



Transparency Report 2019

Committed to driving audit quality

kpmg.ca/audit



A message from leadership



“Our commitment to delivering enhanced audit quality is evident in everything we do. That’s why we continue to build alliances with leading technology companies that help us delve deeper and more efficiently into our clients’ data. We’re also creating new opportunities for our people to enhance their skill sets so that they can provide more valuable insights to our clients.”

KRISTY CARSCALLEN

Canadian Managing Partner, Audit
KPMG in Canada

We recognize that audit quality is paramount to maintaining public trust and to meeting the expectations of investors, regulators, the organizations we audit, and our people. This report outlines our unwavering commitment to deliver the highest standard of audit quality – through the technologies we use, the relationships we build, and the diversity of the people we trust to serve our clients.

Globally, KPMG is implementing significant changes to ensure we’re delivering a consistent level of quality across our worldwide network. Led by our Global Audit Quality Committee, the changes enable us to increase our monitoring oversight, strengthen our systems of control, and ensure that leading-edge practices are deployed to enhance and support a globally consistent audit quality model.

We’re also investing closer to home with initiatives like KPMG Digital University, an industry-leading program that provides our audit professionals the opportunity to build their skills for the future through specialized courses on the latest advancements in technology and data and analytics and prepares them for an era of machine learning, artificial intelligence, and other digital advances. Seventy-five KPMG audit professionals participated in the program’s inaugural year to earn a Graduate Certificate in Accounting with Digital Analytics, with many continuing to pursue a Master of Science in Accounting with Cognitive Analytics.

Built on a deep knowledge of accounting and auditing, we’re enhancing our skills for the future of audit by harnessing the power of data and analytics to transform, analyze and visualize large sets of data to discover patterns, trends, outliers, and other relevant information. Over the past year, we continued our transition to KPMG Clara, our smart audit platform that leverages cutting-edge technology and proven strategies to deliver greater consistency and deeper audit insights.

As we continue to empower our people with leading technology, our focus on building a culture of audit excellence remains steadfast. Over the years, we’ve invested in training, resources, and engagement initiatives to attract, develop, and retain outstanding people with a broad range of skills, interests, and backgrounds.

It’s through deliberate investments, leading-edge practices, and strategic alliances with technology companies like Microsoft and MindBridge Ai that we’re transforming the auditing process at KPMG.

This report provides you with an overview of the meaningful steps we’ve taken to continuously strengthen our system of quality control and will assist you in the execution of your responsibilities.

Our values

We **lead by example** at all levels in a way that exemplifies what we expect of each other and member firms' clients.

We **work together** to bring out the best in each other and create strong and successful working relationships.

We **respect the individual** for who they are and for their knowledge, skills and experience as individuals and team members.

We **seek the facts and provide insight** by challenging assumptions and pursuing facts to strengthen our reputation as trusted and objective business advisors.

We **are open and honest** in our communication and share information, insight and advice frequently, and constructively manage tough situations with courage and candor.

We **are committed to our communities** to act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities.

Integrity is a critical characteristic that stakeholders expect and rely on. Therefore, above all, **we act with integrity** and are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



“At KPMG, we are committed to quality in everything we do. This is reflected in our values, our culture and our mission to delivering the highest quality audits for the public interest, investors, and the stakeholders we serve.”

ELIO LUONGO

Chief Executive Officer and Senior Partner
KPMG in Canada

Our commitment to quality

IN THIS SECTION



Our commitment

At KPMG, we are committed to providing independent assurance on what matters to stakeholders. We have produced this report to provide you with insights and transparency into the control environment that supports the performance of our audits not only to help you fulfill your responsibilities, but to enhance the quality of discussions between our audit teams and audit committees.

What is audit quality?

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands. At KPMG we believe audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the final formal audit report. KPMG defines audit quality as being: the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls, and when all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

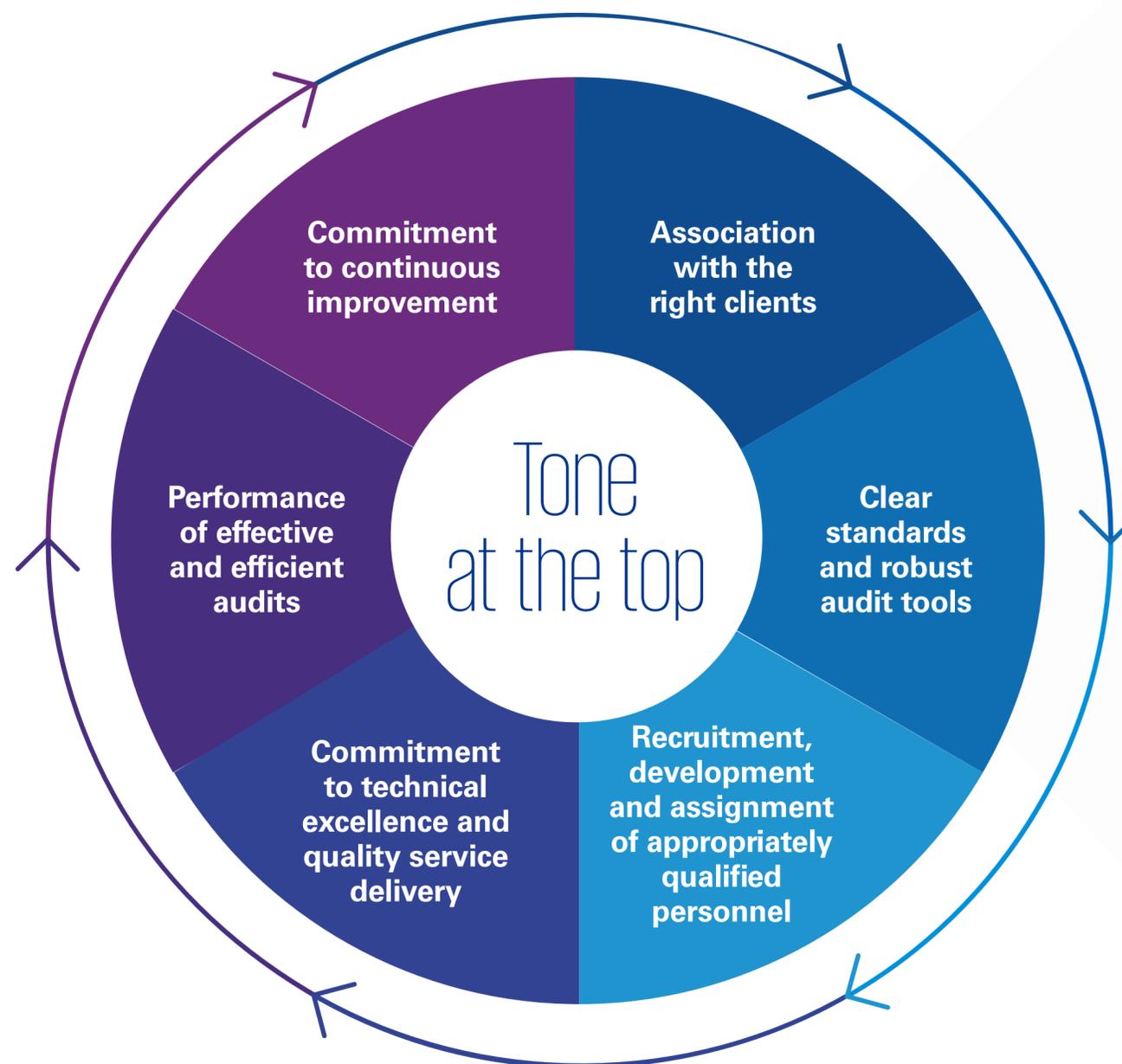
The KPMG Audit Quality Framework

A robust and consistent system of quality control is an essential requirement in performing high-quality services. KPMG's Audit Quality Framework is the cornerstone to how we execute our responsibilities. The seven drivers in this framework give KPMG member firms around the world a common language to describe what we believe drives audit quality and, importantly, to highlight how every one of us at KPMG contributes to the delivery of audit quality.

