



2018

Transparency

Report KPMG in

Cyprus

March 2019

kpmg.com.cy





Contents

1

Message from the Managing Director

Message from the Head of Audit

2

Who we are

- 2.1 Our business
- 2.2 Our strategy

3

Our structure and governance

- 3.1 Legal Structure
- 3.2 Name, ownership and legal relationships
- 3.3 Responsibilities and obligations of member firms
- 3.4 Governance structure

4

System of quality control

- 4.1 Tone at the top
- 4.2 Leadership responsibilities for quality and risk management
- 4.3 Association with the right clients
- 4.4 Clear standards and robust audit tools
- 4.5 Recruitment, development and assignment of appropriately qualified personnel
- 4.6 Commitment to technical excellence and quality service delivery
- 4.7 Performance of effective and efficient audits
- 4.8 Commitment to continuous improvement



Financial information

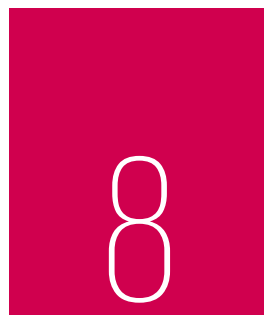


Partner remuneration



Network arrangements

- 7.1 Legal structure
- 7.2 Responsibilities and obligations of member firms
- 7.3 Professional Indemnity Insurance
- 7.4 Governance structure
- 7.5 Area Quality & Risk Management Leaders



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



Appendices

Message from the Managing Director

I am very pleased to present to you our Transparency report covering the financial year to September 2018. The report contains insightful information about our strategy, our performance, our corporate governance and quality control systems for the year.

Despite a challenging and difficult year, our Firm managed to grow by 8% during 2018. The main driver of our growth was advisory, which grew by 28% followed by Tax, which expanded by 15%. Audit, being by far the largest function of our Firm, managed to grow by 1,5%.

As stated before, the challenges faced by our profession and especially the audit function were quite tough. This related to the increased regulation, the need to rotate auditors, as well as the need to adopt more rigorous risk management procedures.

The above success of our Firm was not brought about without related costs. In doing so, we invested heavily in maintaining and recruiting specialised and dedicated staff, who could live up to the expectations and the needs of our clients. This was achieved by grasping the market needs and being able to offer value for money, innovative services to our clients.

In 2018, as in every year, we committed to quality and integrity and we have set our standards very high. We have a strategic priority in enhancing and expanding our portfolio of service offerings. This will be achieved by continuing investing in our greatest asset, our people, and in extending and enhancing our technological capabilities across the Firm.

Our strategy is fully aligned with our Global Firm's strategic priorities, tailor-made to the Cyprus market needs.

All our partners are working hard in maintaining KPMG as the Clear Choice for our clients, our people and the society in general.



Christos Vasiliou
Managing Director & Head of Advisory
31 March 2019

Message from the Head of Audit

Restoring trust in institutions is the challenge of our time, and as auditors we have a unique role to play in meeting it. We welcome the focus. We are proud of the importance of our work and believe the scope of our responsibility should be widely understood.

Our work is critical in creating confidence in capital markets by keeping them informed. We understand the tone at the top of any organization drives its culture and, at KPMG, audit quality is our key tenet. KPMG's international footprint also provides for a globally-mandated approach to maintaining quality. Our Transparency Report provides insight into our audit quality measures and the steps we take to ensure every audit is a quality audit.

This year has presented significant challenges, both for our firm and our profession. While we have a great deal to be proud of, we know there are things that we must do better. And we are working constantly to improve.

We have won new and retained the audits of key local (and international) organizations. This is testament to the more than 480 dedicated individuals within our Cyprus audit practice, and their commitment to driving up audit quality. This has also been a landmark year for investing in our people. Our recruitment strategy takes into account the changing skills that the audit of the future will require, with a growing focus on technology.

We have also been working hard to enhance our processes and investing strongly in technology in order to bring the best to our clients. KPMG Clara, our new global smart audit platform, is being rolled out that will allow us to provide greater clarity and generate deeper and richer insights into the audit by deploying digital automation as part of our audit approach.

Our profession is also at an inflection point. We face a number of challenges across a range of issues, and societal expectations of us are changing. It is vital that we demonstrate to the wider public why shareholders and Audit Committees place their trust in us. And in turn, work to ensure our audit opinions remain relevant to the investors and shareholders we serve.



Sylvia Loizides
Head of Audit

31 March 2019

KPMG's Values

We lead by example:

At all levels we act in a way that exemplifies what we expect of each other and our clients.

We work together:

We bring out the best in each other and create strong and successful working relationships.

We respect the individual:

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

We seek the facts and provide insight:

By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisors.

We are open and honest in our communication:

We share information, insight, and advice frequently and constructively and manage tough situations with courage and candor.

We are committed to our communities:

We act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities and protecting the environment.

Above all, we act with INTEGRITY:

We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

2

Who we are

2.1 Our business

KPMG Limited is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of 6 offices across Cyprus and had an average of 870 in the year to 31 December 2018 (2017: 850).

Our audit services in Cyprus are delivered through KPMG Limited. Full details of the services offered by KPMG Limited can be found on our website www.kpmg.com.cy.

2.2 Our strategy

Our strategy is set by the Executive Committee and has remained consistent for some time. It has determined that our overall ambition remains to be the number one multi-disciplinary professional services firm in Cyprus.

The KPMG Limited Board has determined that a commitment to quality is our Firm's main focus.

Our firm's strategy has five main drivers:

- Maintain the leading position as employer of choice in the market.
- Maintain leadership in local audit market.
- Continue to develop innovative services and solutions.
- Maintain quality and low cost base.
- Increase staff productivity.

3

Our structure and governance

3.1 Legal structure

Legal structure and ownership

KPMG Limited is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in section ‘Governance and leadership’ to the KPMG International Transparency Report.

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

KPMG Limited is a private company limited by shares registered in Cyprus under registration number HE132822 with its registered office at 14 Esperidon street, 1087 Nicosia, Cyprus. It is wholly owned by its Board Members who, in practice, are commonly referred as partners.

During the year under review, there was an average of 46 partners in KPMG Limited (2017: 44 partners).

The subsidiary undertakings of KPMG Cyprus as at 31 December 2018 are:

Company name	Principal Activity
KPMG Limited	Professional Services
KPMG Properties Limited	Holding of property
KPMG Specialized Services	Professional Services
KPMG Investments Ltd	Investment holding company
KPMG MLS Services Limited	Professional Services

3.2 Name, ownership and legal relationships

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

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and

liabilities. KPMG International and other member firms are not responsible for a member firm’s obligations or liabilities. Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

3.3 Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG values (see section 4.1).

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

3.4 Governance structure

KPMG Limited applies high standards of corporate governance.

The Board

The Chairman and Managing Director chair 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 Chairman, Angelos Gregoriades and the Managing Director, Andreas Christofides, were appointed on 1 January 2016 following a competitive election campaign and confidential vote (administered by 43) of the members. Their term expired on 31 December 2018. Michael Antoniadis and Christos Vasiliou have been appointed as the new Chairman and Managing Director respectively on 1 January 2019 following a competitive election campaign and confidential vote administered by 46 of the members.

