



Transparency Report 2020

Committed to driving audit quality

Let's do this.

home.kpmg/ca/audit



Foreword

It goes without saying that COVID-19 has dramatically affected many facets of Canadian life. Over the past year, society, organizations and individuals have undergone tremendous change and the impacts of the pandemic will be lasting and felt for years to come. Many of the changes will remain, many will continue to evolve, and many will prove to be for the better. We are tasked, both individually and together, with adapting to a new landscape.

The pandemic has challenged us to adapt in many ways – how we connect and engage with one another, the way we work, and how we respond to audit risk. Our commitment to innovation and the investments we have made to digitally transform our business allowed us to seamlessly transition to a virtual work environment, and we've embraced agility and innovation to ensure our clients meet their reporting responsibilities.

What hasn't changed is our commitment to ensuring our audit professionals exercise the highest levels of objectivity, independence, integrity and professional skepticism. Audit is core to our business and plays a vital role in maintaining trust in the capital markets and society more broadly. Now more than ever, organizations and stakeholders need a clear understanding of whether a company's financial statements are presented fairly before they can chart the way forward. We're proud of our entrusted role and are dedicated to working closely with regulators, audit committees, and businesses, government and public services to meet the expectations of all stakeholders and build public trust.

In our industry's increasingly complex operating environment, we're implementing globally consistent quality management standards that align with the International Standard of Quality Management, a major milestone for the audit profession. These standards introduce a robust, scalable and proactive approach to audit quality, significantly enhancing risk-based quality management and laying the foundation for high-quality audits in Canada and across our global member firms.

At KPMG we believe in open and honest communication. It is in this spirit that we're publishing the KPMG 2020 Transparency Report in which we clearly explain how we're striving to create, maintain and improve audit quality. We trust that it will demonstrate our commitment to integrity and our efforts to innovate and continually advance to meet the challenges of the digital age. We hope to lead by example as we, our clients and society work together to forge through these difficult times and build a brighter future.



ELIO LUONGO

Chief Executive Officer and Senior Partner
KPMG in Canada

Introduction



This has been a year unlike any other in recent history as our world has fundamentally changed because of the COVID-19 pandemic. In tumultuous times, transparency is more important than ever. That's why over the past year, while dealing with the fallout of a global pandemic, we've worked hard to innovate, enhance audit quality through new technologies and advance the profession by developing auditors to meet the growing expectations of the digital age.

In this year's Transparency Report, we demonstrate how we are striving to create, maintain, and improve audit quality, as well as the significant changes we've made to ensure we're delivering a consistent level of quality across our global network.

Over the past year, we've updated our audit methodology and embedded it into our "smart" audit platform, called KPMG Clara, bringing together advanced, predictive analytics capabilities within a single, cloud-based source. This allows our audit professionals to tap into advanced technologies that bring clients a greater range and depth of insights into risks and anomalies.

We've also made investments in our people through 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. In 2019, we had 75 program

participants earn a Graduate Certificate in Accounting with Digital Analytics. Following successful completion of the Graduate Certificate program, almost 50 of these students continued their learning in 2020 to earn a Master of Science Degree in Accounting with Cognitive Analytics.

Additionally, we're developing a globally consistent System of Quality Management (SoQM) that aligns with the International Standard of Quality Management (ISQM 1) coming into effect in 2022. This includes implementing controls that evolve our existing policies and procedures into a proactive approach for managing audit quality, to help us better respond to quality risks.

As our auditors remained nimble in the face of evolving challenges to ensure external reporting obligations are met, we did so with steadfast commitment to our core values and the essential role we play in building trust in the capital markets and in business.

I trust that this report demonstrates the meaningful steps we've taken, particularly in a time of uncertainty, to continuously strengthen our system of quality control and will assist you in the execution of your responsibilities.

KRISTY CARSCALLEN

Canadian Managing Partner, Audit
KPMG in Canada

Who we are

IN THIS SECTION



Our business

KPMG in Canada is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of more than 40 offices across the country and had an average of 6,300 partners and employees in the year ended September 30, 2020.

Our audit services in Canada are delivered through KPMG LLP. Full details of the services offered by KPMG in Canada can be found on our [website](#). Information about our structure and governance is included in **Appendix A** of this report.



Our commitment to quality



Our strategy is set by the KPMG in Canada Board and demonstrates a commitment to quality and trust. We invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our entire global network.

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

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional

Accountants issued by the International Ethics Standards Board for Accountants (IESBA).

KPMG International has quality control policies that apply to all member firms as well as its partners and employees. These policies are included in KPMG's Global Quality & Risk Management Manual (GQRMM) and are supplemented as necessary to include Canadian specific legal and/or regulatory requirements.

Quality control and risk management are the responsibility of all KPMG in Canada partners and employees. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities wherever they are based.

Our system of quality control has been in place for many years and 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 designed additional procedures 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 described in this report.

These important initiatives will continue to receive considerable attention over the next year as we prepare for Canada's adoption of the new International Standard on Quality Management (ISQM 1), which was approved by the IAASB in September 2020 and is expected to be effective from December 2022. ISQM 1 will require firms to design, implement and operate a system of quality management to consistently deliver quality audits, assurance and related services engagements, and to evaluate the effectiveness of the system on an annual basis.

KPMG values

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

Integrity

We do what is right.

We are honest, fair and consistent in our words, actions and decisions – both inside and outside work.

We take responsibility and accountability for our day-to-day behavior and we hold ourselves to the highest moral and ethical standards at all times – even when under pressure. We keep our promises and set an example for others to follow.

