.

## Technology-enabled standardized methodology and guidance

The KPMG standardized methodology and guidance are embedded within KPMG Clara, our smart audit and assurance platform, and assist our engagement teams in meeting the ever-changing landscape of corporate reporting and related audit and assurance requirements.

## Deep technical expertise and knowledge

### Access to specialist networks

Specialist experience is an increasingly important part of the modern audit and is a key feature of our multi-disciplinary model. Our engagement teams have access to a network of KPMG specialists to consult - 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.

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.

### Our commitment to audit and assurance quality by responding to significant external events and conditions

Significant external events and conditions, such as the impacts arising from climate change, geopolitical events, volatile interest rates and elevated levels of inflation may have significant financial statement implications, increasing complexity, subjectivity and uncertainty for matters such as management's going concern assessment, asset impairments and asset

valuations. Guidance is available to assist engagement teams in our firm address the financial reporting, auditing and reporting related matters arising from the impacts of these significant external events and conditions.

We also have access to an [online financial reporting resource center](#) maintained on behalf of KPMG that highlights the potential financial statement implications of matters arising from significant external events. This guidance is updated as new significant accounting, auditing and reporting issues emerge.

### Licensing and requirements for IFRS® Accounting Standards and US GAAP engagements

#### Licensing

All KPMG professionals in our firm are required to comply with applicable professional license rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. KPMG Audit's policies and procedures are designed to facilitate compliance with license requirements.

The firm's registered auditors who are members of the Institute of Certified Public Accountants in Bulgaria participate in annual training and comply with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act for minimum hours of continuing education required by the Institute of Certified Public Accountants.

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.

### Requirements – IFRS® Accounting Standards and US GAAP engagements

In addition, KPMG International has specific requirements for partners, managers and Engagement Quality Control (EQC) reviewers working on IFRS® Accounting Standards engagements in countries where IFRS Accounting Standards are not the predominant financial reporting framework.

Similar policies apply to 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 provide 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 EQC 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.

### ESG Assurance quality

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

We believe the same level of professionalism, quality, consistency and trust should apply to ESG reporting as to financial data. We have made significant investments in putting ESG at the heart of the organization and remain steadfast in our commitment to serving the public interest. As part of the continuous improvement approach to quality, in 2024, the following updates were implemented:

- Revised methodology updates in accordance with the Corporate Sustainability Directive (CSRD), the European Sustainability Reporting Standards (ESRS) and EU Taxonomy disclosure requirements.
- Enhanced the ESG Assurance methodology and KPMG Clara workflow – Assurance training and released curriculum focused on the ISSB standards and the ESRSs.
- Invested in programs to strengthen KPMG professionals' skills and experience, to deliver high quality ESG assurance engagements and meet client needs, including access to technical ESG reporting and assurance subject matter professionals, including KPMG

Delivery Network (KDN).

Our ESG assurance delivery model is subject to our SoQM in accordance with ISQM 1.

### Policies on applicable requirements, standards and laws

At our firm, all personnel are expected to adhere to KPMG International and our firm's policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them. Our policies and procedures for audit and assurance engagements incorporate the relevant requirements of accounting, auditing, assurance, ethical, quality and risk management standards that are consistent with ISQM 1, and other relevant laws and regulations.



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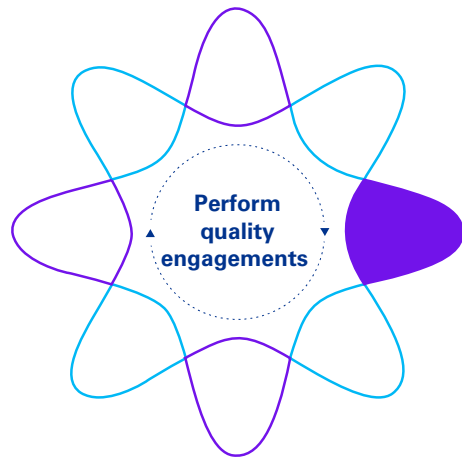
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# Embrace digital technology

- **KPMG Clara**
- **Intelligent, standards-driven audit and assurance workflows**
- **Digital data and emerging technologies**

At KPMG, we are anticipating the technologies that will shape our near future and are driving an ambitious innovation agenda. We continue to transform the audit and assurance experience for our professionals and clients. The alliances and leading technologies used across the KPMG global organization are enhancing quality by increasing our ability to identify and respond to the issues that matter.

## KPMG Clara

An intelligent audit and assurance technology platform, KPMG Clara integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization, and harnesses the power of artificial intelligence (AI). KPMG Clara enables new insights by helping auditors to see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply reconciling the accounts.

A fully digital approach is integral to how KPMG firms perform quality audit and assurance engagements and interact with their clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment



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and support of technology in our audits.

Intelligent, standards-driven audit and assurance workflows

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG firms. It enables delivery of KPMG audit and assurance methodologies, through data-enabled workflows, that are aligned with the applicable standards, providing an empowered and seamless experience to auditors.

Digital data and emerging technologies

Our vision of the future

The KPMG global organization is committed to continuously evolving our approach to quality and, as a technology-driven organization, is harnessing innovative capabilities to deliver high quality services.

Fully deployed across KPMG firms, KPMG Clara is the global platform for KPMG Audit and empowers our auditors to offer deeper insights, fresh perspectives and improved audit and assurance quality to the entities we audit.

