



Transparency Report 2023

KPMG in Hungary

[KPMG.hu](https://www.kpmg.hu)





Committed to delivering quality

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Dear Reader,

You are holding in your hands KPMG's Transparency Report for the financial year 1 October 2022 to 30 September 2023.

The financial year, and the period since then, have shown that the world is evolving very quickly, and can change in a matter of seconds. The challenges of the geopolitical and wider political uncertainty, the polycrisis that currently surrounds us, new technologies – notably AI, ESG and their integration into corporate governance – that are not only an optional extra now but also underpin business success, are putting companies in new situations where quality and meeting the highest standards are crucial and indispensable.

Quality, in the sense of complying with requirements, is an outcome, but it is also the standard for which we hold ourselves to account. It is the gateway to building trusted relationships with any of our stakeholders, such as our clients, our socio-economic environment, our personnel, the representatives of the regulatory environment or

the global KPMG organisation. Providing high-quality services is what allows people at KPMG to continuously earn and re-earn the trust that has underpinned the global organization for more than 150 years.

KPMG has been committed to quality for 150 years. This is the basis for building trust and the key to our success. It is this attitude that is becoming increasingly important as the world evolves at a pace unrivaled in recent memory.

Today, businesses are integrating technology into their operations at a speed and in ways once unimaginable. Shifting geopolitical winds and economic uncertainty have displaced decades-old business practices and norms, and businesses increasingly need to mobilise action against societal threats like the climate crisis.

The pace and scale of dramatic change happening around us only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future.

Audit and assurance quality remains one of the highest priority at KPMG. KPMG applies a consistent, risk-based approach to its System of Quality Management to drive audit quality and meet the requirements of the International Standard on Quality Management (ISQM). We're investing significant resources to ensure that we meet these requirements to the full and provide the highest quality service. We also focus on investing in tools, technology and talented people to allow us to operate in a seamless and integrated way.

With a view to ensuring quality, we have taken the following steps in recent years:

- We've transformed the audit experience by delivering a fully digital audit approach that is more efficient, more consistent and more adaptable.
- We're utilising the latest technologies in our work – including artificial intelligence. Leaning on our alliances with technology leaders, we further enhance the quality and complexity of the services we provide, thereby creating more value for businesses.

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- We continuously upskill our staff, building teams whose high-level knowledge is key, including in ESG reporting. We do this to help our clients meet the goals necessary to build a more sustainable future. This is particularly important now that the ESG law has also come into force in Hungary, which requires large companies to conduct an ESG (environmental, social and corporate governance) due diligence of their operations, including their subsidiaries and suppliers.

Leveraging the extensive knowledge and experience of our organisation and the expertise of our people, our primary goal is to serve our clients to the highest standards, and help safeguard the public interest. At KPMG, we never waiver from our commitment to deliver high-quality audit and assurance services.

This is also why we prepare this transparency report every year, so you can see our work and our commitment to quality and improvement, but also so that you can understand the framework

and approach we operate with, and how we enable professional development. In addition to this, we also aim to demonstrate how we meet our environmental, social and corporate governance objectives and commitments, based on what values.

We thank you for your trust and hope that this publication will inspire you and help you to understand KPMG's commitment, its vision and its mission. We also provide this so we can be your partners in professional excellence and quality services.



Rezső Rózsai

National Senior Partner
and Head of Audit
KPMG Hungary Ltd.
Budapest, 31 January 2024



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 controls.

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 organization, KPMG firms have strengthened the consistency and robustness of their system of quality management (SoQM) to meet the requirements of the International Standard on Quality Management (ISQM) 1, issued by the International Auditing and Assurance Standards Board (IAASB)¹. 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.

¹ The Hungarian National Standard on Quality Management 1 that is the translation of the International Standard is effective for financial years beginning on or after 1 January 2024. KPMG Hungary Ltd. early adopted ISQM 1 in accordance with the KPMG International policies.

KPMG International's global approach to SoQM and ISQM 1



Sets **policies and procedures** to support KPMG firms' effective SoQM in accordance with ISQM 1 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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The globally consistent approach is used by all KPMG firms across the global organization. The objective of this centralized 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. For KPMG, the Global Quality Framework outlines how we deliver quality and how every KPMG professional contribute to its delivery.

The drivers outlined in the framework are the ten components of our SoQM. In line with ISQM 1, our SoQM components 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 KPMG Hungary's SoQM Statement of Effectiveness (See section 15), this Transparency Report summarizes how our SoQM effectively supports the consistent performance of quality engagements. This report may also be useful for stakeholders interested in KPMG firms' Tax&Legal 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.

KPMG's Global Quality Framework





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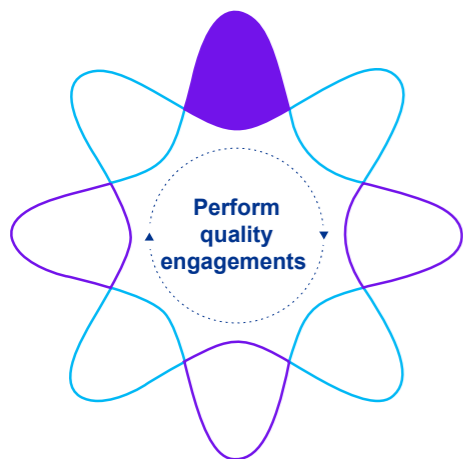
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2. Live our culture and Values

- 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 related to quality and risk management
- Oversee using 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 Fostering 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 organization that carries out audits and other professional services on which stakeholders rely.



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At KPMG, our [Values](#) lie at the heart of the way we do things. To do the right thing, the right way. Always. 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 behavior 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 behaviors and actions. It defines what it means to work at and be part of the KPMG organization, 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 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 certain areas of activity by 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.

In addition to the KPMG International hotline, we operate a [local whistleblowing hotline](#) which is available for KPMG partners and employees, clients, and other third parties to confidentially report concerns they have relating to how others are behaving (both internally and externally). The whistleblowing hotline allows people to report their concerns (via telephone, secure internet lines or surface mail) to a third-party organization. People can raise matters anonymously and without fear of retaliation. The member firm investigates and documents all relevant reported matters from the local hotline, KPMG International hotline or any other channel or way and the proposed actions are assessed and approved by the Head of People, Performance & Culture and Risk Management Partner before reporting to the Heads of Functions.