Excellence

We never stop learning and improving.

We are relentless in delivering quality work to the highest professional standards.

We do this by staying curious and taking personal responsibility for our learning. We constantly look to improve our work through data and insight, and are open to new challenges and feedback because that is how we develop and improve.

Courage

We think and act boldly.

We are open to new ideas and honest about the limits of our own knowledge and experience. It's about applying professional skepticism to what we see and asking questions where we have doubts.

We speak up if we see something we believe is wrong and we support those who have the courage to speak up themselves.

Courage is being bold enough to step outside of your comfort zone, to do what is right and meaningful for all our stakeholders.

Together

We respect each other and draw strength from our differences.

We do our best work when we do it together: in teams, across teams, and by working with others outside our organization.

Working together is important because we know it's collaboration that shapes opinions and drives creativity. We embrace people with diverse backgrounds, skills, perspectives and life experiences and ensure different voices are heard.

We show care and consideration for others and strive to create an inclusive environment where everyone feels they belong.

For Better

We do what matters.

We take a long-term view, even in our day-to-day choices, because we want to build a stronger KPMG for the future.

We never lose sight of the importance of our role in building trust in the capital markets and in business.

We make sustainable, positive change in our local communities and in society at large, striving to make the world a better place.

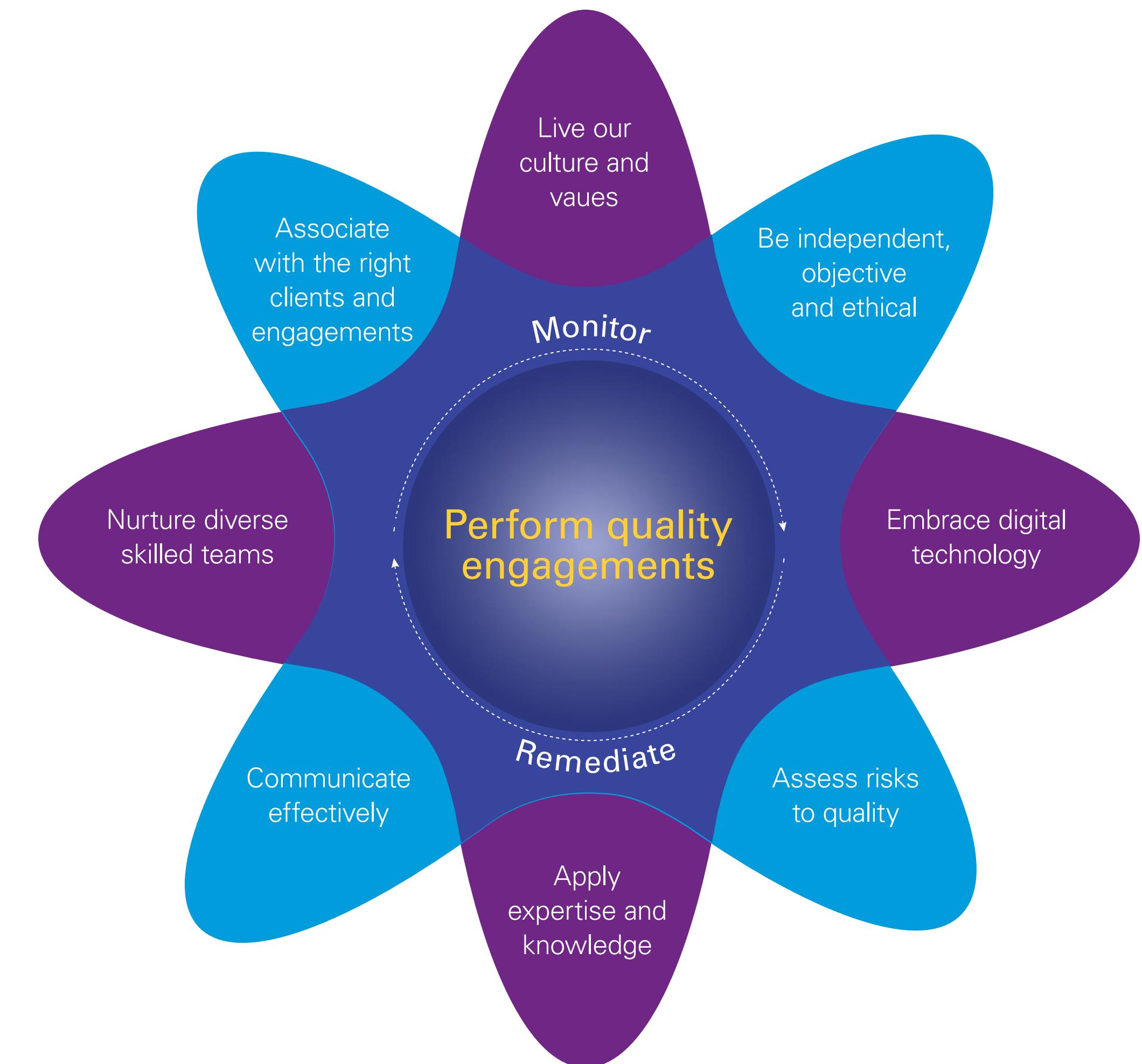
Audit quality framework

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands. At KPMG in Canada, audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report.

KPMG defines 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 controls, and all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

As we prepare for ISQM 1, we are refreshing our current Audit Quality Framework to better outline how we deliver quality, and how everyone at KPMG contributes to its delivery.