The principal governance and oversight body of KPMG Limited is the Board of Directors which provides leadership to the organization and is responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand.

The Board consists of 46 members, including the Chairman, the Managing Director, the Head of Quality & Risk and 43 additional members. The constitution of the Board is as determined by the KPMG Partnership Agreement. The Board meets from time to time to undertake certain statutory duties for KPMG Limited (including approving the annual accounts and the transparency report). The Board met three times in the year to 31 December 2018.

Full details of those charged with governance for KPMG Limited, including their biographies and photos are set out in Appendix A2 and A3.

In addition, there are 3 main bodies that deal with key aspects of governance within the group that report into the Board. These are:

- The Quality & Risk Management Committee
- The Ethics Committee
- The Executive Committee

Details about the role and responsibilities and composition of each of these key bodies are set out below.

The Quality & Risk Management Committee

The principal role of the Quality & Risk Management Committee is to provide oversight of quality and risk management matters across the firm. As part of its role it oversees that a culture of quality and integrity is maintained within the firm and, where required, it will act as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programs and the adequacy of proposed remedial actions.

The Ethics Committee

Our Ethics Committee provide oversight of policies and procedures in relation to ethical standards and of breaches of their requirements in relation to personal financial independence, general trends in disciplinary, grievance, human resource appeals and whistle-blowing processes to consider what these might imply for members'/employees' underlying ethical behavior; and other ethical issues facing KPMG Limited.

The Executive Committee

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

The Board of Directors effectively elects the members of the Executive Committee including the Chairman and the Managing Director. The member of the Executive Committee during 2018 were as follows:

- Angelos Gregoriades (Chairman)
- Andreas Christofides (Managing Director)
- Christos Vasiliou (Deputy Managing Director & Head of Advisory)
- Sylvia Loizides (Head of Audit)
- George Markides (Head of Tax)
- Michael Antoniadis (Head of Quality & Risk Management)
- Michalis Loizides (Ethics and Independence Partner (EIP))
- Panicos Loizou
- Demetris Vakis
- Apostolos Apostolou
- George Tziortzis
- Michael Halios.

On 1 January 2019, a new Executive Committee has been elected and consists of the following members:

- Michael Antoniadis (Chairman)
- Christos Vasiliou (Managing Director and Head of Advisory),
- Sylvia Loizides (Head of Audit),
- George Markides (Head of Tax)
- Constantinos Kallis (Head of Quality & Risk Management)
- Demetris Vakis
- Christoforos Anayiotos
- Panicos Antoniadis
- Zakis Hadjizacharias
- Michael Halios
- Maria Papacosta
- Panayiotis Peleties.

The Executive Committee aims to meet monthly and during the year to 31 December 2018 it met formally nine times either face-to face or via video link/conference call supplemented by frequent additional telephone calls and ad hoc meetings.

4

System of quality control

Overview

A robust and consistent system of quality control is an essential requirement in performing high-quality services. Accordingly, KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) available to all KPMG personnel. These policies and associated procedures are designed to assist member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances, as well as help member firm personnel act with integrity and objectivity and perform their work with diligence.

These policies and procedures are based on the International Standard on Quality Control 1 (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). Both of these are relevant to member firms that perform statutory audits and other assurance and related services engagements.

KPMG Limited is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by the Cyprus Public Audit Oversight Authority (CyPAOA) and the Institute of Certified Public Accountants of Cyprus (ICPAC) and other relevant regulators as well as applicable legal and regulatory requirements.

Amendments to risk and quality policies, including ethics and independence policies, are included in quality and risk management alerts and are communicated by email. KPMG Limited is required to implement changes specified in the email alerts and this is checked through internal monitoring.

Quality control and risk management are the responsibility of all KPMG Limited personnel. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG personnel wherever they are based.

While many KPMG's quality control processes are cross-functional, and apply equally to tax and advisory work, the remainder of this section focuses on the delivery of quality audits.

Audit quality framework

At KPMG Limited 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. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements. To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International has developed the Audit Quality Framework. This framework uses a common language that is adopted by all KPMG member firms, including KPMG Limited to describe what the KPMG network believes drives audit quality, and to highlight how every audit professional at each KPMG member firm contributes to the delivery of audit quality.

'Tone at the top' sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across the entire KPMG network. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.







System of quality control continued

4.1 Tone at the top

The culture of KPMG International and KPMG member firms is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviors to permeate throughout the KPMG network.

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

At KPMG Limited we promote a culture in which consultation is encouraged and recognized as a strength.

Tone at the top means that KPMG Limited leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG value: "Above all, we act with integrity." Integrity means constantly striving to uphold the highest professional standards, providing sound good-quality advice and rigorously maintaining our independence.

The KPMG values, which have been explicitly codified for a number of years, are embedded into the working practices and values-based compliance culture at KPMG Limited. The KPMG values form the foundation of our culture and set the tone at the top. They also form the foundation of the KPMG approach to audit and shape how we work together.

We communicate the KPMG values clearly to our people and embed them into our people processes — induction, performance development and reward.

KPMG Global Code of Conduct

KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personal and professional conduct. The KPMG values emphasize that, above all, KPMG personnel act with integrity, uphold the highest professional standards and provide sound advice while rigorously maintaining independence and complying with laws, regulations, and professional standards. The KPMG values are communicated clearly to all people and are embedded into member firms' people processes — induction, performance development and reward. Building on the KPMG values is the [KPMG Global Code of Conduct](#).

Member firms, including KPMG Limited are required to adopt, as a minimum, the Global Code of Conduct.

KPMG Limited Code of Conduct

In addition, the KPMG Limited Code of Conduct lays out the expectations of ethical behavior for all partners and employees at KPMG Limited and is built on the foundation of the KPMG values, the shared set of beliefs and principles at KPMG. In addition, the KPMG Limited Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. The KPMG Limited Code of Conduct sets out our commitments and includes provisions

that require KPMG Limited personnel, in summary to:

- comply with all applicable laws, regulations, professional standards and KPMG Limited policies
- work with the right clients and third parties
- focus on quality
- maintain our objectivity and independence
- not tolerate any illegal or unethical acts, committed within KPMG Limited, by clients or suppliers, or public officials with whom we deal
- protect information
- compete fairly
- help our people to be extraordinary
- be responsible corporate citizens
- build public trust.

All KPMG Limited personnel are required to:

- comply with both the Global Code of Conduct and the KPMG Limited Code of Conduct and confirm their compliance with the Code of Conduct upon joining the firm, and annually thereafter; and
- complete regular training covering the Code of Conduct upon joining the firm and on a biennial basis thereafter.

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

System of quality control continued

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

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

At KPMG Limited, we regularly monitor the extent to which our people feel we live the KPMG values through the Global People Survey (refer to section 4.5) the extent to which our people feel we live our Values.

4.2 Leadership responsibilities for quality and risk management

KPMG Limited demonstrates commitment to 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.

Our leadership team is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions - written and video communications, presentations to teams and one-to-one discussions.

