



# Transparency Report 2023

Quality is how we make a difference.



KPMG in the Crown Dependencies

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



# KPMG Values

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally. Our Values guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all of our stakeholders



## Our Values are:



### Integrity

We do what is right.



### Excellence

We never stop learning and improving.



### Courage

We think and act boldly.



### Together

We respect each other and draw strength in our differences.



### For Better

We do what matters.



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# Message from our Chairman

Welcome to the 2023 KPMG in the Crown Dependencies transparency report providing information about our firm as at 30 September 2023 or for the year to that date unless otherwise stated.

This report is issued annually and aims to provide an insight into how we uphold our professional obligations and responsibilities, and our commitment to quality, integrity and service excellence. That commitment is based on the extraordinary people we recruit, the values we uphold, and the culture we create.

We strive to be employers of choice by creating an environment where people can fulfil their potential and feel motivated and proud to give their best. We work hard to foster an inclusive culture of diverse talent. We are committed to continuous development and coaching. We measure our people's engagement by inviting them to take part in an annual Global People Survey which also provides valuable insights into many other areas of our business. These insights enable us to focus on maintaining strengths or taking advantage of development opportunities.

Our culture is underpinned by a strong set of values and supporting policies and procedures. Our values are what we believe in and they guide our actions and behaviours, we recognise that trust in our profession cannot be taken for granted; it is not just what we do that matters, but also how we do it. The KPMG Global Code of Conduct is reviewed annually and builds on our Values and defines who we are and how we act – all our people are expected to follow it. Leadership plays a critical role in setting the right tone and our leaders demonstrate complete commitment to the highest standards of professional excellence and leading by example.

We take our commitment to audit quality very seriously and are continually investing in people, our control environment and digital solutions. Our new Global Quality Framework outlines how every partner and employee contributes to delivering high-quality audits. We will not be complacent as expectations of auditors increase and will continue to regularly

monitor our audit quality through internal self-assessment programmes, but we are also subject to regular inspection by the external audit regulators who oversee our registrations to audit Guernsey, Jersey and Isle of Man companies traded on regulated markets in the EU. Our advisory and tax functions are also subject to internal self-assessment programmes and several people in our firm play key roles in wider KPMG quality initiatives.

Our KPMG Story sets out our path to achieving our vision of becoming the “Clear Choice.” It provides clarity on who we are and what we stand for, where we are going, how we will get there and what we want to be known for, unifying all our people, not only in the Crown Dependencies, but around the world. Our local strategy recognises the need to be “future ready” which means growing expertise to support our clients through this period of unprecedented change and disruption.

We are living through dynamic times. As geopolitical events continue to challenge us all, we have focussed on the economic wellbeing of people outside our organisation, sought to ensure our people are well prepared for the challenges that may come and focussing on resilience in this dynamic environment. Our clients will be equally challenged, and we have continued to expand our resources to allow us to cover the inevitably difficult elements of our work over the coming years. This will enable us to ensure we retain a focus on quality through challenging times.

The combined KPMG in the Crown Dependencies audit practice, trades through KPMG Channel Islands Limited and KPMG Audit LLC and continues to be overseen by a combined holding company with an Audit Board that includes several firm non-executives, drawn from our tax and advisory practices. Whilst audit operational separation is not required in our jurisdictions, we are closely following its development in the UK and will make further proportionate changes to our operations as markets dictate in the coming years.

It has been especially pleasing in 2023 to have



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celebrated anniversaries across all three of our islands – 100, 50 and 40 years of office presences in Guernsey, Jersey and Isle of Man, our association with Guernsey having commenced remotely 132 years ago, in 1891. We have undertaken special community projects across the arts, education, environment and social welfare to put something back into our communities.

I hope you will find this report a useful insight into our business. If you would like to discuss any aspect of this report or have any questions or feedback, I would be delighted to hear from you<sup>1</sup>.



**Neale Jehan**  
**Chairman**  
KPMG in the Crown Dependencies  
22 December 2023

1 - Throughout this document, “KPMG,” “we,” “our” and “us” refers to KPMG in the Crown Dependencies.

Any references to the KPMG global organization mean the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.

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

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

Throughout this document, references to “Firm,” “KPMG firm,” “member firm” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the ‘Governance and leadership’ section of the KPMG International Transparency Report.



# Audit Quality

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

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality management.

All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.



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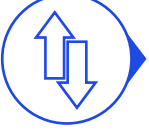



# 1. Our system of quality management is foundational for audit quality

Audit and assurance quality is foundational to instilling confidence and public trust in the capital markets and it remains our highest priority.

Across the global organisation, KPMG firms have strengthened the consistency and robustness of their system of quality management (SoQM) to meet the requirements of the International System of Quality Management (ISQM) 1 issued by the International Auditing and Assurance Standards Board (IAASB). Foundational for quality management, our globally consistent approach to ISQM 1 drives compliance with the requirements of the standard, and our efforts to strengthen trust and transparency with our clients, the capital markets, and the public we serve.

## KPMG International global approach to SoQM and ISQM 1

-  Sets **policies and procedures** to support KPMG firms' effective SoQM in accordance with ISQM1 issued by the IAASB
-  Establishes for each SoQM component, globally consistent **quality objectives, risks and controls**
-  Provides KPMG firms with a **risk assessment framework** that they have agreed to use in identifying incremental KPMG firm specific quality objectives, risks, and controls
-  Supports KPMG firms with **guidance, tools, and training** to drive consistent and effective firm SoQM operation
-  Includes **monitoring activities** over KPMG firms' SoQM to drive global consistency



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Our globally consistent approach to ISQM 1 drives the robustness of our responses to the risks of achieving the quality objectives set out in the standard. For each component in the standard, we have established minimum required quality objectives, quality risks and responses for all KPMG firms.

KPMG International has established a risk assessment process required to be used by KPMG firms in identifying additional firm specific quality objectives, quality risks, and responses and requirements for testing and evaluation of their system of quality management together with guidance, tools and templates to support the consistent implementation of ISQM 1 across KPMG firms.

The globally consistent approach is used by all KPMG firms across the global organisation. The objective of this centralised approach is to drive consistency, robustness, and accountability of responses within KPMG firms' processes.

To provide more transparency on what drives KPMG audit and assurance quality, this report is structured around the KPMG Global Quality Framework.

KPMG, the Global Quality Framework outlines how every KPMG professional contribute to its delivery.

The drivers outlined in the framework are the ten components of our KPMG SoQM. In line with ISQM 1, our SoQM also aligns with the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

Sections 2-11 of the Transparency Report describe how we effectively operate each SoQM component.

Combined with our firm's SoQM Statement of Effectiveness (see section 15), this Transparency Report summarises how our SoQM effectively supports the consistent performance of quality engagements. This report may also be useful for stakeholders interested in KPMG firms' Tax and Advisory services, as certain aspects of our firm's SoQM are cross-functional and apply equally as the foundation of quality for all services offered.



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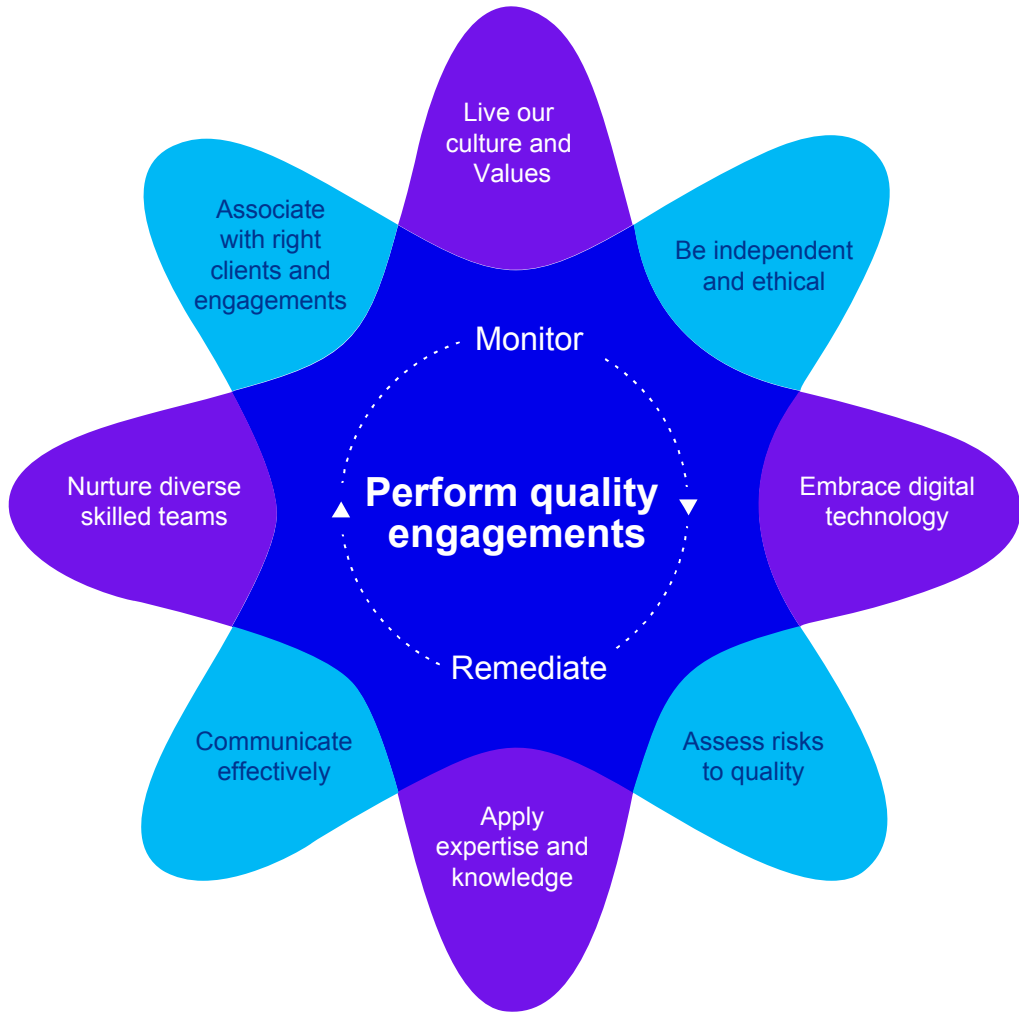
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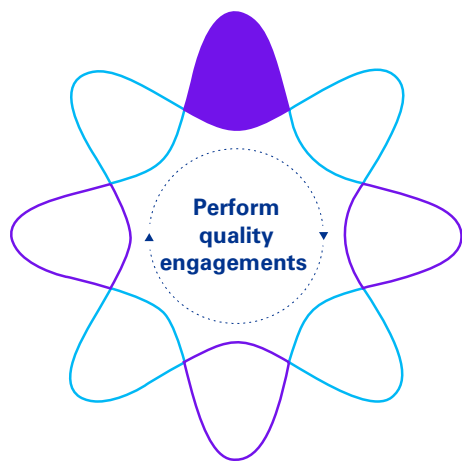
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## KPMG's Global Quality Framework