'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate our processes as necessary. Our Quality Drivers give clear direction to encourage the right behaviors in delivering audit quality.



Tone at the top

KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders and investors rely.

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 to earn public trust.

Outlined in [KPMG's Global Code of Conduct](#) are the responsibilities all KPMG people have to each other, our clients, and the public. It shows how our values inspire our greatest aspirations and guide all of our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Our values lie at the heart of the way we do things. To do the right thing, the right way. Always. They drive our daily behaviors, guide our decisions, and shape our character. They form the foundation of

a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward – through our work and the example we set – as we inspire confidence and empower change throughout the world.

Everyone at KPMG is required to comply with the Global Code of Conduct and to confirm their compliance with the Code on an annual basis. Additionally, everyone at KPMG is required to take regular training covering the Code and will be held accountable for behaving in a way that is not consistent with it.

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

To safeguard this, each KPMG firm is required to have procedures and established channels of

communication so that anyone working there can report ethical and quality issues.

KPMG in Canada maintains an Ethics and Compliance Hotline that allows 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 in three ways:

- By calling the KPMG in Canada dedicated toll-free number, 1-833-554-5107
- By accessing a web-based reporting system at: www.clearviewconnects.com or
- By mailing directly to ClearView Connects

Reports filed through the hotline are directed to KPMG in Canada's Risk Management Partner for review and, if necessary, assignment of appropriate firm resources for investigation and resolution. Reports are handled confidentially and anonymously to the extent allowable by law and consistent with the needs of a thorough investigation.

In addition, the KPMG International hotline is a mechanism for KPMG partners, employees, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of KPMG firms or KPMG personnel.

The KPMG International hotline is also operated by ClearView Connects and can be reached toll-free from Canada by calling 1-866-246-9224.

All member firms and KPMG 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 retaliation by anyone at KPMG will result in disciplinary action.

Listening to our people – Global People Survey (GPS)

At KPMG in Canada we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey.

Every year, all KPMG in Canada personnel, across all functions, are invited to participate in an independent Global People Survey to share their perception about their experience working for KPMG. The GPS provides an overall measure of our people's engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to impact engagement.

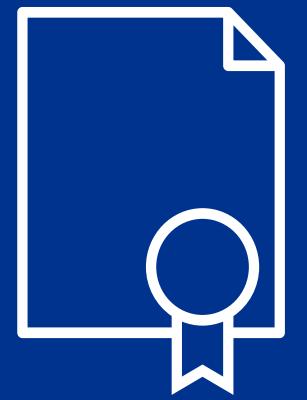
The survey also specifically provides KPMG in Canada and KPMG global leadership with results related to quality and risk behaviors, audit quality, upholding KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG in Canada participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire Global Organization and are presented to the Global Board each year and appropriate follow-up actions agreed.

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

2020	2019	2018
91%	86%	86%

Source: 2020 KPMG GPS (Canadian firm respondents)



The people I work with demonstrate honest and ethical behavior.

2020	2019	2018
93%	91%	93%

Source: 2020 KPMG GPS (Canadian firm respondents)



Leadership responsibilities for quality and risk management



KPMG in Canada is committed to building a culture of quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society. Our leadership plays a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives through their actions - written and video communications, presentations to teams and one-to-one discussions.

In accordance with the principles in ISQC 1, our Chief Executive Officer and Senior Partner, Elio Luongo has assumed ultimate responsibility for KPMG in Canada's system of quality control. The Senior Partner chairs the Board ensuring that the Board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large.

The Canadian Managing Partner, Quality and Risk Management (RMP) is responsible for setting

overall professional risk management and quality control policies and monitoring compliance for KPMG in Canada. The RMP is a member of KPMG in Canada's Management Committee, has a direct reporting line to our Senior Partner, and consults with the Area Quality and Risk Management Leader appointed by KPMG International. The seniority of the RMP position and the reporting lines are indicative of the importance that the firm places on risk management and quality.

The RMP is supported by a team of partners and professionals.

The Managing Partners of KPMG in Canada's three client service functions (Audit, Tax and Advisory) are each accountable to the Senior Partner for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the RMP. These

procedures make it clear that, at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

KPMG in Canada's Managing Partner (CMP) of Audit is responsible for leading a sustainable high-quality Audit practice. This includes:

- setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence, including skepticism, objectivity, and independence
- developing and implementing strategies to monitor and maintain the knowledge and skills required of partners and employees to fulfil their professional responsibilities
- working with the RMP to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

Professional Practice Network

Our Partner-in-Charge, Department of Professional Practice (DPP), who reports to the CMP of Audit, oversees the audit quality and professional practice network which consists of more than 130 partners, directors, senior managers and other professionals. This network supports the firm's 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.

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.

Audit Quality Council

The Audit Quality Council, chaired by the Partner-in-Charge, Department of Professional Practice, 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 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).

Second line of defence (2LoD) reviewers

2LoD reviewers support specific audit teams during the conduct of their work and navigate key audit areas of the audit, including revenue. All 2LoD reviewers are high performing senior managers or partners. They coach teams to develop and robustly evidence risk assessment, the audit approach, and the execution of key audit procedures. Their goal is to improve audit quality on these specific audits before the opinion is issued, and more broadly by gathering data inputs for consideration as part our quality risk assessment and continuous improvement initiatives.