At least quarterly, the Head of Functions reviews a summary of relevant matters investigated and

received through the local hotline, KPMG International hotline, or any other channel or way, and analyses if there have been any changes in the complaints and allegations related to culture and tone at the top as compared to previous period. National Senior Partner approves action plans accordingly.

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 processes outlined above, the Global People Survey provides our leadership and KPMG International leadership with results related to upholding the KPMG Values. Our firm and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.

2.1.2. The KPMG multidisciplinary model

Today's organizations 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.



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

2.2.1 Our business

KPMG Hungary is a professional services firm that delivers Audit, Tax&Legal and Advisory services. We operate through several legal entities (see Appendix 1) in our office located in Budapest and had an average of 999 partners and employees in the year ended 30 September 2023 (in 2022, 901)

Our audit services in Hungary are delivered through KPMG Hungary Ltd. Full details of the services we offer can be found on our website kpmg.hu.

2.2.2 Our strategy

Our strategy is set by the KPMG Hungary Management Board 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 related to quality and risk management

2.3.1 Leadership responsibilities for quality and risk management

KPMG Hungary demonstrates commitment to integrity, quality, objectivity, independence, and ethics, and communicates our focus on quality to clients, stakeholders, and society. Our leadership plays a

critical role in setting the right tone and leading by example — demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

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

KPMG Hungary 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 at KPMG Hungary:

National Senior Partner

In accordance with the principles in ISQM 1, our National Senior Partner, Rezső Rózsai has assumed ultimate responsibility for KPMG Hungary's system of quality management for the year ended 30 September 2023.

In capacity as the managing director of Legal entities of KPMG in Hungary, the National Senior Partner has the overall responsibility for the day-to-day management of KPMG in Hungary including the day-to-day oversight of our system of quality control and must, together with the Leadership Team, follow all relevant and lawful guidelines and instructions set by the Management Board.

The National Senior Partner demonstrates a strong tone and culture supporting quality and professionalism through communication, engagement support and commitment to maintain integrity, objectivity, professional scepticism and ethics.

The current National Senior Partner, Rezső Rózsai was appointed on 1 October, 2019 for an initial 4 years term with a possibility to extend for 3+3 years (altogether 10 years as a maximum). Rezső Rózsai has been re-appointed for another 3 years (until 30 September 2026).

Risk Management Partner

KPMG Hungary'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 KPMG Hungary's Management Board and has a direct reporting line to the National Senior Partner. The fact that the role is a Management Board position, and seniority of the reporting lines, underlines the importance that the firm places on risk and quality issues. The Risk Management Partner consults, as appropriate, with the National Senior Partner, the Regional Risk Management Partner, Global Quality & Risk Management resources, and the general counsel or external counsel.

The Risk Management Partner is supported by a team of partners, directors and professionals in each of the functions.

The Quality & Risk Management Partner, Elek Votin was appointed to this role on 1 October, 2014.



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Ethics and Independence Partner

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Hungary and reports on ethics and independence issues to the National Senior Partner.

The Ethics and Independence Partner also acts as the Quality & Risk Management Partner with the same appointment date.

The Audit, Tax&Legal and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax&Legal and Advisory) are accountable to the National Senior Partner 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 Risk Management Partner. 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.

The current Head of Tax&Legal and Advisory, Gábor Beer was appointed to Head of Tax&Legal on 1 October, 2013 and to Head of Advisory on 1 October, 2019.

KPMG Hungary's 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 skepticism, objectivity, and ethics and integrity;
- Developing and implementing an audit strategy that is aligned with the firm's audit quality requirements;
- Working with the RMP to monitor and address audit quality and risk matters as they relate to the Audit practice.

The Head of Audit, Rezső Rózsai was appointed to this role on 1 October 2014.

Audit Leadership Team

The Audit partners have 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.

Audit Risk and Quality Board

In addition, within the Audit function our Audit Risk and Quality Board (ARQ Board) considered matters relating to maintaining and improving audit quality. The ARQ Board comprises the RMP, the Head of Audit and the Head of DPP and holds its meetings with the involvement of the Head of Root Cause Analysis ("RCA"), the Digital Audit Center ("DAC") Director (has been promoted to the position of Partner from 1 October 2023), an Audit Director, the Audit Process Excellence Manager, the IRM Partner, an IRM Director and an IRM Manager. The ARQ Board met 4 times during the year (in 2022: four times) and considered the detailed findings (and related actions) from external regulatory reviews, the internal Quality Performance Review program and other quality control programs, monitored the implementation and operation of SoQM and the results of the related testing of operating effectiveness, as well as papers on a range of issues designed to allow us to challenge ourselves in various aspects of audit quality and improvement.

2.4 Overseen using robust governance structures

2.4.1. Our legal and governance structure

KPMG Hungary 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 organization are members in, or have other legal connections to, KPMG International Limited, an English private company limited by



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guarantee. KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found in section 'Governance and leadership' of the 2023 KPMG International Transparency Report.

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

KPMG Hungary is a limited liability company incorporated in Hungary. KPMG Hungary Ltd. has three shareholders: KPMG Administration Ltd., Rezső Rózsai and István Henye. Rezső Rózsai and István Henye are both members of the Chamber of Hungarian Auditors. KPMG Administration Ltd. is a limited liability company incorporated in Cyprus and is a subsidiary of KPMG CEE Holding a.s., which is a limited liability company incorporated in Czechia.

The sole shareholder of KPMG CEE Holding a.s. is Radek Halicek, as trustee of KPMG CEE Partnership Trust. The beneficial owners of KPMG CEE Holding a.s. are Radek Halicek, as trustee of KPMG CEE Partnership Trust and KPMG CEE Partners via the KPMG CEE Partnership Trust. On this basis, we declare that KPMG Hungary Ltd. is a transparent organization based on Section 3 (1) b) of Act CXCVI of 2011 on national assets, and its ownership structure as well as its beneficial owner as per Act LIII of 2017 on the prevention and combating of money laundering and terrorist financing are known.