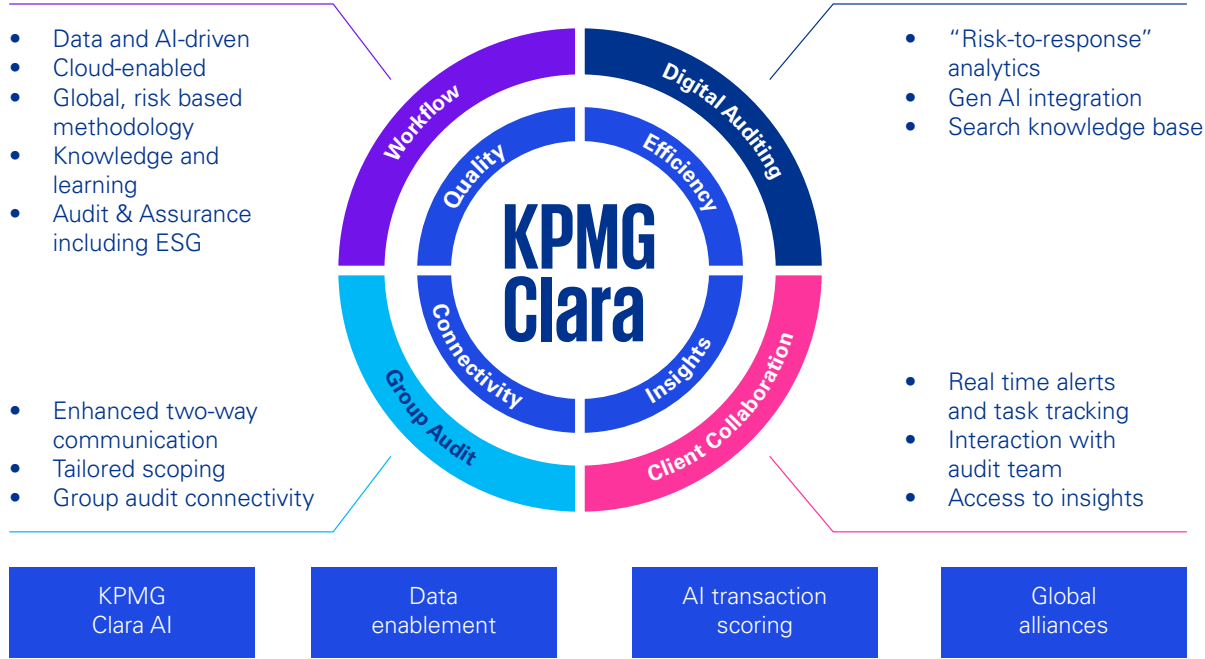
Signalling our commitment to continual innovation, enhancement, and further digitization

of the audit, we use KPMG Clara as a future-ready platform that is ready to harness the innovations of today and tomorrow.

As one example, generative AI has been integrated directly into the global KPMG Clara audit workflow, allowing our professionals, where permitted by clients and applicable laws, to more deeply interrogate audit documentation, search and apply KPMG’s knowledge base, and benefit from the productivity-boosting capabilities of AI.

Technologies such as KPMG Clara analytics AI transaction scoring mean KPMG audit teams can apply AI and machine learning algorithms to identify higher-risk transactions – focusing audit attention on risk areas that require follow up and providing greater assurance over the complete data set.

As KPMG works to fully harness the power of AI, we remain equally committed to upholding ethical standards for AI solutions that align with our



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Values and professional standards, and that foster the trust of KPMG clients, people, communities and regulators.

KPMG Trusted AI is our strategic approach and framework to designing, building, deploying and using AI solutions in a responsible and ethical way to help accelerate value with confidence.

**Client confidentiality, information security, and data privacy**

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

The Management System of KPMG Audit is certified for compliance with the ISO 9001:2015 management system standard. Amongst other matters, the scope of certification includes professional services for audits and reviews of historical financial information, assurance engagements, and related services.

We have policies on information security, confidentiality, personal information and data privacy. We have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with applicable laws, regulations, and professional standards.

KPMG provides training on confidentiality, information protection and data privacy requirements to all KPMG personnel annually.



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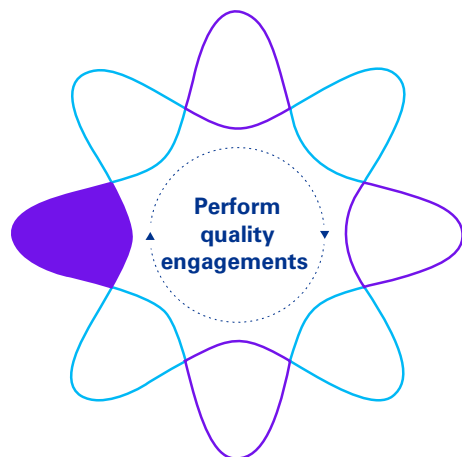
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# Nurture diverse, skilled teams

- **Recruit appropriately qualified and skilled people with diversity of perspective and experience**
- **Assign appropriately qualified team**
- **Invest in data-centric skills — including AI solutions**
- **Focus learning and development on technical expertise, professional acumen and leadership skill**
- **Recognize quality**

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

## Recruit appropriately qualified and skilled people 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 audit and assurance services. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

### Recruitment

We have invested in understanding how we can attract the talent we need now and in the future across our firm.



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Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, helping build relationships with a younger, diverse talent pool at an early age. We also recruit significant numbers at an experienced hire level.

All candidates apply and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

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

## Inclusion, diversity and equity programs

Inclusion, Diversity and Equity (IDE) underpins the KPMG Value of 'Together' and is vital to inspiring confidence and empowering change — our Purpose.

Fostering a culture that welcomes everyone — without exception — requires purposeful work. KPMG International issues guidance on global

best practices related to those areas where an evolved IDE focus can help make the greatest impact through the creation of an inclusive environment — including hiring, compensation, performance evaluation and promotions.

Engage. Educate. Empower was the theme of KPMG's Global IDE Super Summit for 2024 and thousands of colleagues joined the celebration of togetherness uniting the KPMG IDE communities and allies through a landmark global event, with more ways to learn from each other, join conversations and share ideas.

