



2020

Transparency Report KPMG in Cyprus

March 2021

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Message from the Managing Director



I am very pleased to present to you our 2020 Transparency Report. The report contains insightful information about our strategy, our performance, our corporate governance and quality control systems for 2020.

KPMG has been operating in Cyprus since 1948 and currently employs an average of 882 professionals working

from 6 offices across the island. It is a member of KPMG International Limited, a global organisation of independent professional services firms providing Audit, Tax and Advisory services. KPMG operates in 146 countries and territories and has approximately 227,000 people working in member firms around the world.

KPMG in Cyprus is a leading professional services organisation on the island which has contributed significantly to government revenues during the year to December 2020. This amounted to €19 million, including income tax, special contribution for defense, PAYE, VAT, GHS and social insurance contributions.

Last year was an unprecedented year. The outburst of the pandemic has overturned the positive outlook envisaged at the beginning of 2020. The crisis has definitely made us divert the biggest part of our efforts to managing the situation and maintaining, as always, the health and safety of our people, as a priority over how we could implement our longer-term strategy. The prolongation of the pandemic and the inevitable restrictive measures that were applied by the government, some of which are still in force, have caused a contraction in the economy with an adverse effect on the professional services sector.

Our Firm has operated for 9 months of the year under COVID-19 restrictions. This resulted in a slowdown in our operations by 2,3% during 2020. The Audit function has shown a growth of 2,1%, while Tax & Legal and Advisory have contracted by 7,8% and 9,3%, respectively.

The challenges faced by our profession and especially the audit function are quite tough. These relate to the increased regulation, the increased public scrutiny in our audits, as well as the need to adopt more rigorous risk management procedures.

These challenges require significant investment in recruiting, training and reskilling the right people, our biggest asset, investing in infrastructure and technology, as well as setting up the right policies and procedures. KPMG continued investing in the above during 2020.

In 2020, as in every year, we continued our commitment to quality and integrity by setting very high standards. We managed to adapt our Firm's model in line with the changed economic model of our country.

We have also committed resources in our Corporate Social Responsibility activities and offered to our society and to those in need, and became even more active in the post COVID-19 period to assist in combatting the effects of the pandemic.

We have also sought to expand our portfolio of service offerings in line with our strategic priorities. These were broadened to include tailor-made services to our clients during the COVID-19 period. Clients look to KPMG for a consistent standard of service based on high-order professional capabilities, industry insight, local knowledge and expertise.

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

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

Christos V. Vasiliou
Managing Director
31 March 2021

Message from the Head of Audit



In a changing and increasingly complicated world, our role has never been more important. Audit is the foundation of the KPMG brand and has been the backbone of our business throughout our 70+ years of existence.

All our actions are guided by our Values. They drive our daily behaviours, guide our decisions and shape our culture. Integrity remains

a core Value — we do what is right, in the right way, at the right time.

We embody our Values of integrity and excellence in our commitment to audit quality. We aim to live up to the high standards we set for ourselves, while continually building upon our sound quality foundations, in terms of how we manage both our Firm and our audit engagements.

COVID-19 is pushing us to think differently about how we engage our people, companies we audit, stakeholders and society. The increased economic uncertainty and risk due to the pandemic will undoubtedly have significant financial reporting implications in all the world's markets.

Now, therefore, more than ever, we need to be able to articulate clearly what audit quality means to us, as well as being able to demonstrate how we safeguard the quality of the service we provide. Our approach to audit quality relies on people with questioning minds demonstrating professional skepticism, enabled by the power of industry-leading technology to create greater consistency in performance and to strengthen monitoring. Together, these drivers allow us to respond with agility, and engage meaningfully, with all stakeholders.

At KPMG, we realise that extraordinary times require extraordinary solutions to complex challenges. We understand our responsibility to deliver quality audits that contribute to the integrity of financial reporting and are fundamental to the successful working of markets, giving investors the confidence and trust to make key decisions.

We will continue to respond to and embrace this challenge as we focus on recovery and resilience in this new reality.

Our vision to lead the way in audit quality remains clear. We are taking action, we are investing and we are determined to make it happen.

Sylvia Loizides

Head of Audit

31 March 2021



Our Values

Our Values represent who we are and what we believe in.

Our Values represent what is important to us. They guide our behaviors day-to-day, inform how we act and shape the decisions we make. We all have a role to play in KPMG's success. By living these Values we can ensure we are the most trusted and trustworthy professional services firm, and shape how we are viewed by the world.



Integrity

We do what is right



Excellence

We never stop learning and improving



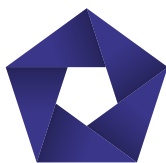
Courage

We think and act boldly



Together

We respect each other and draw strength from our differences



For Better

We do what matters

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 882 partners and employees in the year to 31 December 2020 (2019: 900).

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 Board of KPMG Limited and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our entire global organization.

Our firm's strategy has five main drivers:

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

3

Our structure and governance

3.1 Legal structure

Legal structure and ownership for the financial year ended 30 September 2020

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

Legal structure and ownership from 1 October 2020

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

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

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm. KPMG Limited is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

KPMG Limited is a private company limited by shares registered in Cyprus under registration number HE 132822 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 to as partners.

During the year to 31 December 2020, there was an average of 45 partners in KPMG Limited (2019: 46 partners).

The subsidiary undertakings of KPMG Cyprus as at 31 December 2020 are:

Company name	Principal Activity
KPMG Limited	Professional Services
KPMG Properties Limited	Holding of property
KPMG Specialized Services Limited	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

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International’s policies, procedures 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 an annual payment to it by member firms. The basis for calculating such amounts is approved by the Global Board and is consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG organization may be terminated if, among other things, it has not complied with the policies, procedures 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 chairs the Board ensuring that the Board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large. The 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 45 members, including the Chairman, the Managing Director, 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 6 times in the year to 31 December 2020.

Full details of the Executive Committee for KPMG Limited, including their biographies and photos are set out in Appendix A2.

In addition, there are 2 main bodies that deal with key aspects of governance within the group that report to the Board. These are:

- the Executive Committee
- the Quality & Risk Management 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 Executive Committee

The Executive Committee is responsible for management of the day-to-day activities of 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, retention and general remuneration, prioritization and allocation of resources and investments and managing the risk profile of KPMG Limited.

The Executive Committee members are all KPMG Limited Partners and are appointed by the Board of Directors. The members of the Executive Committee during 2020 were as follows:

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

The Executive Committee aims to meet at least monthly and during the year to 31 December 2020 it met formally 13 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

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

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

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

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 Board (CyPAOB) and the Institute of Certified Public Accountants of Cyprus (ICPAC) and other relevant regulators as well as applicable legal and regulatory requirements.