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

Managing Director

In accordance with the principles in ISQC 1, our Managing Director has assumed ultimate responsibility for KPMG Limited system of quality control. Details of some of the measures that he and the rest of the Board have taken to ensure that a culture of quality prevails within KPMG Limited are set out in section 4 'System of Quality Control'.

Head of Quality and Risk (RMP)

Operational responsibility for the system of quality control, risk management and compliance in KPMG Limited has been delegated to the Head of Quality and Risk who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Limited. He has a seat on the Executive Committee and has a direct reporting line to the Managing Director. He consults with the appointed Area Quality and Risk Management Leader. The fact that the role is a position held by the Executive Committee, and seniority of the reporting lines, underlines the importance that the firm places on risk and quality issues. The RMP is supported by a team of partners and professionals in each of the functions.

Ethics and Independence Partner (EIP)

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures

in KPMG Limited and reports on ethics and independence issues to the Managing Director of KPMG member firm.

The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Risk Management Partner. These procedures make it clear that, at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

KPMG Limited Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. 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 knowledge and skills required of partners and employees to fulfil their professional responsibilities
- working with the Risk Management Partner 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.

System of quality control **continued**

Audit Leadership Team

The Audit Leadership Team of KPMG Limited during its meetings included regular discussions about current and emerging audit quality issues arising from external and internal quality review processes, queries being raised by engagement teams, root cause analysis procedures and other quality matters identified from a variety of sources. These were debated, other observations collected from client-facing teams were considered, and actions agreed. Typically, most of these actions are short term, in which case they are developed and communicated through the regular technical briefings issued to the whole Audit function and also, if considered of sufficient magnitude, included in the next mandatory training.

For more complex issues (which might require amendments to KPMG's global audit methodology or audit tools) these will be raised with KPMG International's Global Audit groups for consideration and potential development of solutions by the Global Services Centre (GSC) and the International Standards Group (ISG).

Investing in continuous improvement

At a global level, KPMG International has introduced a number of changes as the KPMG network continues to invest in continuous improvement. These include the creation of the Global Audit Quality Committee of the Global Board, comprised of Senior Partners from the largest firms in the KPMG network, and the appointment of a dedicated Global Head of Audit Quality who reports to the committee.

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

We define 'audit quality' as being the outcome when:

- Audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls; and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

4.3 Association with the right clients

4.3.1 Acceptance and continuance of clients and engagements

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

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

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

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

4.3.2 Client and engagement acceptance process

Client evaluation

KPMG Limited undertakes an evaluation of every prospective client.

This involves an assessment of the prospective client's principals, their business and other service-related matters. It also involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analysing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In addition, we obtain additional information required to satisfy our local legal and regulatory requirements.

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.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, 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 is made in consultation with other senior KPMG Limited personnel

System of quality control continued

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

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

We follow specific procedures (detailed further in section 4.4.2.6) to identify and evaluate threats to independence for prospective audit clients that are public interest entities.

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.

4.3.3 Continuance process

KPMG Limited 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 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.

4.3.4 Withdrawal

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

4.3.5 Client portfolio management

Our leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

We review each audit partner's client portfolio at least annually in individual discussions with the audit partner. The reviews consider 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. Head of Audit and Risk Management Partner regularly reviews the client portfolio starting from Public Interest Entities and High Risk Clients to ensure that the Partners have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

System of quality control continued

4.4 Clear standards and robust audit tools

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

4.4.1 Our approach to audit

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

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

- timely partner and manager involvement throughout the engagement
- access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment

- ongoing mentoring, supervision and review of the engagement team
- managing and documenting the audit.

4.4.1.1 Consistent audit methodology and tools

Significant resources are dedicated to keeping KPMG's standards and tools complete and up to date. The KPMG audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The KPMG audit methodology is set out in KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of the audit. The methodology emphasizes applying appropriate professional skepticism in the execution of audit

procedures and requires compliance with relevant ethical requirements, including independence. Enhancements to the audit methodology, guidance and tools are made regularly to be in compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key topics include accounting estimates, internal control, revenue recognition, group audits, audit sampling and risk assessment.

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

KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks.





System of quality control continued

The KPMG audit methodology encourages use of specialists when appropriate, and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Q&RM Manual that is applicable to all KPMG member firms, functions and personnel and is tailored by KPMG Limited for any local policies and procedures.

The KPMG audit workflow is enabled through eAudit's, an activity-based workflow and electronic audit file. eAudit is KPMG's audit documentation workflow that allows 75,000+ professionals to complete high quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed.

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. It provides direct access to our audit guidance, professional standards and documentation templates.

Significant investments are underway to revise and enhance the KPMG audit methodology (KAM) and workflow tool (eAudit), with the deployment of KPMG Clara Workflow which is being piloted in 2018, planned for initial deployment globally in 2019, and full deployment beginning in 2020.

KPMG Clara, KPMG Clara Workflow and Audit Data & Analytics (D&A)

KPMG International is making significant investments to improve audit quality, drive consistency in execution of audits and strengthen both the member firm and global monitoring of engagements.

KPMG Clara

In 2017, KPMG International commenced the global launch of KPMG Clara – KPMG's Smart Audit Platform, bringing together KPMG's Audit Data & Analytics (D&A) capabilities, innovative new technologies, collaboration capabilities and audit workflow.

This represents KPMG's ambition to:

- transform audit execution for our people and clients through new, modern technology-enabled interfaces and collaboration functionality;
- integrate the required capability to digitize the audit and deliver new D&A routines;
- enable an enhanced and re-designed workflow;
- incorporate the development of monitoring capabilities at the engagement-level and across engagement portfolios for use by engagement teams and member firms;
- support Global leadership's monitoring of the effectiveness of member firm systems of quality control; and
- develop an extendable audit platform to enable member firm customization and scale, as well as future capabilities.

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

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

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

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

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

System of quality control continued

KPMG Clara will be enriched over time as emerging technologies continue to transform the audit, with areas like cognitive and predictive technology being channelled through KPMG Clara to deliver ever greater capabilities. Through alliances with some of the world's most advanced technology companies such as Microsoft, KPMG is building the future of audit, aligning with technology leaders to bring new insights faster and, with growing capabilities, deliver even more value through KPMG member firm audits. KPMG International's investment strategy also includes innovation, working with universities on important applied audit research and working with member firms as they develop advanced technologies.

KPMG Clara Workflow

Building on the launch of KPMG Clara in 2017, KPMG International is creating a new workflow tool that will be used by KPMG audit teams to execute and document KPMG audits. It will be intuitive, user-friendly and modern. The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence, with clearer display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced D&A capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and drive improvements in audit quality. KPMG Clara Workflow will incorporate the development of monitoring

capabilities (e.g. data mining) at the engagement level for use by member firms. The KPMG Clara Workflow is being piloted in 2018, with initial deployment globally in 2019 and full deployment beginning in 2020. The predecessor audit workflow tool, eAudit, is expected to be decommissioned in the 2021 fiscal year.

Audit data & analytics (D&A)

KPMG's audit, powered by D&A:

- enhances audit quality; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- is secure; by restricting access to data both in transit and within KPMG's IT environments; and
- is 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 tools and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

4.4.2 Independence, integrity, ethics and objectivity

4.4.2.1 Overview

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

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Q&RM Manual.