Learn more about the KPMG commitment to have an inclusive culture built on trust in the [KPMG International: Our Impact Plan](#).

## Health and well-being

In our firm, we are committed to protecting the health of our people, both physically and mentally, and providing an environment of empathy and support that allows our people to thrive and deliver high-quality work to our clients. Professional services can be a fast-paced and demanding environment, so we are focused on creating a culture where people can be open about their well-being — and reach out for support when they need it.

## Reward and promotion

### Reward

We have compensation and promotion policies that are informed by market data and are, clear, simple, fair and linked to the performance review process. This helps our partners and employees understand what is expected of them, including audit quality accountabilities outlined in audit role profiles and the audit quality goal that are issued globally by KPMG International. The connection between performance and reward is achieved by assessing performance across a peer group to inform reward decisions.

Reward decisions are based on consideration of both personal and individual firm performance.

The extent to which our people feel their performance has been reflected in their reward is measured through the annual 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.



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## Assign an appropriately qualified team

A critical driver of quality management is the selection of the engagement team to deliver effective and high-quality audit and assurance services. At KPMG we have policies, procedures and controls 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.

The Head of Audit is responsible for the partner assignment process. Key considerations include partner experience, and capacity – based on an annual partner portfolio review – to perform the engagement considering 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).

Audit engagement partners are responsible for determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, KPMG policies and procedures, professional standards and applicable legal and regulatory requirements and any changes that may arise during the engagement. This may include involving specialists from our own firm, other KPMG firms or external experts.

As an additional control in Audit our Head of Audit performs an annual review of the portfolio of all 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 the engagement partner to perform a high-quality audit for each client in their portfolio.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, 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 professional standards and legal and regulatory requirements;
- 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 skepticism;
- Understanding of KPMG's quality control policies and procedures;

- Quality Performance Review (QPR) results and results of regulatory inspections.

## Audit role profiles to drive quality

Driving a consistent approach to accountability for quality, we have a set of role profiles, issued by KPMG International, articulating the technical and behavioral competencies, and individual levels of accountability for contributing to audit quality and the SoQM. The role profiles offer KPMG personnel involved in audit delivery a clear articulation of their role and are updated annually to support the focus on continuous improvement. To connect the role profiles to goal setting, a mandatory audit quality goal is in place for those covered by the role profiles.

## Invest in data centric skills – including advanced AI solutions

The KPMG organization is strategically investing in prospective talent by partnering with world-class institutions to sustain strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future.

In our firm we are recruiting and training professionals who can bring leading technology capabilities to the smart audit and assurance platform that we use. We provide training on a wide range of technologies to help ensure that field professionals not only meet the highest professional standards but are also educated



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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 our professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department for consultation. Where the right resource is not available in our firm, we access a network of highly skilled KPMG professionals in other KPMG firms.

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

### Lifetime learning strategy

In our firm, we are committed to developing a culture of continuous learning in line with our desire to provide access to learning for a lifetime — where KPMG partners and employees can continually enhance their competencies and skills through functional, ethical and accelerated learning. With a focus on enabling excellence, our

continuous learning culture helps our people make the difference for both clients and themselves.

### Formal training

Rapid advances in technology have made education and reskilling more important than ever. Providing our people with opportunities to learn and develop their careers is a key pillar of KPMG's Global People strategy.

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

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

### Mentoring and on-the-job coaching

Learning is not confined to a single approach – rich learning experiences 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 continuous learning environment

where KPMG partners and employees contribute to building the team capacity, coaching other team members and sharing experiences.

In relation to audit, our firm:

- Deploys a variety of learning solutions that are designed to reinforce the KPMG Values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit;
- Provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics — this is used by audit teams and this guidance is embedded across audit learning solutions;
- Has also 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 country rotational and global mobility opportunities.



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## Recognize quality

### Personal development

Our approach to performance development, “Open Performance Development”, is built around the “Everyone a Leader” performance principles, which are supplemented by the “global audit technical core competencies” to provide a holistic view of expectations. The performance development approach includes:

- Audit role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- A goal library (including a mandatory audit quality goal applicable to everyone covered by the audit role profiles and additional optional 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 behaviors and competencies we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on quality.

At the same time, we are driving a shift in our performance-driven culture, supported by and

enacted through leading technology made available by KPMG International 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.

We consider quality and compliance metrics in the overall performance assessment, promotion and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are able to assess performance.

Attracting, retaining and developing talent individuals is at the very top of our people agenda and is key to KPMG being a magnet for talent. The firm dedicates a significant amount of time, money and other resources to build professional capability, leadership and business skills and technical expertise.

All our people are encouraged to think about their careers and personal development needs via regular performance conversations with ongoing feedback and support. To support career and professional development there is a range of core skills programs covering skills and behaviors that provide performance improvement and ensure that individuals reach their full potential. Our learning and development framework focuses on critical and stretching experiences and learning opportunities are provided through a blend of formal learning for the development of key technical, leadership and business skills; social learning or learning through others; and through their engagement and project work. A clear focus

on high performance and regular feedback helps our firm identify high performers who have the potential to take on more senior or more complex roles.



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# Associate with the right clients and engagements

- **Global client and engagement acceptance and continuance policies**
- **Accept appropriate clients and engagements**
- **Manage portfolio of clients**

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

## Global client and engagement acceptance and continuance policies

KPMG International's global client and engagement acceptance and continuance policies and processes are designed to help KPMG firms identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG firms 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.



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## Accept appropriate clients and engagements

### Client evaluation

Our evaluation of a prospective client includes an assessment of the client's risk profile and background information on the client, its key management, directors, and owners. If necessary, the evaluation includes obtaining and assessing additional information required to satisfy the applicable legal/regulatory requirements.