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

We are implementing our program to adopt the new International Standard on Quality Management (ISQM 1), which was [approved by the IAASB](#) in September 2020 and is expected to be effective from December 2022. ISQM 1 requires each KPMG firms to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality

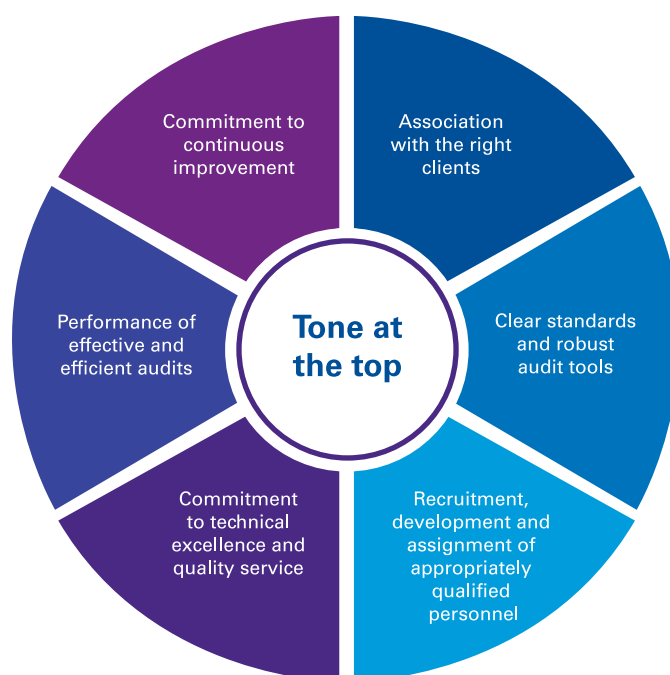
control procedures and processes are cross-functional and apply equally to all services offered.

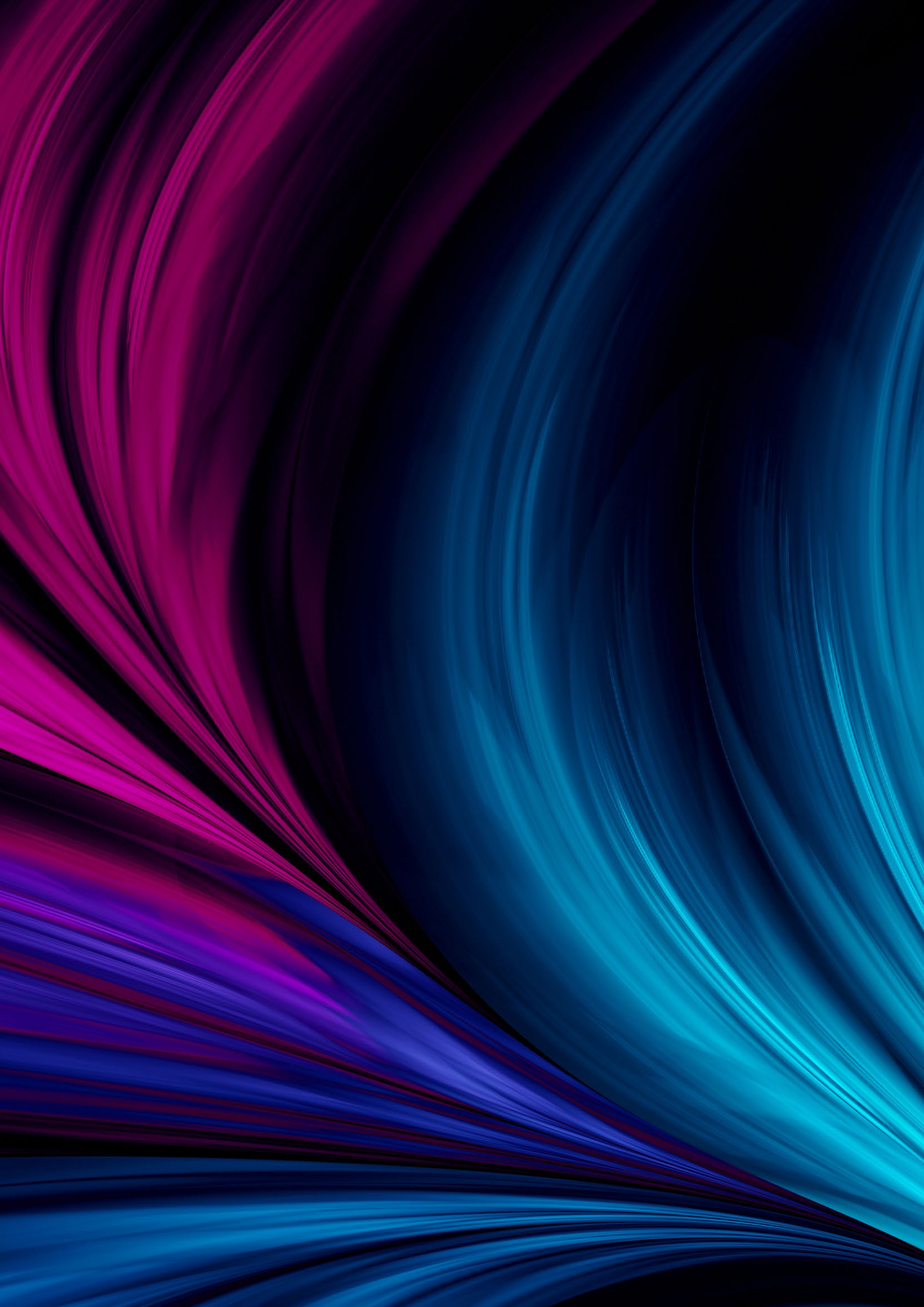
Audit quality framework

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.

KPMG's audit quality framework introduces a common language that is used by all KPMG firms to describe what drives audit quality and to help highlight to their audit professionals how they contribute to its delivery.

'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 all KPMG firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others.





System of quality control continued

4.1 Tone at the top

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

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 employees, clients, stakeholders, and society at large to earn public trust.

KPMG Global Code of Conduct

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

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

Everyone at KPMG is required to comply with the Global Code of Conduct and to confirm their compliance with the Code. Everyone at KPMG is also required

to take regular training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is inconsistent with our Values.

Moreover, everyone at KPMG is responsible for reporting — and is required to report — any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations or professional standards.

To safeguard this, each KPMG firm is required to have procedures and established channels of communication so that anyone working there can report suspected ethical and quality issues or concerns.

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

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

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

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)

The Head of Quality and Risk is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Limited. He is a member of 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.



System of quality control *continued*

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 Managing Director for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the 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 in the firm.