KPMG's system of audit quality control not only reflects our drive and determination to deliver independent, unbiased assurance and opinions, but also meets the requirements of regulations and professional standards.

Although our system of quality management has been in place for many years, it continues to evolve. We are fully committed to further enhancing our processes in order to establish a control environment that consistently supports our leadership and engagement teams in making informed decisions and executing courses of action that are appropriate in the circumstances. To accomplish this objective, we have implemented procedures designed to identify specific risks to audit quality, and have added more discipline to our approach over the past year by formalizing the documentation requirements for a number of the key control activities further described in this report.

We will continue to devote considerable time to these important initiatives over the next year as we prepare for Canada's adoption of the Standard on Quality Management that is currently being developed by the International Auditing and Assurance Standards Board.



Tone at the top

Tone at the top sits at the core of the KPMG Audit Quality Framework’s seven drivers of audit quality and is critical to establishing the culture of our organization. Tone at the top means that our leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large.

We continually strive to create, strengthen and reinforce our culture where delivering high-quality audits is not a nice to have but an expectation. Our culture is underpinned by our values as well as an environment where people understand that they need to collaborate to get to the right result and that we are stronger as a team rather than as individuals.

Our values are embedded into our working practices and values-based compliance culture. They form the foundation of the KPMG approach to audit and shape how we work together.

We communicate our values clearly to our people and embed them into our people processes – talent attraction, performance development and reward.

Our leadership promotes a culture in which consultation is encouraged and recognized as a strength.

Listening to our people – Global People Survey (GPS)

Only with engaged and talented people can we deliver our approach to audit quality. Every year, all KPMG in Canada personnel, across all functions, are invited to participate in a global independent survey to share their perception about their experience working for KPMG. The survey provides leadership with an overall measure of our people’s engagement as well as insights into their views on matters related to audit quality, upholding KPMG values, and tone at the top. The results are analyzed across various teams and demographic groups to identify strengths or opportunities, and appropriate actions are taken to communicate and respond to the findings.

Our
commitment
to quality



is apparent in
what we do on a
day-to-day basis.



Source: 2019 KPMG GPS (Canadian firm respondents)

**The people I work
with demonstrate**
honest
and ethical
behavior.



Source: 2019 KPMG GPS (Canadian firm respondents)

Association with the right clients

IN THIS SECTION



Association with the right clients

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

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

We have established policies and procedures for determining whether to accept or continue a client relationship, or perform a specific engagement. Rigorous client acceptance and continuance policies are vital to our ability to provide high-quality professional services.

Client and engagement acceptance process

We undertake an evaluation of every prospective client to make informed decisions about the acceptability of the client's risk profile. This evaluation includes completion of a comprehensive questionnaire and obtaining background information

from public sources on the client, its key management, directors and beneficial owners to surface any integrity-related risks. To maximize objectivity, a centralized team has been established in Risk Management to carry out these due diligence procedures on behalf of engagement teams.

A second partner, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be high risk the Risk Management Partner or a sufficiently skilled and experienced delegate is involved in approving the evaluation.

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, as well as factors specific to the type of engagement. For audit services, these

include the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation includes review by quality and risk management leadership as required. Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures, including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

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

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

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

Clear standards and robust audit tools

IN THIS SECTION



Clear standards and robust audit tools

All of our partners and professionals are expected to adhere to our policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations.