### Engagement evaluation

We consider a range of factors when we are evaluating each prospective engagement including:

- Potential independence and conflict of interest issues,
- Intended purpose and use of engagement deliverables,
- Public perception,
- Whether the services would be unethical or inconsistent with our Values.

In addition, the evaluation of an audit engagement includes an assessment of the competence of the client's financial management team and the skills and experience of KPMG professionals. Where we are providing audit services for the first time, additional independence evaluation

procedures are performed, including a review of any non-audit services provided to the client and of other relevant business, financial 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.

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 professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

### Continuance process

We undertake an annual re-evaluation of all audit clients to identify risks in relation to continuing our association and mitigating procedures that need to be put in place.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change to the risk profile.

### Withdrawal process

When we come to a preliminary conclusion that indicates we should withdraw from an engagement or client relationship, we must consult internally and identify any required legal, professional and regulatory responsibilities with respect to that relationship. We also consider further communications with those charged with governance and any other appropriate authority as required under our professional obligations.

### Manage portfolio of clients

We have policies and procedures to enable our firm to monitor the workload and availability of engagement partners, managers and staff and personnel to provide sufficient time to complete their responsibilities.

Our firm's engagement partners are responsible for determining that members of the engagement team collectively have the appropriate competence and capabilities, including sufficient time, to successfully perform the engagement in accordance with professional standards and regulatory and legal requirements. See section [Assigning an appropriately qualified team](#) for more information.

Each partner's client portfolio is regularly reviewed by the Head of Audit to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.



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# Be independent and ethical

- **Act with integrity and live our Values**
- **Maintain an objective, independent and ethical mindset, in line with our code of conduct and policies**
- **Have zero tolerance of bribery and corruption**

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

## Act with integrity and live our Values

We know that trust is earned by doing the right thing. We are committed to the highest standards of professional behavior throughout our firm in everything we do. Ethics and integrity are core to who we are. Within our [Global Code of Conduct](#), we outline the responsibilities KPMG people have to each other, our clients and the public. It shows how our Values inspire our greatest aspirations and guide all our behaviors and actions. At our firm, we provide annual training to all partners and employees on the Global Code of Conduct, anti-bribery and corruption, and compliance with laws, regulations and professional standards.



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KPMG’s ethical decision-making framework CARE (Consider, Assess, Respond, Evolve) is centered on building and reinforcing trust, and supports our Purpose, Values and Code of Conduct. A model shared across the organization, CARE helps our people to make ethical decisions, especially when faced with a challenging situation

CARE  
Ethical decision-making framework

Consider

what is the issue

Assess

options to address the situation

Respond

with decision

Evolve

and reflect

Source: KPMG International OIP

or ethical dilemma, and it also reminds them that they do not have to make these decisions alone.

Maintain an objective, independent and ethical mindset

KPMG International’s independence policies and procedures incorporate the IESBA Code of Ethics, covering areas such as firm and personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

Policies are supplemented to help ensure compliance with the guidance issued by the Bulgarian Commission for Public Oversight of Statutory Auditors (CPOSA) and those of other applicable regulatory bodies.

Our Ethics and Independence Partner (EIP) is responsible for communicating and implementing KPMG policies and procedures and ensuring that any additional local independence policies and procedures are established and effectively implemented.

Automated tools identify potential independence and conflict of interest issues and facilitate compliance with these requirements. KPMG firm compliance with independence requirements is part of the global [KPMG Quality & Compliance Evaluation \(KQCE\)](#) program.

Personal financial independence

KPMG firms and KPMG personnel are required to be 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 firm or function – are generally prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system to assist KPMG professionals in complying with personal independence investment policies. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

We monitor partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. KPMG International provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.



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## Employment relationships

Any KPMG professional providing services to an audit or assurance client irrespective of function is required to notify the firm EIP if they intend to enter into employment negotiations with that client. For partners, this extends to any audit client of any KPMG firm that is a public interest entity. Specific prohibitions, and in some instances, cooling off periods apply to accepting certain roles at audit and assurance clients.

In addition, the requirements of Article 58 of the Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act are complied with in relation to cooling-off period for registered auditors, engagement partners and other audit team members joining an audit client in management level positions, as members of the audit committee, a management or supervisory body.

## Firm financial independence

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

KPMG's independence compliance system records direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities and funds. This includes investments held in

associated pension and employee benefit plans.

KPMG firms' borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets must also be recorded.

On an annual basis, we confirm compliance with independence requirements as part of the [KQCE program](#).

## Business relationships/suppliers

We have policies and procedures in place to ensure our business relationships with audit and assurance clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC.

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.

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 KPMG firm will use to assist with client engagements or other purposes — is also required to be evaluated to determine whether the third party has the

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

## Business acquisitions, admissions and investments

Any acquisition of, or investment in a business, requires sufficient due diligence procedures to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with KPMG International are required to enable independence and other issues to be addressed when integrating the business into the wider global organization.

## Independence training and confirmations

All KPMG partners and client facing professionals, as well as certain other individuals, are required to complete independence training upon joining KPMG and on an annual basis thereafter and must sign an annual confirmation of compliance.



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## Non-audit services

All KPMG firms have agreed, at a minimum, to 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.

KPMG's mandatory conflicts and independence checking system supports our compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees, are required to be entered as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the submission.

Lead audit engagement partners are required to maintain group structures for their public interest entity and certain other audit clients including their related entities/affiliates. 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.

KPMG firms are prohibited from evaluating or compensating audit partners on selling non-audit services to their audit clients.