KPMG Limited Head of Audit is responsible for leading a sustainable high-quality Audit practice. This includes:

- setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence,

including skepticism, objectivity, and independence;

- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- 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.

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

KPMG continues to invest significantly in audit quality across the global organization. We are building on our sound audit quality foundations, both in terms of how we manage our firms and our audit engagements.

This means significant ongoing investment in our system of quality management, global monitoring of audit quality, our professionals and enhanced support, technology and tools for engagement teams.

Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.

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

Rigorous global client and engagement acceptance and continuance policies are

System of quality control *continued*

vital to being able to provide high-quality professional services.

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

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

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, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Limited partners and employees 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, financial and personal relationships.

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

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 periodic re-evaluation.

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

4.3.4 Withdrawal process

Where KPMG Limited comes to a preliminary conclusion that indicates that we should withdraw from an

System of quality control continued

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

KPMG Limited 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. The Head of Audit and the Head of Risk Management regularly review 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.

4.4 Clear standards and robust audit tools

All KPMG Limited 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 KPMG Limited 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

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

KPMG's commitment to audit quality during the COVID-19 pandemic

The COVID-19 pandemic has forced us all to think differently, we continue to respond to and embrace this challenge. Most organizations are likely to be impacted by the COVID-19 pandemic, either directly or indirectly, and the

increased economic uncertainty and risk may have significant financial reporting implications. Issues including going concern, asset impairments and valuations will require careful judgment as organizations deal with a high degree of uncertainty and market volatility. KPMG firms' role as auditors is to evaluate these judgements.

Since the start of the pandemic we have maintained an online COVID-19 | Financial reporting resource center to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence communications with Those Charged With Governance, and considerations for remote working environments.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with all audit technical accounting and auditing resources, guidance and audit platforms and tools available electronically, enabling the conversion to a remote working environment.

Communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide

System of quality control *continued*

KPMG firms with more regular updates, including virtual meetings to share best practices and guidance.

In March 2020, KPMG in Cyprus has set up a dedicated Covid-19 Monitoring Team which was working continuously by announcing updates and measures, as guided by the Cyprus Ministry of Health as well as various other guidance provided by our International Firm, in response to the outbreak of Covid-19.

4.4.1.1 Consistent audit methodology and tools

Building consistency through our methodology.

Our audit methodology, tools and guidance are:

- globally consistent and fully compliant with the applicable standards, including International Standard on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by member firms.
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- centered on identifying risk, focusing on risks of material misstatements and the necessary audit response
- made available to all KPMG audit professionals and required to be used, where necessary
- applied even where local auditing standards are less demanding than the ISAs.

The KPMG audit methodology is set out in KPMG's Audit Manual (currently used with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes additional requirements that go beyond the ISAs, which we believe enhance audit quality. 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 maintain compliance with standards and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the current COVID-19 pandemic, many companies are experiencing significant financial pressures and many of our auditors are now working remotely. We have issued guidance to our auditors conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairments and provided reminders of the importance of exercising professional skepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

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

Delivering through our current audit workflow

The current KPMG audit is enabled through eAudit, an activity-based workflow and electronic audit file. eAudit is KPMG's audit documentation workflow that allows professionals to complete quality and consistent audits. eAudit integrates

KPMG's audit methodology, guidance and industry specific, 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 KPMG's audit guidance, professional standards and documentation templates.

Investing for the future

While our current audit workflow and methodology are robust and consistent with all auditing standards' requirements, the changes we are making will enable us to continually drive audit quality and consistency upwards and provide us with the platform to build in continuous enhancements as the power of new technologies develops. We have laid the platform for this already with the launch of our smart audit platform, KPMG Clara, in 2017.

Audit solutions for today's world

We recognize that in order to deliver quality audits, we must continually evolve and develop our technology solutions to keep pace with today's digital world.

That is why we embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver more detailed insights to our clients, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

System of quality control continued

The continuation of this process will see a new workflow and revised audit methodology embedded into the KPMG Clara platform. Limited deployment of the new “KPMG Clara workflow” took place during 2019, and full deployment globally started in 2020, and is expected to be completed by the end of 2022.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience for our people.

It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

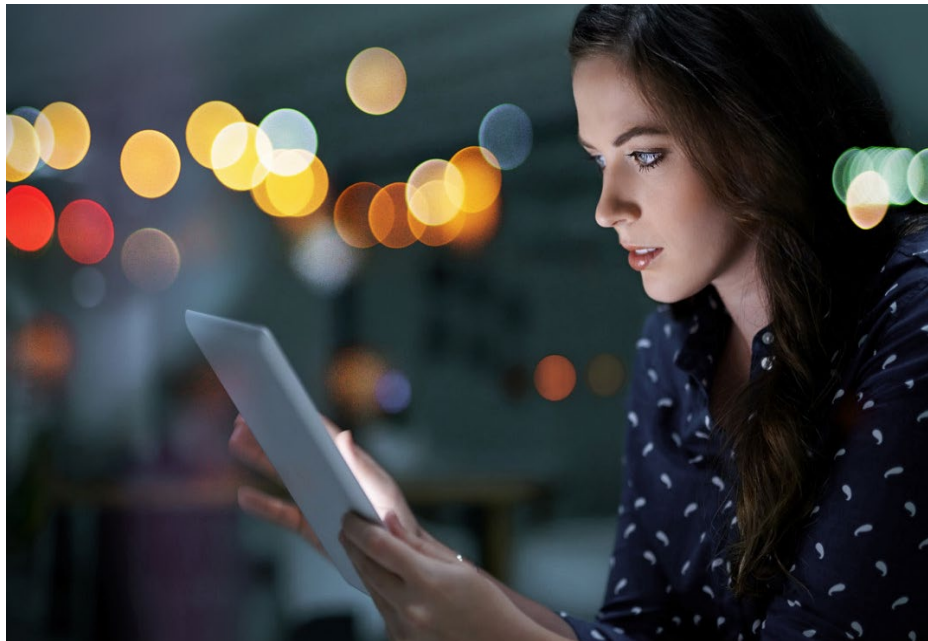
Bringing it all together in KPMG Clara

The KPMG Clara smart audit platform brings together KPMG’s audit Data & Analytics (D&A) capabilities, innovative new technologies, collaboration capabilities and our new KPMG Clara workflow.

Creating the new KPMG Clara workflow

The new KPMG Clara workflow will be used by our audit teams to execute and document KPMG audits.

It will guide audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards with a clear display of information, visuals and guidance available at the moment of need, and with embedded advanced data and analytics (D&A) capabilities. The workflow and revised audit 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 clearly drive audit quality and global consistency.