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

KPMG Hungary applies high standards of corporate governance.

The Management Board

The National Senior Partner chairs the Management Board (renamed in 2023, previously called the Management Committee) ensuring that the board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large. The current National Senior Partner, Rezső Rózsai, was appointed in 2019 by the Chairman of KPMG CEE after a consultation process with the local Partners.

The National Senior Partner appoints the other members of the Management Board who each has responsibility for specific aspects of our business operations: Quality & Risk Management, Audit, Tax&Legal, and Advisory.

The board usually met monthly during the year ended 30 September 2023, with some additional meetings held to cover specific topics. The board has the authority to establish local firm-wide policies (in line with the global policies, procedures and regulations established by KPMG International) and reviews and approves matters of fundamental importance to the firm such as the appointment of new partners, the strategy, operating and financial performance, long term and annual business plans and budgets, reports from function heads, new business activities, marketing, innovation and technology development, recruitment and retention and quality and risk management matters and policies. The board reviews annual reports on the compliance and quality control reviews performed by KPMG and external regulatory bodies including the appropriate action initiated by the Audit Risk and Quality Board and Head of Tax&Legal and Head of Advisory.

The Management Board is responsible to the partners of KPMG Hungary.

For the members of the Management Board please refer to Appendix 2.

Remuneration Committee

The Remuneration Committee reports to the Management Board and comprises the National Senior Partner, the Deputy National Senior Partner as the Head of Tax&Legal/ Head of Advisory and the RMP. The Remuneration Committee:

- reviews the annual quality and compliance metrics for each partner and director subject to the policy;



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- reviews and approves the annual partner remuneration; and
- reviews and updates the KPMG Hungary Management Succession Plan

Operational Management Team

The Operational Management Team (OMT) comprises the National Senior Partner (Rezső Rózsai), the Head of Tax&Legal / Head of Advisory (Gábor Beer), the Head of People, Performance & Culture (Zita Erős), the Head of Marketing & Communication (Gabriella Liptay), the CFO/COO (Krisztina Nagy), the Risk Management Partner (Elek Votin) and the IT Director/ CIO (Róbert Szakácsi). The OMT meets weekly and deals with operational matters.

Senior management including audit management (for the purpose of ISQM1)

Specifically, its responsibilities include:

Reviewing the proposed significant audit initiatives ensuring the objectives and outcomes align with maintaining or enhancing audit quality.

Recommending the strategic prioritization, resourcing and timetabling of audit initiatives as they impact audit quality across all offices.

	Senior Management Role	Audit Management Role
Rezső Rózsai	National Senior Partner, Head of Audit	Audit Business Unit Partner
Gábor Beer	Head of Advisory, Head of Tax	
Elek Votin	Quality and Risk Management Partner, Ethics and Independence Partner	
Judit Boros	Partner in charge of the System of Quality Management	Head of Audit Quality, Head of Professional Practice
Zita Erős	Head of People	
Krisztina Nagy	Chief Operation Officer	
Albert Simonyi		Audit Chief Operation Officer, Head of Resource Management
Georgina Kelemen-Kusttyán	General Counsel	
Rita Mentler-Csongrádi		Head of Audit Learning & Development
Zsuzsanna Csáki		Partner in charge of Quality Performance Inspections



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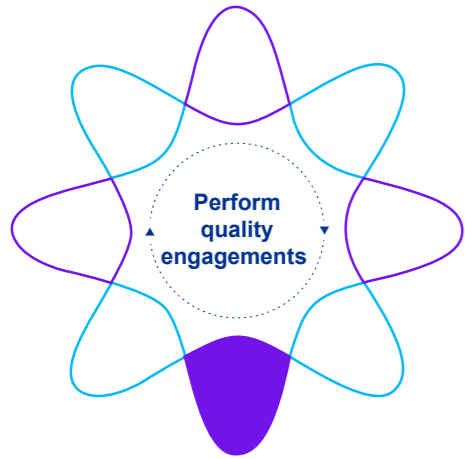
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3. Apply expertise and knowledge

- Methodology aligned with professional standards, laws and regulations
- Standardized 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 recognizing 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

Bringing consistency through our methodology

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:



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- Meeting the applicable standards, including International Standards on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and the Hungarian National Standards on Auditing;
- Identifying risks of material misstatements and the necessary audit response;
- Being 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 ESG reporting;
- Consistent interpretation of how to apply ISAs.

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflows) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality.

The KPMG Assurance Manuals provide the requirements and guidance for a consistent approach to performing assurance engagements, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The audit and assurance methodologies emphasize applying appropriate professional skepticism in the execution of procedures and require compliance with relevant ethical requirements, including independence.

Enhancements to the audit and assurance methodologies, guidance and tools are made regularly to maintain compliance with the applicable standards and address emerging auditing and assurance areas of focus and audit quality review results (internal and external). For example, the current focus on ESG assurance is driving updates to our assurance methodologies, tools and guidance.

KPMG firms may add local requirements and/or guidance to the globally prescribed minimum requirements in the KPMG Audit Manual, the KPMG Audit Execution Guide and the KPMG Assurance Manuals to comply with additional local professional, legal, or regulatory requirements.

3.2. Standardized methodology and guidance

The KPMG standardized methodology and guidance are embedded within KPMG Clara, our smart audit platform, and assist our engagement teams in 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 centers 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 of the impacts arising 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 organization, 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 organization.

During 2023, as part of the global organization'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 standardized risks and procedures for Greenhouse gas (GHG) 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 learning curriculum to increase the foundational ESG literacy of KPMG professionals and enable upskilling on the new methodology and KPMG Clara workflow for Assurance.

3.4 Quality and risk management policies

A robust and consistent SoQM is essential to delivering quality services. 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.