## Fee dependency

KPMG firms have agreed to consult with their Regional Risk Management Partner where total fees from a public interest entity (PIE) audit client are expected to exceed 10 percent of the annual fee income of the KPMG firm for two consecutive years. If the total fees from a public interest entity audit client and its related entities were to represent more than 15 percent of the total fees received by a particular KPMG firm in a single year, this would be disclosed to those charged with governance at the audit client. Where the total fees continued to exceed 15 percent for two consecutive years, we would engage a partner from another KPMG firm as the EQC reviewer and the fee dependency would be publicly disclosed.

## Avoiding conflicts of interest

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 firm's and/or its partners' or employees' ability to be objective or otherwise act without bias.

Any potential conflict matters that raise important points of principle for us 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 firms use the mandatory conflicts and independence checking system for potential

conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG personnel and KPMG firms are prohibited from offering or accepting inducements, including gifts and hospitality to or from audit and assurance clients, unless the value is trivial and inconsequential.

## Independence breaches

KPMG personnel are required to report an independence breach to our firm's EIP as soon as they become aware of it. 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.

We have a disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations.

## Partner and firm rotation

### Partner rotation

Our partners are subject to periodic rotation of their responsibilities for audit clients. Requirements place limits on the number of



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consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these partners are restricted in the roles they can perform.

In particular, in accordance with the Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act, a responsible auditor, who performs a financial audit of a public interest entity's financial statements on behalf of an audit firm, shall be replaced after having carried out financial audit engagements for a time period of seven years from the appointment of the audit firm by such entity. This registered auditor shall be prohibited from carrying out compulsory financial audit engagements at this entity in the capacity of an auditor for a time period of five years from the date of his or her withdrawal.

KPMG Audit monitors the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, 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.

**Firm rotation**

Under the Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act KPMG is permitted to act as an auditor for a public interest entity for a total period of ten

years and not to act as auditor for such clients for five years thereafter (referred to as the 'cooling off period'). KPMG has processes in place to track and manage compliance with audit firm rotation requirements. In the event that a joint statutory audit of the financial statements of a public interest entity is required under law or regulation, the Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act permits that the rotation period is extended by not more than five years. This extension is permitted if the Audit Committee of the public interest entity has made such a recommendation and it has been presented and approved at the General Meeting of the Shareholders.

**Have zero tolerance of bribery and corruption**

We have zero tolerance of bribery and corruption.

KPMG firms' 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 policies can be found on the [anti-bribery and corruption site](#).



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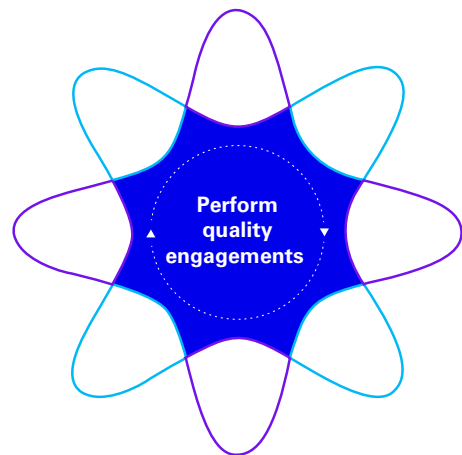
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# Perform quality engagements

- **Consult when appropriate**
- **Critically assess audit evidence, using professional judgment and skepticism**
- **Direct, coach, supervise and review**
- **Appropriately support and document conclusions**

How an audit is conducted is as important as the result. Everyone at KPMG is expected to demonstrate behaviours consistent with our Values and follow all policies and procedures in the performance of effective and efficient audits.

## Consult when appropriate

### Encouraging a culture of consultation

KPMG encourages a culture of consultation that supports engagement teams in KPMG firms throughout their decision-making processes and is a fundamental contributor to audit and assurance quality. In our firm, engagement teams are required to consult within their firm when difficult or contentious matters arise on an engagement.

To help with this, our firm has established protocols for consultation and documentation of significant matters, including procedures to



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facilitate resolution of differences of opinion on engagement issues. In addition, KPMG audit, assurance, reporting and risk management manuals also include specific consultations on certain matters.

### Technical consultation and global resources

Technical accounting, auditing and assurance support is available to all KPMG firms through a number of subject matter expert global teams.

Across our firm the role of Department of Professional Practice (DPP) is crucial in terms of the support that it provides to the Audit function. It provides technical guidance to client service professionals 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 Accounting Standards, IFRS Sustainability Disclosure Standards and ISAs.

Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, Head of Audit Quality and Risk Management Partner (or appropriate nationally qualified delegates) or ultimately the national Senior Partner.

### Global Audit Methodology Group (GAMG)

Develops the KPMG organisation's audit and assurance methodology based on the requirements of the applicable audit and assurance standards of the IAASB, PCAOB and AICPA.

### KPMG Global Solutions Group (KGSG)

Develops and deploys global audit and assurance solutions, including new technology and automation innovations.

The GAMG and KGSG teams bring diverse experience and innovative ways of thinking to further evolve KPMG firm's audit and assurance capabilities.

### International Standards Group (ISG)

Develops global guidance to promote consistency of interpretation of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards by KPMG firms, and to promote a consistent to emerging accounting and audit issues.

### PCAOB Standards Group (PSG)

Promotes consistency in the interpretation of PCAOB auditing standards 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.

### Member firm professional practice resources

Provide consultation support on auditing and technical accounting matters to their audit professionals involving regional or global teams when required.

### Critically assess 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 relevant audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member needs to exercise professional judgement and maintain professional skepticism throughout the audit engagement. Professional skepticism involves a questioning mind and remaining alert to contradictory, or inconsistencies in, audit evidence. Professional judgement encompasses the need to be aware of and alert to biases that may pose threats to sound judgements.