Through the use of data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow will also facilitate member firms’ monitoring of audit execution at the engagement level.

Once the KPMG Clara workflow has been fully rolled out our predecessor audit workflow tool, eAudit, will be retired.

Strategically embedding the use of data through Data & Analytics (D&A)

KPMG Clara also allows us to more seamlessly build D&A capabilities into our audits. D&A is central to interrogating and analyzing vast quantities of data. This takes the power and reach of an audit far beyond the traditional capabilities of the past.

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

- **enhance audit quality;** by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- **be secure;** by restricting access to data both in transit and within KPMG’s IT environments; and
- **be transparent;** by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

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

System of quality control continued

Current capabilities in this area facilitate the performance of planning and risk assessment activities and substantive procedures, and include capabilities that:

- enable the analysis of account balances and journal entry data
- automate 'period on period' balances comparison and 'time series' evolution information
- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

Together with our KPMG Clara platform, we are significantly investing in D&A capabilities and paving the way for the increasing use of emerging technologies such as robotic process automation and machine learning — which will take the power of technology applied in the audit to an even greater level.

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.

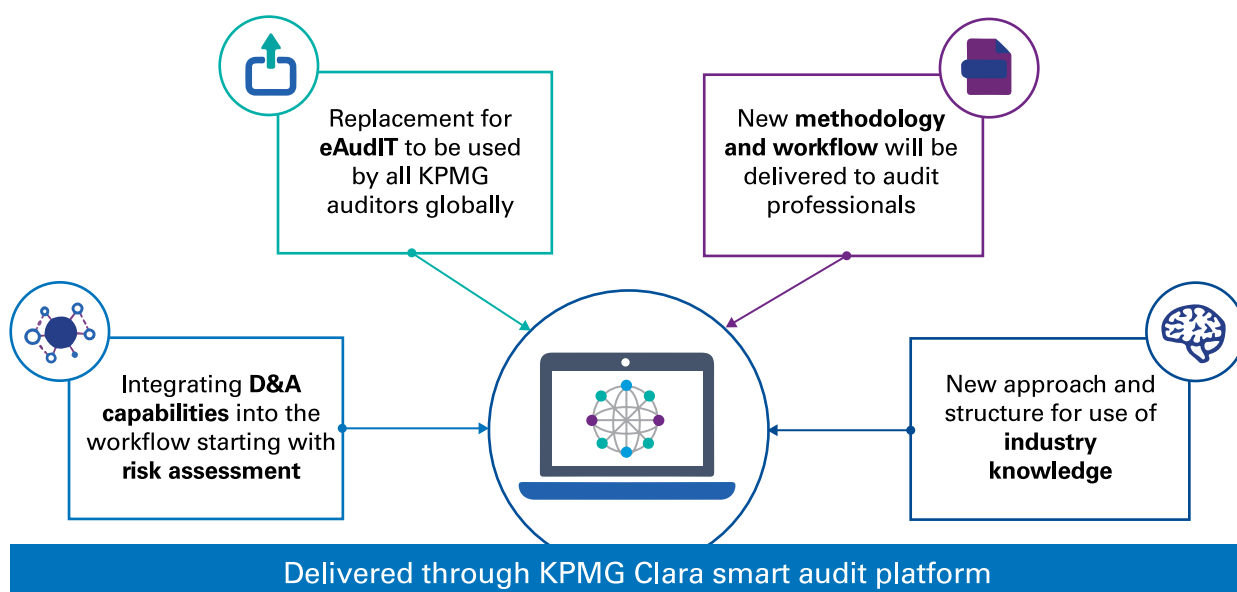
KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's GQRMM, which applies to all KPMG member firms. Automated tools, which must be used for every prospective engagement to identify potential independence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

These policies are supplemented by other processes to ensure compliance with the standards issued by and those of 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.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel to 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. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented



System of quality control *continued*

when they are more stringent than the global requirements. The EIP fulfills this responsibility through:

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

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

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

4.4.2.2 Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners.

All KPMG partners — irrespective of their firm or function — are generally prohibited from owning securities of any audit client of any KPMG firm.

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

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

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

In 2020 over 25 KPMG Limited partners and employees were subject to these audits (this included approximately 40% of our partners).

4.4.2.3 Employment relationships

Any KPMG Limited 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 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 predetermined 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 and partnership of KPMG Limited professionals by audit clients.

System of quality control *continued*

4.4.2.4 Firm financial independence

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

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

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

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

4.4.2.5 Business relationships/suppliers

KPMG Limited has policies and procedures in place that are designed to ensure its business relationships with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC.

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

All prospective business relationships are evaluated to assess association

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

4.4.2.6 Business acquisitions, admissions and investments

If KPMG Limited is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG Limited and the wider global organization.

4.4.2.7 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.

4.4.2.8 Independence training and confirmations

All KPMG Limited partners and client facing 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 partners and client facing employees 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.

We also provide all partners and employees with annual training on:

- the KPMG Limited 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.

New partners and employees are required to complete this training within three months of joining KPMG Limited.

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

System of quality control continued

4.4.2.9 Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG Limited is required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG Limited. KPMG Limited EIP is involved in the review of potential independence issues related to these new or modified services.

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees must be entered into Sentinel™ as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel™ submission.

Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence of a proposed non-audit service and the safeguards available to address those threats. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established



timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

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

4.4.2.10 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies require KPMG firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit

client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- this be disclosed to those charged with governance at the audit client; and
- a partner from another KPMG firm be appointed as the engagement quality control (EQC) reviewer.

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

System of quality control *continued*

4.4.2.11 Resolving conflicts of interest

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

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

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/or its partners' or employees' ability to be objective or otherwise act without bias.

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

KPMG Limited has (a) risk management resource/s who is/are responsible for reviewing any identified potential conflict and working with the affected member

firms to resolve the conflict, the outcome of which must be documented.

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.

4.4.2.12 Independence breaches

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

KPMG Limited has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations.

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.

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

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG Limited. 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](#).

4.4.2.14 Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with or exceed the requirements of 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 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;

System of quality control *continued*

- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG Limited monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control 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.

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 4 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 all KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

4.5.1 Recruitment

KPMG Limited is committed to building an extraordinary people experience for all current and prospective KPMG partners and employees.

Our recruitment strategy is 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.

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

All candidates apply through our online platform to the position of their interest. Our selection process may include application screening, game-based assessment tests and behavior-based interviews which allow a fair recruitment process, ensuring that selected candidates have the appropriate characteristics and skill set needed.

KPMG Limited recruited 85 new graduates in the year ended 31 December 2020 (2019: 110).

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.