Area quality & risk management leaders

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

The objectives of the ARL role are to:

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

Association with the right clients

IN THIS SECTION



Association with the right clients



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

KPMG's client and engagement acceptance and continuance systems and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

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

Client and engagement acceptance process

KPMG in Canada undertakes 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, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of 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.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with 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).

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

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

Withdrawal process

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

Client portfolio management

KPMG in Canada's business unit leaders appoint engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement. Each audit partner's client portfolio is reviewed at least annually through individual discussions with the audit partner. The review considers the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.

Clear standards and robust audit tools

IN THIS SECTION



Clear standards and robust audit tools

Our partners and professionals are expected to adhere to KPMG International and KPMG in Canada's 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.

Our approach to audit

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

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

- **timely partner and manager involvement** throughout the engagement
- **access to the right knowledge** including involvement of specialists, training and experience requirements and relevant industry expertise
- **critical assessment of all audit evidence obtained during the audit**, exercising appropriate professional judgment
- **ongoing mentoring, supervision and review** of the engagement team managing and documenting the audit.

Consistent audit methodology and tools

The KPMG audit methodology is developed by KPMG's Global Solutions Group based on the requirements of the International Standards on Auditing (ISAs) as well as the auditing standards of PCAOB and AICPA. It is set out in KPMG's Audit Manual (currently used with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow). In Canada, this methodology is supplemented to meet the requirements of Canadian auditing standards (CASs).

Our methodology includes requirements that go beyond the ISAs which we believe enhance audit quality and emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

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

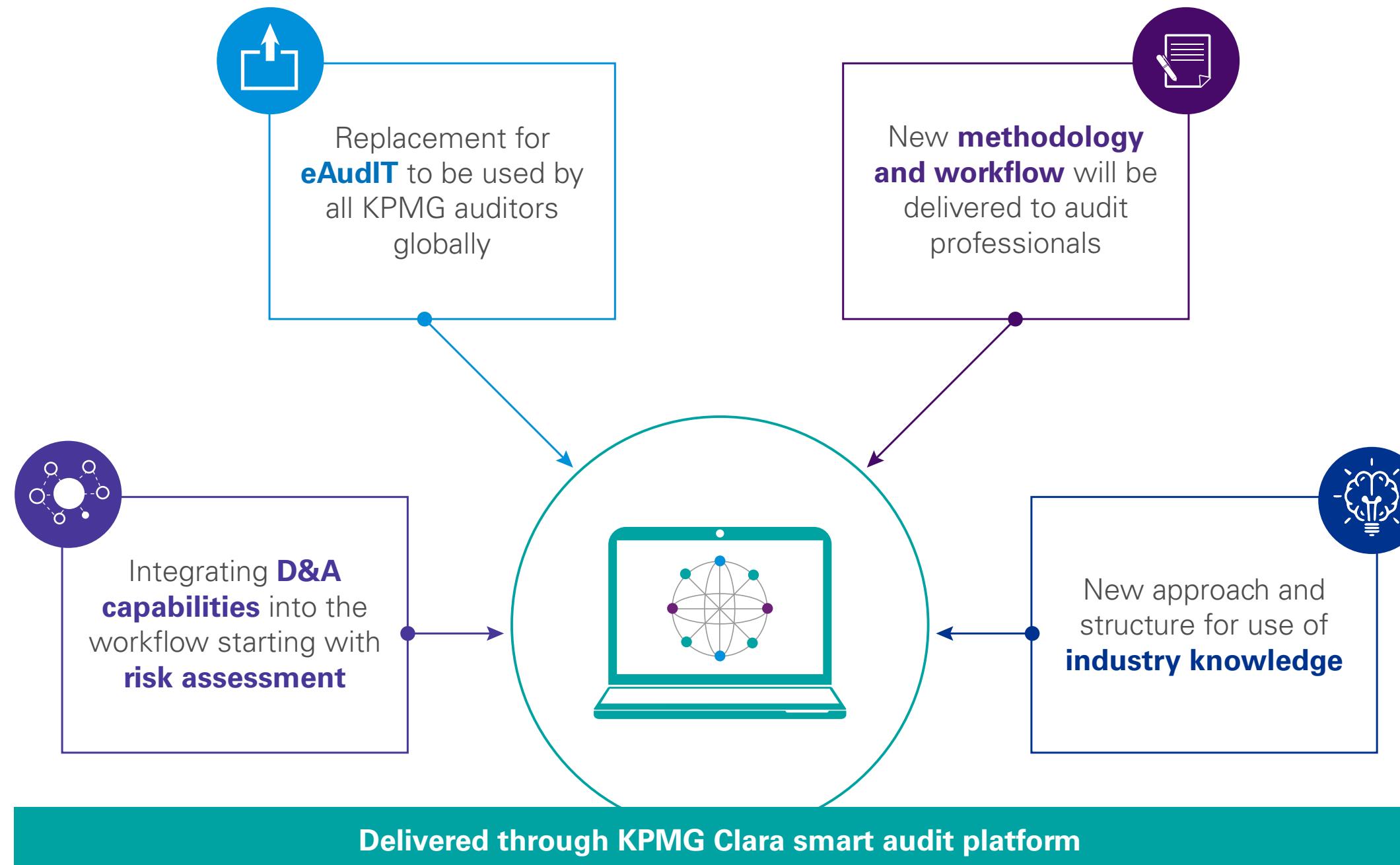
The current KPMG audit workflow is enabled through eAudit, an activity-based electronic audit file. eAudit integrates and provides users with direct access to KPMG's audit methodology,

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.