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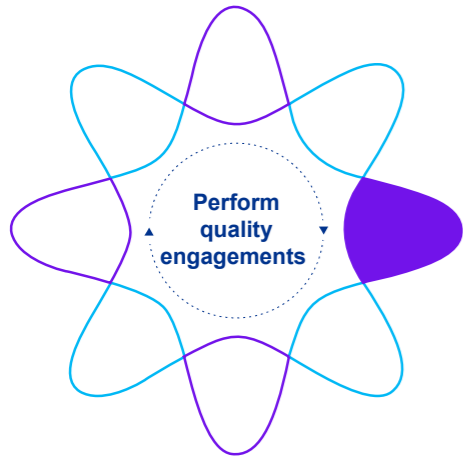


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4. Embrace digital technology

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- **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 organization 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 visualization. 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 audit 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 KPMG Hungary, all professionals are expected to adhere to KPMG International and KPMG Hungary's policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG Hungary 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.

4.3 Digital data and emerging technologies

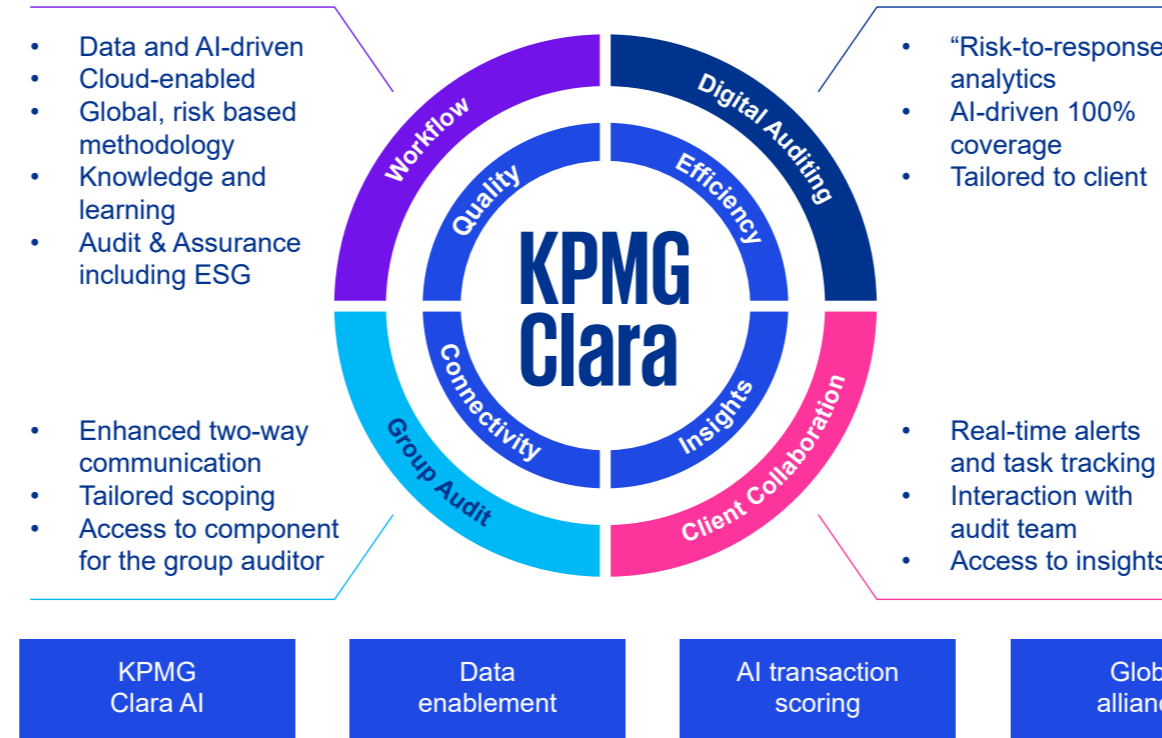
Our vision of the future

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 organization'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.



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4.3.1. Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized 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 Hungary personnel annually.



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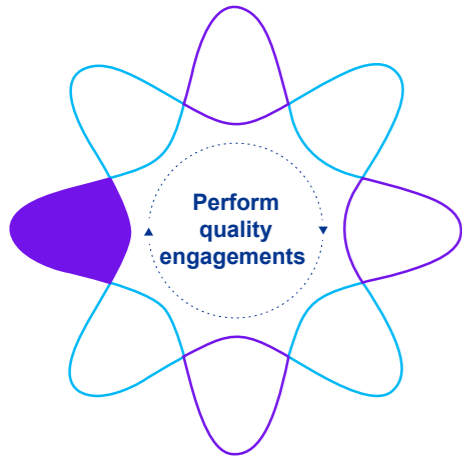
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5. Nurturing diverse skilled teams

Nurturing diverse skilled teams

- **Recruit appropriately qualified and skilled people, including specialists, with diversity of perspective and experience**
- **Assign appropriately qualified team**
- **Invest in data-centric skills – including data mining, analysis and visualization**
- **Focus learning and development on technical expertise, professional acumen and leadership skill**
- **Recognize 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.

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5.1.1. Recruitment

KPMG Hungary has 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 partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. 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 the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

KPMG Hungary recruited over 231 new graduates in the year ended 30 September 2023 (in 2022, over 300).

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

5.1.2 Inclusion, diversity & equity programs

KPMG Hungary is 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 recognize that KPMG'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 at KPMG Hungary and across all KPMG firms.

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

5.1.3 Reward and Promotion

Reward

KPMG Hungary has compensation and promotion policies that are informed by market data, clear, simple, fair and linked to the performance review process. This helps our partners 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 partners and employees and, in some cases, their continued association with KPMG.

5.2 Assign an appropriately qualified team

KPMG Hungary has procedures and controls in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity – based on an annual partner portfolio review – to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

For further details please refer to section 6.3 Managed portfolio of clients.

5.3 Invest in data centric skills – including data mining, analysis and visualization

KPMG is strategically investing in prospective talent by partnering with world-class institutions to sustain strong leadership, while also looking forward to cultivating

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the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in software, cloud capabilities and AI and 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 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.

KPMG Hungary has a Digital Audit Center (“DAC”), utilizing digital audit procedures and data and analytics tools. This serves to improve client satisfaction and broaden management information as well as the standardization of the audits we perform.

DAC team develops and performs data and analytics-based audit tests as an integral part of the audit for substantially all of our engagements.

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

5.4.1 Commitment to technical excellence and quality service delivery

All KPMG Hungary professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department 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.