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Direct, coach, supervise and review

Embedding ongoing coaching, supervision and review

We promote a coaching culture as part of enabling our professionals to achieve their full potential. Coaching fundamentals are embedded in the audit training curriculum, and we support a continuous learning environment where KPMG partners and professionals contribute to building the capacity of the team, coaching other team members and sharing experiences while directing, supervising and reviewing their work.

Engagement quality control (EQC)

The EQC review is an important part of our approach to quality management. We have agreed to appoint an EQC reviewer for each audit engagement, 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 our Risk management partner (RMP) or our Head of Audit.

An EQC review is an objective evaluation of the significant judgments made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer’s evaluation of significant judgements 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.

Appropriately support and document conclusions

Reporting

Engagement leaders form all opinions and conclusions for audit, assurance and review engagements based on the work performed and evidence obtained.

In preparing auditors’ and assurance reports, engagement leaders have access to reporting guidance and technical support through consultations with our Department of Professional Practice, especially where there are significant matters to be reported to users of the auditors’ report, (e.g. a modification to the opinion or the inclusion of “an emphasis of matter” or “other matter” paragraph).

Engagement documentation

Our firm’s audit documentation is completed and assembled in accordance with KPMG International policy and applicable auditing standards. We have implemented safeguards

to protect the confidentiality and integrity of client and firm information and we have reduced the time period permitted to assemble audit documentation.



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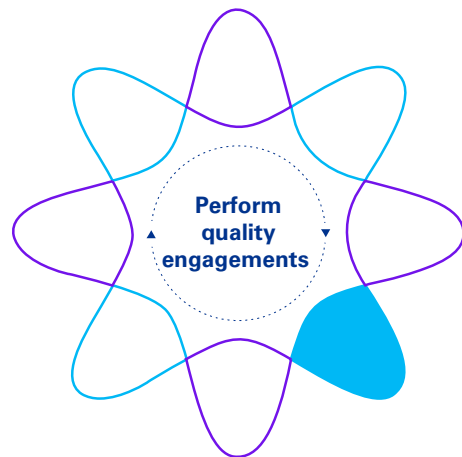
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# Assess risks to quality

- **Identify and understand risks to quality and implement effective responses**

The quality of KPMG audit and assurance services rests on the foundational SoQM and our approach to ISQM 1 emphasizes consistency and robustness of controls within our processes.

## Identifying risks to quality and implement effective responses

KPMG International performs an annual iterative risk assessment process (I-RAP) to determine the baseline expected quality objectives, quality risks, process risk points (responses to those risks, including controls) that all KPMG firms agree to adopt. In recognition that we are responsible for our SoQM being in compliance with ISQM 1, we also perform our own annual I-RAP, taking into account our firm's facts and circumstances in determining whether there are any incremental quality objectives, quality risks, process risk points or responses to those risks, including controls.

This consistent global approach:

- Sets the minimum controls to be implemented within all KPMG firms' SoQM processes in response to globally identified risks to meeting SoQM quality objectives.
- Defines the SoQM methodology used by KPMG firms in their annual SoQM evaluation to evaluate whether the SoQM controls are effective and whether the SoQM objectives have been achieved.



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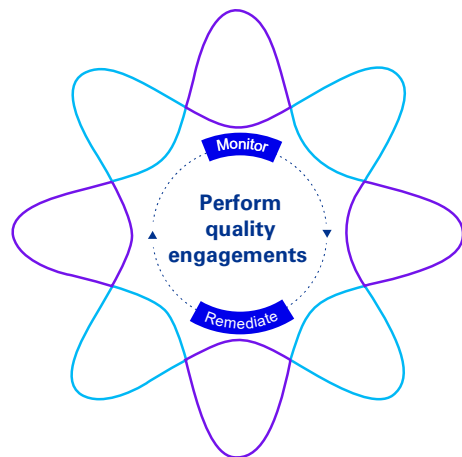
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# Monitor and remediate

- **Rigorously monitor and measure quality**
- **Obtain evaluations and act on stakeholder feedback**
- **Perform root cause analysis, and design and implement remedial action plans**

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

## Rigorously monitor and measure quality

### Commitment to continuous improvement

KPMG firms have committed to continually improving the quality, consistency and efficiency of their audits. The quality monitoring and compliance programs are globally consistent in their approach across all KPMG firms, including the nature and extent of testing and reporting. In our firm, we compare the results of our internal monitoring programs with the results of any external inspection programs and take appropriate action.



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Internal monitoring and compliance programs

KPMG firms have agreed to use quality monitoring and compliance programs that are developed by KPMG International to identify quality issues, perform root cause analysis and develop remedial action plans, both for individual audits and for their overall SoQM.

The programs evaluate:

- Engagement performance in compliance with the applicable professional standards, applicable laws and regulations and key KPMG International policies and procedures.
- Our firm’s compliance with KPMG International policies and procedures and the relevance, adequacy, and effective operation of key quality control policies and procedures.

The internal monitoring and compliance programs also contribute to the evaluation of our SoQM operating effectiveness. These programs include:

- Audit Quality Performance Review (QPR),
- KPMG Quality & Compliance Evaluation (KQCE)
- Global Quality & Compliance Review (GQCR)

The results of the integrated monitoring and compliance programs are communicated, and we establish action plans to make improvements

where needed. Results are also considered by KPMG International.

Audit Quality Performance Reviews (QPR) 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.

The Audit QPR Program is designed by Global Quality & Risk Management. We conduct the annual QPR program in accordance with KPMG International QPR instructions which promote consistency across the KPMG organization. Responsibility for the QPR Program lies with our firm’s Risk Management Partner. Reviews are overseen by an independent experienced lead reviewer from another KPMG firm. QPR results are reported to KPMG International.