## 2. Live our culture and Values

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

It's not just what we do at KPMG that matters, we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across all personnel and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.

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

#### 2.1.1 Tone at the top

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

At KPMG, our Values lie at the heart of the way we do things. To do the right thing, the right way. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our

principal responsibility to serve 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.

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

Everyone at KPMG can expect to be held accountable for their behaviour consistent with the Code and



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is required to confirm their compliance with it. Individuals are strongly encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code or our Values.

Everyone at KPMG is required to report, any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations or professional standards.

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

The [KPMG International hotline](#) is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to KPMG International, activities of KPMG firms, or KPMG personnel. Reports received by the KPMG International hotline are taken seriously, and for each of them, KPMG International will consider how to respond and where necessary, investigate and take appropriate action.

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

In addition to the process outlined above, the Global People Survey provides our leadership and KPMG International leadership with results related to upholding the KPMG Values.

### 2.1.2 The KPMG multidisciplinary model

Today's organisations face complex problems that require the best, most integrated thinking. We firmly believe that our multidisciplinary model is the best way to serve our clients and is essential to delivering the highest levels of quality on the largest and most complex audit, tax and consulting engagements. It allows us to be agile and resilient from a business perspective and means we can more easily respond to market conditions. And it makes KPMG a more interesting and exciting place to work.

## 2.2 Clearly articulated strategy focused on quality, consistency, trust, and growth

### 2.2.1 Our business

Our firm is a professional service firm that delivers Audit, Tax, and Advisory services. We operate out of three offices across the Crown Dependencies, being Guernsey, Jersey and the Isle of Man and we had an average of 492 directors and employees in the year to 30 September 2023 (an average of 461 in the year to 30 September 2022).

Our audit services are delivered through KPMG Channels Islands Limited and KPMG Audit LLC. Full details of the services offered by KPMG CDs can be found on our website [here](#).

### 2.2.2. Our strategy

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

## 2.3 Defined accountabilities, roles and responsibilities for quality and risk management

### 2.3.1 Leadership responsibilities for quality and risk management

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

Our firm has agreed to seek input from the chair of the relevant Global Steering Group or their delegate on the performance of certain leaders within the firm whose role most closely aligns with the activities of the Global Steering Group. Input is sought as part of the annual performance process and is based on an assessment of the leader's performance, which includes matters of public interest, audit quality and risk management activities.

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



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Leadership responsibilities for quality and risk management



Chairman

In accordance with the principles in ISQM 1/ ISQM 1(UK), our current Chairman, Neale Jehan, is the leader who has ultimate responsibility for our SoQM.

Details of some of the measures he and the rest of the Board have taken to ensure that a culture of quality prevails within our firm are set out in section 2.1.1 ‘Tone at the top’.



Risk Management Partner

Our firm’s Risk Management Partner (RMP) is responsible for the firm’s direction and execution of risk, compliance and quality. The RMP is a member of the Management Committee and has a direct reporting line to the Chairman. The RMP consults, as appropriate, with the Chairman, the Regional Risk Management Partner, Global Quality & Risk Management resources, and the KPMG Office of General Counsel or external counsel.

The fact that the role is a Management Committee position, and the seniority of the reporting lines underlines the importance that the firm places on risk and quality issues. The RMP is supported by a team of directors and risk and compliance professionals.



Ethics and Independence Partner

Our firm’s Ethics and Independence Partner (EIP) has primary responsibility for the direction and execution of ethics and independence policies and procedures in our firm and reports on ethics and independence issues to the RMP.



The Audit, Tax and Advisory functions — Function Heads

The three heads of the client service functions (Audit, Tax, and Advisory) are accountable to the Chairman for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management and quality management procedures for their specific functions within the framework set by the RMP. These procedures make it clear that at the engagement level, risk management and quality management is ultimately the responsibility of all professionals in the firm.

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

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



Audit Leadership Team

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

More complex issues (which might require amendments to KPMG’s global audit methodology or audit tools) are raised with KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG), Global Audit Methodology Group (GAMG) and the International Standards Group (ISG). For more information about the KGSG, the GAMG and the ISG refer to section 8.1.2.

In addition, within the Audit function, our Audit Quality Panel considered matters relating to maintaining and improving audit quality including the detailed findings (and related actions) from our SoQM evaluation, external regulatory reviews, the internal Quality Performance Review program and other quality control programs, as well as papers on a range of issues designed to allow us to challenge ourselves in various aspects of audit quality and improvement.

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## 2.4 Robust governance structures

### 2.4.1 Our legal and governance structure

KPMG in the Crown Dependencies is owned by the partners of KPMG LLP, a Jersey Limited Liability Partnership.

A list of the entities which form KPMG in the Crown Dependencies, together with details of their legal structures, regulatory status, the nature of their business and area of operation is set out in Appendix 1.

At KPMG in the Crown Dependencies, we apply high standards of corporate governance.

#### The Boards

On 1 January 2021, Neale Jehan was appointed as Chairman of KPMG in the Crown Dependencies. Prior to the merger of the Channel Islands and Isle of Man partnerships, Neale Jehan was the Chairman of KPMG Channel Islands Limited. The process to identify and appoint a chairman involved both the local board of directors and KPMG at a regional level. Neale's background as a previous Head of Audit who understands the challenges the profession faces to restore trust in audit was an important factor in his appointment as Chairman. As Chairman, Neale ensures that board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large.

The audit trading entities of KPMG CDs are KPMG Channel Islands Limited (a Jersey registered company) and KPMG Audit LLC (an Isle of Man registered company). The principal governance and management bodies of KPMG's audit business in the Crown Dependencies are KPMG Channel Islands Limited, KPMG Audit LLC, and KPMG Audit Holdings Limited (together, the "Boards"). KPMG Audit Holdings Limited is the immediate holding company of KPMG Channel Islands Limited and KPMG Audit LLC. The Boards provide leadership to the firm and are 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 KPMG Channel Islands Limited board consists of 19 members, being the Chairman, Managing Director

and 17 other directors. The constitution of the board is as determined by its articles of association or as otherwise agreed by the board of KPMG Channel Islands Limited.

KPMG Audit LLC board consists of 4 members. The constitution of the board is as determined by the articles of organisation or as otherwise to be determined by the members of KPMG Audit LLC.

The board of KPMG Audit Holdings Limited consists of 6 members. The constitution of the Board is as determined by the articles of association or as otherwise to be determined by the Board of KPMG Audit Holdings Limited.

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

- Management committee
- Operations Committee
- Audit Quality Panel

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

#### The Management Committee

Details of who comprises the Management Committee of KPMG CDs is set out in Appendix 2. The Management Committee aims to meet bi-weekly and at least monthly and is responsible for taking action on key matters delegated to it by the Board to ensure that the business can respond proactively in between meetings of the full Board.

#### The Operations Committee

The Operations Committee consists of the Managing Director and the business support team leaders (e.g. the Chief Finance Officer, Chief Risk Officer, Chief Technology Officer) of the firm who meet monthly. The Operations Committee is responsible for taking action on routine operational matters and driving various operational projects which support the wider business.

#### The Audit Quality Panel

The Audit Quality Panel, chaired by the Head of Audit, reports to the Chairman and ensures risk and quality



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matters are a priority for audit leadership.

Specifically, its responsibilities include:

- driving effective and timely implementation of Audit Quality initiatives and policies;
- meeting at least once each quarter or on an ad-hoc basis as required to receive reports on Audit Quality monitoring activities and confirm priority for the audit quality actions;
- providing input and commentary on draft policies and workpapers;
- monitor emerging issues and consult with KIG AQPP in determining the local actions in response to the emerging issues; and
- act as the ultimate reviewer of the inputs and outputs of the Root Cause Analysis process and to serve as a challenge panel in determining the root cause of quality issues.

See section 14.1 for information on the KPMG legal structure and 14.4 for information on the KPMG International Governance structure.



