



Transparency Report 2017



KPMG in Ireland

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Message from our Managing Partner

Welcome to the KPMG in Ireland Transparency Report for the year ended 31 December 2017. We recognise the importance of sharing with our stakeholders what we do to advance quality, to manage risk and to maintain independence. This Transparency Report is one of the ways we share this information.

Our vision is one that sees KPMG as the Clear Choice professional services firm in Ireland. Being the clear choice requires us to be, amongst other things:

- the number one firm by reputation;
- a firm that is significantly differentiated by quality; and
- a firm that has the very best people.

Our Firm is built on a foundation of trust and integrity and we are fully committed to ensuring that all of our people do the right thing, every time, and that we continue to provide the highest quality services to our clients.

In this report we take the opportunity to provide stakeholders with a description of KPMG's audit quality initiatives. Together with our global colleagues we are united in our commitment to providing independent assurance on what matters to all stakeholders – our regulators, our clients, our people and the public.

Our focus on quality is underpinned by:

- **Our culture.** We drive a relentless focus on quality and service excellence and aspire to be the standard of trust in our profession. We recognise that trust is not a given – it must be earned and maintained. A quality audit means the delivery of an appropriate and independent opinion that is properly supported in compliance with the applicable auditing standards, laws and professional requirements. This means being seen to be independent in mind and complying with our legal and professional obligations.
- **Our people.** We approach all matters in an audit with objectivity and professional scepticism to offer relevant, valued insight and impartial views through candid communications. We nurture talent, create high-performing teams and deploy talented staff globally to deliver insights and innovative ideas.
- **Our approach** to audit quality. This includes having globally consistent methodologies and policies, enabled by innovative tools. The expanding role of innovation and technology in audit continues to evolve providing greater clarity and generating deeper and richer insights. Innovation in audit is an area where KPMG continues to invest significantly.
- **Our monitoring** programmes. These are fundamental to sustaining quality and to building on our success. We have a number of programmes and initiatives primarily aimed at identifying opportunities for continuous improvement and relevant remedial actions.

The EU audit reform agenda came into effect in 2016 and we would like to acknowledge the work and commitment of our regulators in implementing the agenda and driving audit quality. We look forward to continued engagement.

Our Public Interest Committee, which is responsible for independently overseeing the public interest aspects of decision making in our Firm, assists us in meeting our commitments. We greatly appreciate the external challenge and perspective that the additional oversight provides.

We are hugely conscious of the challenges facing businesses today as a result of significant geopolitical change, enormous technological disruption and increased regulation. In that regard our priority is to support our clients in dealing with the myriad of challenges they face.

KPMG's business faces all of the same challenges and the specific challenges relevant to our audit business are considered in the message from our Head of Audit, Conall O'Halloran.

This Transparency Report focuses significantly on our audit practice and plays a very important role in helping us to communicate to all of our stakeholders the measures that we take to help to ensure that we deliver high quality audits. However, a written report can never replace the additional insight that comes with discussion. Therefore, I would encourage any of our clients, potential clients, audit committee chairs, investors or indeed any other stakeholder group who wishes to discuss any matter set out in this report, to contact us. We would be very happy to discuss our approach and share our views with you.



Shaun Murphy
Managing Partner,
KPMG in Ireland

27 April 2018

A handwritten signature in black ink that reads "Shaun Murphy". The signature is fluid and cursive.

Shaun Murphy
Managing Partner

Message from our Head of Audit

2017 has been another demanding, yet fascinating year in the evolution of the audit market in Ireland. While we continue to see significant auditor change amongst public interest entities (“PIEs”), the societal interest in audit has also continued to increase, as indeed have expectations of what an audit has been designed to do. We have also seen our audit regulator, the Irish Auditing & Accounting Supervisory Authority (“IAASA”), assume its responsibilities both as an audit regulator and the audit standard setter. So the extent of auditor change in our largest public companies, together with the increasing expectations of external regulators on audit quality, has continued to provide both challenge and opportunity for all of our people. And as we plan for the future, we continue to invest heavily in two areas, namely our people and our IT processes, to ensure that our practice is prepared for these challenges and opportunities and can deliver to the market what society expects of us.

Regulation

On regulation, we have now been through our first complete IAASA inspection which was conducted in two phases; firstly a review of our whole firm procedures which apply equally across Audit, Tax and Advisory, and secondly, detailed file reviews of some of our public interest entities. While at this stage the inspection report is nearing completion, we can say that we welcomed IAASA’s fair and robust challenge and look forward to working with them, and other regulators, to drive our common goal of improving audit quality. We welcome IAASA’s signing of its memorandum of understanding with the US regulator, PCAOB, in late 2017 and believe it to be an important step forward in underpinning the US capital markets reliance on audit reports issued by Irish auditing firms such as KPMG.