Evaluations from Audit QPR

Across the global organization, consistent criteria are used to determine engagement ratings and KPMG firm Audit practice evaluations.

Audit engagements selected for review are rated as ‘Compliant’, ‘Compliant - Improvement Needed’ or ‘Not Compliant’.

KPMG Quality & Compliance Evaluation (KQCE) program

The KQCE program encompasses the testing and evaluation requirements of a KPMG firm’s SoQM which are necessary to support their compliance with ISQM 1, and compliance with quality and risk management policies. KQCE program requirements are to be completed by all KPMG firms.

The annual KQCE program covers the period from 1 October to 30 September and helps support our conclusion on the operating effectiveness of our SoQM as of 30 September and compliance with quality and risk management policies.

Global Quality & Compliance Review (GQCR) program

The GQCR program is a KPMG International monitoring program. The objective of the GQCR program is to assess a firm’s compliance with selected KPMG International policies, including those related to governance and SoQM.

Firms are selected for review using a risk-based approach, which considers a number of factors, including financial conditions, country risks, results of monitoring programs and people surveys, with each firm subject to a GQCR at least once in a four-year cycle.

The GQCR team comprises partners and managers who are independent of the firm subject to review.



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## Internal monitoring and compliance program reporting

Findings from the monitoring and compliance programs are disseminated to our professionals through written communications, internal training tools, and periodic meetings with leadership.

Findings are also emphasized in subsequent monitoring and compliance programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of Audit QPR not compliant ratings if relevant to their respective cross-border engagements.

## Remediation and monitoring

In our firm, we develop remedial action plans to respond to findings identified through our monitoring and compliance programs. Progress on action plans is monitored, and results are reported, as appropriate, to regional and global leadership.

## Obtain, evaluate and act on stakeholder feedback

### Regulators

As an audit company auditing public interest entities, KPMG Audit is subject to regular quality assurance reviews at least every three years and ad-hoc reviews carried out by the Bulgarian

Commission for Public Oversight of Statutory Auditors.

The last regular review of KPMG Audit was performed by CPOSA in December 2024 – February 2025 and covered the period 1 January 2023 – 31 December 2023. The purpose of the review was to assess the quality of the professional activities of KPMG Audit OOD in performing obligatory financial audits with respect to compliance with the relevant auditing standards, including consistency of the audit documentation with them; compliance with the ethics and independence requirements; adequacy of time and human resources used for audit engagement performance by reference to its scope and complexity; adequacy of audit fees received; adequacy of the system for quality control operated by the audit firm; compliance with the requirements of IFAASRA as well as compliance of the registered auditors of public interest entities with Regulation (EU) N 537/2014. The report of the Commission states that the activities of KPMG Audit as an audit firm for the period under review were in compliance in all material aspects with the audit service quality requirements and the procedures stipulated by the auditing standards. The report on the quality control review performed was formally accepted by CPOSA by Decision no. 47/18.02.2025 with which the “A” grade provided to KPMG Audit was confirmed.

The most recent ad-hoc review of KPMG Audit was performed by CPOSA in January - March 2023 and covered the period January

- September 2022. The CPOSA report adopted by Decision No.207/11.04.2023 assigned “A” grade to the activities of KPMG Audit which were in compliance with the material aspects of the requirements of the auditing standards and local legislation.

As part of the quality control and the requirements for transparency in the audit practice KPMG Audit maintains a list of public interest entities audited by the Company during 2024. The list is provided as [Appendix: Public Interest Entities](#) to the report.

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 (GAQWG), 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 applicable 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 to monitor their satisfaction with the services delivered.



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### Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are referred to in our general terms of business.

### Other assessment of audit quality

We have also adopted additional processes to assess audit quality, such as pre-issuance review of clients’ financial statements.

### Perform root cause analysis and design and implement remedial action plans

In our firm, our SoQM provides the foundation for consistent delivery of quality engagements and our Root Cause Analysis (RCA) program is an integral element of the monitoring and remediation component of the SoQM, driving enhancements to audit quality. Leveraging inputs from internal monitoring programs, external inspections and other activities, we identify audit quality issues and undertake root cause analysis corresponding to the nature and severity of the issues. We continue to strengthen our root cause analysis process and have designed our RCA program in accordance with globally consistent RCA training materials and KPMG International’s RCA guide.

We design and implement remedial actions that

respond to the identified root causes of the audit quality issues and subsequently monitor the effectiveness of such actions. The RCA remedial action plans and monitoring results are reported to regional and global leadership.

Our Head of Audit is responsible for audit quality, including the remediation of audit quality issues. Our firm’s RML monitors the remediation plans’ implementation.



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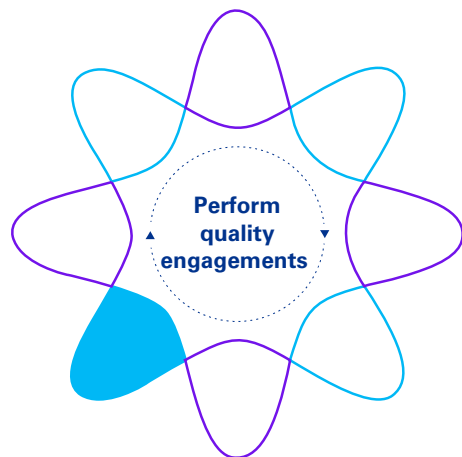
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# Communicate effectively

- **Provide insights, and maintain open and honest two-way communications**
- **Conduct and follow-up on the Global People Survey**

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

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

### **Communications with those charged with governance**

We stress the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. We achieve this through a combination of reports and presentations, attendance at Audit Committee or board meetings, and ongoing discussions with management and members of the Audit Committee.



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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.