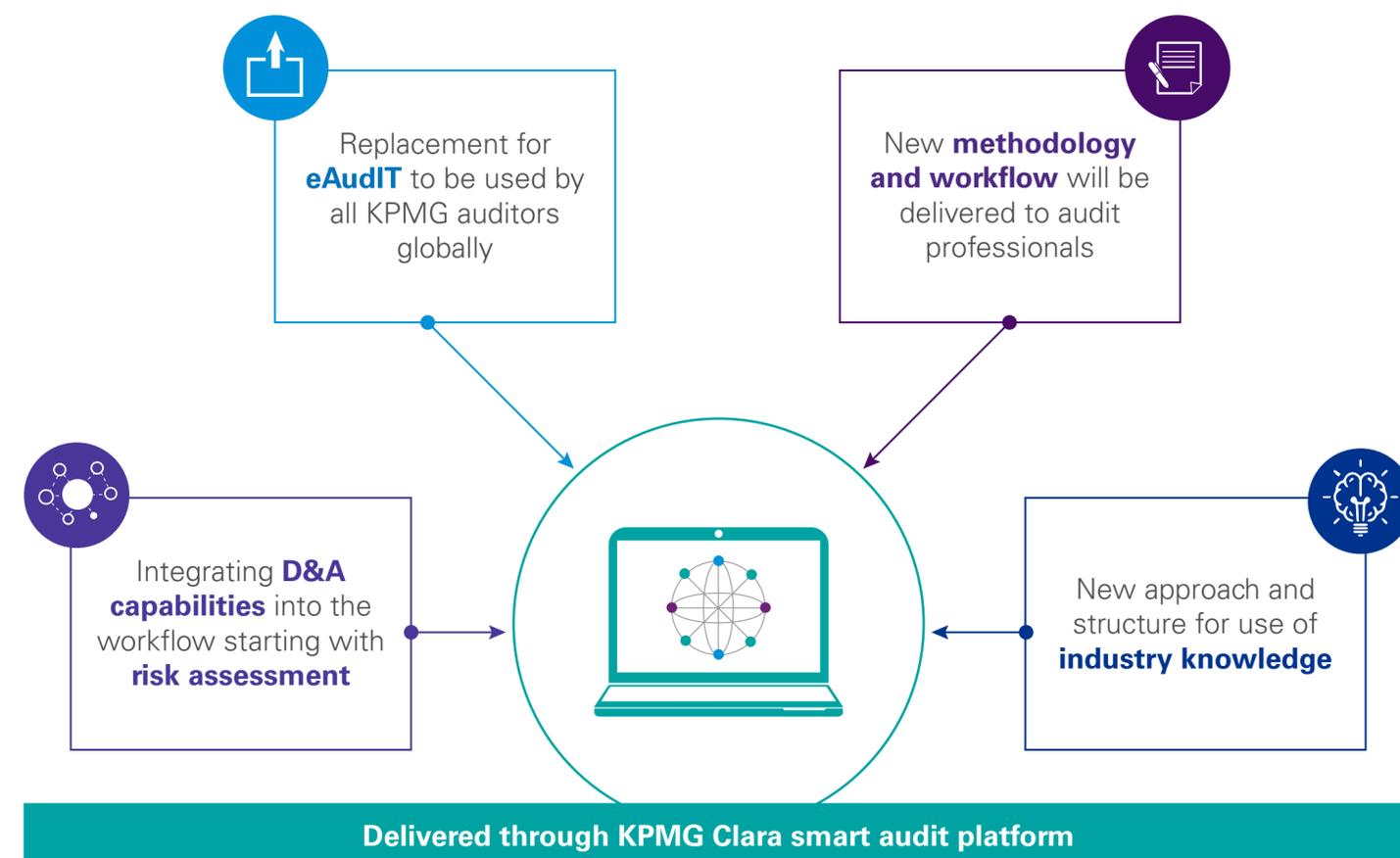
KPMG Audit Manual and workflow

Significant resources are dedicated to keeping our standards and tools complete and up to date. Our audit methodology is developed by KPMG's Global Solutions Group based on the requirements of the International Standards on Auditing (ISAs). In Canada, this methodology is adapted to meet the requirements of Canadian auditing standards (CASs) and other additional requirements we believe enhance the quality of our audits. This is set out in our KPMG Audit Manual (KAM).

The current KPMG audit workflow is enabled through eAudIT, an activity-based electronic audit file. eAudIT integrates and provides users with direct access to KPMG's audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed. The workflow in eAudIT can be scaled to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements.

Updating for the future

We recognize that to deliver quality audits, we must continually evolve and develop our technology solutions to keep pace with today's digital world. That is why KPMG has embarked on a process of re-imagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver more detailed insights to our clients, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.



This process began in 2017 with the launch of our smart audit platform, KPMG Clara, which brought together our data and analytics capabilities, innovative new technologies, and collaboration capabilities to improve data flows between the audit team and our client. The continuation of this process will see a new workflow and methodology embedded into KPMG Clara that will guide audit teams through a series of steps in a logical sequence aligned to the standards with a clear display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced D&A capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. Our new KPMG Clara workflow is currently being piloted and is expected to be deployed globally beginning in 2020.

This represents our ambition to:

- transform audit execution for our people and clients through new, modern technology-enabled interfaces and collaboration functionality
- integrate the required capability to digitize the audit and deliver new D&A routines
- enable an enhanced and redesigned workflow
- incorporate the development of monitoring capabilities at the engagement level and across engagement portfolios for use by engagement teams and member firms

- support global leaderships monitoring of the effectiveness of member firm systems of quality control
- develop an extendable audit platform to enable member firm customization and scale, as well as future capabilities.

KPMG Clara also encompasses the tracking of selected engagement-level indicators by audit teams for an individual engagement and across an engagement portfolio. This provides a summary and visualization of these indicators to:

- measure audit engagement progress and foster timely issue resolution
- facilitate audit execution by providing key indicators for prioritizing tasks
- highlight unexpected results/relationships that may require further investigation.

KPMG Clara will be enriched over time as emerging technologies continue to transform the audit, with areas like cognitive and predictive technology being channeled through KPMG Clara to deliver ever greater capabilities.

Independence, integrity, ethics and objectivity

Auditor independence is a cornerstone of international professional standards and regulatory requirements. Our Quality and Risk Management Manual sets out our policies and procedures, incorporating the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics combined with Canadian specific requirements.

These policies are supplemented to ensure compliance with local regulations as well as the requirements of the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board (PCAOB), as applicable. These policies and procedures cover areas such as firm independence, personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

Our dedicated Partner-in-Charge of Ethics and Independence, is supported by a core team of specialists who help ensure that robust and consistent independence policies and procedures are in place, and that tools are available to help comply with these requirements.

I believe I can

report unethical practices



without a fear of negative impact on me.

2019

84%

2018

85%

2017

82%

Source: 2019 KPMG GPS (Canadian firm respondents)

Personal financial independence

To help ensure independence, our partners and people are required to be free from prohibited financial interests in, and prohibited relationships with, our audit clients, their management, directors, and significant owners.

Our people are responsible for making appropriate inquiries and taking other appropriate actions on an ongoing basis to ensure they do not enter into or have any prohibited personal financial interests.

We use an online independence tracking system, KPMG Independence Compliance System (KICS), with other member firms in the KPMG global network to assist our partners and staff in complying with independence policies. This system contains a current inventory of publicly available investment products, specifically identifying restricted investments.

All of our partners and client-facing managers are required to use KICS prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in KICS, which automatically notifies them if any investment subsequently become restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals.

In 2019

375 KPMG in
Canada personnel



were subject to KICs audits
(275 in 2018), including 29%
of our partners (30% in 2018).

Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our Ethics and Independence Partner (EIP) if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners are prohibited from joining an audit client in certain roles unless they have disassociated from KPMG in Canada financially and have ceased participating in firm-related business and professional activities.

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

We communicate and monitor requirements in relation to employment of our professionals by audit clients.

Independence training and confirmations

Our partners and people, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining the firm and on an annual basis thereafter.

We also provide our people with training on the Global Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and firm policies on a biennial basis.

Non-audit services

We have clear standards that restrict the scope of services provided to audit clients. Providing certain non-audit services to our audit clients may create threats (actual or perceived) to our audit independence, particularly if we were put in a position of auditing our own work. Professional and ethical standards restrict certain non-audit services, and all others need careful evaluation to ensure they do not create, or appear to create, an unacceptable independence threat.

To safeguard our independence and prevent the provision of non-permitted services to audit clients, we use an international proprietary system (Sentinel™) to evaluate the threats arising from the provision of non-audit services and the safeguards available to address them. The lead audit engagement partner reviews, and approves or denies, any proposed service for restricted clients and their affiliates by any KPMG member firm across the globe.

Avoiding conflicts of interest

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

Partner rotation

All Audit partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a time-out period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit.

We monitor the rotation of audit engagement partners (and any other key roles, where there is a rotation requirement) and develop transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

External complaints

To extend our commitment to integrity and ethical culture, KPMG maintains an Ethics and Compliance Hotline that allows phone reports to be made through an independent third-party provider. The firm encourages use of the hotline when KPMG partners and employees feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels or when the normal channels of communication are impractical or perceived as ineffective.

The hotline is available to external parties as well, and any person, including clients, vendors, and professionals from other KPMG member firms working on any KPMG engagements, may file reports by calling the toll-free number, 1-833-554-5107.

Reports filed through the hotline are directed to the Canadian firm's Ethics and Independence officer for review and, if necessary, for assignment of appropriate firm resources for investigation and resolution. The firm's Ethics and Independence officer manages, on a day-to-day basis, all personnel matters under investigation. Reports are handled confidentially and anonymously (to the extent allowable by law and consistent with the needs of a thorough investigation) and retaliation or retribution of any kind for good-faith reporting is prohibited.

A KPMG International Hotline is also available for KPMG personnel; partners, employees, and clients of KPMG International member firms and other parties to confidentially report possible illegal, unethical or improper conduct in violation of KPMG Internationals Code of Conduct.