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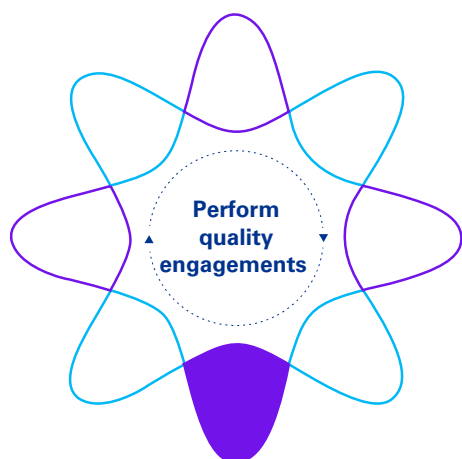
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# 3. Apply expertise and knowledge

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

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

## 3.1 Methodology aligned with professional standards, laws and regulations

### 3.1.1 Consistent audit and assurance methodology and tools

We use KPMG International's audit and assurance methodology, tools and guidance to drive a consistent approach to planning, performing and documenting audit procedures over key accounting processes. Key elements include:

- Meeting the applicable standards, including International Standards 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 KPMG firms.
- Identifying risks of material misstatements and the necessary audit response.

- Embedded in the practice of our audit and assurance professionals.
- Alignment to the International Standard on Assurance Engagements (ISAE) in response to the growth of Environmental, Social, & Governance (ESG) reporting.
- Consistent interpretation of how to apply ISAs and ISAEs.

Our audit and assurance methodologies emphasise applying appropriate professional scepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence.

## 3.2 Standardised methodology and guidance

The KPMG standardised methodology and guidance are embedded within KPMG Clara, our smart audit platform, and assist our engagement teams in



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meeting the ever-changing landscape of corporate reporting.

### 3.3 Deep technical expertise and knowledge

#### 3.3.1 Access to specialist networks

Specialist expertise is an increasingly important part of the modern audit and is a key feature of our multi-disciplinary model. Our engagement teams have access to a network of KPMG specialists to consult either within their firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role on our audits. They also receive a global annual update on global quality performance issues.

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

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

Significant external events and conditions, such as the impacts arising from climate change, geopolitical events, volatile interest rates and elevated levels of inflation, may potentially have significant financial statement implications, increasing complexity, subjectivity and uncertainty for matters such as management's going concern assessment, asset impairments and asset valuations. KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, auditing and reporting related matters arising from the impacts of these significant external events and conditions.

We also have access to online financial reporting resource centres that highlight the potential financial statement implications of matters arising from these significant external events to assist financial statement preparers and other stakeholders in understanding the potential accounting and disclosure implications rising from these significant external events and conditions.

KPMG International's guidance is continually updated as new significant accounting, auditing and reporting issues emerge.

We are a technology-enabled organisation, with technical accounting and auditing resources, guidance, platforms and tools available digitally, which enables our engagement teams to effectively operate in office and remote-working environments.

#### 3.3.3 ESG Assurance quality

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

We believe the same level of professionalism, quality, consistency and trust should apply to ESG reporting as to financial data. We are making significant investments in putting ESG at the heart of the organisation.

During 2023, as part of the global organisation's commitments to serving the public interest, KPMG International:

- Released a revised methodology for ESG assurance designed to be flexible and scalable, while enabling high quality, globally consistent assurance engagement delivery that complies with assurance standards and aligns with our financial statement audit methodology. The scope of the execution guide is broader than ESG assurance and is also applicable for all ISAE 3000 assurance engagements:
- Delivered guidance to be used in conjunction with the methodology that is supported by standardised risks and procedures for Greenhouse Gas assurance engagements:
- Released cloud-based ESG assurance workflow compliant with the revised assurance methodology, built on our smart technology platform — KPMG Clara — that provides our teams, and our clients, with a consistent user experience
- Released a learning curriculum to increase the foundational ESG literacy of KPMG professionals and enable upskilling on the new methodology and KPMG Clara workflow assurance.

### 3.4 Quality and risk management policies

KPMG International has global quality and risk management policies that all KPMG firms have agreed to apply to themselves and their personnel and are consistent with ISQM 1, where applicable.



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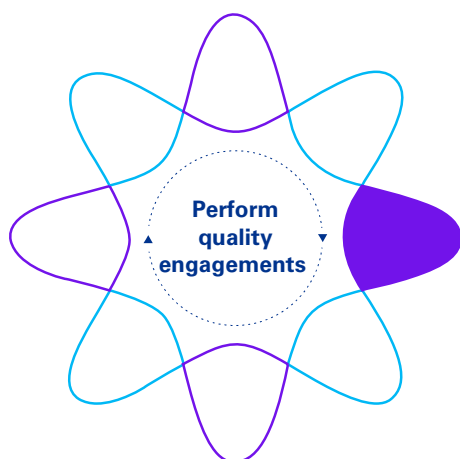
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# 4. Embrace digital technology

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

At KPMG, we are anticipating the technologies that will shape our near future and are driving an ambitious innovation agenda. We have transformed the audit experience for our professionals and clients. The alliances and leading technologies used across the KPMG global organisation are enhancing audit quality by increasing our ability to focus on the issues that matter.

## 4.1 KPMG Clara

An intelligent audit and assurance technology platform, KPMG Clara integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualisation. It brings new insights by helping auditors to see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts.

A fully digital audit approach is integral to how KPMG firms perform quality audits and assurance engagements and interact with their clients.

Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment, and support of technology in our audits.

## 4.2 Intelligent, standards-driven audit and assurance workflows

At our firm, all professionals are expected to adhere to KPMG International and our firm's policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. Our policies and procedures set for audit and assurance engagements incorporate the relevant requirements of accounting, auditing, assurance, ethical and quality management standards, and other relevant laws and regulations.

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



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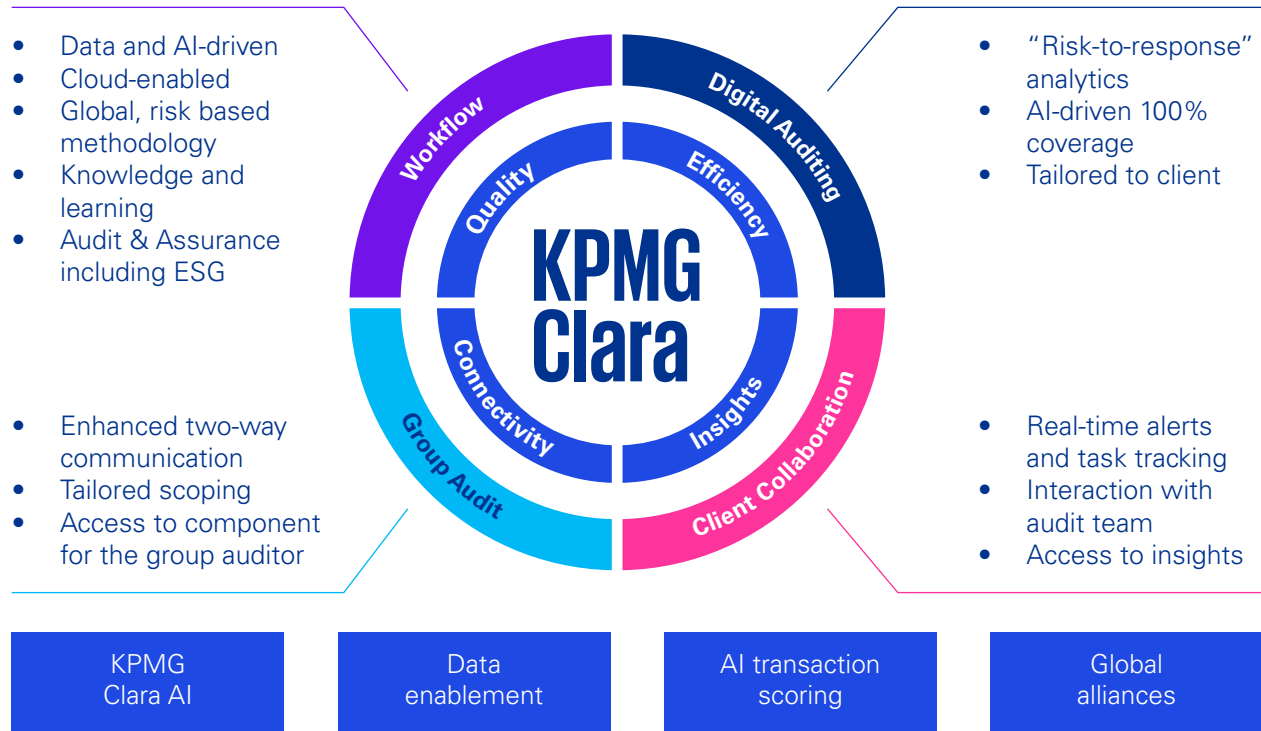
### 4.3 Digital data and emerging technologies

#### Our vision of the future

KPMG Clara was developed to be a foundational technology platform to deliver audit quality. It evolves with technologies such as artificial intelligence (AI), data & analytics and cognitive capabilities transforming how audits are delivered.

AI plays an increasingly significant role in delivering audits; for example the alliance with [MindBridge](#) is helping to better identify high-risk transactions, allowing us to obtain audit evidence and insights into client data.

The KPMG organisation's procurement and global alliance relationships with Microsoft were recently renewed and expanded. The multi-year agreement further integrates data, automation and AI enablement into KPMG Clara to develop deeper, increasingly relevant insights, freeing up KPMG teams to focus on higher-risk areas of audit



#### 4.3.1 Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasised through a variety of mechanisms, including the KPMG Global Code of Conduct.

We have policies on information security, confidentiality, personal information and data privacy. We have a document retention policy concerning the retention period for audit documentation and other

records relevant to an engagement in accordance with applicable laws, regulations, and professional standards.