Automated tools facilitate compliance with these requirements.

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

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

KPMG Limited has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Limited.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts, and this is checked through the internal monitoring programs described in section 4.8.1.

KPMG Limited personnel are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual. In the event of failure to comply with the independence policies, professionals are subject to an independence policies, professionals are subject to an independence disciplinary policy. Matters arising are factored into

System of quality control **continued**

promotion and compensation decisions and performance discussions. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations.

Consultations may also be required with the Global Independence Group, depending upon the facts and circumstances.

4.4.2.2 Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals are free from prohibited financial interests in, and prohibited relationships with, KPMG member firm audit clients, their management, directors, and significant owners. The policies also extend the IESBA Code of Ethics restrictions on ownership of audit client securities to every KPMG member firm partner in respect of any audit client of any member firm.

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

In common with other KPMG member firms, we use a web-based independence compliance system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments.

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

In 2018 over 22 of KPMG Limited personnel were subject to these audits (this included approximately 11 % of our partners).

4.4.2.3 Employment relationships

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

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

4.4.2.4 Firm financial independence

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

In common with other KPMG member firms, KPMG Limited uses KICS to record its own investments in SEC entities and affiliates (including funds), locally listed companies and funds, direct and material indirect investments held in pension, and employee benefit plans (including non-public entities and funds).

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

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

System of quality control continued

4.4.2.5 Business relationships/suppliers

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

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

All prospective business relationships are evaluated to assess association risk and to identify potential auditor independence and conflicts of interest issues. A relationship involving a third-party service provider - that a member firm will use to assist with client engagements or other purposes - is also required to be evaluated to determine whether the third party has the competence to provide the relevant services. The individuals providing the services are required to confirm they understand and will comply with applicable ethics and independence requirements, and they are also required to complete ethics training. Third parties providing services to audit or assurance clients are required to complete independence training.

4.4.2.6 Independence clearance process

KPMG Limited follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence



clearance process,' must be completed prior to accepting an audit engagement for these entities.

4.4.2.7 Independence training and confirmations

All KPMG Limited 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 Limited and on an annual basis thereafter.

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

We also provide all personnel with training on the Code of Conduct and

ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies on a biennial basis. New personnel are required to complete this training within three months of joining the firm.

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

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by, applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are

System of quality control **continued**

required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation as well as their understanding of, and compliance with, the applicable Code of Conduct. This confirmation is used to evidence the individual's compliance with and understanding of KPMG's independence policies.

4.4.2.8 Non-audit services

We have policies that are consistent with IESBA principles and applicable laws and regulations related to the scope of services that can be provided to audit clients.

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

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their affiliates in Sentinel™, and they are also responsible for identifying and evaluating any independence threats

that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners, for those entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

4.4.2.9 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. They require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years:

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

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

4.4.2.10 Avoiding conflicts of interest

Conflicts of interest can arise in situations where KPMG Limited personnel have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating

to another party to a transaction. Consultation with the RMP or the EIP is required in these situations.

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

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

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

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

System of quality control continued

4.4.2.11 Breaches of independence policy

All KPMG Limited 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. KPMG Limited has a documented disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them but at a minimum on an annual basis.

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

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

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

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

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

4.4.2.13 Partner and firm rotation

Partner rotation

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

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

Firm rotation

KPMG Limited is permitted to act as an auditor for PIE entities for a maximum

period of 10 years and not to act as auditor for such clients for a 3 year period thereafter (referred to as the 'cooling off period'). KPMG Limited has processes in place to track and manage audit firm rotation.

4.5 Recruitment, development and assignment of appropriately qualified personnel

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

4.5.1 Recruitment

KPMG Limited strives 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 recruiting 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.

System of quality control continued

KPMG Limited also recruits significant numbers at an experienced hire and partner level.

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

KPMG Limited recruited over 87 new graduates in the year ended 31 December 2018 (2017: 80).

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

The Partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

4.5.2 Personal development

It is important that all our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see section 4.6.1).

KPMG is launching a new Performance Development process which will apply to all member firms called 'Everyone a Leader', where stretching goals should be set and reviewed regularly throughout the year. Leadership competencies will include 'driving quality', 'advancing an ethical

environment' and 'making sound decisions'. A goals library is available for colleagues to gain inspiration around what goals they want to set, with one category of goals focussed specifically around quality.

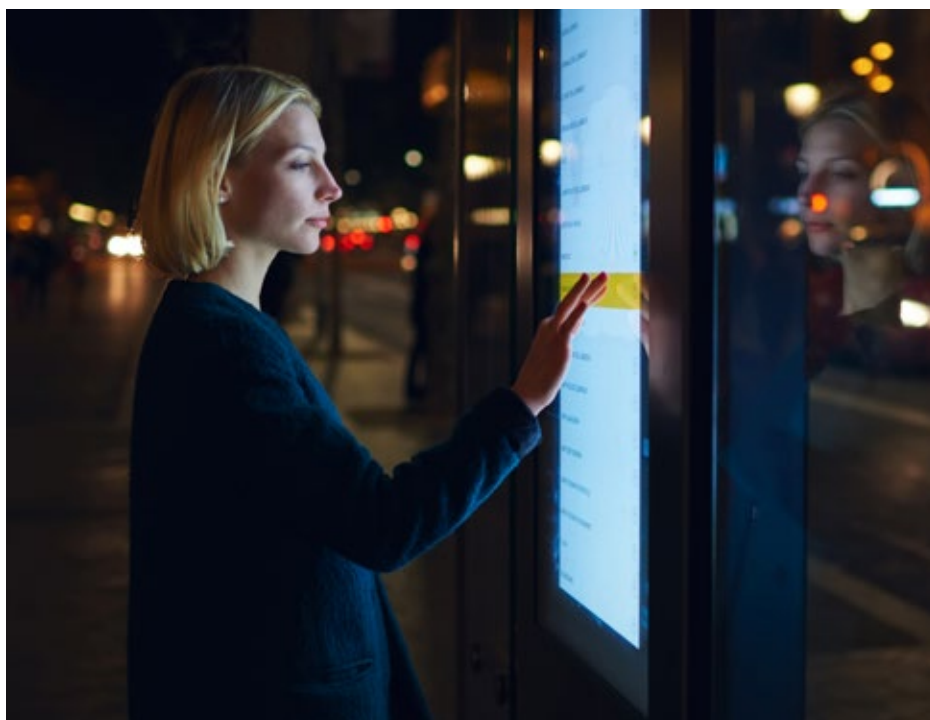
Talent and development is at the very top of our people agenda and there is a significant investment of time, money and other resources to build professional capability, leadership and business skills and technical expertise.

All staff are encouraged to think about their careers and personal development needs via regular performance conversations with ongoing feedback and support. To support career and professional development there is a range of core skills programs covering skills and behaviors that provide performance improvement and ensure that individuals reach their full potential.

The KPMG network uses a model for learning and development which focuses learning on critical and stretching experiences, learning through others and informal learning with more formal learning for the development of key technical, leadership and business skills.