Audit Market

Competition in the audit market continues to be as intense as ever and 2017 was a year in which we had notable success, winning both of the large public interest entity audit tenders which took place in the year. It is important to also recognise the significant role played by audit committees in these tender processes and the enormous commitment given by both management and Non-Executive directors in ensuring the process is fair, open and robust. It is also interesting to note that audit committees of non-PIE entities are also taking their responsibilities very seriously, particularly in relation to auditor independence, specifically tenure and non-audit services. As we look forward into 2018 and beyond, our success in the audit market in 2017 has ensured that despite rotating off a small number of longstanding PIEs, our people continue to have the ability to bring their skills and expertise to bear on the audits of Ireland’s largest companies, many of whom also have listings in the UK and US.

Our people

The increasing expectations of society on audit, together with our success in the market, continues to provide significant opportunities for our people. From an audit perspective, we continue to invest in our employee numbers, growing the practice from 1,050 in 2017 to 1,150 in 2018, with further growth forecast for 2018 and beyond. During 2017 we made 2 new Audit Partners and 4 new Audit Principals and had 70 other promotions across the practice. But it’s not just about the numbers. Through our KPMG Business School (“KBS”), we support our people with best in class training, both classroom and online, to ensure they are supported and prepared for our expectations of them in delivering excellence in audit quality. This manifests in many ways, including winning Best Graduate Training and Development Programme 2017 award, being recognised as Graduate Recruiter of the Year, achieving significant exam success across both Institute of Chartered Accountants in Ireland and Institute of Tax exams, resulting in pass rates of 97%, 98% and 88% in CAP1, CAP2 and Final Admittance examinations respectively.

Technology in Audit

I mentioned also the impact of technology on our audit and I believe we are at the cusp of an age when technology will begin to reduce the time that junior staff members spend on routine matters, thereby allowing much more focus on the risks in the audit areas that really matter. Within our audit practice we have a team of professionals whose sole function is to support the deployment of technology across the audit practice through bespoke tools such as KPMG Clara, KPMG Automated Audit Procedures (“KAAP”) and the Dynamic Audit Procedures Tool (“DAPT”), which are now broadly deployed as an integral part of our audit processes. In addition, in specific areas of the firm, such as Investment Management, we have developed bespoke technologies such as iNav and iRec to ensure that our audit methodologies are best in class and are driving higher quality and more efficient audit outcomes. Audit Committee members also have a real interest in the deployment of these new technologies as they allow them to perform their responsibilities more effectively and also to take more comfort in the work of external auditors.



Conall O'Halloran
Head of Audit
KPMG in Ireland

27 April 2018

Conclusion

2017 has been a very challenging and successful year. With the commitment and dedication of our people I believe that we are well set to continue to meet and exceed the expectations of our clients and regulators to ensure that our audit practice is the clear choice for business in Ireland.

A handwritten signature in blue ink, appearing to read 'Conall O'Halloran', written in a cursive style.

Conall O'Halloran
Head of Audit

Message from the Chairman of the Public Interest Committee

The Public Interest Committee ("PIC") comprises three non-executive members, Frances Ruane, Stephen Haughey and myself as Chairman, together with the Firm's Managing Partner, Shaun Murphy and its Risk Management Partner, Paul Dobby. Mr Frank Gannon acts as Secretary to the Committee. The Committee was established in the autumn of 2013 in line with Irish Audit Firm Governance Code prepared by the Chartered Accountants Regulatory Board ("CARB"). This sets out general principles rather than prescribing specific rules and has resulted in a learning-by-doing approach by the Committee and its members to establish a common view of the public interest as it relates to the Firm's activities and performance.

The PIC has a governance rather than a regulatory or executive role. Under the Code it has a right of access to relevant information and people and it exercises its duty of care to the Firm through the oversight of matters of public interest with an emphasis on risk and quality.

The Committee maintains its knowledge of the Firm through a regular series of in depth presentations across a wide range of topics. Consistent with previous years, the Managing Partner, the Head of Audit and the Risk Management Partner have continued to update the PIC on key risk issues at each meeting. In addition, the partnership is involved in a number of high profile assignments and with due respect for client confidentiality, the PIC sought to be and was kept abreast of key developments on such assignments by the relevant partners.

In addition to the continued focus of the PIC on the other significant areas included in my 31 March 2017 report, there was a number of noteworthy "Firsts" for the PIC during 2017, most notably:

- PIC meeting with IAASA
- PIC meeting held in one of the Firm's regional offices, namely the Belfast office
- PIC meeting with the recently established KPMG Northern Ireland Advisory Board

On a going forward basis the PIC intends to engage in a series of external stakeholder engagements where external members of the PIC will engage directly with selected Audit Committee Chairs of significant Irish European Union Public Interest Entities. This engagement with audit clients of the Firm will enhance the role of the PIC, as well as providing an independent but connected channel of communication between stakeholders and the Firm.