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



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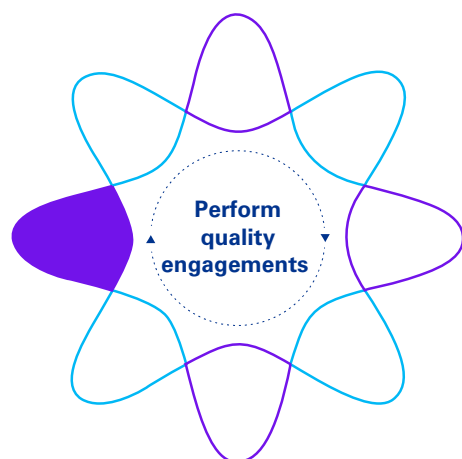
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# 5. Nurture diverse skilled teams

- **Recruit appropriately qualified and skilled people with diversity of specialist skills, perspective and experience**
- **Assign appropriately qualified team**
- **Invest in data-centric skills — including data mining, analysis and visualisation**
- **Focus learning and development on technical expertise, professional acumen, and leadership skills**
- **Recognising quality**

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

## 5.1 Recruit appropriately qualified and skilled people, including specialists, with diversity of perspective and experience

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation, and purpose to deliver high quality audits. This requires the right recruitment, development, reward, promotion, retention, and assignment of professionals.

### 5.1.1 Recruitment

We have invested in understanding how we can attract the talent we need now and in the future across our firm. This includes building an extraordinary

people experience for all current and prospective directors 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. We also recruit significant numbers at an experienced hire and director level.

All candidates apply and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess



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the appropriate skills and experience to perform competently, are suitable and are best placed for their roles.

We recruited over 53 new graduates or school leavers in the year ended 30 September 2023 (2022: approximately 45).

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

### 5.1.2 Inclusion, diversity & equity programs

At KPMG, we are committed to building a diverse and equitable firm that is inclusive to all. Inclusion, Diversity and Equity (IDE) underpins our Values and is vital to our Purpose.

It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our Values, and do what is right.

We recognise the KPMG organisation's global position working with clients around the world affords us a privileged place. With that comes an opportunity and responsibility to achieve more and push for a fairer, more equitable society.

The KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity and equity across all KPMG firms. For more about Inclusion & Diversity at KPMG read [here](#).

### 5.1.3 Reward and Promotion

#### Reward

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

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

The extent to which our people feel their performance has been reflected in their reward is measured through the annual Global People Survey, with action plans developed as required.

#### Promotion

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

### 5.2 Assign an appropriately qualified team

At KPMG we have policies, procedures and controls in place to assign engagement directors 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 director assignment process. Key considerations include director experience and capacity based on an annual director 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 directors are responsible for determining 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 director's considerations may include the following:

- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- Understanding of professional standards and legal and regulatory requirements;
- Appropriate technical skills, including those related to relevant information technology and specialised areas of accounting or auditing;
- Knowledge of relevant industries in which the



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client operates;

- Ability to apply professional scepticism;
- Understanding of KPMG's quality control policies and procedures;
- Quality Performance Review (QPR) inspection results and the results of regulatory inspections.

### 5.3 Investing in data centric skills — including data mining, analysis and visualisation

The KPMG organisation is strategically investing in prospective talent by partnering with world-class institutions to sustain strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. In our firm we have trained professionals who specialise in software and cloud capabilities who can bring leading technology capabilities to the smart audit platform that we use. We provide training on a wide range of technologies to help ensure that our field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

### 5.4 Focused learning and development on technical expertise, professional acumen, and leadership skills

#### 5.4.1 Commitment to technical excellence and quality service delivery

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

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

#### 5.4.2 Lifetime learning strategy

##### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development

groups at global, regional and, where applicable, KPMG firm level.

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

##### Mentoring and on-the-job coaching

Learning is not confined to a single approach — rich learning experiences are available when needed through coaching and just-in-time learning and aligned with job-specific role profiles and learning paths.

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

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

#### 5.4.3 Licensing and mandatory requirements for IFRS® Standards and US GAAP engagements

##### Licensing

All KPMG professionals in our firm are required to comply with applicable professional licence rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practise. KPMG International/CDs policies and procedures are designed to facilitate compliance with licence requirements.

We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework being IFRS and UK accounting standards.

##### Mandatory requirements – US GAAP engagements

Specific policies apply to engagements performed outside the US to report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with US auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum the director, manager, and, if appointed the EQC reviewer (and



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for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQC reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

## 5.5 Recognise quality

### 5.5.1 Personal development

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

- Globally consistent audit role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- A goal library (including a mandatory audit quality goal applicable to everyone covered by the globally consistent audit role profiles and additional optional audit quality content);

- Standardised 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 behaviours and competencies we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on quality.

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

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



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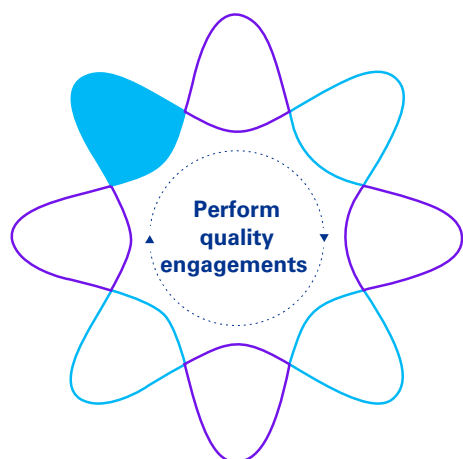
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# 6. Associate with the right clients and engagements

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

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

## 6.1 Global client and engagement acceptance and continuance policies

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

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

## 6.2 Accept appropriate clients and engagements

### 6.2.1 Client evaluation

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

### 6.2.2 Engagement evaluation

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

- Potential independence and conflict of interest issues,
- Intended purpose and use of engagement deliverables,
- Public perception,



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- Whether the services would be unethical or inconsistent with our Values.

In addition, the evaluation of an audit engagement includes an assessment of the competence of the client's financial management team and the skills and experience of KPMG professionals.

Where we are providing audit services for the first time, additional independence evaluation procedures are performed, including a review of any non-audit services provided to the client and of other relevant business, financial and personal relationships.

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

Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

### 6.2.3 Continuance process

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

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

### 6.2.4 Withdrawal process

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

## 6.3 Manage portfolio of clients

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

Our firm's engagement directors are responsible for determining that members of the engagement team collectively have the appropriate competence and capabilities, including sufficient time, to successfully perform the engagement in accordance with professional standards and regulatory and legal requirements. See section 5.2 'Assigning an appropriately qualified team'.



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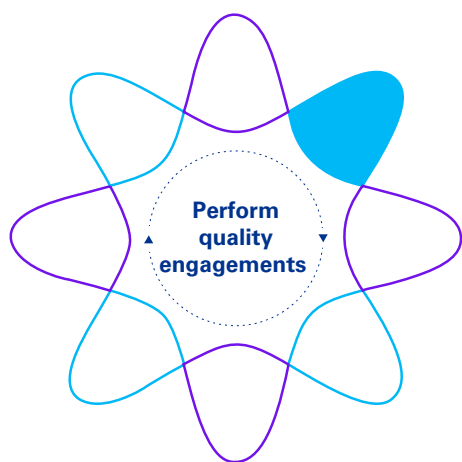
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# 7. Be independent and ethical

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

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

## 7.1 Act with integrity and live our Values

We know that trust is earned by doing the right thing. We are committed to the highest standards of personal and professional behaviour throughout our firm in everything we do. Ethics and integrity are core to who we are. Within our [global Code of Conduct](#), we outline the responsibilities KPMG people have to each other, our clients and the public. It shows how our Values inspire our greatest aspirations and guide all of our behaviours and actions.

## 7.2 Maintain an objective, independent and ethical mindset

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

Policies are supplemented to help ensure compliance with the standards issued by the ICAEW, the UK Financial Reporting Council and those of other

applicable regulatory bodies.

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

Automated tools identify potential independence and conflict of interest issues and facilitate compliance with these requirements. KPMG firm compliance with independence requirements is part of the global KPMG Quality & Compliance Evaluation program.

### 7.2.1 Personal financial independence

KPMG firms and KPMG professionals are required to be free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm audit and assurance clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and where required significant owners. All KPMG directors – irrespective of their firm or function – are generally prohibited from owning securities of any audit client of any KPMG firm.



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

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

In 2023, 23 of our directors and employees were subject to these audits (this included approximately 24% of our directors).

### 7.2.2 Employment relationships

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

### 7.2.3 Firm financial Independence

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

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

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

On an annual basis, we confirm compliance with independence requirements as part of the global

KQCE programme.

### 7.2.4 Business relationships/suppliers

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

### 7.2.5 Business acquisitions, admissions and investments

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

### 7.2.6 Independence training and confirmations

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

We also provide all directors and employees with annual training on the Global Code of Conduct.

### 7.2.7 Non-audit services

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

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

Lead audit engagement directors are required to



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maintain group structures for their public interest entity and certain other audit clients including their related entities/affiliates. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

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

### 7.2.8 Fee dependency

We monitor fee dependency at a level of 5 percent in compliance with the Ethical and Independence requirements of the Financial Reporting Council in the UK.

Where total fees receivable from a listed entity are expected to exceed 5 percent of the annual fee income of the firm, the engagement director consults with our Ethics & Independence Partner, discloses that expectation to those charged with governance, and considers whether safeguards need to be applied to reduce any threat to independence to a level where independence would not be compromised.

Where total fees receivable from a non-listed entity are expected to exceed 10 percent, the same consultation, communication and considerations are made, and we would also arrange for a partner from another KPMG firm to act as an engagement quality control (EQC) reviewer.

In addition to the above procedures, we consult with our Regional Risk Management Partner where total fees from an audit client are expected to exceed 10 percent of the annual fee income of the firm for two consecutive years.