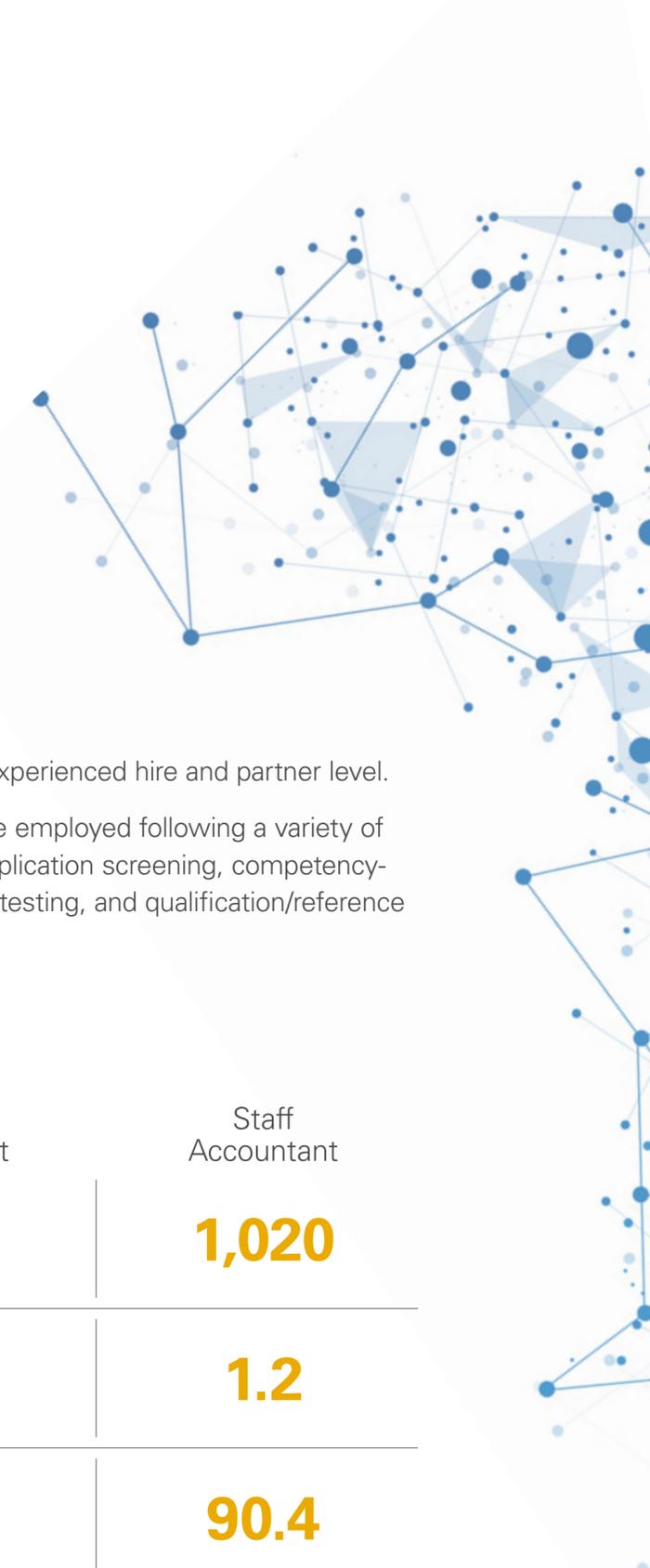


Recruitment, development and assignment of appropriately qualified personnel

IN THIS SECTION



Recruitment, development and assignment of appropriately qualified personnel



The assignment of audit partners and staff members with deep understanding of our client’s risks and industry is one of the key drivers of audit quality. We strive for a high-performing audit culture embracing continual improvement.

Hires in 2019 (Audit practice)

1,043 Campus hires
13% increase since 2018

480 Experienced hires
35% increase since 2018

Talent attraction

We strive to be an employer of choice by creating an environment where our people can fulfill their potential and feel proud and motivated to give their best.

Our talent attraction strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age.

We also recruit significant numbers at an experienced hire and partner level.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks.

Profile of KPMG in Canada audit personnel

	Partner	Senior Manager	Manager	Senior Accountant	Staff Accountant
Number as at September 30, 2019	296	371	266	673	1,020
Average length of tenure at the firm (years)	21.2	9.8	5.4	3.5	1.2
Retention rate (%)	95.5	83.9	74	61.1	90.4

Reward and promotion

We have compensation and promotion policies that are clear, simple, and linked to the performance review process. This helps our partners and employees know what is expected of them, and what they can expect to receive in return.

Reward decisions are based on consideration of both individual and geographical performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly.

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

Partner remuneration

Partners are remunerated out of the distributable profits of KPMG in Canada (such profits being determined in accordance with KPMG in Canada's accounting policies and as approved by the Board)

and are personally responsible for funding pensions and most other benefits. The final allocation of profits to partners is made by KPMG in Canada after assessing each partner's performance for the year. The Partner Compensation Committee approves this process and oversees its application.

There are two elements to partner remuneration:

- a proportion of KPMG in Canada's budgeted profits are allocated to partners as base component; this is effectively partner salary. The amount of base component reflects the role and seniority of each partner; and
- profit-related performance component rewards performance in the year by each partner against individual objectives previously agreed and the overall profits of their part of KPMG in Canada as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the KPMG values. Audit partners are not permitted to have objectives

related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

Performance development

It is important that all our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work.

Open is KPMG's performance development process. As the name suggests, Open is about creating an environment where people are open to many things including feedback, personal growth, change, and innovation. Our focus is on driving accountability for feedback on the job, better facilitating that exchange of on-the-job feedback with a survey, enhancing the capability of engagement managers to deliver feedback and working with performance managers to help them have more future-focused conversations. As part of Open, goals are set and reviewed regularly throughout the year.

Alongside Open, KPMG provides people with a framework (Everyone a Leader) where we articulate high-level competencies critical for developing as a leader. These competencies include driving quality, advancing an ethical environment and making sound decisions. With the continued evolution of Open, the competencies in the Leadership Framework will become part of the performance manager conversations that ultimately feed goal setting and career planning. Opportunities are provided for our people to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills.

KPMG Digital University

Developing auditors in the digital age

We are committed to advancing the audit profession by offering the training and experience our people need to accelerate their careers in a data-driven world. We recognize that serving today's global companies requires more than a deep knowledge of accounting and auditing. Harnessing the power of data requires industry professionals that are savvy about data and analytics, and have the critical thinking skills needed to translate data patterns and anomalies into higher quality audits, all while providing relevant and meaningful business insights.

Offered through Simon Fraser University - Beedie School of Business, Digital University is an industry-leading program that provides our audit professionals the opportunity to build their skills for the future through specialized courses on the latest advancements in technology and data and analytics, and prepares them for an era of machine learning, artificial intelligence, and other digital advances.

In 2019, we had 75 program participants earning a Graduate Certificate in Accounting with Digital Analytics. Upon successful completion, they will be eligible to go on and obtain a Master of Science in Accounting with Cognitive Analytics.