Based on our experience to date we consider the quality and risk management arrangements to be appropriate, robust and, when warranted, open to appropriate change. There is a focus on continuous improvement in light of the changing business and regulatory environment in which KPMG and similar firms operate and of the increasing expectations of regulators and other stakeholders of these firms. In the context of oversight from the global entity, the KPMG International Global Compliance Review of KPMG in Ireland was of assistance to the PIC in this regard.

We look forward in the coming period to making our contribution to the continued success of KPMG in serving the public interest.

Pat Cox

*Chairman of the
Public Interest Committee*

27 April 2018

Profiles of Independent Non-Executive members of the Public Interest Committee

Pat Cox (Chairman)

Pat Cox is currently the President of the Jean Monnet Foundation, Lausanne in Switzerland and the Président de l'Alliance Française de Dublin in Ireland. He has served as the President of the European Parliament and the President of the European Movement International. He is currently a member of several boards throughout Europe, namely the Yalta European Strategy in Ukraine, the Third Age Foundation in Ireland, the Supervisory Board of Michelin in France, the European Advisory Council of Liberty Global in the Netherlands, the Appian Asset Management in Ireland and the Institute for International and European Affairs in Ireland. He acts as the EU Project Coordinator for a multi modal transport corridor, the Scandinavian-Mediterranean TEN-T Core Network Corridor. He is leading a Needs Assessment Mission for parliamentary reform in Ukraine appointed jointly by its parliament and the European Parliament.

Stephen Haughey

Stephen Haughey is a qualified solicitor and was a partner in A&L Goodbody for twenty four years prior to retiring in 2010. Stephen was a partner in the Corporate Finance Department at A&L Goodbody, specialising in Banking and Finance and was head of the Banking Department for a period. He was appointed Chairman of A&L Goodbody in May 2005 and served in that role until he retired as a Partner in April 2010. Stephen currently acts as a Consultant to A&L Goodbody and has a number of non-executive directorships including Airbus Finance Company and Enable Ireland Limited.

Frances Ruane

Professor Frances Ruane is an economist and currently President of the Statistical and Social Inquiry Society of Ireland and a member of the European Statistical Governance Advisory Board. She is also a member of the Council of the Institute of International and European Affairs in Dublin. Frances was previously director of the Economic and Social Research Institute ("ESRI") and a member of the Council of Economic Advisors in Scotland. Frances is now an Honorary Fellow at Trinity College, where she worked prior to joining the ESRI. She has served on various national boards including the Commission of the National Pensions Reserve Fund, IDA, Forfás, Bord Gáis, the Higher Education Authority and the Health Research Board. Her research interests are in international trade, innovation and industrial policy.



KPMG Values

We lead by example

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

We work together

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

We respect the individual

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

We seek the facts and provide insight

By challenging assumptions and pursuing facts, we strengthen our reputation to provide insight as trusted and objective business advisers.

We are open and honest in our communication

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

We are committed to our Communities

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

Above all, we act with Integrity

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

KPMG's core values are at the heart of the Global Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.

1

Who we are

1.1 Our business

KPMG in Ireland is a provider of professional services, offering a range of audit, tax and advisory services to a broad range of domestic and international clients across all sectors of business and the economy. We operate on an all-Ireland basis and had an average of 87 partners (2016: 86 partners) and 2,535 people (2016: 2,500 people) during our financial year to 31 December 2017. We have five offices located across Ireland in Dublin, Belfast, Cork and Galway. Full details of all the services we offer can be found on our website www.kpmg.ie.

1.2 Our strategy

Our strategy is determined by the partners; we have set out our ambition to be the Clear Choice professional services firm in Ireland. We recognise in doing this that our commitment to quality in everything we do is the most important element of our strategy: our reputation depends on it, as does our ability to achieve all other elements of our strategy. The ability to articulate clearly and consistently what quality means to us, as well as being able to demonstrate how we safeguard the quality of the service we provide, underpins all elements of our strategy.

The key elements of our strategy are to:

- drive a relentless focus on quality and service excellence and service innovation;
- take a long-term sustainable view;
- act as a multidisciplinary firm, collaborating seamlessly;
- invest together in our chosen global growth priorities;
- continuously improve quality, consistency and efficiency;
- maintain a passionate focus on our clients;
- deploy globally our highly talented people;
- bring insights and innovative ideas; and
- build public trust.