### 7.2.9 Avoiding conflicts of interest

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

KPMG firms use the mandatory conflicts and independence checking system for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

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

### 7.2.10 Independence breaches

All KPMG personnel are required to report an independence breach as soon as they become aware of it. All breaches of independence requirements of the IESBA code of Ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible, except where alternative timing for less significant breaches has been agreed with those charged with governance.

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

### 7.2.11 Director and firm rotation

#### Director rotation

Our directors and staff in senior positions 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 they may provide audit services to a client followed by a 'time-out' period during which time they are restricted in the roles they can perform.

#### Firm rotation

In certain jurisdictions, KPMG firms are only permitted to act as an auditor for a specific audit client for a defined period of time and then are not to act as auditor for that client for a specified period of time thereafter. KPMG firms in these jurisdictions are required to have processes in place to track and manage compliance with audit firm rotation requirements.

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### 7.3 Have zero tolerance of bribery and corruption

We have zero tolerance of bribery and corruption.

All KPMG firms’ partners, directors and employees are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

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



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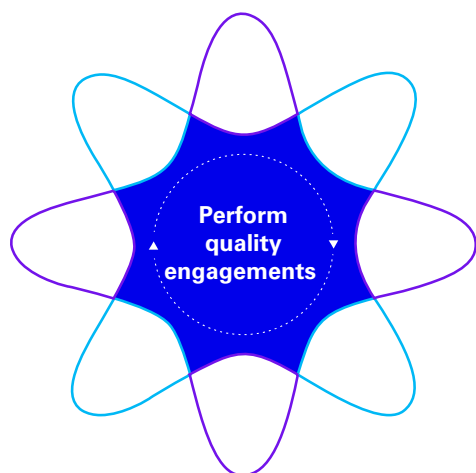
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# 8. Perform quality engagements

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

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

## 8.1 Consult when appropriate

### 8.1.1 Encouraging a culture of consultation

KPMG International encourages a culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality. At KPMG we promote a culture in which consultation is recognised as a strength that encourages all KPMG professionals to consult on difficult or contentious matters.

To help with this, our firm has established protocols for consultation and documentation of significant matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, KPMG audit, assurance and risk reporting manuals also include required consultations on certain matters.

### 8.1.2 Technical consultation and global resources

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

#### Global Audit Methodology Group (GAMG)

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

#### KPMG Global Solutions Group (KGSG)

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

The GAMG and KGSG teams bring diverse



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experiences and innovative ways of thinking to further evolve KPMG firms' audit and assurance capabilities.

**International Standards Group (ISG)**

Promotes consistency of interpretation of IFRS Accounting Standards and IFRS Sustainability Disclosure Standards by KPMG firms and develops global audit guidance in response to emerging issues and to promote global consistency.

**PCAOB Standards Group (PSG)**

Promotes consistency in the interpretation of PCAOB auditing standards in KPMG firms' audits of non-US components of US companies and of foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

**Member firm professional practice resources**

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

In our firm the role of DPP is crucial in terms of the support that it provides to the Audit function. It provides technical guidance and training to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS, UK GAAP and ISAs (UK).

**8.2 Critically assess audit evidence using professional judgment and scepticism**

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member needs to exercise professional judgement and maintain professional scepticism throughout the audit engagements. Professional scepticism involves a questioning mind and remaining alert to contradictory or inconsistencies in audit evidence. Professional judgement encompasses the need to be aware of and alert to biases that may pose threats to sound

judgements.

**8.3 Direct, coach, supervise and review**

**8.3.1 Embedding ongoing coaching, supervision and review**

We promote a coaching culture as part of enabling our professionals to achieve their full potential. We support a continuous learning environment where every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences while directing, supervising and reviewing their work.

**8.3.2 Engagement quality control (EQC)**

The EQC review is an important part of our approach to quality. We have agreed to appoint an EQC reviewer for each audit engagement, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements, including certain assurance engagements, as designated by our RMP or our Head of Audit.

An EQC review is an objective evaluation of the significant judgements made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer's evaluation of significant judgements includes an evaluation of the engagement team's assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate. The EQC review is completed only after the EQC reviewer is satisfied that all significant matters they raised have been resolved, though the engagement director is ultimately responsible for the resolution of accounting and auditing matters.

EQC reviewers must meet training, knowledge and experience criteria to perform the EQC review for a particular engagement. Reviewers must be objective, cannot be members of the engagement team and must be independent of the audit client.



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## 8.4 Appropriately support and document conclusions

### 8.4.1 Reporting

Engagement leaders form all audit opinions based on the audit performed and evidence obtained. In preparing auditors' reports, engagement directors have access to extensive reporting guidance and technical support through consultations with Department of Professional Practice, especially where there are significant matters to be reported to users of the auditors' report (e.g., a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph).

### 8.4.2 Engagement documentation

Our firm's audit documentation is completed and assembled in accordance with KPMG International policy and applicable auditing standards. We have implemented safeguards to protect the confidentiality and integrity of client and firm information and we have reduced the time period permitted to assemble audit documentation.



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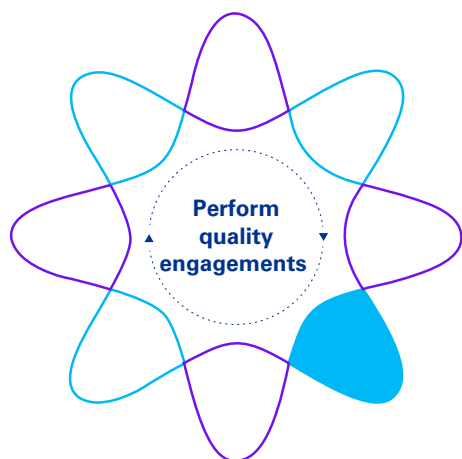
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# 9. Assess risks to quality

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

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

## 9.1 Identifying risks to quality and implementing effective responses

KPMG International performs an annual iterative risk assessment process (I-RAP) to determine the baseline expected quality objectives, quality risks, process risk points and controls (responses to those risks) that all KPMG firms agree to adopt. KPMG firms also perform their own I-RAP, annually, to identify any additional quality objectives, quality risks or controls specific to their firm's facts and circumstances.

The consistent global approach:

- Sets the minimum controls to be implemented

within all KPMG firms' SoQM processes in response to globally identified risks to meeting SoQM quality objectives.

- Defines the SoQM methodology used by KPMG firms in their annual evaluation of SoQM to demonstrate that SoQM controls are implemented and operating effectively.

In our firm, we also perform our own I-RAP annually, to identify any additional quality objectives, quality risks or controls specific to our firm's facts and circumstances.



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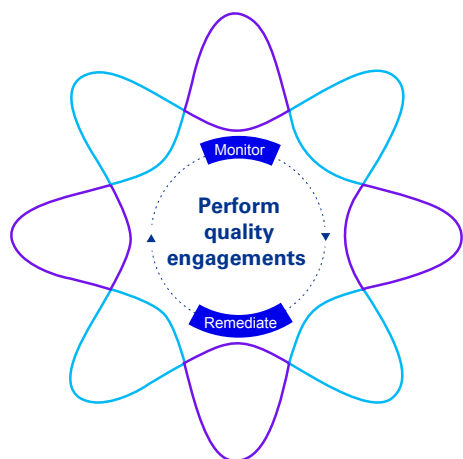
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# 10. Monitor and remediate

- **Rigorously monitor and measure quality**
- **Obtain evaluations and act on stakeholder feedback**
- **Perform root cause analysis**

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

## 10.1 Rigorously monitor and measure quality

### 10.1.1 Commitment to continuous improvement

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

### 10.1.2 Internal monitoring and compliance programs

Quality monitoring and compliance programs that are created by KPMG International are used by KPMG firms to identify quality issues, perform root cause

analysis and develop remedial action plans, both for individual audits and for their overall SoQM.

The programs evaluate:

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

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

These programs include:

- Audit Quality Performance Review (QPR)
- The global KPMG Quality & Compliance Evaluation (KQCE)



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- Global Quality & Compliance Review (GQCR)

The results and lessons from the integrated monitoring and compliance programs are communicated and we establish action plans to make improvements where needed. Results are also considered by KPMG International.

### **Audit Quality Performance Reviews (QPRs) program**

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

#### *Risk-based approach*

Each engagement leader in every KPMG firm, is reviewed at least once in a four-year cycle. A risk-based approach is used to select engagements.

We conduct the annual QPR program in accordance with KPMG International QPR instructions which promote consistency across the KPMG organisation. Reviews are overseen by an independent experienced lead reviewer from another KPMG firm. QPR results are reported to KPMG International.

#### *Evaluations from Audit QPR*

Across the global organisation consistent criteria are used to determine engagement ratings and KPMG firm Audit Practice evaluations.

Audit engagements selected for review are rated as 'Compliant', 'Compliant Improvement Needed' or 'Not Compliant'.

### **KPMG Quality & Compliance Evaluation (KQCE) program**

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

The 2023 KQCE program covered the period from 1 October 2022 to 30 September 2023 and helps support our conclusion on the operating effectiveness of our SoQM as of 30 September 2023 and compliance with quality and risk management policies.

### **Global Quality & Compliance Review (GQCR) program**

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

The GQCR team comprises of partners and managers who are independent of the firm subject to review. The overall objective of the GQCR programme is to assess the firm's compliance with selected KPMG International policies, including those related to governance and SoQM.

### **Internal monitoring and compliance program reporting**

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

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

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

### **Remediation and monitoring**

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

## **10.2 Obtain, evaluate and act on stakeholder feedback**

### **10.2.1 Regulators**

Our firm is subject to inspection by the Audit Quality Review Team of the Financial Reporting Council ("AQR") in respect of audits of Public Interest



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Entities established in the UK as well as Market Traded Companies incorporated in one of the Crown Dependencies (Jersey, Guernsey and the Isle of Man) which have 'transferable securities' admitted to trading on a 'regulated market' in the UK or the EU.