4.5.2 Personal development

Development

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

- global role profiles (including role profiles specific to audit quality accountabilities and responsibilities)
- a goal library (including audit quality content) ; and
- standardized review forms (with provision for audit quality ratings).

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

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

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

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.

System of quality control continued

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 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.

4.5.3 Inclusion and Diversity programs

KPMG Limited is committed to fostering an inclusive culture for all. 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.

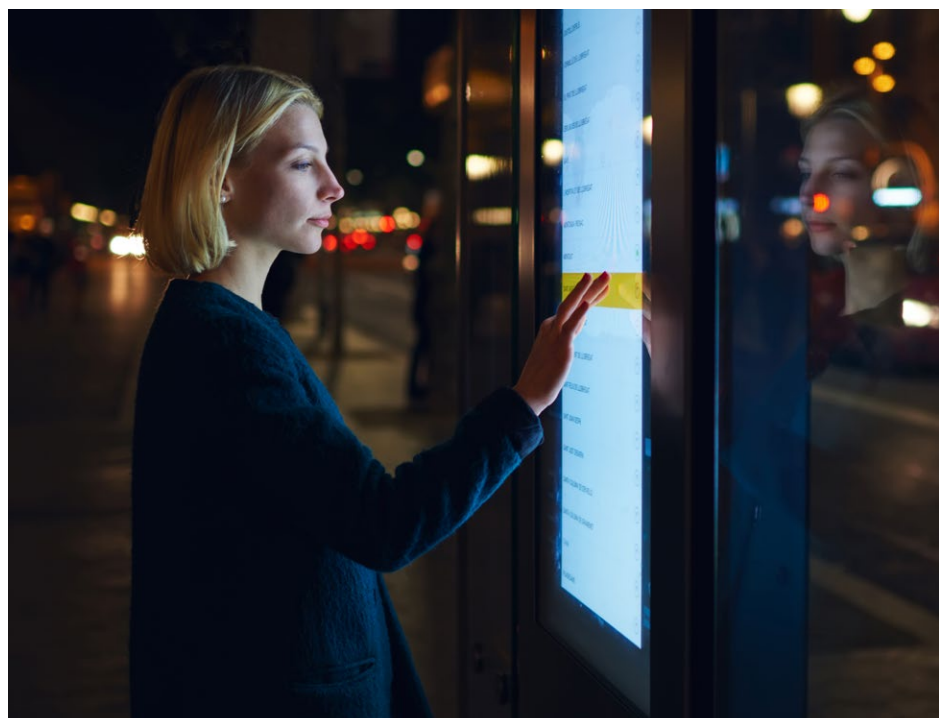
We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusion and diversity at KPMG Limited and across all KPMG firms.

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

4.5.4 Reward and Promotion

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

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.



System of quality control continued

Reward

KPMG Limited has compensation and promotion policies that are informed by market data, clear, simple, and linked to the performance review process. This helps our partners and employees understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through calibration/moderation meetings where relative performance across a peer group is discussed and used to inform reward decisions.

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

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

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.

Promotion

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

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. 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 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 our audit methodology, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm, other KPMG firms or external experts.

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

System of quality control **continued**

- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment
- an understanding of KPMG Limited's quality control policies and procedures
- Quality Performance Review (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 Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional focus for action.

Additional insight is provided on how we are faring on categories known to impact engagement. We also cover areas of focus specific to audit quality related questions that all individuals who participated in audit respond to, giving us a particular data set for audit quality related matters.

The survey also specifically provides KPMG Limited leadership and KPMG global leadership with results related to quality and risk behaviors, 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. The results of the GPS are also aggregated for the entire global organization and are presented to the Global Board each year and appropriate follow-up actions agreed.

4.6 Commitment to technical excellence and quality service delivery

All KPMG Limited professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department, 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 all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

4.6.1 Lifetime learning strategy

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, at a local level. 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.

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

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

System of quality control **continued**

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

Mandatory requirements – IFRS and U.S. GAAP engagements

In addition, KPMG has specific requirements for partners, managers and Engagement Quality Control (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 at a minimum, all partners, managers, engagement in-charges and EQC reviewers assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform

the engagement or has implemented appropriate safeguards to address any shortfalls.

4.6.3 Access to specialist networks

KPMG Limited engagement teams have access to a network of local KPMG specialists either within the firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfill their role.

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

4.6.4 Culture of consultation

Encouraging a culture of consultation

KPMG encourages a strong culture of consultation that supports engagement teams at KPMG firms 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 all KPMG professionals to consult on difficult or contentious matters.

To help with this, firms are required to have established protocols 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 GQRMM includes mandatory consultation requirements on certain matters.



System of quality control *continued*

Technical consultation and global resources

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

Global Audit Methodology Group (GAMG)

KPMG's audit methodology is developed and maintained by the Global Audit Methodology Group (GAMG) (formally the KGSG Audit Methodology). The GAMG develops our audit methodology based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

KPMG Global Solutions Group (KGSG)

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

Key areas of work performed include:

- developing innovative audit capabilities (i.e. technology solutions) and deploying and using advanced audit solutions
- deploying KPMG Clara — our smart audit platform, incorporating advanced technologies, data science, audit automation, data visualization and more

- Enhancing KPMG's audit methodology, workflow and knowledge used by member firms' audit professionals.

With locations, in each region (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise 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 topic teams with geographic representation from around the world, and the IFRS Panel and ISA Panel to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

PCAOB Standards Group (PSG)

The PCAOB Standards Group (PSG) comprises a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in KPMG firms' audits of non-US components and foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

Member firm professional practice resource

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). This resource 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 KPMG's International Standards Group and PCAOB Standards Group are also available for consultation when required.

4.7 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. KPMG Limited partners and employees 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.

System of quality control **continued**

- critical assessment of audit evidence – exercise of professional judgment and professional skepticism
- ongoing mentoring, supervision, and review
- appropriately supported and documented conclusions
- robust challenge and review including EQC review.

4.7.1 Embedding ongoing mentoring, supervision and review

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

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 Engagement quality control (EQC) reviewers

The EQC is an important part of KPMG's framework for quality. 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 and/or country Head of Audit.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.

EQC reviewers must meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit clients and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters. KPMG Limited is continually seeking to strengthen and improve the role that the EQC review plays in member firm audits and have taken a number of actions to reinforce this including issuing

leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

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).

4.7.1.3 Engagement Documentation

Our audit documentation is completed and assembled according to the timeline established by the global policy, auditing standards and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

4.7.1.4 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.