2

Our structure and governance

2.1 Legal structure

KPMG in Ireland (“the Firm”) operates through a number of partnerships, formed under the Partnership Act 1890 and governed by a formal Partnership Deed, where each partner has one vote. During the year to 31 December 2017 there was an average of 87 partners (2016: 86 partners) in KPMG in Ireland. KPMG in Ireland is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in Appendix 1 to the KPMG International Transparency Report.

The current Transparency Report for KPMG International is available at the following link: www.kpmg.com

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

2.2 The Irish Audit Firm Governance Code

The Irish Audit Firm Governance Code (“the Code”) was issued by the Chartered Accountants Regulatory Board (“CARB”) in June 2012 and applies to firms that audit public interest entities.

The Audit Executive Team, as defined in the Executive Team section on page 11 overleaf, has reviewed the provisions of the Code together with details of how the Firm is complying with those provisions and has concluded that, as at 31 December 2017, KPMG in Ireland is in compliance with the provisions of the Code.

2.3 Governance structure

KPMG in Ireland applies high standards of corporate governance and we are totally committed to ensuring that we stay at the forefront of good governance.

Managing Partner

The Managing Partner acts as the chief executive of the firm and manages the firm in accordance with its policies. Executive authority over all partners is vested in the Managing Partner and extends to all areas of the firm, in accordance with the terms of the Partnership Deed. The Managing Partner may consult other partners and, in particular, the Policy Committee, the Executive Team and the Executive Council, as considered advisable in relation to matters which are within the power of the Managing Partner, but he is not obliged to do so.

The Managing Partner is elected by the partnership and serves a three-year term. A Managing Partner can stand for election for a second three-year term. He or she may only stand for a further term if that is approved by the partners. Any partner can put him/herself forward for Managing Partner at each three year interval as long as he/she is nominated by at least eight other partners.

Along with the Managing Partner there are a number of other principal bodies that deal with key aspects of governance within the firm. These are:

- the Policy Committee;
- the Executive Team;
- the Executive Council;
- the Public Interest Committee; and
- the Remuneration Committee.

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

The Policy Committee

The KPMG in Ireland Policy Committee is responsible for ensuring that the firm is run in the interests of its partners and employees as a whole and in a manner which is in keeping with the standing and reputation of the firm.

It is responsible for all policy decision making with the exception of certain matters which are reserved to the partners as a whole. The Committee's policy decisions are binding on the partnership. In addition, the Policy Committee is responsible for approving the strategy of the firm, overseeing its implementation by the Executive Team, considering quality and risk matters, recommending partner candidates to the partnership and considering the Firm's overall financial performance.

The Policy Committee is composed of seven people. The Managing Partner is ex-officio Chair of the Policy Committee. Other members are elected by the partnership at an annual election. Members who are elected serve a two-year term and can be then reappointed for a further two years. Members having served four years are not eligible for election again for two years.

The Committee meets regularly throughout the year. In the year to 31 December 2017 it met 17 times. The Committee reports to partners at least twice yearly updating them on its activities and the issues it is addressing. Minutes from each meeting are circulated to all partners.

The Executive Team

The KPMG in Ireland Executive Team acts as the key management decision making group of the Firm in consultation with the Firm's Executive Council. The composition of the Executive Team is determined by the Managing Partner for a period that is normally concurrent with, and may not exceed the period of appointment of the Managing Partner. In 2017 the Executive Team comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Advisory, the three Heads of Markets (Financial Services, Other Sectors, and Strategic Pursuits), the Head of Risk Management, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Team.

The Executive Team is responsible for developing the business plan within the overall strategy set by the Policy Committee, together with its subsequent implementation. It deals with operational matters affecting the Firm including operating and financial performance, quality and risk, budgets, new business proposals, innovation, marketing, technology development, recruitment, retention and remuneration.

The Executive Team generally meets fortnightly. It met 17 times during the year to 31 December 2017.

A Functional Executive Team acts as the key management decision making group of their respective function in consultation with the Executive Team. The composition of each Functional Executive Team is determined by the Managing Partner and the Head of Function for a period that

is concurrent with the period of appointment of the Managing Partner. In 2017 the Audit Executive Team comprised the Head of Audit, the Head of the Department of Professional Practice ("DPP") and the leaders of the key audit business units; the Tax and Legal Services Executive Team comprised the Head of Tax and Legal Services and the leaders of the key tax business units; and the Advisory Executive Team comprised the Head of Advisory and the leaders of the key advisory business units.

Details of the members of the Executive Team for KPMG in Ireland are set out in Appendix 1.