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

In relation to audit, KPMG Hungary:

- Deploys a variety of learning solutions that are designed to reinforce the KPMG Values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit
- Provides instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics — this is used by audit teams and this guidance is embedded across audit learning solutions
- Have also developed professional judgment tools, designed to reinforce the importance of independence and objectivity, and to assist engagement teams in demonstrating professional skepticism

- Provides courses to enhance personal effectiveness and develop leadership and business skills.

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 judgment, 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 Hungary professionals are required to comply with applicable professional licence rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. KPMG International 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,

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and experience in the local predominant financial reporting framework – IFRSs as adopted for use in the European Union and Hungarian Accounting Law.

Mandatory requirements – US GAAP engagements

Specific requirements apply for partners, managers and Engagement Quality Control (EQC) reviewers involved in engagements 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, all partners, managers and, if appointed, the EQC reviewers (and 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 Recognize quality

5.5.1 Personal development

KPMG Hungary’s 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);
- Standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to the KPMG Values and designed to articulate what is required for success — both individually and collectively. We know that by being clear and consistent about the behaviors 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 organization.

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



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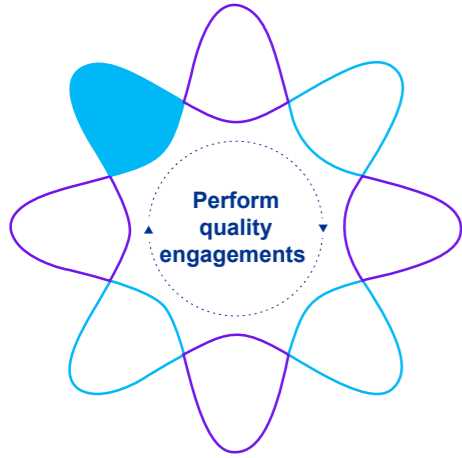
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6. Associate with the right clients and engagements

- **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.



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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 considered when we are evaluating each prospective engagement including:

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

KPMG Hungary undertakes 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 KPMG Hungary comes to a preliminary conclusion that indicates that 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 other appropriate authority as required under our professional obligations.

6.3 Manage portfolio of clients

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

KPMG Hungary's engagement partners 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.

The Head of Audit reviews each audit partner's client portfolio in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner and wider team to deliver a quality audit for every client.

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

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

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- an understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- an understanding of professional standards and legal and regulatory requirements
- appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgment
- an understanding of KPMG Hungary's quality control policies and procedures
- Quality Performance Review (QPR) results and results of regulatory inspections.

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



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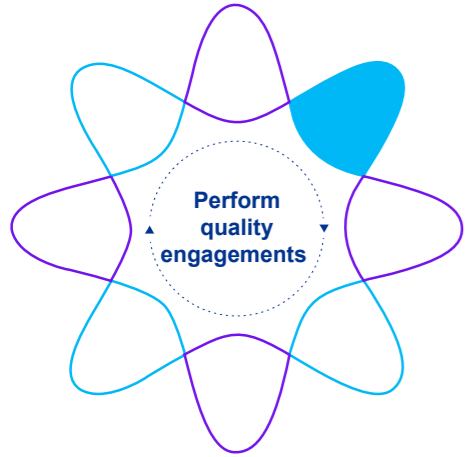
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7. Be independent and ethical

- **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 behavior 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 behaviors and actions.

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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, partner rotation and approval of audit and non-audit services.

Policies are supplemented to help ensure compliance with the standards issued by Chamber of Hungarian Auditors and those of other applicable regulatory bodies.

KPMG Hungary's 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. The EIP fulfils this responsibility through:

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

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

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

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

We monitor partner and manager compliance with this requirement as part of our program 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 the KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2023, over 24 of KPMG Hungary partners and employees were subject to these audits.

7.2.2 Employment relationships

Any KPMG Hungary 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 client. For partners, this requirement 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 in audit and assurance clients.

Former members of the audit or assurance team or former partners of KPMG Hungary are prohibited from joining an audit or assurance client in certain roles unless they have disengaged from all significant connections to KPMG Hungary, including payments which are not fixed and predetermined and/or would be material to KPMG Hungary and ceased participating in KPMG Hungary business and professional activities.

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

An assurance team member is also required to notify the EIP when they enter employment negotiations with the assurance client during the engagement. KPMG professionals engaged in negotiations regarding possible employment with an entity where we perform an audit or other assurance engagement are immediately removed from the engagement. Former assurance team members or former partners of KPMG Hungary who join an assurance client in certain roles cannot continue to participate in KPMG Hungary’s business or professional activities. If a professional accepts employment with an entity where we perform an audit or other assurance engagement, the engagement team gives active consideration to the appropriateness or necessity of modifying the procedures to adjust for risk of circumvention by the former professional of the member firm.

We communicate and monitor requirements in relation to employment and partnership of KPMG Hungary professionals by 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 KPMG Quality & Compliance Evaluation program.

Our firm does not invest in traded securities.

7.2.4 Business relationships/suppliers

KPMG Hungary has 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.

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

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

7.2.5 Independence training and confirmations

All KPMG Hungary partners and client-facing professionals, as well as certain other individuals, are required to complete independence training upon joining KPMG Hungary and on an annual basis thereafter.

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

- the Global Code of Conduct; and
- bribery and compliance with laws, regulations, and professional standards.

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

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

7.2.6 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 partners (LAEPs) are required to maintain group structures for their public interest entity and certain other audit clients including their related entities or 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 firms are prohibited from evaluating or compensating audit partners on their success in selling non-audit services to their audit clients.

7.2.7 Fee dependency

KPMG firms have agreed to consult with their Regional Risk Management Partner where total fees from an audit client are expected to exceed 10 percent of the annual fee income of the KPMG firm for two consecutive years. If the total fees from a public interest entity audit client and its related entities were to represent more than 15 percent of the total fees received by a particular KPMG firm in a single year, this would be disclosed to those charged with governance at the audit client. Where the total fees continued exceeding 15 percent for two consecutive years, we would engage a partner from another KPMG firm as the engagement quality control (EQC) reviewer and the fee dependency would be publicly disclosed.

7.2.8 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 partners' 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.

7.2.9 Independence breaches

All KPMG Hungary 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.

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

7.2.10 Partner and firm rotation

Partner rotation

KPMG Hungary partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these partners are restricted in the roles they can perform.