In 2021, the AQR began an inspection including engagements performed by both KPMG Channel Islands Limited and KPMG Audit LLC, as well as firm-wide controls. The inspection was completed in October 2022, following which a recommendation was made to the ICAEW's Crown Dependencies' Audit Registration Committee that our firm's registration to audit Market Traded Companies be continued. The AQR commenced their next inspection cycle in October 2023, which at the time of drafting this report is ongoing.

Our firm is also subject to inspections by the Quality Assurance Department of the ICAEW, covering statutory audits of UK entities and Whole Firm procedures. The latest inspection was concluded in March 2023 for the Channel Islands and in June 2022 for the Isle of Man. Our licence to perform UK statutory audits remains in place.

Our audit registration numbers, and audit register can be accessed at [Audit Register](#).

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) principally through IFIAR's Global Audit Quality Working Group (GAQWG), to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues.

Every KPMG firm is expected to maintain professional and respectful relationships with applicable regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

10.2.2 Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered.

10.2.3 Monitoring of complaints

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

10.3 Perform root cause analysis

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

Upon completion of the RCA, we design and implement remedial actions that respond to the underlying cause of the audit quality issues and subsequently monitor the effectiveness of such actions. The RCA remedial action plans and monitoring results are reported to regional and global leadership.

Our Head of Audit is responsible for audit quality, including the remediation of audit quality issues. Our firm's Risk Management Partner monitors the remediation plan(s) implementation.



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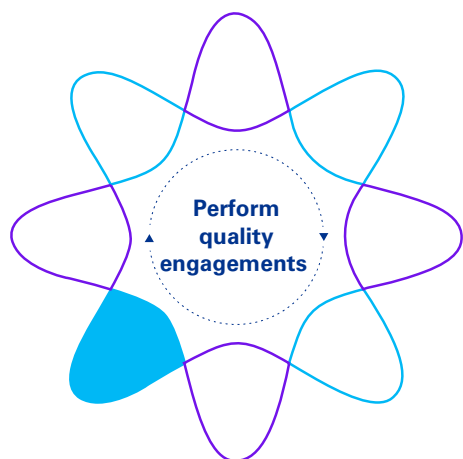
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# 11. Communicate effectively

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

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

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

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

The role of Audit Committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

### Audit Committee Institute

In recognition of the demanding and important role that Audit Committees play for the capital markets and of the challenges that they face in meeting their responsibilities, the [Audit Committee Institute](#) (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes.

Further details and insights on the ACI are available [here](#).

### Global IFRS Institute

The KPMG Global IFRS Institute provides information and resources to help Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial and sustainability reporting frameworks.

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

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

Through the GPS, our firm measures our people's engagement and gains additional insight about what



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drives engagement for KPMG people. The GPS includes specific audit quality questions for those individuals who participated in an audit in the previous 12 months, giving us a particular data set for audit quality related matters.

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

We participate in the GPS, monitor the results and take appropriate actions to communicate and respond to the

findings of the survey. The results of the GPS, and the appropriate follow up actions, are also aggregated for the entire global organisation and Global Board each year

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



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# 12. Financial information

The results set out below for the year to 30 September 2023 have been extracted from the draft accounts which have yet to be finalised and approved by the Board.

£ million	2023 (£ Million)	2022 (£ Million)
Audit revenue earned from Market Traded Companies and UK Public Interest Entities	4.2	4.8
Audit revenue earned from all other clients	35.3	29.2
Non-audit services revenue earned from Market Traded Companies and UK Public Interest Entities	0.0	0.1
Non-audit services revenue earned from all other clients	16.7	14.6
<b>Total</b>	<b>56.2</b>	<b>48.7</b>



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# 13. Director remuneration

Directors who own an equity interest in the firm ("Equity Partner in KPMG LLP") are remunerated out of the consolidated distributable profits of KPMG LLP as set out in the KPMG LLP consolidated annual accounts and as approved by the Management Committee and Equity Partners. The determination of the profits available for distribution is based on the consolidated results of the firm and is not dependent directly on the performance of any particular line of business or function. The final allocation of profits to the Equity Partners is made after assessing each individual's contribution for the year. This assessment is considered on an individual basis by the Chairman, Managing Director and the Management Committee.

The Chairman and Managing Director consider each Equity Partner's own view of their performance against objectives over the previous financial year and receive input from performance managers and functional leadership on his/her individual performance for the year.

Our policies for all elements of remuneration take

into account a number of factors including quality of work, results of the quality and compliance matrix, excellence in client service, growth in revenue and profitability, leadership and supporting the firm's values.

Equity Partners remuneration comprises an element which reflects the seniority and experience plus an element which reflects individual performance.

Partners and Directors of the firm who do not hold an equity interest are remunerated based on a fixed salary plus a discretionary bonus dependent on their individual performance against set objectives (which include objectives covering the above factors) and the performance of the firm as a whole.

Audit engagement leaders are not permitted to have any objectives related to, or receive any remuneration based on, selling non-audit services to their audit clients. In addition, a part of their performance-related assessment is based on their ability to meet the audit quality objectives of the firm.



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# 14. Network arrangements

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- Responsibilities and obligations of KPMG firms
- Professional Indemnity Insurance
- Governance structure

## 14.1 Legal structure

More information about the KPMG global organisation can be found in the [KPMGI Corporate Highlights](#)

In many parts of the world, regulated businesses (such as audit and legal firms) are required by law to be locally owned and independent. KPMG member firms do not, and cannot, operate as a multinational corporate entity. KPMG member firms are generally locally owned and managed. Each KPMG member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm’s obligations or liabilities.

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

Our firm and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organisation are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services

directly or indirectly to clients. Professional services to clients are exclusively provided by member firms.

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

KPMG International and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member 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.

Further detail on the revised legal and governance arrangements for the KPMG global organisation can be found in section ‘Governance and leadership’ of the [KPMG International Transparency Report](#).

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



**Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements<sup>2</sup>**

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.4 billion during the year ending 30th September 2023. 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 2023.

**14.2 Responsibilities and Obligations of KPMG Member Firms**

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

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

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

**14.3 Professional Indemnity Insurance**

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

**14.4 Governance structure**

KPMG International’s governance bodies are comprised of the Global Council, the Global Board

(including its committees), the Global Management Team and the Global Steering Groups.

**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 53 KPMG member firms.

**Global Board**

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms have agreed to comply. It also approves the admittance or termination of KPMG firms to/from the global organisation.

It is led by the Global Chairman, Bill Thomas and also includes the Chairman of each of the regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of members who are also member firm Senior Partners.

The list of current Global Board members is available on the Leadership page of [kpmg.com](https://kpmg.com) [here](#).

**Global Board committees:**

The Global Board is supported in its oversight and governance responsibilities by several committees including:

- Executive Committee;
- Governance Committee;
- Global Quality and Risk Management Committee; and
- Global Audit Quality Committee

Each of these committees is comprised of Global Board members and reports directly to the Global Board.

The overarching responsibility of the Global Audit Quality Committee is to strive for consistent audit quality across all firms and to oversee KPMG

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



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International activities which relate to improving and maintaining the consistency and quality of audits, assurance engagements and the system of quality management provided by KPMG firms.

The Global Head of Audit and the Global Head of Audit Quality (the latter being responsible for oversight of audit quality across KPMG for KPMG International) report on audit quality matters to this committee.

### Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team (GMT). These responsibilities include developing the global strategy by working together with the Executive Committee and jointly recommending the global strategy to the Global Board for its approval. The GMT also supports KPMG firms in their execution of the global strategy and KPMG International decisions and policies by member firms, including holding them accountable against their commitments.

The GMT promotes the commitment to KPMG being a multidisciplinary organisation. The GMT also oversees the activities of the Global Steering Groups

It is led by the Global Chairman, Bill Thomas.

The list of current GMT members is available on the [Leadership](#) page of 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 GMT and, together they assist the GMT in discharging its responsibilities. They act under delegated authority from the Global Board and oversight by the GMT.

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 quality and risk management policies;
- Establish and support effective and efficient risk processes to promote audit quality;
- Promote and support the implementation of strategy implementation in member firms' audit functions, including standards of audit quality; and
- Assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to increase audit quality;
- The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in the 'Governance and leadership' section of the [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 ending 30 September 2023, can be found in the 'Governance and leadership' section of the [KPMG International Transparency Report](#).