Feedback tools enable KPMG Limited to identify high performers who also have the potential to take on more senior or more complex roles.

In recognition that some of our professionals are unable to always attend training courses in person, to complement the mix between education, collaboration and experience, and to provide training accessible at the right time in a flexible and interactive



System of quality control **continued**

approach, we also provide training via online learning and virtual classrooms.

In relation to Audit we provide specific opportunities from graduate upwards for professionals to develop and maintain the skills, behaviors and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, country rotational and global mobility opportunities.

As part of the open approach, stretching goals should be set and reviewed regularly throughout the year. To support this, a goal library is available for colleagues to again inspiration around what goals they want to set, with one category of goals focussed specifically around quality.

A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers. In our performance development approach feedback can be sought and received through two mechanisms, informal feedback, which should be regular and owned by the individual for their own development and growth, and formal feedback through an engagement review form. The engagement review form specifically requests feedback on quality and is required quarterly, and inputs into performance evaluations.

Partners and certain professionals are also required to be evaluated on key quality and compliance metrics. KPMG

Limited monitors quality incidents and maintains quality and compliance metrics for the purpose of partner assignments and also for the purposes of partner evaluation, promotion and remuneration.

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

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

4.5.3 Inclusion and Diversity programs

KPMG Limited works hard to foster an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

Our leadership and management teams also need to reflect the diversity within our firm and the diversity of our clients.

We believe that the established Global Inclusion and Diversity strategy of KPMG International provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Limited and across the KPMG network.

For more about Inclusion & Diversity at KPMG read [here](#).

4.5.4 Performance & Reward

Evaluation process including quality and compliance metrics

KPMG Limited professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of our leadership competencies, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback – both formal and informal, from junior and senior colleagues, as well as peers. Feedback gathered forms an integral part of performance reviews.

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

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

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

As part of the year-end counselling process our Partners discuss achievement of agreed goals, strengths

System of quality control **continued**

and development areas with particular focus on the delivery and personal development of the Partner attributes. They are required to provide objective evidence to demonstrate this, which includes their individual quality and risk metrics.

These standardized quality and risk metrics (which are issued to all engagement leaders) are one of the inputs to the annual counselling process. The quality and risk metrics include a number of parameters, such as the results of external regulatory reviews, timely completion of training and the outcome of internal monitoring programmes. For 2018, individuals receive risk metrics (which are either red, amber or green) in relation to each of Quality, Ethics and Compliance. The 2018 results indicate generally a good level of quality and risk compliance across our whole Firm.

The action taken in respect of any Partner with amber and red ('adverse') metrics is dependent upon the cause of the adverse metric initially. The range of actions that can be taken includes remediation of the initial deficiency giving rise to the adverse metric, remedial training, one-to-one counselling with functional leadership and/or Quality & Risk Partners on the issue arising, or, ultimately, the suspension of signing rights. Adverse metrics generally result in a reduction in the overall compensation paid to the Partner concerned.

Reward

We have compensation and promotion policies that are clear, simple, and linked to the performance review process which, for partners, includes

the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return.

Reward decisions are based on consideration of both individual and organizational (member firm) performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to section 4.5.6).

Promotion

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

Partner admissions

The KPMG Limited process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the KPMG Limited partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles. All recommendations for admission to membership of KPMG Limited need to be approved by the KPMG Limited Board.

4.5.5 Assignment of professionals

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

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- 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

System of quality control **continued**

- ability to apply professional judgment
- an understanding of KPMG Limited's quality control policies and procedures
- QPR results and results of regulatory inspections.

As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), our Heads of Audit and Quality & Risk Management together perform an annual review of the portfolio of all of our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not taken as a whole the specific engagement partner has the appropriate time and the right support to enable them to perform a high-quality audit for each client in their portfolio.

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

Annually KPMG Limited invites all its people 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 Employee Engagement Index (EEI) as well as insights into areas driving engagement which may be strengths or opportunities. The survey also identifies opportunities to strengthen those levels of engagement. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional insight. Additional insight is provided on how we are faring on categories known to impact employee engagement.

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

KPMG Limited participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. This includes monitoring GPS results including those related to audit quality and tone at the top, and employee engagement through the EEI. The results of the GPS are also aggregated for the KPMG network and are presented to the Global Board each year and appropriate follow-up actions agreed.

4.6 Commitment to technical excellence and quality service delivery

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

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



System of quality control **continued**

4.6.1 Lifetime learning strategy

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

Formal training

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

Mentoring and on the job training

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

4.6.2 Licensing and mandatory requirements for IFRS and U.S. GAAP engagements

Licensing

All KPMG Limited professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. 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 local predominant financial reporting framework -IFRS.

Mandatory requirements – IFRS and U.S.GAAP engagements

In addition, we have specific requirements for partners, managers and EQC reviewers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework.

Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information 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 the partner, manager, and EQC reviewer 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.

4.6.3 Access to specialist networks

KPMG Limited engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills. Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfill their role. Training on audit concepts is provided to these specialists.

The need for specialists (e.g. Information Technology, Tax, Treasury, Actuarial, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

4.6.4 Culture of Consultation

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

To assist audit engagement 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, the KPMG Global

System of quality control **continued**

Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

Across KPMG Limited, the role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

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

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources.

Technical consultation and global resources

Technical auditing and accounting support is available to all member firms and their professionals through the GSC and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

Global Services Centre (GSC)

The GSC's mission is to drive success for KPMG's global network of Audit practices through collaboration, innovation and technology. The GSC develops, maintains and deploys KPMG's audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. With three global locations, one in each region, the GSC Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

International Standards Group (ISG)

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

The ISG also supports the following groups to facilitate information sharing within the DPP network, and to ensure sector-specific issues are dealt with proactively.

- The Global ISA Panel, chaired by the Global Audit Quality and Risk Management Partner, and which includes senior DPP partners from key member firms and is responsible for monitoring the development of ISA guidance, and the development of response letters to the International Auditing and Assurance Board and/or regulators.

- Global Topic Teams, which formulate guidance on IFRS accounting and reporting practice on sector specific or specific technical areas, and act as central contact points for their regions/home practices in identifying and addressing issues related to relevant topics.
- The Global IFRS Panel is responsible for monitoring the development of IFRS guidance and response letters to the International Accounting Standards Board and/or regulators by the ISG and the Topic Teams. The panel is chaired by the Global IFRS Leader and includes Global IFRS topic leaders.

Further details about the GSC and ISG and its activities are available in the [KPMG International Transparency Report](#).

Member firm professional practice resource

Appropriate consultation support on auditing and technical accounting matters is provided to audit engagement professionals through our professional practice resources (referred to as Department of Professional Practice or DPP). DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. The ISG is also available for consultation when required.

KPMG International policies include minimum requirements for member firm DPPs.



System of quality control continued

4.6.5 Developing business understanding and industry knowledge

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

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

4.7 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. KPMG Limited personnel are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.