Investing for the future

While our current audit workflow and methodology are robust and consistent with all requirements of the auditing standards, 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 is a new workflow and methodology embedded into the KPMG Clara platform.

The new KPMG Clara workflow 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 integrated advanced D&A capabilities. D&A is central to analyzing vast quantities of data. This takes the power and reach of an audit far beyond the traditional capabilities of the past.

KPMG's audit, powered by D&A, is designed to:

- **enhance audit quality**; by providing a deeper understanding of data populations, giving focus to higher risk transactions;

- **be secure**; by restricting access to data both in transit and within KPMG's IT environments; and

- **be transparent**; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

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

The new KPMG Clara workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement and will facilitate monitoring the execution of our audits through data mining and tracking engagement level indicators.

We began deploying the new KPMG Clara workflow to engagement teams in Canada in 2020 and expect it will be fully rolled-out by the end of 2022. Our predecessor audit workflow tool, eAudit, will be retired when deployment is complete.

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

Independence, integrity, ethics and objectivity

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

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

These policies are supplemented to ensure compliance with Canadian professional standards and 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.

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

KPMG in Canada has a designated Ethics and Independence Partner and a Chief Compliance



2020
85%

2019
84%

2018
85%

I believe I can report unethical practices without a fear of negative impact on me.

Source: 2020 KPMG GPS (Canadian firm respondents)

Officer who are responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements.

These responsibilities are fulfilled through:

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

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

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

Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited relationships with, our assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates)

their management, directors, and 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.

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.

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

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 becomes 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 professionals.

The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample selection criteria and the minimum number of professionals to be audited annually.

Employment relationships

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

Former members of the audit team or former partners are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG in Canada, including payments which are not fixed and predetermined 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.

In 2020

405 KPMG in Canada personnel

were subject to KICs audits (375 in 2019), including 32% of our partners (29% in 2019).

Firm financial independence

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

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

Additionally, KPMG in Canada is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

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

Business relationships/suppliers

KPMG in Canada has policies and procedures in place that are designed to ensure its business relationships with audit 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 supplier arrangements with regard to whether they have a bearing on auditor independence.

All significant prospective business relationships with audit clients are evaluated to identify potential auditor independence and conflicts of interest issues.

Independence training and confirmations

Our partners and client service professionals, as well as certain other individuals, must complete

independence training that is appropriate to their grade and function upon joining KPMG in Canada. This training must be completed by the earlier of (a) thirty days after joining the firm or (b) before providing any services to or becoming a member of the chain of command for, any audit client, 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 an annual basis.

All KPMG partners and employees are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

Non-audit services

All KPMG firms are required, 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.

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.

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

Fee dependency

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

1. This information be disclosed to those charged with governance at the audit client; and
2. A partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

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

Avoiding conflicts of interest

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

professional requirements. KPMG in Canada has a risk management resource who is responsible for reviewing any identified potential conflict and working with the affected member firms and engagement partners to resolve the conflict. The outcome of this review must be documented.

Conflicts of interest can arise in situations where partners or employees 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 RMP or the EIP is required in these situations.

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

Independence breaches

All KPMG in Canada personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of

failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy, incorporating incremental sanctions reflecting the seriousness of any violations. Matters arising are factored into our promotion and compensation decisions and, in the case of partners, are reflected in their individual quality and risk metrics.

All breaches of independence rules must be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

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

Compliance with laws, regulation and standards is expected of everyone at KPMG in Canada. In particular, we have zero tolerance of bribery and corruption.

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

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

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics. All KPMG in Canada partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a time-out period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues, in any way influence the outcome of the audit, lead or coordinate professional services at the client, oversee the relationship of the firm with the audit client; or have any other significant or frequent interaction with senior management or those charged with governance.

KPMG in Canada monitors the rotation of audit engagement partners (and any other key roles, such as Engagement Quality Control Reviewer, where there is a rotation requirement) through a Partner Rotation Database and develops transition plans to enable the allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Recruitment, development and assignment of appropriately qualified personnel

IN THIS SECTION



Recruitment, development and assignment of appropriately qualified personnel

We are dedicated to ensuring that all KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires us to continually evolve and improve our processes and systems related to recruitment, development, reward, promotion, retention and the assignment of professionals to engagements.

Hires in the year ended September 30, 2020 (Audit practice)

604 Campus hires
(1,043 in 2019)

259 Experienced hires
(480 in 2019)

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, 2020	317	417	298	787	957
Average length of tenure at the firm (years)	20.8	10.2	5.8	4.1	1.3
Retention rate (%)	96.2	87.1	81.5	64.7	86.1

Reward and promotion

We have compensation and promotion policies that are informed by market data, 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. The connection between performance and reward is achieved through calibration meetings where relative performance across a peer group is discussed and used to inform reward decisions.

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

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

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

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

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

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success – both individually and collectively. We know that by being clear and consistent about the behavior we're looking for and rewarding those who role model these behaviors, we will enhance our ability to achieve quality and we have articulated this through our performance principles of Seek Growth, Inspire Trust and Deliver Impact.

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

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

Inclusion and diversity programs

KPMG in Canada is committed to fostering an inclusive culture for all as this enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusion and diversity at KPMG in Canada and across all KPMG firms. More information about Inclusion & Diversity at KPMG is available [here](#).

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. Following successful completion of the Graduate Certificate program, almost 50 of these students continued their learning in 2020 to earn a Master of Science Degree in Accounting with Cognitive Analytics. Working in teams, students developed advanced and innovative applications of data analytics in the Audit practice.