KPMG Disruption Labs

Aimed at advancing awareness among our audit teams as to the disruptive forces impacting our clients, their industries, and the work we do, we regularly organize Disruption Labs which focus on understanding a wide range of disruptive forces and the impact on our client's businesses, such as:

- Blockchain
- Internet of Things
- Cognitive Machine Learning
- Race to the Customer
- The Mobile Economy

Assignment of professionals

We have procedures in place to assign both the 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. Key considerations include partner experience and capacity – based on an annual partner portfolio review – to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

Audit teams generally comprise an audit partner, manager, an in-charge senior accountant, and junior team members. Larger engagements often have more than one audit partner to support the signing partner. With multi-national audits, appropriately capable audit partners and staff are assigned from the relevant KPMG member firms.

Audit partners are responsible for ensuring their engagement teams have appropriate competencies, training and capabilities, including time, to perform a high-quality audit. This may include involving specialists from within KPMG in Canada or other KPMG member firms.

Average partner & manager hours

in client service engagements

2019
26%

2018
26%



At KPMG, we are proud that our culture has been recognized by many organizations, including:



Commitment to technical excellence and quality service delivery

IN THIS SECTION



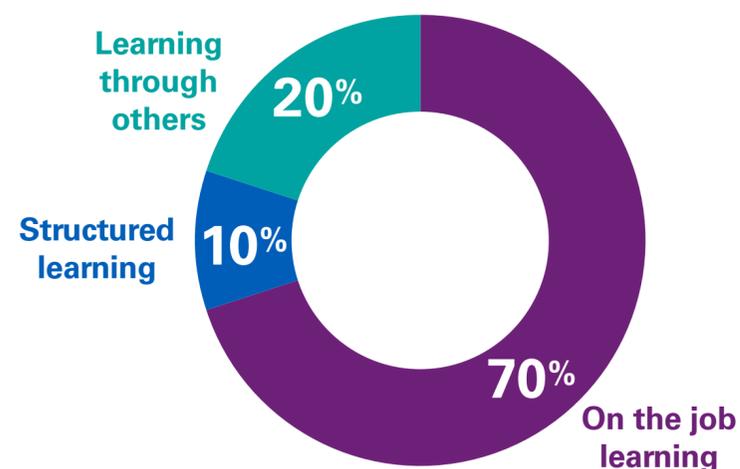
Commitment to technical excellence and quality service delivery

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

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

Learning and development

We believe our people learn through a wide range of approaches. As a result, our learning and development strategy follows the 70:20:10 learning framework.



Our learning curriculum offers programs to hone technical specialization, business acumen and leadership excellence. Our Learning & Development group develops learning to help ensure both consistency and local applicability.

Technical learning – auditing, financial reporting and independence

KPMG in Canada embraces a culture of active learning. We believe that our people need to continuously enhance their technical knowledge in a relevant way that builds on their existing capabilities. In addition to personal development discussed in the section above, all professionals are required to maintain their technical competence and to comply with applicable regulatory and professional development requirements. Compliance with the continuing professional development requirements is periodically tested as part of our annual monitoring programs.

Technical courses covering independence, financial reporting and auditing topics are mandatory for all professional staff. These range from independence training as part of onboarding and annually thereafter through to audit partners and qualified staff attending mandatory accounting and auditing technical updates.

The topics included in audit learning are prioritized based on information from many sources such as:

- a needs analysis, conducted in Canada, and at a global level
- findings from continuous improvement activities including regulatory reviews
- new, revised or emerging standards and regulations

Developing business understanding and industry knowledge

To provide quality service delivery and valued insights to our clients we frame our technical proficiency within broader business knowledge. Our learning curriculum includes courses to develop business acumen, relationship skills and industry knowledge.

Course offerings to Audit Partners and Staff in FY19 (learning hours)

Courses	Partner	Manager – Sr Manager	Senior Accountant	Staff Accountant
Core audit	26	30	85	178
Specialized offerings for an individual's client portfolio and personal interests	181	254	222	48
Total hours	207	284	307	226

Mentoring and on the job training

Learning is not confined to the classroom. Rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job-specific role profiles and learning paths.

Culture of consultation

We encourage a strong culture of consultation to support our teams throughout their decision-making processes. We believe this is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters.

To assist our professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Access to specialists

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

are members of an audit team. Our most frequently used in-house specialist capabilities are in the areas of tax, information technology, actuarial, financial risk management and valuations.

We ensure that the full resources of the firm across all areas of our business are available to assist our audit teams. This encourages them to consult when in doubt.



Performance of effective and efficient audits

IN THIS SECTION



Performance of effective and efficient audits

We understand the way in which we conduct an audit is as important as the final result. Effective and efficient audits are dependent on demonstrating certain behaviours. We focus on these behaviours during the performance of the audit, through education sessions and coaching, and via our review processes.

Exercise of professional judgement and skepticism

Professional skepticism involves a questioning mind and alertness to inconsistencies. It features prominently throughout auditing standards and attracts significant focus from regulators. We recognize the exercise of professional skepticism is critically important to our role as auditor.

In exercising professional skepticism, we teach our professionals to consider possible alternatives and conflicting as well as confirming evidence.

Documentation of our final judgements is also critical. We reinforce the exercise of professional skepticism through coaching and education, acknowledging that judgement is a skill developed over time and with different experiences.

Timely partner and manager involvement

To identify and respond to the significant audit risks for each year's audit, team members require sufficient understanding of the client's business, financial position and its operating environment. Leadership and participation from the partner early in the audit directs the scope and tone and maximizes the benefit of the partner's experience and skill.

The partner sets the tone on the audit by their actions and communications with the audit team, reinforcing the importance of professional skepticism and audit quality. The final audit report is also their responsibility.

The manager supports the partner in these responsibilities and the day-to-day liaison with the client and team, building deep business understanding to enable the team to deliver a quality audit and valued insights.

Supervision and review

Coaching and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgement and skepticism.

We understand that skills build over time and through exposure to different experiences. We use a continuous learning environment to invest in the building of skills and capabilities, acknowledging that a significant portion of learning occurs on the job and through others, supplementing classroom learning. A key part of effective supervision is timely review of the work performed so significant matters are promptly identified, fed back to the individual responsible and addressed in the audit.

We support a culture where every team member is responsible for developing the capability of the team, coaching and sharing experiences.

Critical assessment of audit evidence

The fundamental role of the auditor is to design and perform procedures to gather persuasive evidence that the client's financial report is fairly stated and in compliance with accounting standards.

We focus on evidence gathering techniques to ensure the quality and the quantity of the evidence obtained is responsive to the assessed risks. We recognize externally sourced evidence is more persuasive. We consider all audit evidence obtained, including conflicting or missing information, since the consistency of the evidence and the picture it creates is just as important as individual evidence. The analysis of evidence requires an auditor to use professional judgement and remain professionally skeptical to ensure it is sufficient and appropriate.

Efficient and effective work practices

A quality audit relies on a balance between effectiveness and efficiency. Inefficiency has the potential to impact quality service delivery and client satisfaction, the wellbeing of our people, and ultimately the quality of the audit itself. For example, if a partner fails to give timely and clear directions, staff may perform unnecessary procedures or lack focus, resulting in rework or overwork.

Efficient does not mean cutting corners. It means planning the audit well, leveraging technology, tools and templates, and enhancing behaviours that drive audit quality and efficiency. To allow audit teams to focus on key audit judgements, we optimize offshore processes in performing the audit.