KPMG Audit Process

Our audit workflow is enabled through eAudit, KPMG International's activity based workflow and electronic audit file. eAudit integrates the KPMG audit methodology, guidance and industry knowledge, and the tools needed to manage audits consistently. The KPMG high quality audit process includes:

- Timely partner and manager involvement

- Timely access to the right knowledge – specialists, accredited individuals and relevant industry expertise.
- Critical assessment of audit evidence – exercise of professional judgment and professional scepticism
- Ongoing mentoring, supervision, and review
- Appropriately supported and documented conclusions
- Robust challenge and review including EQC review.

4.7.1 Ongoing mentoring, supervision and review

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

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

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement partner participation in planning discussions
- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual

members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement

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

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

4.7.1.1 Timely engagement quality control (EQC) reviewers

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.

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

System of quality control continued

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

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

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

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

- issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers
- incorporating specific procedures in the KPMG audit workflow to facilitate effective reviews
- implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

- Ensuring that the role performed by EQCRs is also taken into account when performing the Partner Portfolio Review process to ensure adequacy of time and appropriate skill set for the role and reallocation if needed
- Assessing, as part of our Quality Performance Reviews, the work performed by the EQC reviewer and the adequacy of involvement including discussion with the EQC reviewer.

4.7.1.2 Reporting

Auditing standards and local legislation 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).

Effective for December 2016 year ends onward in compliance with the new IAASB requirements, we have enhanced auditor reporting for those auditors' reports prepared under the ISAs. The changes in auditors' reporting give users more insight into the audit and improve transparency.

As a result of the EU Directive and Regulation, the auditors' report for Public Interest Entities (PIEs) for periods beginning on or after 17 June 2016 needs to include increased transparency on the auditors independence with relation to:

- A declaration that the NAS prohibited were not provided and the auditor remains independent of the client in conducting the audit
- An indication of any services, in addition to the audit, which were provided by the auditor to the client and its undertakings and which have not been disclosed in the annual report or the financial statements of the client
- The disclosure of the auditor's period of tenure.

The changes in the auditors' report to include the above have been adopted, the audit partners have been trained through specific seminars and the communication with the Audit Committees have been enhanced to include this information.

4.7.1.3 Insightful, open, and honest two-way communication

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

At KPMG Limited we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at audit

System of quality control continued

committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the audit committee.

Communications with audit committees include:

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

We ensure such communications meet the requirements of professional standards.

KPMG Cyprus Audit Committee Institute

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, our firm introduced the KPMG Cyprus [Audit Committee Institute](#) (ACI) to the local market aiming to help local audit committee members enhance their commitment and ability

to implement effective audit committee processes.

The KPMG Cyprus ACI is a member of the Global KPMG ACI which operates in more than 40 countries across the globe and provides audit committee members with authoritative guidance (such as the [ACI Audit Committee Handbook](#)) on matters of interest to audit committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The KPMG Cyprus ACI started its proceedings with its launch event on 5th of April 2017 and also organised a second event on 23rd of October of 2017 on the hot topic of Cyber security. Meanwhile, the local institute was the silver sponsor of the 2017 Corporate Governance Conference. The above events were supplemented by a series of publications and surveys distributed to the approximately 500 KPMG Cyprus ACI members.

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

Further details and insights on KPMG Cyprus Audit Committee Institute are available [here](#).

IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help the KPMG Limited Board and Audit

Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

4.7.2 Client confidentiality, information security, and data privacy

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

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

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 Limited personnel.

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

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms including through regular communications on the topic, the Code of Conduct, training and the annual independence/confirmation

System of quality control continued

process, which all of our professionals are required to complete.

The Firm has appointed a National IT Security Officer ('NITSO') who has a necessary authority, skills and experience to manage information protection for the Cyprus Firm. Our information protection requirements are set out in the Global Information Security Policy published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal information security audit programme and is supplemented by annual checks by the Global Information Protection Group.

The set of Global Policies which has been created for managing information security and data matters, is aligned with ISO/IEC 27001 and COBIT 5.

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

4.8 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 KPMG our system of quality control. KPMG International's integrated quality and monitoring programs include the Quality Performance Review (QPR) program, the Risk Compliance Program (RCP) and the Global Compliance Review (GCR) program.

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

4.8.1 Internal monitoring and compliance programs

Our monitoring programs evaluate both:

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

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



System of quality control continued

has been appropriately designed, effectively implemented, and operates effectively.

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax, and Advisory functions: QPR and RCP.

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

Audit Quality Performance Reviews (QPRs)

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

Risk-based approach

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

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

Reviewer selection, preparation and process

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



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

Evaluations from Audit QPR

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

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

Reporting

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

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

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

Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and

identifies opportunities to improve engagement quality.

Risk-based approach

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

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

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review. Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers. Evaluations from Audit QPR Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations. Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection

programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements.

Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

Risk Compliance Program (RCP)

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

The objectives of the RCP are to:

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

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

Global Compliance Review (GCR) program

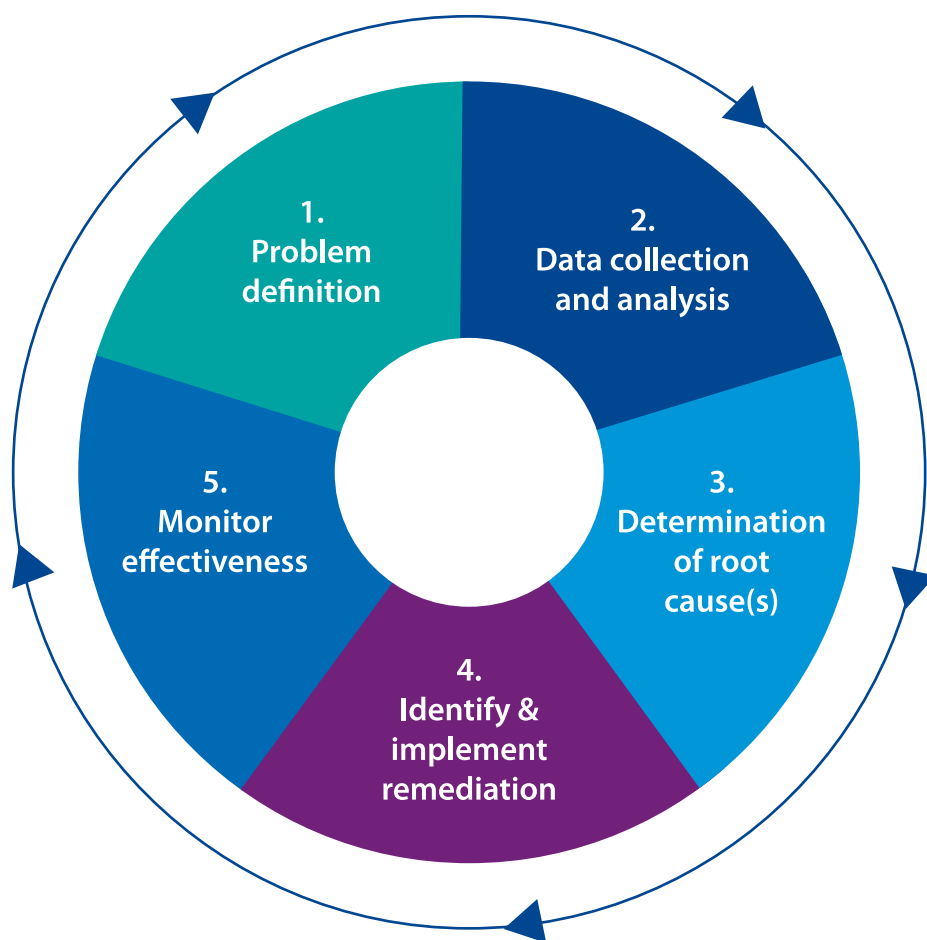
Each member firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at least once in a 3 year cycle.