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.

Business unit leaders are responsible for the partner assignment process. 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 multinational 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 the audit in accordance with our methodology, professional standards, and applicable legal and regulatory

requirements. This may include involving specialists from within KPMG in Canada or other KPMG member firms.

The Department of Professional Practice monitors the partner and senior manager assignment process of each business unit to ensure appropriate factors are taken into consideration, including:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity
- an 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 judgment
- commitment to complying with KPMG in Canada's quality control policies and procedures
- Quality Performance Review (QPR) results and results of regulatory inspections.

Average partner & manager hours in client service engagements

2020 | 2019
26% | **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 perform their roles. This includes access to internal specialists and partners in the professional practice department who have 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.

Lifetime learning strategy

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, and by KPMG in Canada in consideration of changes to professional standards and regulations, and information obtained from a variety of sources such as quality performance reviews and external inspections.

We believe our people learn through a wide range of approaches. As a result, training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job.

In relation to audit, KPMG in Canada deploys a variety of learning solutions that are designed to reinforce the KPMG values and ensure our professionals get the fundamentals right, develop the necessary skills and attitudes to make appropriate judgments, and apply professional

Course offerings to Audit Partners and Staff in FY20 (learning hours)

Courses	Partner	Manager – Sr. Manager	Senior Accountant	Staff Accountant
Core audit	43	43	77	214
Specialized offerings for an individual's client portfolio and personal interests	138	163	141	51
Total hours	181	206	218	265

skepticism that enhance audit quality and the value of audit.

Rich learning experiences are available when needed through instructor-led and virtual classroom training, performance support tools, coaching and just-in-time learning, available

at the click of a mouse and aligned with job specific role profiles and learning paths. We have also developed tools designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism.

Licensing and mandatory requirements for US GAAP engagements

All KPMG in Canada professionals are required to comply with applicable professional licencing rules and satisfy the Continuing Professional Development requirements of the Chartered Professional Accountant body in the province where they practice. KPMG's policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the financial reporting framework applicable to the engagement.

KPMG has specific assignment requirements for engagements where the financial statements or financial information is prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers, engagement in-charges and EQC reviewers assigned to such engagements 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.

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. In addition, our audit methodology and the GQRMM include mandatory consultation requirements on certain matters.

Technical consultation and global resources

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

KPMG's audit methodology is developed and maintained by the GAMG based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

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

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

The PSG comprises a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in audits of foreign private issuers and non-US components of issuers. The PSG also develops and facilitates trainings for auditors who work on PCAOB audit engagements.

KPMG in Canada's Department of Professional Practice (DPP) plays a crucial role in supporting 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 and ISAs.

DPP resources also assist engagement teams in resolving differences of opinion should they arise either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. In exceptional circumstances, a matter may be referred to our Head of Audit, Head of DPP, Head of Quality and Risk or ultimately the national Senior Partner.

Access to specialists

KPMG in Canada engagement teams have access to a network of local KPMG specialists – either within their firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfill their role. They also receive a global annual update on global quality performance issues.

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

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 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

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 judgment 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 judgments is also critical. We reinforce the exercise of professional skepticism

through coaching and education, acknowledging that judgment 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 judgment 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.

Engagement quality control review partner involvement

Engagement Quality Control (EQC) reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform

an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits of all listed, high risk and high public profile entity audits, any related reviews of interim financial information, and other engagements as designated by our Risk Management Partner. KPMG is continually seeking to strengthen and improve the role that the EQC reviewer plays in audits and has taken a number of actions to reinforce this, including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

EQC reviewers are appointed by the local Business Unit Professional Practice Partner to ensure they have appropriate experience, accreditations, and sufficient time to carry out their review.

The Engagement Quality Control 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 judgments 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.

Reporting

Auditing standards largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

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

Engagement documentation

Our audit documentation is completed and assembled according to the timeline established by KPMG policy, which is shorter than that required by relevant auditing standards. We have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

Insightful, open and honest two-way communications

Two-way communication with those charged with governance, often identified as the audit committee, is key to audit quality and an important aspect of our reporting and service delivery. We achieve this through reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing 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

judgments, 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.

KPMG Board Leadership Centre

The demands facing Boards have never been so great. In today's world, more is expected of directors and audit committee members than ever before. KPMG in Canada's [Board Leadership Centre](#) provides perspectives, insights and tools needed to help directors deliver on their mandate.

KPMG Global IFRS Institute

[KPMG's Global IFRS Institute](#) provides information and resources to help the boards and audit committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

Client confidentiality, information security, and data privacy

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

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

Furthermore, we have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information, and associated training is required for all KPMG in Canada personnel.

Commitment to continuous improvement

IN THIS SECTION



Commitment to continuous improvement

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

The internal quality monitoring and compliance programs further described below are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG in Canada compares the results of its internal monitoring programs with the results of those of any external inspection programs and takes appropriate action to address findings.

Internal monitoring and compliance programs

KPMG in Canada's monitoring programs evaluate both:

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

Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include:

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax and Advisory functions; and

- A cross functional Global Compliance review (GCR) program with firms selected for review at various intervals based on identified risk criteria.

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

Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality. Each engagement leader in every KPMG firm is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

For the five-year period ended September 30, 2020, 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.