System of quality control continued

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

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, the KPMG [Cyprus Audit Committee Institute \(ACI\)](#) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes. The ACI operates in more than 40 countries across the globe including KPMG Limited 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, has continued its successful operation in the world of corporate governance, for the second year running. The KPMG Cyprus ACI, has continued its successful operation in the world of corporate governance, through the pandemic communicating with Boards and Audit committees to provide



updates, through dedicated e-meetings and publications shared through email.

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 Global and KPMG Limited 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 emphasized through a variety of mechanisms including through

System of quality control *continued*

regular communications on the topic, the Code of Conduct, training and the annual independence/confirmation process, which all of our professionals are required to complete.

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 the overall system of quality control.

The quality monitoring and compliance programs (see section 4.8.1 for details) 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

KPMG Limited monitoring programs evaluate both:

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

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

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax and Advisory functions; and
- A cross functional Global Compliance review (GCR) program with firms

selected for review at various intervals based on identified risk criteria.

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

Audit Quality Performance Reviews (QPRs)

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

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. Firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the 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 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 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 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 firm where significant quality issues have been identified during the QPR.

Risk Compliance Program (RCP)

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

quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG Limited system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for 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 KPMG firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at various intervals based on identified risk criteria.

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

- a firm's commitment to quality and risk management (tone at the top) and the extent to which its

overall structure, governance and financing support and reinforce this commitment;

- a member firm's compliance with KPMGI policies and procedures; and
- the robustness with which the firm performs its own compliance program (RCP).

KPMG Limited 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 GQ&RM Steering Group and, where necessary, to appropriate KPMG International and regional leadership.

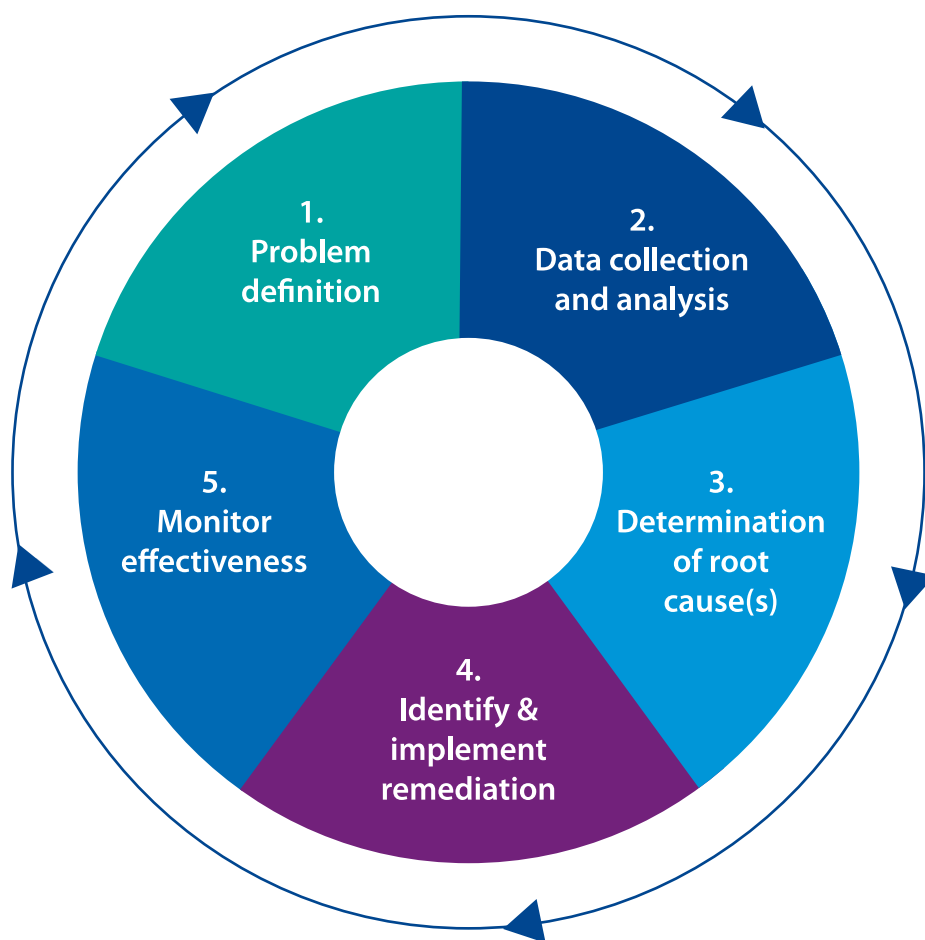
Root Cause Analysis (RCA)

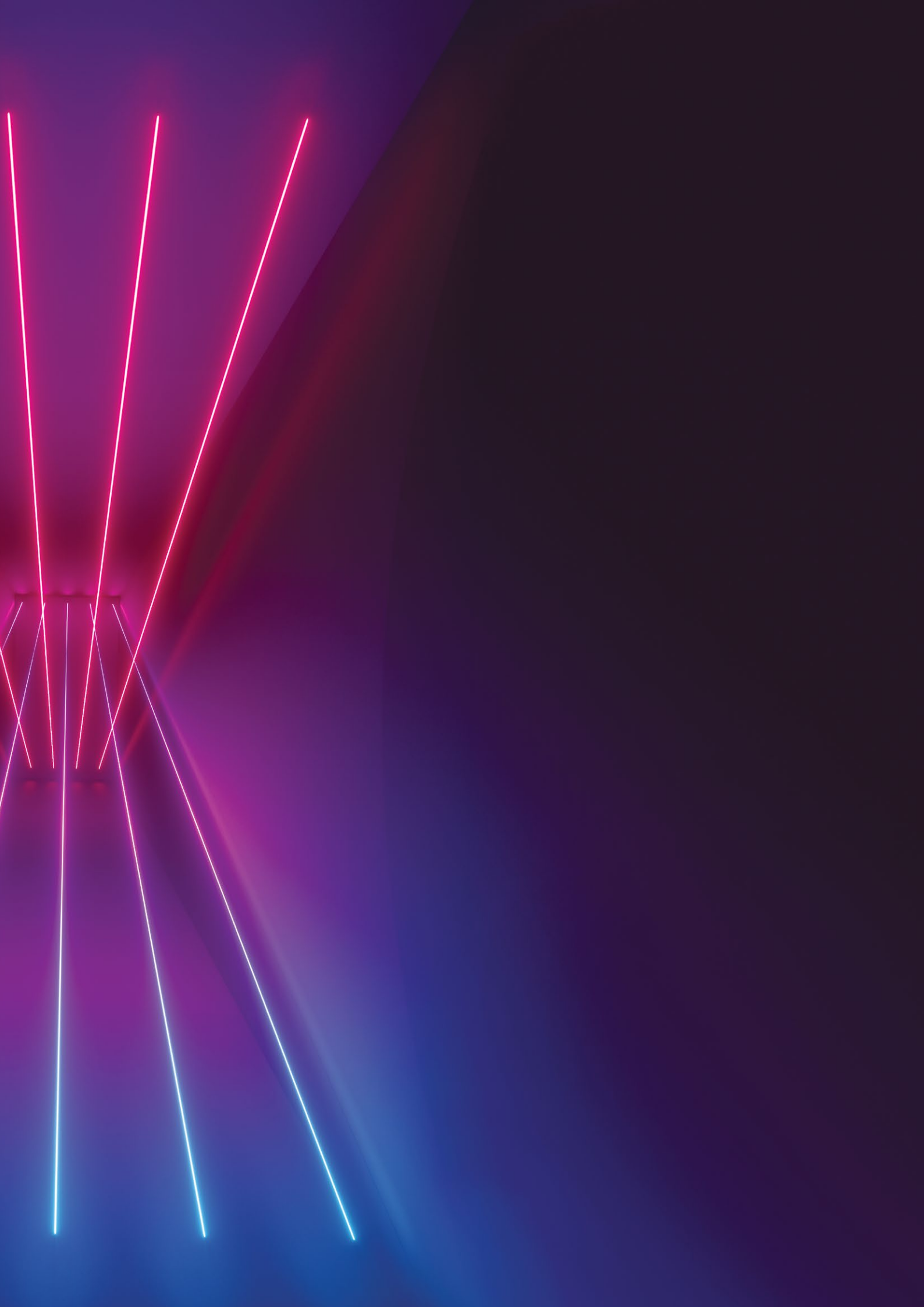
KPMG Limited performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2020, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG 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 all KPMG 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