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# 15. Statement on the effectiveness of the System of Quality Management of KPMG in the Crown Dependencies<sup>3</sup> as at 30 September 2023

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM 1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1) and KPMG International Limited Policy,

KPMG in the Crown Dependencies<sup>3</sup> (the "Firm") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm. The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

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

The Firm outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programs enable the Firm to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when the Firm performs its annual evaluation of the System of Quality Management, the Firm evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023 the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

**Neale Jehan**  
Senior Partner  
St Peter Port,  
22 December 2023

3 - KPMG in the Crown Dependencies includes the following legal entities: KPMG Channel Islands Limited, KPMG Tax Limited, KPMG Advisory Limited, KPMG Audit LLC, KPMG LLC, KPMG LLP and KPMG Limited



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# Appendix 1

## Key legal entities and areas of operation

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG LLP	Jersey Limited Liability Partnership	Not regulated and does not provide any accountancy or reserved services	Holding Partnership	Crown Dependencies
KPMG Channel Islands Limited	Jersey limited liability company	Subject to audit regulation under Crown Dependencies' Audit Rules	Audit and audit related services	Channel Islands
KPMG Audit LLC	Isle of Man limited liability company	Subject to audit regulation under Crown Dependencies' Audit Rules	Audit and audit related services	Isle of Man
KPMG LLC	Isle of Man limited liability company	No regulated tax or advisory services	Tax and Advisory related services	Isle of Man
KPMG Audit Holdings Limited  (Ultimately 100% owned by KPMG LLP)	Jersey limited liability company	Not regulated and does not provide any accountancy or reserved services.	Holding entity for KPMG Channel Islands Limited and KPMG Audit LLC	Crown Dependencies
KPMG Tax and Advisory Holdings Limited	Jersey limited liability company	Not regulated and does not provide any accountancy or reserved services	Holding entity for KPMG Tax Limited and KPMG Advisory Limited	Crown Dependencies
KPMG Tax Limited	Jersey limited liability company	Subject to tax regulation under Crown Dependencies' Audit Rules	Tax related services	Crown Dependencies
KPMG Advisory Limited	Jersey limited liability company	Subject to Advisory related services regulation under Crown Dependencies' Audit Rules.	Advisory related services	Crown Dependencies
KPMG Limited	Jersey limited liability company	No regulated activities	Service company for back office and employees	Crown Dependencies



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# Appendix 2

## Management Committee

### Neale Jehan – Chairman



Neale is the inaugural Senior Partner at KPMG in the Crown Dependencies, following the merger of KPMG in the Channel Islands and KPMG in the Isle of Man. Neale also acts as the regional CEO/Senior Partner for KPMG Islands Group, of which KPMG in the Crown Dependencies is a member and as a result he sits on KPMG's EMA Board and its Global Council.

Neale previously led KPMG's Audit practice in the Channel Islands from October 2013, acted as Channel Islands Managing Partner from 2015 before becoming Channel Islands Senior Partner in 2019. He has worked both onshore and offshore, having moved back to Guernsey from the UK firm's London Financial Services Team in 2003. He has led clients across most alternative sectors, including private equity, infrastructure, hedge funds, debt funds, fund of funds and more esoteric asset classes.

### Andrew Quinn – Managing Director



Andy is the Managing Partner at KPMG in the Crown Dependencies with 25 years of experience in delivering audit and assurance services to a wide range of both local and international financial services businesses and various types of alternative investment funds such as property funds, mezzanine funds, distressed debt funds and related debt repackaging structures.

During Andy's career to-date at KPMG, he has been the firm's Head of Audit and Risk Management Partner in the Channel Islands and the Regional Head of Audit Quality for a sub-region within the KPMG network. Andy is a Past President of the Jersey Society of Chartered and Certified Accountants.

### Debbie Smith – Risk Management Partner



Debbie is the Risk Management Partner at KPMG in the Crown Dependencies. Debbie joined KPMG in August 1997 and became a Partner in the Audit Department in October 2005. She is a member of the Institute of Chartered Accountants of Scotland and is responsible for advising on the auditing, accounting and regulatory issues to clients across a range of offshore finance business, including banking, investment funds and captive insurance. Debbie is a Past President of the Guernsey Society of Chartered and Certified Accountants.

### Russell Kelly – Head of Advisory



Russell is a Senior Partner of KPMG in the Crown Dependencies with overall leadership of Advisory and is based in Jersey. He leads engagement teams across a number of prominent clients and sectors, including the finance sector encompassing wealth management, insurance and banking.

Russell has over 25 years' experience in professional services, all of which has been with KPMG. He has worked across the Isle of Man, London, Jersey, Guernsey and Gibraltar focusing on advisory services in the public and private sectors.

### Dermot Dempsey – Head of Audit



Dermot is the Head of Audit at KPMG in the Crown Dependencies and has over 20 years of experience in delivering audit and assurance services to the



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investment management sector. During his time with KPMG, Dermot has led the audits on a number of large London listed funds and private investment management platforms. Dermot has extensive experience in servicing asset management clients and brings insights into best practices in various areas such as governance, regulation, emerging accounting and other technical or jurisdictional issues which arise from time to time.

**Antony Mancini – Head of Tax**



Tony is the Head of Tax at KPMG in the Crown Dependencies. He is a Chartered Tax Adviser and former HM Inspector of Taxes in the UK. Tony has been advising multinational businesses and high net worth individuals on UK, Guernsey and international tax issues since 1991. Tony has been working in Guernsey since 2003 providing a range of tax services to businesses in the international financial services industry, with particular emphasis on the investment management sector.

His current client base includes a number of international banking groups, fiduciary and corporate service providers, leading private equity houses, property funds and other alternative investment structures. Tony is a former Chair of the Guernsey International Business Association (the body representing the finance industry in Guernsey), he is a Non-Voting Member of the States of Guernsey’s Committee for Economic Development and sits on a number of Government working parties dealing with various aspects of tax policy. Tony is also a member of the BVCA Tax Committee in the UK.

**Simon Nicholas – Head of Markets**



Simon is one of the Senior Partners, Head of Client and Markets across KPMG Crown Dependencies and Regional Head of ESG across KPMG Islands Group. He has more than 20 years of experience in assurance and consulting (ESG, strategy, M&A and risk) with private and public financial services clients and Governments.

His career - which has covered time in Bermuda, London and the Isle of Man - includes coordinating and leading teams around the world, working with numerous sectors across all International Financial Centres. He is a board member on the Isle of Man Government (“IOMG”) Finance Agency Board as well as various ESG specific appointments on Isle of Man’s trade bodies.



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# Appendix 3



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## Market traded companies<sup>4</sup>

- Abrdn Asian Income Fund Limited
- Abrdn China Investment Company Limited
- Amedeo Air Four Plus Limited
- Apax Global Alpha Limited
- BH Macro Limited
- Bluefield Solar Income Fund Limited
- Chrysalis Investments Limited
- db ETC Plc
- Fair Oaks Income Limited
- Fidelity Emerging Markets Limited
- GCP Infrastructure Investments Limited
- Global X Digital Assets Issuer Limited
- Gulf Investment Fund Plc
- Hansard Global Plc
- Invesco Digital Markets plc
- Marble Point Loan Financing Limited
- NB Distressed Debt Investment Fund Limited
- NB Global Monthly Income Fund Limited
- NB Private Equity Partners Limited
- NextEnergy Solar Fund Limited
- Picton Property Income Limited
- Round Hill Music Royalty Fund Limited
- RTW Biotech Opportunities Operating Ltd
- Tetragon Financial Group Limited
- The Schiehallion Fund Limited
- VietNam Holding Limited
- Volta Finance Limited

## UK Public Interest Entities<sup>5</sup>

- Hydrogen One Capital Growth PLC
- One Heritage Group Plc

<sup>4</sup>Market Traded Companies are defined as companies incorporated in one of the Crown Dependencies (Jersey, Guernsey and the Isle of Man) which have transferable securities admitted to trading on a 'regulated market' in the EU or UK– this list is at 30 September 2023

<sup>5</sup>UK Public Interest Entities are as defined in the FRC Ethical Standard



# Appendix 4

## Quality in Our Tax Practice

KPMG International is committed to being a responsible tax practice. This is manifested in its Quality Framework and the Global Principles for the Responsible Tax Practice.

The KPMG Global Responsible Tax Project is built on three core pillars;

- Engaging in productive debate: We believe there is a need for the world to have a sustained, inclusive and coherent discussion about the key issues that are affecting and shaping taxation in the modern world. We recognise this is not easy terrain, and believe diverse voices are needed

- Convening diverse voices: Through the project, we bring together a truly diverse community of stakeholders – from academics to activists to businesses to non-governmental organisations – to have the open discussions necessary to help inform the tax debate.

- Sharing insights and ideas: The project consists of both an online community and discussion forum, where anyone with a view is welcome to have their say, and a series of in-person and virtual roundtable discussions held all around the world.

### 4.1 The Quality Framework

Our Quality Framework describes how our commitment to integrity and quality lie at the heart of the way we do things at KPMG, servicing the public interest. KPMG's refreshed Quality Framework provides a common language across our global network to describe what we believe drives quality.



Our Quality Framework describes how our commitment to integrity and quality lie at the heart of the way we do things at KPMG.

Quality essentially means doing the right thing, and it remains our highest priority.

Performing quality engagements sits at the core with our quality drivers giving clear direction to encourage the right behaviours.

Our approach to quality relies on exceptional people having access to the right knowledge at the right time and harnessing leading technology, wherever possible. Our global commitment to monitor and remediate to fulfil these drivers is central to our approach on quality.

### 4.2 Global Principles for a Responsible Tax Practice

Bringing to life our values and our Global Code of Conduct in a way that is meaningful for the everyday situations we face as tax professionals.

Our tax advice will:

- Be supported by a valid basis in law;
- Be based on the assumption that all material facts will be known to tax authorities and all relevant disclosure requirements are properly made;
- Be tailored to the particular circumstances of our clients, address any requirements of substance and purpose, and consider the intention of the legislators;
- Clearly explain the technical merits and sustainability of relevant options available to our clients; and
- Consider any reputational risk and the impact on stakeholders and communities where these are practical to assess.

We require all our people to act lawfully and with integrity in dealing with tax authorities and our clients and we aim to be fully compliant with all relevant requirements.



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### 4.3 Policies and Procedures to Prevent the Facilitation of Tax Evasion

#### Introduction

The Criminal Finances Act 2017 (“the Act”) is UK legislation which came into force on 30 September 2017. A key aspect of the Act is the introduction of corporate criminal offences of the failure to prevent the facilitation of tax evasion (“the corporate criminal offences”). From 30 September, it is an offence for the organisation if someone within it or an associate helps to facilitate tax evasion and the organisation does not have in place ‘reasonable procedures’ to prevent it.