Materiality and scoping

Performing an audit uses the fundamental principles of materiality and scoping. Materiality references the precision we perform our work and assess errors, ordinarily based on a percentage of a key financial metric, such as profit. Scoping references the nature, timing and extent of procedures we perform: deep into or across certain financial statement line items particularly where the client has multiple sites, businesses, subsidiaries, or other features suggesting

a disaggregation of the procedures, or both. We develop our risk-weighted audit approach, unique to each client, based on these fundamental principles.

Appropriately supported and documented conclusions

The audit documentation records the audit procedures performed, evidence obtained and conclusions reached on each audit engagement. It includes materials prepared by us, received from the client or from relevant third parties.

Our policies require review of all working papers by a more experienced team member and audit documentation relating to critical areas of judgement must be reviewed by the partner.

Engagement quality control review partner involvement

All listed, high risk and high public profile entity audits have an Engagement Quality Control Reviewer, an independent audit partner assigned as an objective additional reviewer on significant and judgmental elements of the audit.

Engagement Quality Control Reviewers are experienced audit partners independent of the team,

appointed by the local Business Unit Professional Practice Partner in consultation with local Business Unit Leader. Engagement Quality Control Reviewers must have the same accreditations as the partner and sufficient time to carry out their review.

The Engagement Quality Control Reviewers review must be complete and all significant questions resolved satisfactorily before the issuance of the audit report. The extent of the review depends on the risk and complexity of the audit and does not reduce the responsibilities of the partner. A review includes assessing appropriateness of the financial statements and disclosures, significant judgements made and conclusions reached, communications with those charged with governance, and the proposed audit report. The partner, who signs the audit report, is ultimately responsible for the resolution of accounting, auditing and financial reporting matters.

Insightful, open and honest two-way communications

Communicating with and reporting to our clients, with no surprises, underpins the quality of our audit service. We build relationships based on mutual respect.

Communications with those charged with governance

Two-way communication with our clients, including management and audit committees, is a key aspect of our reporting and service delivery. We achieve this through reports and presentations, attendance at audit committee or board meetings, and informal discussions with management and members of the audit committee. We stress the importance of keeping the client informed of issues arising throughout the audit and the need to listen and understand their views.

We share insights on the audit, our client's business practices, the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgements, matters where we may disagree with management's view, and any audit differences or errors identified. We ensure these reports meet the requirements of auditing standards and share our industry experience to encourage discussion with the members of the audit committee. We see these insights as a key mechanism to support our clients in the execution of their responsibilities.

Commitment to continuous improvement

IN THIS SECTION



Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of our clients and the capital markets. To achieve this goal we use a broad range of mechanisms to continuously monitor our performance, respond to feedback and seek opportunities for improvement.

The complexity and dynamic nature of the economic environment, our client's businesses and the accounting and auditing frameworks

are challenging. We always aim to optimize the inputs to the audit process, but opportunities to learn and improve arise. This is why continuous improvement is a specific driver of audit quality.

We use both internal monitoring and external inspections against accepted benchmarks, to evaluate our current performance, to understand the existing quality of our audit work and prioritize the areas for improvement. To deserve the confidence of our clients, the capital markets, regulators and shareholders, we are serious about learning from opportunities, no matter how small.



Investing in continuous improvement

Globally, we have introduced a number of changes as we continue to invest in continuous improvement. These include the creation of the Global Audit Quality Committee (GAQC) of the Global Board, comprising senior partners from the largest firms, and the appointment of a dedicated Global Head of Audit Quality who reports to the committee.

To demonstrate our commitment to continually advancing audit quality across our global organization, the Global Board has appointed an Audit Quality Committee comprised of senior partners from the largest firms.



Global Head of Audit Quality, reporting to a new Global Audit Quality Committee of the Global Board, leads in monitoring and driving improvements to audit quality, tracking real-time data across our global organization. The Global Head of Audit Quality oversees a dedicated quality monitoring group that inspects completed audit engagements as well as monitoring elements of member firms' systems of quality control.

Strong practice management support; this includes effective resource allocation and risk management, Department of Professional Practice and engagement of quality control capabilities and coaching, all operating within an effective system of quality controls aligned to the International Standards.

We are investing in our methodology and technology today to bring new levels of consistency across all of our audits. We have introduced a smart audit platform, KPMG Clara, which enables us to incorporate new technologies as they emerge and mature: the platform is truly scalable.

External regulatory reviews

In October 2019, CPAB released its Audit Quality Insights report which summarizes the results of their 2019 inspection of Canada's four largest public accounting firms, including KPMG in Canada. A copy of this report is available on CPAB's website at www.cpab-ccrc.ca.

KPMG in Canada and CPAB share the common goals of improving audit quality and maintaining the public's trust in the capital markets. The inspection of public accounting firms represents an important element of this initiative and we fully support CPAB's responsibility.

CPAB inspects KPMG in Canada on an annual basis, and issues a confidential report on the results of its inspection. Under CPAB's rules, inspection results and the recommendations or other comments contained in these reports may not be made public by either CPAB or the inspected firms. We have not received CPAB's 2019 inspection report as of yet, but fully intend to implement any recommendations for improvements that CPAB may have related to our quality control processes and engagement execution.

PCAOB inspections of KPMG in Canada

We issue audit opinions on the financial statements of registrants with the U.S. Securities & Exchange Commission (SEC). As a result, we are also registered with the PCAOB, and have been subject to an annual PCAOB inspection from 2005 to 2017, and 2019.

For its 2019 inspection, as in prior inspections of KPMG in Canada, the PCAOB selected a cross-section of audit engagements to review. In addition, the PCAOB performed certain procedures relating to our executive and national offices. The PCAOB's reports are presented in two parts. Part I is a public document containing observations relating to specific engagements reviewed by the PCAOB. Part II is a private document containing the PCAOB's observations regarding our quality control systems related to audit performance and firm-wide functions. This part of the report will be made public only to the extent that any of the PCAOB's comments and observations have not been adequately addressed within 12 months of the date of the report.

We are committed to responding to all reports on a timely basis. The inspection reports for KPMG in Canada are available on PCAOB's website at www.pcaobus.org.