The Global RCA 5 Step Principles
are as follows:





System of quality control **continued**

of RCA, including identification of solution owners. Our Risk Management Partner monitors their implementation.

4.8.2 Recommendations for improvements

At a global level, through the Global Audit Quality and the CQ&RM Steering Group, 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 global organization and at driving consistent engagement team performance within KPMG firms. The remediation plans have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best practice is shared across global organization.

4.8.3 External feedback and dialogue

4.8.3.1 Regulators

In Cyprus the Cyprus Public Audit Oversight Board (CyPAOB) has been carrying out independent inspections

for a number of years. Their inspection is divided into two parts:

- a review of the 2020 firm wide controls which was completed in December 2020 and
- a review of selected 2019 audit engagement files which was completed in March 2020.

On the basis of the results of the inspection, the firm continues to be registered in conductive statutory audit in Cyprus.

KPMG Limited is also registered with the ICPAC. The ICPAC inspected the KPMG Limited in November 2019.

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 revenues are analyzed as follows:

	2020	2019 Restated	% CHANGE
	€' 000	€' 000	
Audit	29.672	29.064	2,1
Tax & Legal	8.492	9.214	(7,8)
Advisory	10.013	11.040	(9,3)
Total	48.177	49.318	(2,3)

Services	2020 €' 000	2019 Restated €' 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	3.230	3.279
Revenues from the statutory audit of annual and consolidated financial statements of other entities	24.192	23.581
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	2.250	2.204
Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm	7.289	7.071
Revenues from non-audit services to other entities	11.216	13.183
Total	48.177	49.318

Revenues are reported net, exclusive of expenses incurred for the performance of services.

The amounts of 2019 have been restated to reflect the net revenues of the firm, as they depict a more accurate picture of the firm's performance.

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 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 30th September 2020. 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 30th September 2020.

** 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.*

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 Limited after assessing each partner's contribution for the year.

There are four elements to partner remuneration:

- base component – a proportion of the KPMG Limited budgeted profits are allocated to members as base component; this is effectively board member salary. The amount of base component reflects the role and seniority of each partner. In the year to 31 December 2020, the total base component was approximately 53% of the profits allocated to individual members (2019: 52%); 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.
- bonus payment – allocated based on exceptional performance in a year and considering a number of criteria; and
- financial penalty – deduction to reflect cases for deficient performance of the individual in a year.

Our policies 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.

Each partner is required to submit a written appraisal to the Appraising Committee detailing his/her own view of performance against objectives over the previous year. The Appraising Committee specifically considers the contribution of each partner to quality on their engagements. Quality is one of the most important metrics for measuring the performance – and by extension, the reward of partners. The Quality and Performance Matrix we use to assess an individual's performance looks at quality and how it interacts

with other factors. The overall rating depends on the interaction of both. We use a quality matrix to collate both objective and subjective evidence of performance. Evidence includes indicators from reviews and inspections, and feedback from the quality process.

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

Drawings

During the year, partners 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 partners 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 partners.



Network arrangements

7.1 Legal Structure

Legal structure for the Financial Year ended 30 September 2020

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

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

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International’s policies, procedures 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.

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 organization and the EU/ EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available in Appendix A3.

Legal structure from 1 October 2020

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

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

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

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 2,9 billion during the year ended 30th September 2020. The EU/ EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30th September 2020.

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 30th September 2019.

An updated statement of aggregated EU/ EEA statutory audit revenues for the 12 months to 30th September 2020 will be available within the Appendix to the [2020 KPMG International Transparency Report](#). 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 30th September 2019 (and 30th September 2020 for the updated numbers to be published in the KPMG International Transparency Report).

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

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

7.3 Professional Indemnity Insurance

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.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee firms¹ 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 firms¹.

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 three other senior partners of member firms. [The list of current Global Board members](#) is available in the KPMG Global Review.

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

Global Management Team

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

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

¹ Unless otherwise stated, the words 'member firm' or 'KPMG member firm' when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e. similar to shareholders, albeit KPMG International has no share capital and, therefore, only has members not shareholders).
- Those entities ('sublicensees') that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and also an entity that is a 'member'.

Network arrangements continued

The list of current Global Management Team members is available in the [Leadership](#) section on KPMG.com

Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together they assist the Global Management Team in discharging its responsibilities. In particular the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- Establish and ensure communication of appropriate audit and quality/risk management policies;
- Establish and support effective and efficient risk processes to promote audit quality;
- promote and support strategy implementation in member firms' audit functions, including standards of audit quality; and
- assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2019 KPMG International Transparency Report](#).

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

Further details about KPMG International including the governance arrangements for the year ended 30 September 2020, can be found in section 'Governance and leadership' of the [2019 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 (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/ remediation, are reported to GQ&RM leadership. The objectives of the AR role are to:

- assist GQ&RM leadership in the monitoring of member firms' quality and risk activities;
- work with GQ&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur

to assist in ensuring that matters are properly handled; and

- assist in monitoring the effectiveness of firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.