For statutory audits of public interest entities as defined by EU Audit Legislation key audit partners are required to rotate after a maximum of seven years, followed by a three-year cooling-off period.

Otherwise, subject to some limited exceptions, an individual shall not be a key audit partner for more than 10 years in respect of an audit of a non-public interest

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entity and after 10 cumulative years of service as a key audit partner, the individual shall not be a member of the engagement team for the client for two years.

KPMG Hungary monitors the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Firm rotation

KPMG Hungary is permitted to act as an auditor for a public interest entity as defined by EU Audit Legislation for a maximum period of 10 years and not to act as auditor for such a client for a four year period thereafter (referred to as the “cooling off period”). KPMG Hungary has processes in place to track and manage compliance with audit firm rotation requirements.

7.3 Have zero tolerance of bribery and corruption

We have zero tolerance of bribery and corruption.

All KPMG firms’ partners 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 policies can be found on the [anti-bribery and corruption site](#).



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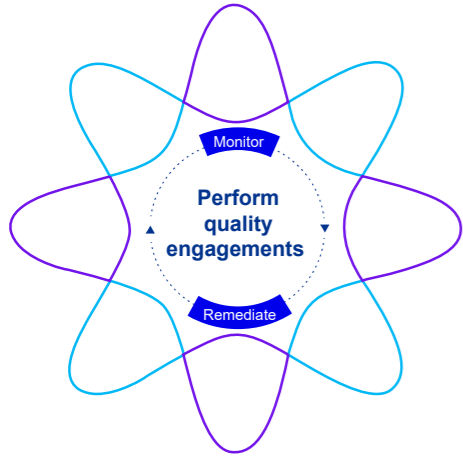
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8. Perform quality engagements

- **Consult when appropriate**
- **Critically assess audit evidence, using professional judgement and scepticism**
- **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. KPMG Hungary promotes a culture in which consultation is recognized as a strength and that encourages all KPMG Hungary professionals to consult on difficult or contentious matters.

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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.

The Department of Professional Practice (DPP) is the technical backbone of our audit practices. DPP captures changes in auditing and accounting rules and regulations, manuals and trends and provides support, consultations, pre-issuance reviews, alerts, newsletters, tools, templates and trainings to KPMG's audit practice so that the auditors are equipped to perform high-quality audits.

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 experience 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 and foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

Department of Professional Practice (DPP): Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). This resource also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG's ISG and PSG are also available for consultation support when required. Within KPMG Hungary, the Role of DPP is crucial in terms of the support that it provides to the Audit Function. DPP is led by a partner supported by a group of professionals and provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS

and ISAs. The Head of DPP is a member of the ARQ Board. To further strengthen consistent audit quality mandatory consultations and pre-issuance reviews relating to audits of public interest entities are performed by regional DPP (the Central and Eastern Europe DPP – CEE DPP).

8.2 Critically assess audit evidence using professional judgment and skepticism

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 skepticism throughout the audit engagement. Professional skepticism involves a questioning mind and remaining alert to contradictory, or inconsistencies in, audit evidence. Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to sound judgments.

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.

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8.3.2 Engagement quality control (EQC)

The EQC review is an important part of KPMG's approach to quality. An EQC reviewer is required to be appointed for audit engagements, 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 the RMP or country Head of Audit.

An EQC review is an objective evaluation of the significant judgments 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 partner 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.

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. Auditing standards and Hungarian Accounting Law largely dictate the format and content of the auditors' report which includes an opinion on the fair presentation of the reporting entity's financial statements in all material respects.

In preparing auditors' reports, engagement leaders have access to extensive reporting guidance and technical support through consultations with our

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

At KPMG Hungary 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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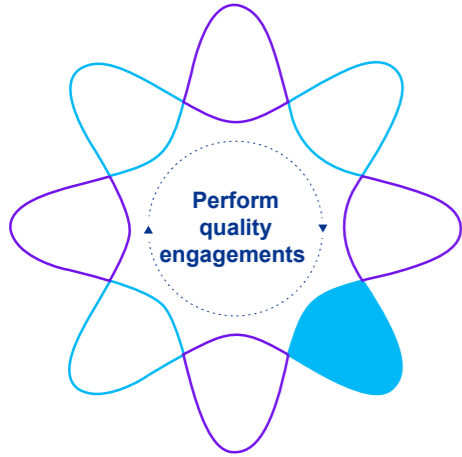
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9. Assess risks to quality

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

9.1. Identifying risks to quality and implement effective responses

The quality of a KPMG audit rests on the foundational SoQM and our approach to ISQM 1 emphasizes consistency and robustness of controls within our processes. 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 the SoQM controls are implemented and operating effectively.

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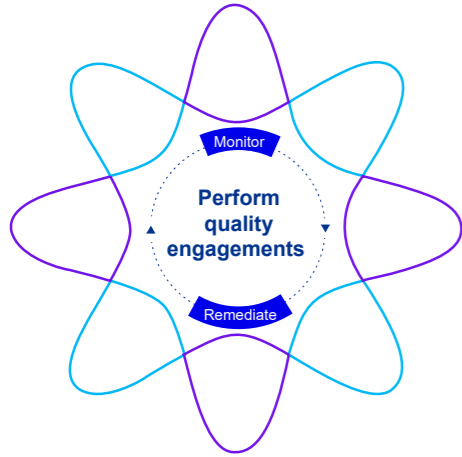
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10. Monitor and remediate

- **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 of individual audit engagements and the overall system of quality management.

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 programs are globally consistent in their approach across all KPMG firms, including the nature and extent of testing and reporting. KPMG Hungary compares the results of its internal monitoring programs with the results of any external inspection programs and takes appropriate action.

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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 key policies and procedures;
- KPMG Hungary's compliance with key KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our 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)
- 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 Review (QPR) 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.

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

Reviewer selection, preparation and process

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

Evaluations from Audit QPR

Across the global organization, 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 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 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.

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KPMG Hungary develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team. Results are reported to the GQ&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

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 emphasized in subsequent monitoring and compliance programs to gauge the extent of continuous improvement.