Governmental or other inquiries

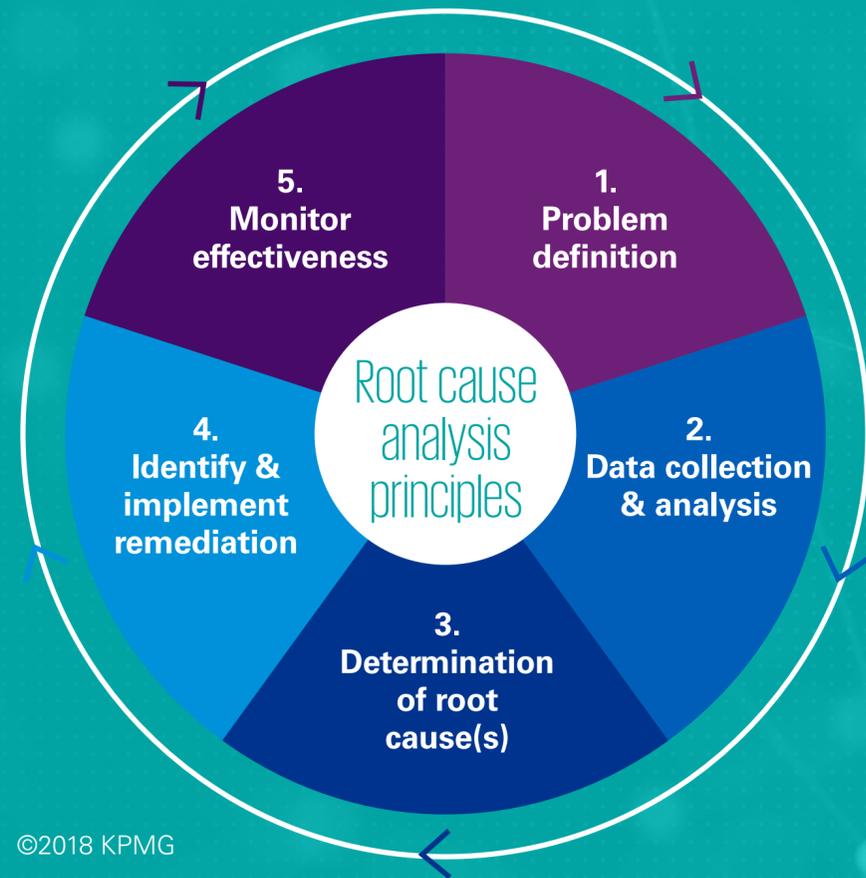
We are not aware of any inquiry or investigation by governmental or regulatory authorities against the firm or any of its partners that may adversely affect the firm's operations or its ability to fulfill its obligations as an independent auditor to its clients.

Our firm is also registered with the UK Professional Oversight Board, the Germany Auditor Oversight Commission, the Luxembourg Commission De Surveillance Du Secteur Financier, and the Norway Financial Supervisory Authority.

Evaluating and responding appropriately to feedback and findings

The effectiveness of any response to an issue is dependent on the understanding of the root cause, the pervasiveness of the issue, the ability to tailor a solution in differing circumstances and leadership support for the solution.

We use our knowledge from past experiences and our specifically designed root cause analysis framework to fully understand the root cause of issues and design innovative and appropriate solutions.



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Internal quality performance reviews

We conduct an annual internal review of our audit practice through the Quality Performance Review (QPR) program. The QPR program is designed to meet the quality control elements of monitoring as required by professional standards. For the five-year period ended September 30, 2019, our QPR program has not identified any issues considered to have a material effect on the conduct of the firm's audit practice. Like most companies with quality review programs, we identify areas for continuous improvement. Where warranted we conduct formal root cause analysis over audit quality issues and design remedial actions that are responsive to the underlying root causes. These actions include the enhancement of policies and guidance, communications and training for our partners, managers and staff.

Client feedback

The KPMG Client Insights Program actively solicits feedback from clients on the quality of our services. This feedback is considered at an individual audit team level and a firm-level to continually learn and improve our client service.

	2019	2018	2017
Total QPR audit & assurance reviews performed	66	92	63
% of engagement partners reviewed	21	31	23
# of reviewers from outside of Canada	12	12	14
% of reviewers from outside of Canada	18	17	26

Appendix

IN THIS SECTION



Appendix A: Our structure and governance

Legal structure

KPMG in Canada is a Canadian limited liability partnership formed under the laws of Ontario. It is wholly owned by its partners.

KPMG in Canada is affiliated with KPMG International Cooperative (KPMG International). KPMG International is a Swiss cooperative, which is a legal entity formed under Swiss law. It is the entity with which all member firms of the KPMG network are affiliated.

Further details about KPMG International and its business activities, including our relationship with KPMG International, are available in the [2019 KPMG International Transparency Report](#).

KPMG in Canada is part of a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. KPMG International's structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

Responsibilities and obligations of member firms

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

Each member firm takes responsibility for its management and the quality of its work.

Member firms commit to a common set of KPMG values.

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to member firms. A firm's status as a KPMG member firm

and its participation in the KPMG network may be terminated if, among other things, it has not complied with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Name, ownership and legal relationships

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

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If that is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

Governance structure

KPMG in Canada has two principal governing documents: a Partnership Agreement and Operating Procedures.

Together, these documents establish the structure and principal procedures of governance for KPMG in Canada. The key governance and management bodies of KPMG in Canada are the Management Committee and the Board.

Management committee

The Management Committee consists of the Chief Executive Officer and Senior Partner, the Managing Partners, and such additional partners as may be determined from time to time by the Chief Executive Officer and Senior Partner. The Management Committee has the overall responsibility for managing KPMG in Canada, including the quality, strength and profitability of the firm's operations.

Members of the Management Committee are appointed for an indefinite term until removal by the Chief Executive Officer and Senior Partner.

The Board

KPMG in Canada's business, property and affairs are managed under the direction of the Board. The Board is responsible for the firm's stewardship, including oversight of strategic planning, risk management and succession planning, as well as the appointment of the Chair and the Deputy Chair of the Board.

The Board is comprised of the Chief Executive Officer and Senior Partner and 17 individual partners. Except for the Chief Executive Officer and Senior Partner, upon the appointment of any member of the Board to the Management Committee, such person shall automatically cease to be a member of the Board. With the exception of the Chief Executive Officer and Senior Partner whose initial term is 5 years, members of the Board are appointed for a 3-year term, and are nominated by the Nominating Committee. Board members are eligible for election for two full consecutive terms only.

Key governance committees

The Board has 6 main committees that deal with key aspects of the governance of KPMG in Canada. These are the Succession Committee, the Operations & Finance Committee, the Partner Compensation Committee, the Communications & Governance Committee, the Partner Rights Committee, and the Partnership Admissions, Acquisitions and Alliances Committee.

Succession Committee – The role and responsibility of the Succession Committee is to review the processes and procedures regarding the development of future leaders, including client service leaders, industry leaders and firm management. The Succession Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The Succession Committee meets a minimum of one time per year, and may call special meetings as required.

Operations & Finance Committee – The role and responsibility of the Operations & Finance Committee is to review the strategic direction set by the Management Committee and to ensure the annual business plan and the financial plan of the firm reflect these strategies. The Operations & Finance Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term. The Operations & Finance Committee meets a minimum of one time per year, and may call special meetings as required.

Partner Compensation Committee – The role and responsibility of the Partner Compensation Committee is to review the Management Committee's annual recommendations for compensation to all partners, the Management Committee, and the Chief Executive Officer and

Senior Partner, in accordance with the Partnership Agreement and Operating Procedures. The Partner Compensation Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The Partner Compensation Committee meets a minimum of one time per year, and may call special meetings as required.

Communications & Governance Committee – The role and responsibility of the Communications & Governance Committee is to provide direction and oversee KPMG in Canada's approach to governance matters, including recommendation to the Board of appropriate governance processes and structures, reviewing the requirements for committees of the Board, and monitoring compliance with recognized governance guidelines. The Communications & Governance Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The Communications & Governance Committee meets a minimum of one time per year, and may call special meetings as required.

Partner Rights Committee – The role and responsibility of the Partner Rights Committee is to assist the Board by reviewing appeals by partners related to such matters as compensation, termination and disciplinary actions. The Partner

Rights Committee is comprised of five members, who are appointed by the Board for a one-year term. The Partner Rights Committee meets a minimum of one time per year, and may call special meetings as required.