As a firm engaged in the provision of a wide array of services, which include tax advice and auditing entities that may have been established for tax purposes, the offences are highly relevant to our business activity and create a heightened risk environment in respect of all our services. This is because, whilst our firm (or KPMG member firms) would not intentionally facilitate tax evasion, the corporate criminal offences could arise not simply through the provision of tax related services but, for example, through other projects (e.g. restructuring

engagements or assurance and related services to entities used in a tax structure) and /or through KPMG’s own contracting and billing processes.

#### The Corporate Criminal Offences

There are three stages to the corporate criminal offences:

- Criminal tax evasion by a taxpayer under the existing law;
- Criminal facilitation of this offence by an associated person (including employees and agents); and
- The entity failing to prevent its representative from committing the criminal act at Stage 2.

There does not need to be a conviction for either Stage 1 or Stage 2 for the third stage to be present.

The only defence an organisation has is that it had reasonable procedures in place to prevent the criminal facilitation, or, that it was reasonable for that organisation not to have procedures. Organisations that are found guilty under this offence are subject to an unlimited fine and a criminal conviction, which could lead to action by the Financial Conduct Authority (FCA) against approved persons, potential exclusion from governmental contracts, loss of licenses and

reputational damage. It is likely to have a similar impact in the Crown Dependencies.

#### Reasonable procedures

Our firm has long been alert to the potential risk of facilitating tax evasion within its business. As such we have processes and procedures to enable the risk assessment and to prevent any potential involvement in facilitation. In particular, vigilance against tax evasion has been a feature of the Islands’ regulatory regime for many years. HMRC guidance sets out six principles that underlie what they consider to be reasonable procedures for an organisation to ensure there is no Failure to Prevent (“FTP”) the facilitation of criminal tax evasion.

#### Principle 1 - Risk assessment

The relevant body assesses the nature and extent of its exposure to the risk of those who act for or on its behalf engaging in activity during the course of business to criminally facilitate tax evasion.

The mature financial services sectors in the Crown Dependencies, allied with low or zero taxes for non-residents, means that there is a heightened risk of tax evasion activities within our firm’s marketplace. As a consequence of this and related regulatory requirements, we have nominated experienced partners within the practice with specific risk management responsibilities; this includes a partner within the tax department, who has over 25 years’ professional experience. In addition, there is a dedicated Risk and Compliance team, including at senior manager level.

Under global rules, our firm is required to undertake an Enterprise Risk Assessment annually. The ERA is prepared by the firm’s Senior Partner, in conjunction with functional RMPs and considers the changing nature of our marketplace and any impact on that risk assessment. For the reasons stated above, this will always include the risks posed from tax evasion and its facilitation.

All staff are trained in anti-money laundering principles which includes the detection of tax evasion. New clients and new engagements are subject to due diligence and risk assessment, by the relevant client manager which is approved by the engagement partner. Any risk assessed more than low is subject to a second partner approval. That assessment is documented and retained. The assessment is reviewed and renewed annually in most cases.

The wider risk team meet monthly to discuss current



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and emerging issues. The tax risk management partner participates in the wider KPMG global tax risk team and attends annual tax risk management training.

*Principle 2 - Proportionality of risk-based prevention procedures*

Reasonable procedures will be proportionate to the risk a relevant body faces of persons associated with it committing tax evasion facilitation offences. This will depend on the nature, scale and complexity of the relevant body's activities. We recognise that the reasonableness of prevention procedures should take account of the level of control and supervision the organisation is able to exercise over a particular person acting on its behalf, and the proximity of the person to the relevant body. The new offences do not require relevant bodies to undertake excessively burdensome procedures in order to eradicate all risk, but they do demand more than mere lip-service to preventing the criminal facilitation of tax evasion.

The firm is primarily an audit practice and the large majority of the audit client base are businesses that are either regulated by the JFSC, GFSC, or IOMFSA, or are administered by regulated businesses. Whilst this does not eliminate the risk of the facilitation of tax evasion within our client base, it does reduce the risk.

That said, all clients and engagements are evaluated and regularly reviewed to assess the risk profile and to ensure that does not change.

All new client engagements come from a direct relationship between our firm and the client or a referral from another KPMG member firm. In all cases, the same risk assessment of engagements is performed. Whilst the firm may be introduced to prospective clients by intermediaries such as law firms and administrators, in all cases, we will have a direct relationship with the client and all normal evaluation and risk assessment procedures are applied.

It is also important to note the requirements placed on individual staff members. Prior to joining our firm, all prospective employees are subject to screening, including police checks, and references are requested. All partners and staff are committed to abiding by the KPMG Global Code of Conduct. Further, annual training in ethics and anti-money laundering is mandatory for all personnel at all levels. These include clear procedures on how personnel should report suspicions of tax evasion and money laundering, as well as unethical behaviour by colleagues. Finally, partners and staff are not remunerated or otherwise

rewarded by reference to tax savings for clients or similar metrics.

*Principle 3 - Top level commitment*

The top-level management of a relevant body should be committed to preventing persons associated with it from engaging in criminal facilitation of tax evasion. They should foster a culture within the relevant body in which activity intended to facilitate tax evasion is never acceptable.

The senior leadership of our firm are committed to preventing the facilitation of tax evasion. The Firm RMP is a member of the management committee. As stated above, each function has a partner charged with risk management responsibility. The risk committee, comprised of the firm and functional RMPs, the Ethics & Independence Partner and senior members of the Compliance Team, meet monthly and formulate risk policy (including tax evasion detection and prevention) all policies and procedures are approved by the Board and communicated to all personnel.

In 2012, our firm adopted the Principles of a Responsible Tax Practice. This commitment was communicated to all staff through training and notification on the portal. In 2017, the firm adopted the revised Global Principles and again communicated this to all personnel.

Regular communications from senior leadership (in particular from successive Senior Partners) unequivocally articulate the Firm's zero tolerance for facilitation of tax evasion.

*Principle 4 - Due diligence*

The organisation applies due diligence procedures, taking an appropriate and risk-based approach, in respect of persons who perform or will perform services on behalf of the organisation, in order to mitigate identified risks.

As stated above, our firm has rigorous due diligence procedures for taking on new clients and new engagements. When delivering those engagements, all work is undertaken by directly employed personnel (apart from the occasional contractor) supervised by directors or partners. It is a strict requirement of the firm that all work is subject to review by a senior staff member and all final deliverables are required to be approved by the engagement partner (with the exception of routine compliance work that nonetheless requires review by an experienced senior staff member). This manner of engagement



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performance reduces the scope for individual personnel to deviate from firm policy in regard to the prevention of tax evasion.

To ensure compliance with these procedures, a range of independent reviews are undertaken.

- Our Compliance team undertake regular reviews or checks of engagement evaluations and report the results to heads of function and functional RMPs.
- All engagement leaders are reviewed at least once every three years by a review team, made up of senior personnel from other KPMG offices. These reviews included detailed examination of engagement files.
- All functions include some form of review of engagements by other personnel independent of the engagement teams.

The outcome of these reviews feed into individuals' annual performance appraisal.

*Principle 5 - Communication (including training)*

The organisation seeks to ensure that its prevention policies and procedures are communicated, embedded and understood throughout the organisation, through internal and external communication, including training. This is proportionate to the risk to which the organisation assesses that it is exposed.

Our firm has a strict policy of annual AML training that also includes wider risk issues, such as facilitation of tax evasion. It is mandatory for all partners and staff to attend this training.

Furthermore, through the internal portal regular updates on risk management matters are communicated. Within the tax function, specific risk management updates are delivered by the Tax RMP to all staff. This always includes awareness of the particular risks faced in providing tax services. The zero tolerance to facilitation of tax evasion is communicated as well as detailed guidance on the Global Principles for the Responsible Tax Practice.

Our firm makes clear its commitment to ethical behaviour and to the principles of responsible tax on its website. A summary of this document has been placed on our website for public consumption. The full document will be made available to clients and associates on request to assist them in discharging their own responsibilities under the Act.

*Principle 6 - Monitoring and review*

The organisation monitors and reviews its prevention procedures and makes improvements where necessary.

There are a number of existing arrangements that enable the review and improvement of procedures to detect and prevent the facilitation of tax evasion:

- The annual Enterprise Risk Assessment process;
- The monthly meeting of the risk committee;
- The attendance by functional RMPs at KPMG risk management training events;
- Updates and communications from the JFSC, GFSC and IOMFSA.

*Associated persons*

An entity may have committed an offence where an "associated person" has criminally facilitated the evasion of tax. An associated person is an agent (either a person or entity) who provides services for or on behalf of the entity. The Firm needs to consider what FTP risk there is in relation to the work of associated persons and whether additional policies or safeguards are required.

Possible associated persons for our firm include: -

- Employees;
- Contractors;
- Alliance partners;
- KPMG member firms (e.g. via Multi-Firm Engagements (MFEs) or otherwise);
- Third party service providers.

Employees are covered in the assessment above. Contractors, to the limited extent that they are used, are subject to the same policies, procedures and screening as employees.

We interact with other KPMG member firms in two ways: as Originating Firm and as Participating Firm. In the case of the former, we have the direct relationship with the client and the other member firm will be acting only under our instruction. Therefore, our FTP procedures should be sufficient in managing any risk in these situations.

In the case of the latter, as mentioned, even when we are instructed by another member firm, we will

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nonetheless complete our normal engagement evaluation procedures. So, no additional FTP procedures should be required.

We do not use third party service providers in the direct delivery of services to clients without the control and supervision by our firm personnel. When clients are introduced to us by third parties, as already stated, our normal client and engagement evaluation provisions are applied.



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