The GCR team performing the reviews is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. GCRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GCR provides an independent assessment of:

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

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

The Global RCA 5 Step Principles
are as follows:



Root Cause Analysis (RCA)

KPMG Limited 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 2018, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG Limited 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.

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

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

4.8.2 Recommendations for improvements

At a global level, through the GAQSC and the GQ&RMSG, KPMG International reviews the results of the quality monitoring programs, analyzes member firm root causes and action plans and develops additional global actions as required.

The GAQIC considers networkwide issues arising from internal quality control reviews and external inspections, monitors progress being made in

addressing audit quality issues and makes recommendations to the Global Audit Steering Group (GASG) on audit quality issues.

To date, global remediation plans developed by KPMG International have been aimed at changing culture and behavior across the KPMG network and at driving consistent engagement team performance within KPMG member 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 across the KPMG network.

4.8.3 External feedback and dialogue

4.8.3.1 Regulators

In Cyprus the Cyprus Public Audit Oversight Authority (CyPAOA) has been carrying out independent inspections for a number of years. They completed their work on the 2018 inspection of the KPMG Limited in February 2018 and our audit registration was renewed in June 2018.

KPMG Limited is also registered with the ICPAP. The ICPAC inspected the KPMG Limited in November 2017.

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

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 at a network level.

4.8.3.2 Client feedback

In addition to internal and external monitoring of quality, we operate a formal program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them.

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

4.8.3.3 Monitoring of complaints

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

5

Financial information – segment reporting

Total firm's gross fees are analyzed as follows:

	FY18 €' 000	FY17 €' 000	% CHANGE
Audit	33.448	32.950	1,5
Tax	10.161	8.840	14,9
Advisory	9.773	7.627	28,1
Total	53.382	49.417	8,0

Services	FY18 €' 000	FY17 €' 000
Revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity	3.628	3.675
Revenues from the statutory audit of annual and consolidated financial statements of other entities	28.423	28.172
Revenues from other assurance services to public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; and other entities	1.397	1.103
Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm	7.951	8.355
Revenues from non-audit services to other entities	11.983	8.112
Total*	53.382	49.417

Revenues are reported gross, inclusive of expenses billed to clients and amounts paid to other KPMG member firms.

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

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2,8 billion during the year ended 30 September 2018. The aggregated EU/EEA 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 2018.

**The financial information set forth represents combined information of the separate KPMG member 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.*

Tax Contributions

Firm's payments of direct and indirect taxes and firm's and employees' contributions to social insurance, contributions through pay as you earn system, and payment of other related taxes, during 2018, amounted to €17.180 thousand (2017: €15.654 thousand).

6

Partner remuneration

Partners' profit share

Partners are remunerated out of the distributable profits of KPMG Limited (such profits being determined by the KPMG Limited Board) and are personally responsible for funding pensions and most other benefits. The final allocation of profits to partners is made by KPMG Executive Committee after assessing each partner's contribution for the year. The KPMG Executive Committee (comprising partners of the Board) approves this process and oversees its application.

There are two elements to partner remuneration:

- base component – a proportion of the KPMG Limited budgeted profits are allocated to members as base component; this is effectively member salary. The amount of base component reflects the role and seniority of each partner. In the year to 31 December 2018, the total base component was approximately 51 % of the profits allocated to individual members (2017: 46%); 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 Limited 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.

Drawings

During the year, members working within KPMG Limited received monthly drawings, and from time to time, additional profit distributions. The level and timing of the additional distributions are decided by the Executive Committee, taking into account cash requirements for operating and investing activities. All such drawings and profit distributions to members represent payments on account of current year profits and are reclaimable from members until profits have been allocated. Any over-distribution of profits during the year is also recoverable from members.



7

Network arrangements

7.1 Legal Structure

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

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

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

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

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

7.2 Responsibilities and obligations of member firms

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

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

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

7.3 Professional Indemnity Insurance

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

7.4 Governance structure

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

Global Council

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

It performs functions equivalent to a shareholders' meeting (albeit KPMG International has no share capital and, only has members, not shareholders). Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 58 member firms that are "members" of KPMG International as a matter of Swiss law. Sublicensees are generally indirectly represented by a member.

Global Board

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

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

It is led by the Global Chairman, who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently four other senior partners of member firms. The list of Global Board members, as of 1 October 2017 is available in the International Annual Review.

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

Global Management Team

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

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

The list of Global Management Team members as of 1 October 2017 is available in the International Annual Review.

Global Steering Groups

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

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

The Global Steering Groups act under the oversight of the Global Management Team. The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in Appendix 2 to the KPMG International Transparency Report ([KPMG International Transparency Report](#)).

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

Further details about KPMG International including the governance arrangements, can be found in Appendix 2 to the KPMG International Transparency Report ([KPMG International Transparency Report](#)).

7.5 Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders who:

- assess the effectiveness of a member firm’s quality and risk management efforts to identify and mitigate significant risks to the member firm and network, and actively monitor alignment with global quality and risk management strategies and priorities
- share leading best practices in quality and risk management
- report to Global Head of Quality, Risk and Regulatory.



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

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

The Board of KPMG Limited has considered:

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

Taking all of this evidence together, the Board of KPMG Limited confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 31 December 2018.

Further, the Board of KPMG Limited confirms that an internal review of independence compliance within our firm has been conducted in the year to 31 December 2018.

Nicosia, 31st March 2019

The list of public interest entity audit clients, as defined by the EU Audit Legislation, for which KPMG Limited has signed an audit opinion in the year ended 31 December 2018 is given below.