	2020	2019	2018
Total QPR audit & assurance reviews performed	113	66	92
% of engagement partners reviewed	34	21	31
# of reviewers from outside of Canada	13	12	12
% of reviewers from outside of Canada	13	18	17

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

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

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations. Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'. Findings from the QPR program are disseminated to firm professionals through written communications, internal training tools, and periodic partner and manager update calls. Areas of the audit where findings are identified are emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

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

Risk Compliance Program (RCP)

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

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG in Canada's system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for evaluating whether the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

Global Compliance Review (GCR) program

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

The GCR team performing the reviews is independent of the firm and is objective and knowledgeable of GQ&RM policies.

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

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

KPMG in Canada develops action plans to respond to all GCR findings and agrees these with the GCR team. Our progress on implementing the action plans is monitored by the GCR central team and reported to GQ&RM Steering Group and, where necessary, to appropriate KPMG International and regional leadership.

External regulatory reviews

In October 2020, the Canadian Public Accountability Board (CPAB) released its Audit Quality Insights: 2020 Interim Inspections Report which summarizes the results of their 2020 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 2020 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.

KPMG in Canada issues 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 and performed certain procedures relating to our quality control systems.

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.

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.

Governmental or other inquiries

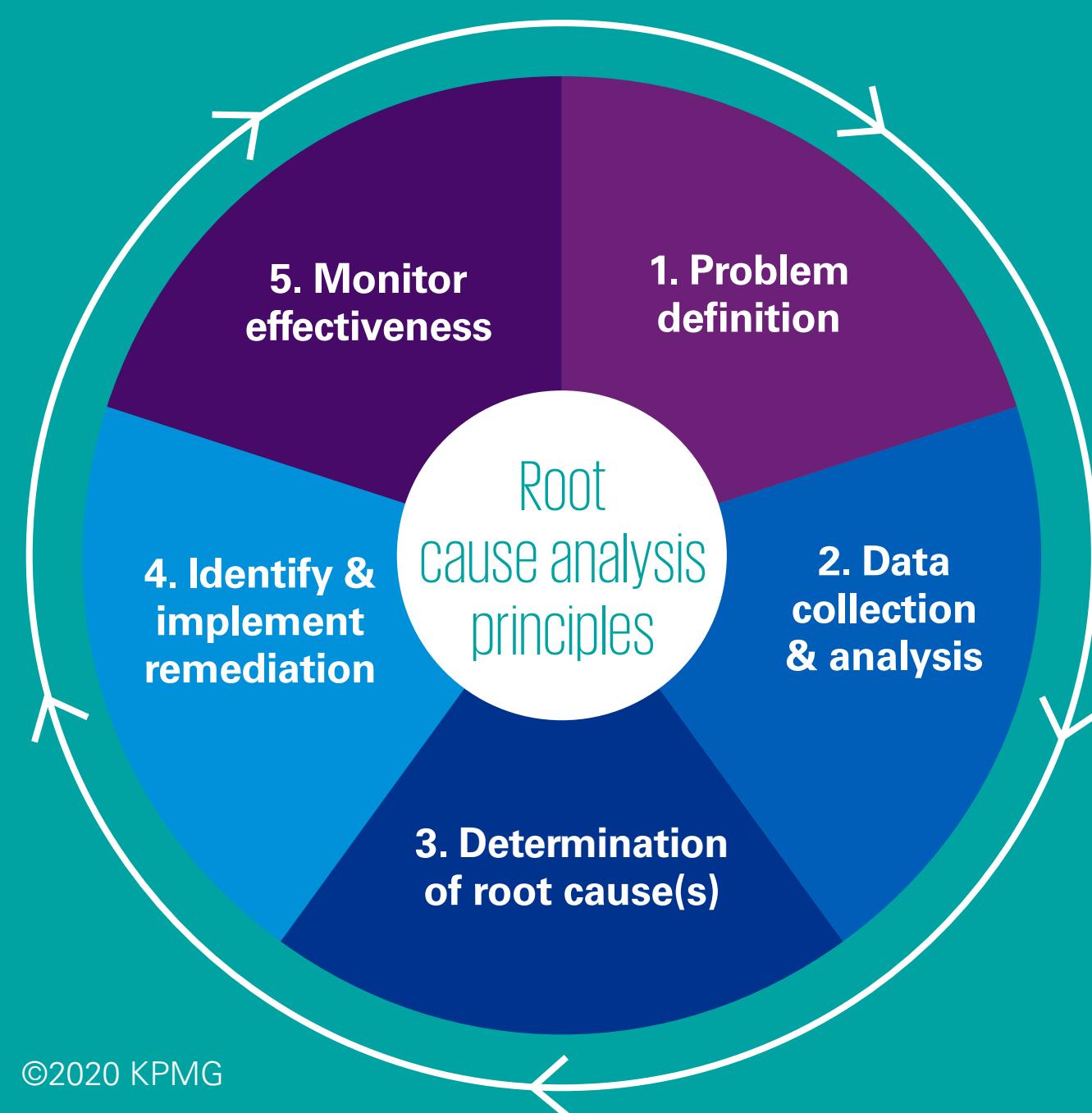
We are not aware of any inquiry or investigation by governmental or regulatory authorities against the firm or any of its partners that may adversely affect the firm's operations or its ability to fulfill its obligations as an independent auditor to its clients.

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

Evaluating and responding appropriately to feedback and findings

KPMG in Canada performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2020, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG in Canada who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



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

KPMG in Canada's Managing Partner of Audit is responsible for the development and implementation of action plans as a result of RCA, including identification of solution owners. Our Risk Management Partner monitors their implementation.