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

Remediation and monitoring

KPMG Hungary develops 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

The Chamber of Hungarian Auditors reviews all individual Registered Statutory Auditors on a six-year cycle, while the Auditors' Public Oversight Department of the Ministry of Finance (the 'Public Oversight Authority') reviews individuals who audit Public Interest Entities on a three-year cycle. Our firm is also subject to a quality review performed by the Public Oversight Authority on a three year cycle. The Public Oversight Authority carried out its latest Quality Review of KPMG Hungary in September 2021. The Chamber of Hungarian Auditors performed its latest quality review of individuals in January 2023.

KPMG Hungary is also registered with the US PCAOB. 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 relating to the quality of our work. These procedures are detailed in our general terms of business.

10.2.4 Other assessment of audit quality

Risk based in-flight reviews of specific areas of the audits and second line of defence reviews of whole audit engagements are performed during the course of audits at KPMG Hungary under the supervision of the Head of Audit Quality. Findings from these reviews are analysed, reported to the ARQ Board and communicated to audit staff as part of KPMG Hungary's commitment to continuous improvement of quality.

10.3 Perform root cause analysis

At KPMG Hungary, 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

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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.

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

Over the last few years, we have significantly increased the formality of root-cause analysis performed. The RCA is performed by a team trained in our Global root-cause analysis 5-step methodology and independent of the engagement team.

The outcome of this process is increased visibility of the underlying factors at engagement level that hinder the consistent delivery of high quality audits. This improved visibility allows us to develop more insightful and focused actions. These actions are broader than training, tools and guidance and are designed to address behavioural and structural matters in addition to areas such as technical knowledge and work allocation.



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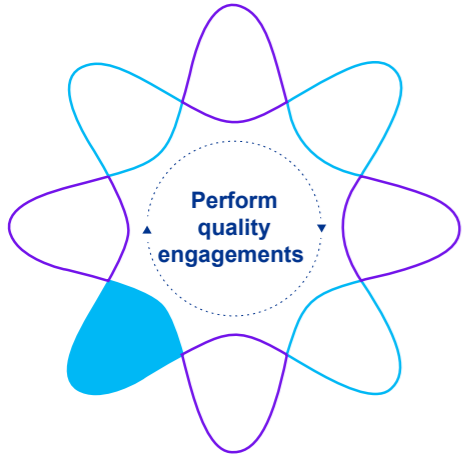
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11. Communicating effectively

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

We recognize 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

At KPMG Hungary 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 Audit Committee or board 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.

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

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

Through the GPS, KPMG Hungary measures our people's engagement and gains additional insight about what 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 Hungary and KPMG International leadership with insights related to quality and risk behaviors, audit quality, upholding the KPMG Values, and employee and partner attitudes to quality, leadership and tone at the top.

KPMG Hungary participates in the GPS, monitor 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 organization and are presented to the 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, which we review to ensure alignment with our local action plans where appropriate.



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12. Financial Information

Key financial data of KPMG Hungary Ltd. for the year ended 30 September 2023:

Revenues 2023 Million HUF*	
Revenues from the statutory audit of annual and consolidated financial statements of public interest entities and entities belonging to a group of undertakings whose parent undertaking is a public interest entity**	3 367
Revenues from the statutory audit of annual and consolidated financial statements of other entities**	3 260
Revenues from permitted non-audit services to statutory audit clients**	181
Revenues from assurance and other related services to other clients	3 755
Other revenues***	1 409
Total Revenues	11 972

* Partially determined by allocating fees based on working hours spent

** This category includes revenues that otherwise would be regarded to be “Revenues from permitted non-audit services to statutory audit clients” but where the work is also used for the purpose of the statutory audit or cannot be separated from it

*** Other non-audit services provided to other entities; services other than statutory audit services include other audit and assurance services to clients other than statutory audit clients, intermediated services, other fees for services and training fees. KPMG Hungary Ltd. does not provide tax advisory service



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13. Partner remuneration

Partners' profit share

Partners are remunerated based on the allocation of profits generated by KPMG Hungary and are personally responsible for funding pensions and most other benefits.

According to our Partner's Governance Document, principles and guidelines for fixed and performance-based remuneration of Partners are proposed and approved by the Management Board. The KPMG CEE Chairman approves this process and oversees its application.

The Remuneration Committee annually reviews and evaluates the Quality & Compliance indicators for all partners and determines the Quality Rating for audit partners and for advisory and tax & legal partners, as well.

The final allocation of profits to partners is made by the respective function heads and is reviewed by the Remuneration Committee after assessing each partner's performance, the performance of the respective function and the overall performance of the firm for the year.

In addition, the CEE Chairman reviews and approves the amount of remuneration to the Partners.



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14. Network arrangements

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

14.1. Legal structure

Legal structure

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.

KPMG Hungary 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 organization 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 to clients, 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, 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 organization 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 organization and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available [on this link](#).

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



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* 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.

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 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 firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies 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 organization.

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

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 International activities which relate to improving and

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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 organization. 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 Global Management Team (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 strategy implementation in member firms' audit functions, including standards of audit quality; and
- Assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in '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 Hungary Ltd. as at 30 September 2023

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1) and KPMG International Limited Policy, KPMG Hungary Ltd (the "Firm" and/or "KPMG Hungary Ltd.") 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:

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

KPMG Hungary Ltd. 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 KPMG Hungary Ltd. 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 KPMG Hungary Ltd. performs its annual evaluation of the System of Quality Management, KPMG Hungary Ltd. 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.

Budapest, 31 January 2024



Rezső Rózsai
National Senior Partner and
Chairman of the Management Board



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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 Hungary Ltd.	limited liability company	registered	audit services	Hungary
KPMG Advisory Ltd.	limited liability company	registered	tax and advisory services	Hungary
KPMG Legal Tóásó Law Firm	independent law firm	registered	legal services	Hungary



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Appendix 2.

Details of those charged with governance at KPMG Hungary

The group of partners' of KPMG Hungary is considered to be the group of those charged with governance and the group exercises oversight over the activities of the National Senior Partner and the Management Board.