The Executive Council

The KPMG in Ireland Executive Council acts as the senior management team of the Firm. The Managing Partner appoints the Executive Council for a period that is normally concurrent with, and may not exceed the period of appointment of the Managing Partner. The composition of the Executive Council is such as to ensure appropriate representation from across the business. In 2017 the Executive Council comprised the Managing Partner, the Head of Audit, the Head of Tax and Legal Services, the Head of Advisory, the three Heads of Markets (Financial Services, Other Sectors and Strategic Pursuits), the fourteen leaders of our main client facing business units in Audit, Tax and Advisory, the Head of Risk Management, the Head of the Department of Professional Practice, the Head of People and Operations, the Head of Finance and Administration and the Secretary to the Executive Council.

The Executive Council is responsible for implementation of the Firm's business plan and for ensuring that the views of the Firm's main business units and the needs of all our people are appropriately reflected in the key management decisions of the Firm proposed by the Executive Team.

The Public Interest Committee

The Public Interest Committee ("PIC") was established in autumn 2013 to respond to the Irish Audit Firm Governance Code.

The PIC comprises three externally appointed members along with the Managing Partner and the Head of Risk Management. It is supported by a partner who acts as Secretary to the Committee.

The PIC is responsible for overseeing the public interest aspects of decision making of KPMG in Ireland. The Committee's focus is on the Firm's governance, risk, quality and oversight structures. Through its work the Committee assists in building public confidence in the quality control structures that the Firm has in place to ensure we properly consider our broader public accountability in delivering our services. Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, regulators, the business and financial community and others who rely upon the objectivity and integrity of the auditing profession. The PIC may also participate, together with Audit Leadership, in dialogue with external stakeholders, in particular

representatives of shareholders in public interest entities audited by KPMG in Ireland.

The three independent Non-Executive (“INE”) members of the PIC, whose profiles are included on page 4 of this report are Pat Cox (Chairman), Frances Ruane and Stephen Haughey.

The Public Interest Committee generally meets quarterly. It met 4 times during the year to 31 December 2017.

The Firm has considered the Irish Audit Firm Governance Code and the Ethical Standard issued by IAASA in drawing up criteria for appointment of the members of the PIC. These criteria recognise the need for the external Non-Executive members of our PIC to maintain appropriate independence from the Firm and its Partners and have due regard to the impact of any external financial and business relationships held by the Non-Executives on the Firm’s independence from its audit clients.

Our external Non-Executives are not considered to be part of the chain of command for the purposes of auditor independence requirements. In addition, none of them hold senior management positions at audit clients of the Firm which are public interest entities. They are, as a condition of their appointment, under a continuing obligation to disclose any matters which may constitute a potential conflict of interest as soon as they become aware of them. A report from the chair of the Public Interest Committee on the activities of the Committee in the year is provided on page 5.

The Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of each partner on an annual basis following a detailed review of each partner’s contribution over the year. Each partner submits a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Committee hears a report from each partner’s Counselling Partner on his/her individual performance for the year.

Finally, as part of its deliberations the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Advisory, Markets, Risk Management and People and Operations setting out an assessment of the quality of work performed by partners during the year under review. The Remuneration Committee details its findings and its recommendation in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations of the previous year are finalised.

The Remuneration Committee is chaired by the Managing Partner. Other members of the Committee are elected by the partner group annually. The Committee met 19 times in the year ended 31 December 2017.

Further information regarding partner remuneration is set out in Section 6.

2.4 Reporting

The governance bodies receive timely and appropriate quality information to enable them to discharge their duties. Section 5 of this Transparency Report provides the following disclosures:

- the financial information required by Article 5 of the EU audit regulation (EU regulation No. 537/2014 of the European Parliament);
- a statement of who is responsible for preparation of the financial information and their respective reporting responsibilities;
- a statement in respect of going concern; and
- our internal control review process.

2.5 Dialogue with stakeholders

We encourage any of our clients, audit committee chairs, investors or indeed any other stakeholder group who wish to discuss any matter set out in this report to contact us.



3

System of quality control

3.1 Responsibility for Quality and Risk Management

Everything we do begins and ends with quality. We are committed to achieving a high level of quality and the highest ethical standards. As a result, we continue to build a culture of continuous improvement so that we are recognised through the quality of our work. We are cognisant that fundamental to building and maintaining public trust in our audit services is a continuous commitment to improving quality. We continue to invest heavily in delivering and developing an audit offering including significant investment in training and in tools that enable us to deliver more effective audits.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to member firm policies and associated procedures in carrying out their day-to-day activities.

3.2 Our system of quality control

KPMG International has policies of quality control that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) which is available to all personnel. These policies are based on the International Standard on Quality Control 1 ("ISQC1") issued by the International Auditing and Assurance Standards Board ("IAASB"), and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

Our Firm implements KPMG International policies and procedures and adopts additional systems of quality control that are designed to meet the rules and standards issued by the IAASA, CARB and other relevant regulators as well as local legal requirements.