Partnership Admissions, Acquisitions and Alliances Committee – The role and responsibility of the Partnership Admissions, Acquisitions and Alliances Committee is to review the recommendations of the Management Committee for the admission of internal and direct entry candidates to the partnership, after giving due consideration to the process undertaken and the needs of the firm to admit new partners in relation to succession planning, demographics, diversity and growth. The Committee also reviews the recommendations of the Management Committee related to business acquisitions as well as strategic alliances. The Partnership Admissions, Acquisitions and Alliances Committee is comprised of five members, or such other number of members as shall be specified by the Board, who are appointed by the Board for a one-year term.

The committee meets a minimum of one time per year, and may call special meetings as required.

Chief executive officer and senior partner – The Chief Executive Officer and Senior Partner is a member of the Board and the Chair of the Management Committee. The Chief Executive Officer and Senior Partner is responsible for the

direction of the activities and policies of KPMG in Canada, appoints the members of the Management Committee, and recommends to the Board the allocation of profits to members of the Management Committee. The initial term of the Chief Executive Officer and Senior Partner is 5 years, with eligibility for reappointment for one additional term of 3 years.

Leadership responsibilities for quality within the firm

Our Canadian Managing Partner (CMP) of Audit, who reports to the CEO of the firm, has ultimate responsibility for our Audit practice, which includes our system of audit quality control.

Our CMP of Quality and Risk Management works closely with the CMP of Audit to initiate, shape and lead our initiatives to enhance the quality and effectiveness of our audit practice and to provide ongoing support to our audit activities across the country.

Our Partner-in-Charge, Department of Professional Practice, Assurance & Financial Reporting, who reports to the CMP of Audit, is responsible for accounting and auditing standards and their interpretation, as well as for promoting technical excellence and quality service delivery through training and accreditation, investment in technical support, accounting and auditing specialist networks and effective consultation processes.

Audit Quality and Professional Practice Network

The audit quality and professional practice network consists of more than 130 partners, directors, senior managers and other professionals who support the firms audit professionals in meeting their responsibilities in the areas of auditing and attestation, accounting and financial reporting, securities including Canadian and SEC reporting matters, continuous improvement in audit quality and internal and external inspection processes.

Department of Professional Practice (DPP)

DPP develops firm standards and guidance relating to accounting, auditing, securities and quality matters; provides technical guidance to engagement teams on engagement-specific issues; develops and disseminates topic-specific guidance on emerging technical, professional and quality issues; and assists with firm and individual issues pertaining to compliance with regulatory and professional standards. Through liaisons with the KPMG global network, as well as active participation in Canada's standards setting processes, DPP professionals develop and represent KPMG's positions on current topics being addressed by regulatory and other standard-setting bodies. In addition, DPP professionals actively liaise with the KPMG

International Standards Group, located in London, on international accounting and auditing standards matters, and with professionals in the Department of Professional Practice, located in New York, on accounting and auditing standards matters related to the Financial Accounting Standards Board (FASB), the Public Company Accounting Oversight Board (PCAOB), the Emerging Issues Task Force (EITF) and the Auditing Standards Board of the AICPA.

Professional Practice Partners

The audit practice is supported by a network of senior Professional Practice Partners who provide professional practice and audit quality leadership and direct adherence to firm policies and professional standards within their respective offices and regions.

The roles of our Professional Practice Partners are to (1) support and advise the partners on client-related matters, (2) assimilate information pertaining to the professional risks of the firm, (3) provide reasonable assurance that firm policies and professional standards are followed, and (4) continuously review and seek to improve firm policies and processes.

Local Audit Quality Groups and our Accounting and Audit Technical Topic Team members in the various geographies support the activities of our Professional Practice Partners by assisting teams, in conjunction with DPP, to resolve accounting and auditing matters and enhance audit quality.

Audit Quality Council

The Audit Quality Council, chaired by the Partner-in-Charge, Department of Professional Practice, Assurance & Financial Reporting, provides input to and oversight of issue identification, analysis and remediation relating to the most significant matters relative to audit quality and our system of audit quality control.

The Audit Quality Council oversees the:

- Accumulation and analysis of information relative to audit quality matters on a timely and consistent basis (e.g., from internal and external inspections, DPP consultations, litigation and regulatory matters)
- Analysis of such information and identification of common themes and related root causes
- Development of appropriately focused remedial actions in response to those root causes
- Timely implementation, execution and effectiveness of the remedial action plans

In addition, the Audit Quality Council, with the support of the local business unit Professional Practice Partners, helps identify particular characteristics of our audit engagement portfolio for which proactive risk assessment plans are developed (e.g., entities or industry sectors exhibiting higher risk characteristics).

Appendix B: Financial information

The following financial information relates to KPMG in Canada's fiscal year ended September 30, 2019. All amounts are stated in Canadian dollars.

Audit Revenue	\$655.9m
Tax Revenue	\$562.9m
Advisory Revenue	\$518.8m
Other	\$3m
Total Revenue	\$1.74b

These amounts include \$31.3m revenues from the financial statement audits and \$3.2m revenues from other services to KPMG in Canada's relevant audit clients (as noted in Appendix D)

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

Aggregated revenues generated by KPMG audit firms from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was 2.9 billion euros during the fiscal year ending September 30, 2019. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended September 30, 2019.



Appendix C: International network arrangement

Legal structure

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative, which is a legal entity formed under Swiss law.

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients.

Professional services to clients are exclusively provided by member firms.

One of the main purposes of KPMG International is to facilitate the provision by member firms of high-quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity which is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture or partnership with each other.

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

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

Responsibilities and obligations of member firms

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

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG values.

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

Professional indemnity insurance

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

Governance structure

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

Global council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders meeting (albeit that KPMG International has no share capital and only has members, not shareholders).

Among other things, the Global Council elects the chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 59 member firms that are members of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

Global board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms.

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

It is led by the Global Chairman who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently three other senior partners of member firms. The list of Global Board members, as at October 1, 2019, is available in the KPMG Global Review.

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

Global management team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global

strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments.

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

The list of Global Management Team members, as at October 1, 2019, is available in the KPMG Global Review.

The Global Steering Groups work closely with regional and member firm leadership to:

- establish and communicate appropriate audit and quality/risk management policies;
- enable effective and efficient risk processes to promote audit quality; and
- proactively identify and mitigate critical risks to the network.

The Global Steering Groups act under the oversight of the Global Management Team. The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in the KPMG International Transparency Report.

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

Further details about KPMG International including the governance arrangements, can be found in the KPMG International Transparency Report.

Area quality & risk management leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing

monitoring and consultation function to assess the effectiveness of a member firms efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/ remediation, are reported to GQ&RM leadership:

The objectives of the ARL role are to:

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

Appendix D: European Union public interest entity audit clients

The list below includes KPMG in Canada's relevant audit clients as of September 30, 2019.
For this purpose, relevant audit clients are public interest entities as defined in Directive 2006/43/EC.

- Bank of Montreal
- The Bank of Nova Scotia
- Hydro-Quebec
- Gran Tierra Energy Inc.
- Valeura Energy Inc.



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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