The Management Board has the following members:



Rezső Rózsai, National Senior Partner

Rezső Rózsai is the National Senior Partner of our firm; Chairman of the Management Board. Rezső Rózsai joined KPMG in 1997, became Partner in 2008 and since 2014 he is the Head of Audit, from 2019 he is the National Senior Partner of the firm in Hungary. He is Certified Chartered Accountant in Hungary and fellow member of the Association of Chartered Certified Accountants, UK (ACCA). He has Master's Degree in Finance at College of Finance and Accountancy in Budapest. He has strong sector expertise in Industry, Retail and Real Estate. His key skills are audit of standalone and consolidated financial statements prepared in accordance with the Hungarian Accounting Law, IFRS, US GAAP and German GAAP. He is fluent in Hungarian, German and English.



Gábor Beer, Senior Partner

Gábor Beer has been involved in tax consulting since 1999, joining KPMG in 2000, became a Partner in 2009. He has headed the firm's Tax and Legal Department since 2013 and was appointed as Head of Advisory in 2019. Gábor Beer specializes in tax matters in the real estate and industrial sectors, and has a wealth of experience in international tax matters, as well as being a renowned tax specialist in M&A.



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Gábor Zachár, Partner

Gábor Zachár specialized in tax planning, tax structuring, tax due diligence and tax authority audits. He led several taxation due diligence projects for investors seeking to invest in Hungary and advised clients – amongst others – on tax structuring as part of mergers & acquisitions in numerous sectors. Gábor Zachár was appointed as Tax Partner in 2016.



István Henye, Partner

István Henye is specialized in auditing clients in the financial, energy and real estate sector. His area of expertise includes audits of separate and consolidated financial statements prepared in accordance with the Hungarian Accounting Law and IFRSs and due diligence reports. István Henye was appointed as Audit Partner in 2000.



Tamás Kórácz, Partner

Tamás Kórácz is Partner at Management Consulting, has been appointed as Partner in 2015. He is also Head of IT Advisory. Tamás Kórácz managed a series of large scale and complex IT project or lead the quality assurance of them. His areas of expertise: IT system requirement definition, system and vendor selection, ERP, CRM or BI system implementation; as well as IT strategy, organization and process development.



Elek Votin, Partner

Elek Votin has been with KPMG for over 30 years and has worked in five countries during his career. He has been an Audit Partner for 21 years and is the Risk Management Partner for the past nine years. Elek Votin is a Chartered Accountant (SA), holds an Accounting and Commerce degree together with an Executive MBA.

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Ágnes Rakó, Partner

Ágnes Rakó joined KPMG in 1999 and worked for seven years in the field of auditing, mainly being in charge of audit engagements connected to IFRS financial statements at companies operating in the financial sector. Thereafter she began to build up advisory teams for accounting, bookkeeping and payroll, before being put in charge of the financial risk management, internal audit, controlling, modelling, sustainability, financial process development, actuarial and forensic service areas. Since 2019 she has headed up KPMG's Risk Consulting, Financial Processes and Data Modelling department, and in the spirit of KPMG's Smart Digital Finance approach, the advisory areas under her wing place great emphasis on professional excellence, process management and digital transformation too. Ágnes Rakó has obtained ACCA, HRA and certified IFRS accounting qualifications, and is the Lead Partner for Diversity at KPMG



Dr. Bálint Tóásó, Partner

Dr. Bálint Tóásó has over 15 years of experience in corporate law, real estate and restructuring, he is equally active in providing services relative to compliance and data protection affairs. He has a good number of publications in English and German and is a regular conference speaker on compliance topics. Dr. Bálint Tóásó has studied at distinguished universities in South Korea, Germany, Austria and Hungary. He graduated in legal sciences and also holds MSc degree in economics and management. He is currently completing his Master in European and International Business Law. Before joining KPMG Legal, he used to work for Clifford Chance and Wolf Theiss in Budapest and in Vienna. He gained further business law experience as Head of Compliance and Corporate Legal Affairs at Trenkwalder Hungary. Dr. Bálint Tóásó has overseen dozens of successful M&A and real estate transactions and designed and directed complex data protection and compliance programs.

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Appendix 3.

Public Interest Entities

The list of public interest entity audit clients for which our firm has signed an audit opinion in the year ended 30 September 2023 is given below. The definition of public interest for this purpose is that given under the provisions of the Act LXXV of 2007, issued on the Chamber of Hungarian Auditors, the auditing activity and the public oversight of auditors, where a public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market within the European Economic Area and other entities that are regarded to be public interest entities under other law and regulations (banks, insurance companies and brokerage companies); and the audit of which is a statutory audit within the meaning of name of the Act.

Issuers of publicly traded debt or equity securities

- Magyar Export-Import Bank Zrt.²
- MFB Magyar Fejlesztési Bank Zrt. – for the year ended 31 December 2022
- Rába Járműipari Holding Nyrt.
- Zwack Unicum Nyrt.

Credit institutions

- UniCredit Bank Hungary Zrt.
- UniCredit Jelzálogbank Zrt. (also being issuer of publicly traded securities)

Insurance undertakings

- D.A.S. Jogvédelmi Biztosító Zrt. – for the year ended 31 December 2023
- Európai Utazási Biztosító Zrt.
- Generali Biztosító Zrt.

- Genertel Biztosító Zrt.

- NN Biztosító Zrt.

- Signal Iduna Biztosító Zrt.

Hungarian branches of EU PIEs

- Citibank Europe plc. Magyarországi Fióktelepe
- ING Bank N. V. Magyarországi Fióktelepe
- MAPFRE ASISTENCIA S.A. Magyarországi Fióktelepe
- Österreichische Hagelversicherung WaG Magyarországi Fióktelepe

Other PIEs

- KELER Központi Értéktár Zrt.

² Based on Article 17, paragraph 6 of Regulation 537/2014/EU of the European Parliament and of the Council on the specific requirements for the statutory audit of public interest entities and the repeal of Commission Decision 2005/909/EC, at the request of the audit client, the Public Oversight Department of the Ministry of Finance approved the extension of KPMG Hungary Ltd's tenure beyond 10 years for 2022 and 2023.



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KPMG Values

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

KPMG's Values express the organization's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler and more memorable to help each of us bring them to life every day.



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 from our differences.



For Better

We do what matters.



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