There have been significant changes in professional standards and regulatory environment in which we operate during the period as a result of EU Audit Reform. We have considered

the changes in the regulatory environment and professional standards and updating our policies and procedures to ensure compliance with same.

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

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

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

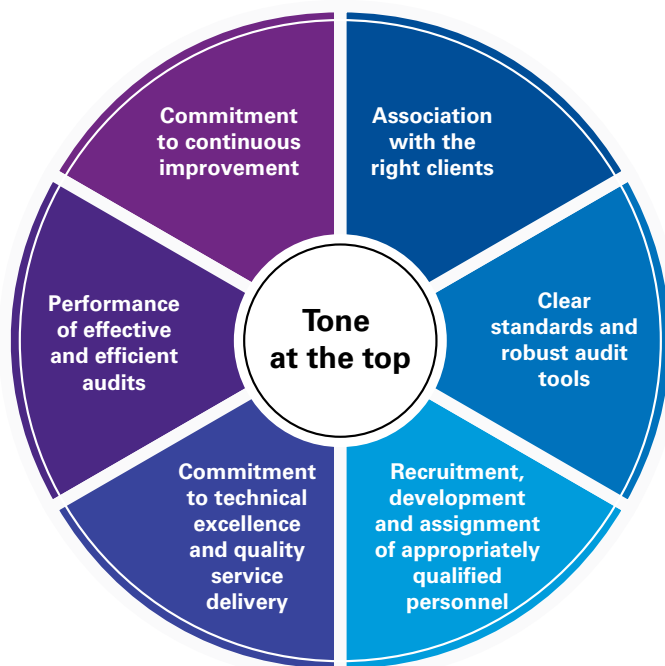
Audit quality framework

At KPMG in Ireland audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International developed the Audit Quality Framework. This framework uses a common language that is adopted by all KPMG member firms, including KPMG in Ireland to describe what the KPMG network believes drives audit quality, and to highlight how every audit professional at each KPMG member firm contributes to the delivery of audit quality.

'Tone at the top' sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across the entire KPMG network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others. Each of the seven

drivers is described in more detail in the following sections of this report.



Audit Quality Committee

KPMG in Ireland has established an Audit Quality Committee which is chaired by the Head of Audit. Its terms of reference include establishing a heightened focus on audit quality across the audit function and exercising oversight of sufficiency of QPR and regulatory inspection responses.

The committee oversees quality initiatives including inflight review programmes, dynamic audit initiatives and in 2017 published an audit engagement leader quality charter demonstrating an engagement leader’s personal commitment to quality on each of their engagements.

3.3 Tone at the top

The culture of KPMG International and KPMG member firms is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviours to permeate throughout the KPMG network. At KPMG in Ireland we promote a culture in which consultation is encouraged and recognized as a strength.

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

KPMG’s tone at the top provides a clear focus on quality through:

- culture, values, and our Code of Conduct – clearly stated and demonstrated in the way we work;

- focused and well-articulated strategy – incorporating quality at all levels;
- standards set by leadership; and
- Governance structure and clear lines of responsibility for quality, with skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that our stakeholders expect and rely on. It is also the key KPMG core value.

For us, integrity means constantly striving to uphold the highest professional standards in our work, providing high quality advice to our clients and rigorously monitoring our independence. Our values, which have been explicitly codified for a number of years, are embedded into the working practices and values-based compliance culture at KPMG in Ireland. Our values form the foundation of our culture and set the tone at the top. They also form the foundation of our approach to audit and shape how we work together. We communicate our Values clearly to our people and embed them into our people processes – induction, performance development and reward. Our core values are set out on page 8.

This commitment underlies our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviours or actions that are inconsistent with our values or professional responsibilities.

Recommendations for improvements

At a global level, through the Global Audit Quality Issues Council (“GAQIC”) and the GQRMSG, KPMG International reviews the results of the quality monitoring programs, analyses member firm root causes and action plans and develops additional global actions as required.

The GAQIC considers network-wide issues arising from internal quality control reviews and external inspections, monitors progress being made in addressing audit quality issues and makes recommendations to the Global Audit Steering Group (“GASG”) on audit quality issues.

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

At a local level, through the Dynamic Audit Steering Committee KPMG in Ireland undertakes targeted projects to improve our policies, procedures and process in areas which have been identified by the Firm through our monitoring and compliance programs as audit quality issues.

Code of Conduct

The KPMG International Global Code of Conduct builds on the KPMG Values. Member firms, including KPMG in Ireland are required to adopt, as a minimum, the Global Code of Conduct.

Our Code of Conduct incorporates our Values and defines the standards of ethical conduct that is required from all of our people. It sets out our ethical principles and helps partners and employees at KPMG in Ireland to understand and uphold those principles. In addition, the Code of Conduct emphasises that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility.