At a global level, through the Global Audit Quality Council and the GQ&RM Steering Group, KPMG International reviews the results of the quality monitoring programs, analyzes firm root causes and action plans and develops additional global actions as required.

Global remediation plans developed by KPMG International are aimed at changing culture and behavior across the global organization and at driving consistent engagement team performance within KPMG firms. The remediation plans have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best practice is shared.

Statement of effectiveness of audit quality controls

The measures and procedures that serve as the basis for the system of quality control for KPMG in Canada, as outlined in this report, aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with professional standards, applicable laws and regulations.

Due to its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant professional standards, laws and regulations would be prevented or detected.

KPMG in Canada's CEO, Risk Management Partner and the Managing Partner, Audit have considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm and KPMG International as described above; and
- findings from regulatory inspections and subsequent follow-up and/or remedial actions.

Taking all of this evidence together, KPMG in Canada's CEO, Risk Management Partner and the Managing Partner, Audit confirm with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to September 30, 2020. Further, we confirm that an internal review of independence compliance within our firm has been conducted in the year ended September 30, 2020.

Appendix

IN THIS SECTION



Appendix A: Our structure and governance

Legal structure

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. Prior to October 1, 2020 it was the coordinating entity for the network and the entity with which all member firms of the KPMG organization were affiliated. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the 'Governance and leadership' section of the [2019 KPMG International Transparency Report](#).

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

to clients. Professional services to clients are exclusively provided by member firms.

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

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

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](#).

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

Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG values.

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

Name and ownership

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.

KPMG in Canada is a Canadian limited liability partnership formed under the laws of Ontario. It is wholly owned by its partners. During the year ended September 30, 2020, there was an average of 784 partners in KPMG in Canada.

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. Further details on KPMG International's governance structure can be found in the [2020 KPMG International Transparency Report](#).

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.

Appendix B: Financial information

The following financial information relates to KPMG in Canada's fiscal year ended September 30, 2020. All amounts are stated in millions of Canadian dollars.

Aggregated revenues from the audit of financial statements of non-EU companies with transferable securities trading on regulated markets in the EU (as detailed in Appendix C)	18.0
Aggregated revenues from permitted non-audit services of non-EU companies with transferable securities trading on regulated markets in the EU (as detailed in Appendix C)	1.5
Total gross revenues of KPMG in Canada, including the amounts disclosed above	1,806.4

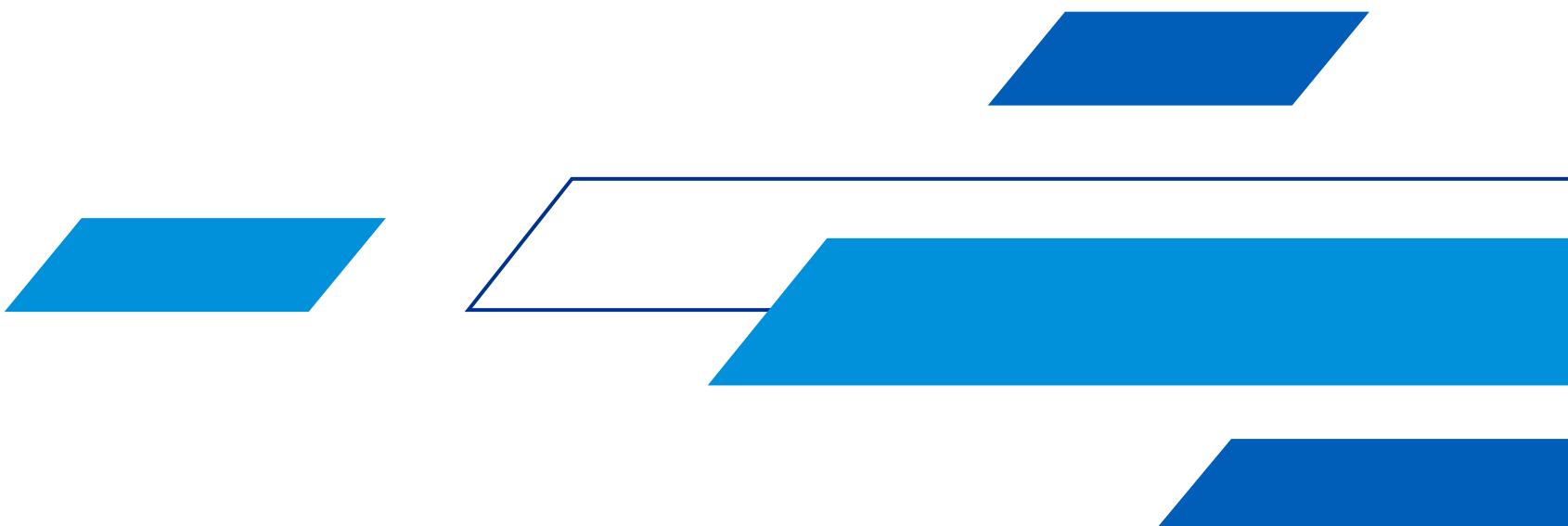
Gross revenues include amounts paid to other KPMG firms who have assisted in the performance of statutory audits.

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

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

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

Appendix C: European Union public interest entity audit clients



The list below includes KPMG in Canada's relevant audit clients as of September 30, 2020.

For this purpose, relevant audit clients are public interest entities as defined in Directive 2006/43/EC.

- The Bank of Nova Scotia
- Hydro-Quebec
- Gran Tierra Energy Inc.
- Valeura Energy Inc.
- Taseko Mines Limited

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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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