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 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 2020.

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 2020.

KPMG Limited

Nicosia, 31st March 2021

A.1 Public Interest Entities

The list of public interest entity audit clients, as defined by the EU Audit Legislation, for which KPMG Limited is given below.

Listed Entities

A. Tsokkos Hotels Public Limited
 Actibond Growth Fund Public Company Limited
 Asbis Enterprises Plc
 Avangardco Investments Public Limited
 Blue Island Plc
 Cyprus Forest Industries Public Ltd
 Cyprus Trading Corporation Plc
 Dome Investments Public Company Limited
 Ellinas Finance Public Company Limited
 Hellenic Bank Public Company Limited
 Karyes Investments Public Company 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
 Purcari Wineries Public Company Limited
 SFS Group Public Company Limited
 Triaina Investments Public Company Limited
 Unigrowth Investments Public Limited
 Vassiliko Cement Works Public Company Ltd
 Aias Investment Public Ltd
 Harvest Capital Management Public Ltd

Isxis Investment Public Limited

Regallia Holdings & Investments Public Limited

A.L. Prochoice Public Group Limited

Non Listed Banks

The Cyprus Development Bank Public Company Limited
 Eurobank Cyprus Ltd
 Lebanon & Gulf Bank SAL - Larnaca Branch

Non Listed Insurance Entities

Eurosure Insurance Company Limited
 GAN Direct Insurance Limited
 Grawe Reinsurance Limited
 Hellenic Life Insurance Company Limited
 KLPP Insurance and Reinsurance Company Ltd
 Medlife Insurance Limited
 Pancyprian Insurance Company Limited
 Prime Insurance Company Limited
 Royal Crown Insurance Company Limited
 BUPA Insurance Limited
 Ydrogeios Insurance Company (Cyprus) Limited
 Altius Insurance Limited
 Asfalistiki Etaireia I 'Kentiriki' Limited.



A.2 Executive Committee 2020



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 in Cyprus since 2009.



Michael Antoniadis

Chairman

Michael Antoniadis has been a Partner for more than 20 years. He joined the Executive Committee on 1 January 2013.



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 more than 20 years and has been serving on our executive board for the last 10 years. Sylvia also heads the Firm's Shipping service line.



George Markides

Head of Tax

George Markides has been a Partner for more than 10 years and a member of the Executive Committee as of 1 January 2016.

A.2 Executive Committee 2020 continued



Constantinos Kallis
Head of Risk Management

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



Demetris Vakis
Head of Markets

Demetris Vakis has been a Partner since 1991 and a member of the Executive Committee for more than 20 years.



Michael Halios
Partner in Charge of Larnaca Office

Michael Halios has been a Partner within KPMG in Cyprus for more than 20 years and a member of the Executive Committee for more than 7 years.



Panicos Antoniadis
Partner in Larnaca Office

Panicos Antoniadis has been a Partner for more than 20 years, practicing in the audit function.

A.2 Executive Committee 2020 continued



Panayiotis Peleties

Partner in Nicosia Office

Panayiotis Peleties has been a Partner for more than 15 years. He is the Head of the IFRG team of KPMG in Cyprus and he is leading the Financial Services Sector - Banking at KPMG in Cyprus.



Maria Papacosta

Partner in Nicosia Office

Maria Papacosta has been a partner for 14 years in the audit function. She is the Head of Marketing and Communication of KPMG in Cyprus and also leads the Firm's Agriculture service line.



Christoforos Anayiotos

Partner in Nicosia Office

Christoforos Anayiotos has been a Partner for more than 10 years. He leads the Deal Advisory of KPMG in Cyprus.



Zakis Hadjizacharias

Partner in Limassol Office

Zakis Hadjizacharias has been a Partner for more than 10 years. He is the Head of Professional Practice at KPMG in Cyprus.

A.3 List of KPMG audit entities located in EU & EEA as of 1 October 2020

Location	Firm Name
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Linz)
Austria	KPMG Niederösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Belgium	KPMG Bedrijfsrevisoren / KPMG Réviseurs d'Entreprises
Bulgaria	KPMG Audit OOD
Croatia	KPMG Croatia d.o.o. za reviziju
Cyprus	KPMG
Cyprus	KPMG Limited
Czech Republic	KPMG Česká republika Audit, s.r.o.
Denmark	KPMG P/S
Estonia	KPMG Baltics OÜ
Finland	KPMG Oy Ab
Finland	KPMG Julkistarkastus Oy
France	KPMG Associés S.A.
France	KPMG Audit Est S.A.S.
France	KPMG Audit FS I S.A.S.
France	KPMG Audit ID S.A.S.
France	KPMG Audit IS S.A.S.
France	KPMG Audit Nord S.A.S.
France	KPMG Audit Ouest S.A.S.
France	KPMG Audit Paris et Centre S.A.S.
France	KPMG Audit Rhône Alpes Auvergne S.A.S.
France	KPMG Audit Sud-Est S.A.S.
France	KPMG Audit Sud-Ouest S.A.S.
France	KPMG Fiduciaire de France
France	KPMG SA
France	SALUSTRO REYDEL S.A.
Germany	KPMG AG Wirtschaftsprüfungsgesellschaft
Germany	KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Gibraltar	KPMG Limited
Greece	KPMG Certified Auditors A.E.
Greece	KPMG Auditing A.E.
Hungary	KPMG Hungária Kft./KPMG Hungary Ltd.
Iceland	KPMG ehf.
Ireland	KPMG

Location	Firm Name
Italy	KPMG S.p.A.
Italy	KPMG Audit S.p.A.
Latvia	KPMG Baltics AS
Liechtenstein	KPMG (Liechtenstein) AG
Lithuania	'KPMG Baltics' UAB
Luxembourg	KPMG Luxembourg
Malta	KPMG
Netherlands	KPMG Accountants N.V.
Norway	KPMG Holding AS
Norway	KPMG AS
Poland	KPMG Audyt Services Sp z o.o.
Poland	KPMG Audyt Sp. Z ograniczoną odpowiedzialnością
Poland	KPMG Audyt Sp. Z ograniczoną odpowiedzialnością Spółka Komandytowa
Portugal	KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Romania	KPMG Audit SRL
Slovakia	KPMG Slovensko spol. s r.o.
Slovenia	KPMG Slovenija, podjetje za revidiranje, d.o.o.
Spain	KPMG Auditores, S.L.
Sweden	KPMG AB
United Kingdom	KPMG LLP
United Kingdom	KPMG Audit Holdings Limited
United Kingdom	KPMG Audit Plc
United Kingdom	KPMG Holdings Limited
United Kingdom	KPMG Overseas Services Limited

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