Our Code of Conduct includes provisions that require KPMG personnel to:

- comply with all applicable laws, regulations and KPMG in Ireland policies;
- report any illegal acts, whether committed by KPMG in Ireland personnel, clients or other third parties;
- report breaches of KPMG policies; and
- uphold the highest levels of client confidentiality.

All KPMG in Ireland personnel are required to:

- confirm their understanding of, and compliance with, the Code of Conduct upon joining the firm, and annually thereafter; and
- complete training on the Code of Conduct upon joining the firm and on a biennial basis thereafter.

Our personnel are encouraged to raise their concerns when they see behaviours or actions that are inconsistent with our values or professional responsibilities and required to do so when they see breaches of KPMG policies, laws and regulations, and professional standards.

We have procedures and established channels of communication so that our personnel can report ethical and quality issues and individuals who report in good faith will not suffer any adverse impact regardless of whether the concern is ultimately substantiated.

In addition, the KPMG International hotline is a mechanism for our partners, employees, clients and other external parties to confidentially report concerns they have relating to certain areas of activity by our employees or the partners or senior leadership of our Firm.

At KPMG in Ireland, we regularly monitor the extent to which our people feel we live our values through the Global People Survey (refer to Section 3.7.1).

3.3.1 Leadership responsibilities for quality and risk management

KPMG in Ireland demonstrates commitment to quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society. However, 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 having a culture based on quality, integrity and ethics, demonstrated through their actions and communications.

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

Managing Partner

In accordance with the principles in ISQC1, our Managing Partner, Shaun Murphy, has assumed ultimate responsibility for KPMG in Ireland's system of quality control.

The three Heads of Function – Audit, Tax and Legal Services and Advisory – are primarily accountable for the quality of service delivered in their respective functions. Each is supported by an executive team of partners who, together with the Head of Function, are responsible for the operation of the risk management, quality assurance and monitoring procedures for their specific functions set by the Firm's policies and the Head of Risk Management. These procedures reinforce the fundamental principle that, on each individual engagement, quality is ultimately the responsibility of each and every professional.

Head of Risk Management ("RMP")

Operational responsibility for the system of quality control, risk management and compliance has been delegated to our Head of Risk Management, Paul Dobey, who reports directly to the Managing Partner and is a member of the Executive Team. This underlines the importance that our Firm places on risk and quality. He is responsible for setting overall professional risk management and quality control policies and monitoring compliance.

The Risk Management function is also responsible for establishing policies and procedures in relation to ethics, and independence, and for monitoring compliance with these policies and procedures.

Department of Professional Practice ("DPP")

The DPP function is responsible for providing support to the Firm's professionals in meeting their professional responsibilities in the areas of auditing, accounting, reporting and assurance standards. It is led by our Head of DPP, Eamonn Russell, and is comprised of a team of senior and experienced professionals with the technical expertise necessary to support audit teams on the interpretation and application of auditing, accounting and regulatory requirements.

The DPP and Risk Management functions are involved in the internal monitoring procedures described in Section 3.9.

The Audit, Tax and Advisory functions - Heads of Function

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



KPMG Clara



eAudit



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KAAP

the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

Our Heads of Function are responsible for leading a sustainable high-quality practice that is attractive to KPMG people. This includes:

- setting the right ‘tone at the top’ by demonstrating an unwavering commitment to the highest standards of professional excellence, including scepticism, objectivity, and independence;
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- Working with the Risk Management Partner to monitor and address quality and risk matters including an annual evaluation of activities considered to be key to quality.

3.4 Clear standards and robust audit tools

We expect all of our professionals to adhere to KPMG International’s and KPMG in Ireland’s policies and procedures (including independence policies) and provide a range of tools and guidance to support professionals in complying with these policies. The policies and procedures we set for audit incorporate the relevant requirements of auditing, accounting, ethical and quality control standards, and other relevant laws and regulations.

We dedicate significant resources to keeping our audit methodology and tools complete and up to date. Our global audit methodology, developed by the Global Services Centre (“GSC”), is based on the requirements of International Standards on Auditing (“ISA”). The methodology is set out in the KPMG Audit Manual (“KAM”) and includes additional requirements that go beyond the ISAs where KPMG believes these enhance the quality of our audits. KPMG member firms may also add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

We continue to invest heavily in delivering and developing an audit offering including significant investment in training and in tools that enable us to deliver more effective audits.

It is important that the technology is integrated with and supports the end to end audit process and the professionals interpreting the data; our KPMG Clara platform gives us an integrated platform to achieve this, from our interactions with clients, audit workflow and documentation and our Data Analytics tools such as our DAPT technology which we are extensively deploying on our audits.