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

Only with engaged, talented people can we deliver audits in line with our audit quality expectations. Annually our personnel are invited to participate in KPMG’s Global People Survey to share their perception on their experience of working at KPMG. Results can be analyzed by several factors, including functional or geographic area, grade and gender to provide additional focus for action.

Through the GPS, our firm measures our people’s engagement and gains additional insight about what drives engagement for KPMG people. The GPS includes specific audit quality questions for those individuals who participated in an audit in the previous 12 months, giving us a particular data set for audit quality related matters.

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

We participate in the GPS, monitor results and take appropriate actions to communicate and respond to the findings of the survey. The results of the GPS, and the appropriate follow-up actions, are also aggregated for the entire global organization and are presented to the Global Board each year.

Audit-specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the Global Audit Steering Group on an annual basis for consideration of appropriate remedial action, if needed. A global GPS action plan for audit is also communicated annually.



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# Financial information

Presented below is financial information regarding KPMG Audit net revenue broken down into categories (as per Art. 62, par. 1, p. 11 of the Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act):

| Services  | 2024 Revenue BGN '000<br>(generated by KPMG Audit) |
|---|--|
| Revenues from compulsory audit of annual financial statements (individual and consolidated) and compulsory assurance engagements over sustainability reporting of PIEs and of entities which are part of a group and the parent company of which is a PIE in Bulgaria | 2 113  |
| Revenues from compulsory audit of annual financial statements (individual and consolidated) of other entities and compulsory assurance engagements over sustainability reporting of other entities  | 6 623  |
| Revenues from permitted services, other than statutory audit, provided to the audited entities  | 2 312  |
| Revenues from services, other than audit, provided to other clients   | 717  |
| Total   | 11 765   |

The overall combined revenue of the KPMG member firms in Bulgaria for the year ended 31 December 2024 is BGN 97 599 thousand (2023: BGN 84 585 thousand). The revenue includes services provided across the KPMG network (while eliminating the revenues generated between KPMG member firms in Bulgaria) as well as direct costs invoiced to clients.



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Presented below is financial information regarding the net revenue of all KPMG member firms in Bulgaria for the year ended 31 December 2024 broken down into the following categories (as per Art. 62, par. 1, p.12 of the Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act):

| Services  | 2024 Revenue BGN '000 |
|---|-----------------------|
| Revenues from services, provided to PIEs, that are audited by KPMG and to entities which are part of a group and the parent company of which is a PIE in Bulgaria, that are audited by KPMG | 3 162                 |
| Revenues services provided to other entities, that are audited by KPMG  | 8 049                 |
| Total   | 11 211                |



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# Partner remuneration

The partners' remuneration system is based on common principles adopted by the Regional Board of KPMG in the CEE and is designed to reflect individual partner's responsibilities and experience, their role in the management of the professional practices and the firm as a whole, as well as local market conditions.

The objectives set to each partner cover financial indicators and results such as growth in revenue and profitability, individual performance, the quality of work, overall compliance, client service, leadership and living the values of the firm.

Partners' target remuneration is set by the Managing Partner in consultation with the KPMG CEE Chairman. The remuneration is determined as a proportion of the firm's budgeted profits, reflects the role and seniority of each partner, as well as the annual partner's performance against set individual objectives and roles, that of the relevant function and the partner's contribution to the development of the firm.

The actual (final) partner remuneration is determined by the Managing Partner in consultation with the KPMG CEE Chairman after assessing each partner's individual performance and contribution for the year, as well as the quality and compliance metrics adopted by the firm.

Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients.



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# Network arrangements

- **Legal structure**
- **Responsibilities of KPMG firms**
- **Professional Indemnity Insurance**
- **Governance structure**

## Legal structure

In many parts of the world, regulated businesses (such as audit and legal firms) are required by law to be locally owned and independent. KPMG member firms do not, and cannot, operate as a multinational corporate entity. KPMG member firms are generally locally owned and managed. Each KPMG 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.

Our firm 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 acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients, directly or indirectly, to clients. Professional services to clients are exclusively provided by member firms.

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.

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. KPMG International 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



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firm has any authority to obligate or bind KPMG International, 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.

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found on the [About Us page of kpmg.com](#).

The name of each audit firm that is a member of the organization and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available here: [List of KPMG Audit firms in EU or EEA](#).

### **Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements<sup>1</sup>**

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 2.6 billion during the year ending 30th September 2024. The EU/

<sup>1</sup> The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

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 2024.

### **Responsibilities of KPMG firms**

Member firms have agreed with KPMG International 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 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.

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 agreements with KPMG International.

### **Professional Indemnity Insurance**

Insurance cover is maintained in respect of professional negligence claims. The cover provides a 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. Further details on KPMG International's governance structure can be found in the [KPMG International Transparency Report](#).



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# Statement on the effectiveness of the System of Quality Management of KPMG Audit OOD as at 30 September 2024

As required by the International Auditing and Assurance Standards Board (IAASB)'s International Standard on Quality Management (ISQM1) and KPMG International Limited Policy, KPMG Audit OOD has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm. The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- a) The Firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

Based on the annual evaluation of the Firm's System of Quality Management as at 30 September 2024, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.



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## Public Interest Entities

The Public Interest Entities for which KPMG Audit has carried out statutory audits and has issued audit opinions during the year 2024 are listed below. The definition of public interest entity for this purpose is that given under the provisions of the Bulgarian Accountancy Act.

- Axpo Bulgaria EAD
- Citygas Bulgaria EAD
- Eurobank Bulgaria AD
- Generali Insurance AD
- GP Reinsurance EAD
- Grawe Bulgaria Life Insurance EAD
- Procredit Bank Bulgaria EAD
- UniCredit Bulbank AD
- UniCredit Consumer Financing EAD



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