A.1 Public Interest Entities

Listed Entities

A. Tsokkos Hotels Public Limited
 Actibond Growth Fund Public Company Limited
 AFI Development Plc
 Agros Development Company "Proodos" Public Ltd
 Agroton Public Limited
 Asbis Enterprises Plc
 Avangardco Investments Public Limited
 Blue Island Plc
 Cosmos Insurance Public Company Limited
 C.T.O. Public Company Limited
 Cyprus Forest Industries Public Ltd
 Cyprus Trading Corporation Public Ltd
 Dome Investments Public Company Limited
 Ellinas Finance Public Company Limited
 Gramexo Plc
 Hellenic Bank Public Company Limited
 Karyes Investments Public Company Limited
 KDM Shipping Public Limited
 Leptos Calypso Hotels Public Limited
 Logicom Public Limited
 Lordos Hotels (Holdings) Public Limited
 MD Medical Group Investments Plc
 Minerva Insurance Company Limited
 Petrolina (Holdings) Public Limited

Prosafe SE

Purcari Wineries Public Company Limited
 SFS Group Public Company Limited
 Stademos Hotel Plc
 Triaina Investment Public Company Limited
 Unigrowth Investments Public Ltd
 Vassilico Cement Works Public Company Ltd
 Etalon Group Plc

Non Listed Banks

Cyprus Development Bank Public Company Limited
 Eurobank Cyprus Ltd

Non Listed Insurance Entities

Eurosure Insurance Company Limited
 GAN Direct Insurance Limited
 Grawe Reinsurance Limited
 Hellenic Alico Life Insurance Company Limited
 Hermes Insurance Ltd
 KLPP Insurance and Reinsurance Company Ltd
 Medlife Insurance Limited
 Pancyprian Insurance Company Limited
 Prime Insurance Company Limited
 Royal Crown Insurance Company Limited
 The British United Provident Association Limited
 (BUPA) – Cyprus Agency
 Ydrogeios Insurance Company (Cyprus) Limited



A.2 Executive Committee Member (acting for 2018)



Angelos Gregoriades
Chairman

Angelos Gregoriades is the Chairman and Senior Partner at KPMG Limited. He also has over 30 years' experience as a member of KPMG's Tax Network. He has been a partner within KPMG since 1989 and a member of the Executive Committee since 1992.



Andreas Christofides
Managing Director

Andreas Christofides is the Managing Director at KPMG Limited. He has been a Partner since 1983 and a member of the Executive Committee since 1988. Andreas Christofides is also a member of the European and Local Council of KPMG International. Andreas Christofides resigned on 31 December 2018.



Christos Vasiliou
Deputy Managing Director & Head of Advisory

Christos Vasiliou became a partner in 1999 and in 2016 he was appointed as the Deputy Managing Director of KPMG Limited. He also heads KPMG Advisory in Cyprus. Furthermore, he is a member of the Executive Committee of KPMG Cyprus since 2009.



Loizides Sylvia
Head of Audit

Sylvia is the Head of Audit of our firm and she is also a member of KPMG's EMA Audit Leaders Group. She has been a partner with KPMG for 20 years and has been serving on our executive board for the last 9 years. Sylvia also heads the firm's Shipping service line.



George Markides

Head of Tax

George Markides has been a partner for 12 years and a member of the Executive Committee as of 1 January 2016.



Michael Antoniadis

Head of Quality and Risk Management

Michael Antoniadis has been a partner for 20 years. He joined the Executive Committee on 1 January 2013. He holds the position of Risk Management Partner as of 1 January 2016.



Panicos Loizou

In Charge of Limassol Office

Panicos Loizou is the Partner in Charge of Limassol Office and Member of the Firm's Executive Committee. He has been a partner within KPMG for 34 years and has served on our board for 30 years.



Michalis Loizides

Ethics & Independence Partner

Michalis Loizides is a Partner at our Limassol office. He is the Country service line leader for Corporate Recovery Services and heads the Advisory Services Department of our Limassol office. He has been a partner since 1997 and a member of the Executive Committee since 2016.



Demetris Vakis
Head of Markets

Demetris has been a Board Member for 27 years and a member of the Executive Committee for the past 15 years.



Apostolos Apostolou
In Charge of Larnaca Office

Apostolos Apostolou is the Partner in Charge of Larnaca Office and Member of the Firm's Executive Committee. He has been a partner with KPMG for 28 years and he was elected member of the Executive Committee in 1998.



George Tziortzis
Head of Management Consulting

George Tziortzis has been a Partner since 2007 and has joined the Executive Committee as of 1 January 2016. He is also the Head of Technology.



Michael Halios
Partner in Larnaca Office

Michael Halios has been a partner within KPMG for 19 years and member of the Executive Committee for 6 years.



A.3 New Executive Committee 2019



Michael Antoniadis
Chairman

Michael Antoniadis has been a partner for 20 years. He joined the Executive Committee on 1 January 2013. He held the position of Risk Management Partner as of 31 December 2018.



Christos Vasiliou
Managing Director & Head of Advisory

Christos Vasiliou became a partner in 1999 and in 2016 he was appointed as the Deputy Managing Director of KPMG Limited. He also heads KPMG Advisory in Cyprus. Furthermore, he is a member of the Executive Committee of KPMG Cyprus since 2009.



Demetris Vakis
Head of Markets

Demetris has been a Board Member for 27 years and a member of the Executive Committee for the past 15 years.



Constantinos Kallis
Head of Risk Management

Constantinos Kallis has been a Partner for 10 years. In 2019 he has been appointed as the Head of Quality & Risk Management.



Loizides Sylvia
Head of Audit

Sylvia is the Head of Audit of our firm and she is also a member of KPMG's EMA Audit Leaders Group. She has been a partner with KPMG for 20 years and has been serving on our executive board for the last 9 years. Sylvia also heads the firm's Shipping service line.



George Markides
Head of Tax

George Markides has been a partner for 12 years and a member of the Executive Committee as of 1 January 2016.



Michael Halios
Partner in Larnaca Office

Michael Halios has been a partner within KPMG for 19 years and member of the Executive Committee for 6 years.



Maria Papacosta
Head of Marketing and Communication

Maria Papacosta has been a Partner for 12 years. She is a member of the IFRS technical support team and the Financial Services Sector-Banking in KPMG Cyprus.



Panicos Antoniadis

Partner in Larnaca Office

Panicos Antoniadis has been a partner for 18 years, practicing in the audit function.



Christoforos Anayiotos

Partner in Nicosia Office

Christoforos Anayiotos has been a Partner for 11 years. He leads the Deal Advisory of KPMG in Cyprus.



Panayiotis Peleties

Partner in Nicosia Office

Panayiotis Peleties has been a Partner for 13 years. He is Head of the IFRG team of KPMG Cyprus and he is leading the Financial Services Sector - Banking Sector in KPMG Cyprus.



Zakis Hadjizacharias

Partner in Limassol Office

Zakis Hadjizacharias has been a Partner for 9 years. He is the Head of Professional Practice in KPMG Cyprus.



Contact us

Nicosia

T: +357 22 209 000

F: +357 22 678 200

E: nicosia@kpmg.com.cy

Limassol

T: +357 25 869 000

F: +357 25 363 842

E: limassol@kpmg.com.cy

Larnaca

T: +357 24 200 000

F: +357 24 200 200

E: larnaca@kpmg.com.cy

Paralimni

T: +357 23 820 080

F: +357 23 820 084

E: paralimni@kpmg.com.cy

Paphos

T: +357 26 943 050

F: +357 26 943 062

E: paphos@kpmg.com.cy

Polis Chrysochous

T: +357 26 322 098

F: +357 26 322 722

E: paphos@kpmg.com.cy

www.kpmg.com.cy



©2019 KPMG Limited, a Cyprus limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Cyprus.

KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International") a Swiss entity.

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 upon such information without appropriate professional advice after a thorough examination of the particular situation.

The views and opinions expressed herein are those of the author and do not necessarily represent the views and opinions of KPMG International Cooperative ("KPMG International") or KPMG member firms.