Our use of Data & Analytics supports our audit approach by:

- enabling the engagement team at the outset of our planning to assess client data and highlight areas of higher audit risk;
- automating the analysis of internal and external data into effective, high-quality audit evidence that runs through our service model and enables us to leverage data-driven audit processes and techniques;
- maintaining and developing industry-specific Data & Analytics models that enhance the value and insight we deliver on financial risk and performance; and
- Allowing our teams to present innovative new solutions and value-added deliverables that enable us to deliver a robust, high-quality audit together with actionable insights to the organisations we serve.

The global audit methodology is supported by KPMG Clara, KPMG’s electronic audit platform, which provides auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. KPMG Clara encompassing eAudit has been deployed to all audit professionals in our Firm.

eAudit’s activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to our stakeholders.

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

The global audit methodology encourages use of specialists when appropriate and also requires use of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary. KAM includes the implementation of quality control procedures at the engagement level that provide us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory and KPMG policy requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality and Risk Management manual that is applicable to all KPMG member firms, functions and personnel. The provisions of ISQC1 are addressed through KAM and through our implementation of the Global Quality and Risk Management manual.

3.4.1 Access to specialist networks

Our engagement teams have access to a network of local and global specialists in KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g. Information Technology, Tax, Treasury, Pensions, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process as well as during the risk assessment and planning stage of each audit.

3.4.2 Consultation

We promote a culture in which consultation is recognised as a strength and that encourages personnel to consult on difficult or contentious matters. To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, our Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources that includes DPP. Across our Firm, the role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

Specific guidance is issued to assist teams in areas of significant judgement including topics such as use of fair values, impairment testing, pension assumptions and the appropriateness of going concern disclosures where significant uncertainties exist. To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant auditing and accounting matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, the Head of DPP, the Head of Risk Management, or ultimately the Managing Partner.

Auditing and technical accounting support available to our Firm also includes the Global Services Centre ("GSC") and the International Standards Group ("ISG") as well as (for work on SEC foreign registrants) the U.S. Capital Markets Group based in London and New York.

Global Services Centre ("GSC")

The GSC develops, maintains and deploys KPMG's global audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits.

International Standards Group ("ISG")

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

Further details about the GSC and ISG and their activities are available in the KPMG International Transparency Report.

3.4.3 Developing business understanding and industry knowledge

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

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

3.5 Performance of effective and efficient audits

We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. These behaviours are discussed below.

3.5.1 KPMG audit process

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

- timely partner and manager involvement;
- timely access to the right knowledge – specialists, accredited individuals and relevant industry expertise;
- critical assessment of audit evidence;
- exercise of professional judgement and professional scepticism;
- ongoing mentoring, supervision and review;
- appropriately supported and documented conclusions; and
- robust challenge and review, including EQC review.

Timely partner and manager involvement

To help identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates.

The engagement leader is responsible for the direction, supervision and performance of the engagement and therefore responsible for the overall quality of the audit engagement.

The engagement leader is a key participant in the planning meetings, reviews key audit documentation – especially documentation relating to significant risks and key audit judgements – and is responsible for the final audit opinion.

The engagement manager assists the partner in these responsibilities and in the day to day liaison with the client and team, building a deep business understanding that helps the partner and team deliver valued insights.

Involvement and leadership from the engagement leader early in the audit process helps set the appropriate scope and tone for the audit and helps the engagement team obtain maximum benefit from the partner’s experience and skill. Timely involvement of the engagement leader at other stages of the engagement allows the engagement leader to identify and appropriately address matters important to the engagement, including critical areas of judgement, significant risks and other areas the engagement partner considers important.

Critical assessment of audit evidence with emphasis on professional scepticism

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We recognise that audit evidence obtained from external sources tends to be more persuasive. For the purpose of obtaining sufficient appropriate audit evidence all team members are required to exercise professional judgement and maintain professional scepticism throughout the audit engagement.

Professional scepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. Professional scepticism features prominently throughout auditing standards and receives significant focus from regulators. Our Audit Quality Framework emphasises the importance of maintaining an attitude of professional scepticism throughout the audit.

KPMG’s professional judgement process facilitates good judgment by introducing a structured approach to auditing areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasises the importance of having the right mind-set - the need to apply professional scepticism.

Our professional judgement process recognises the need to be aware of and alert to biases which may pose threats to good judgement. The structured approach to auditing areas that require significant judgment involves:

- considering alternatives;
- critically assessing audit evidence by challenging management’s assumptions and following up contradictory or inconsistent information; and

- documenting rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness.

The use of the professional judgment process and the application of professional scepticism is reinforced through coaching and training, acknowledging that judgment is a skill developed over time and with different experiences.

Ongoing mentoring, supervision and review

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

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

Ongoing mentoring, coaching and supervision during an audit includes:

- engagement partner participation in planning discussions;
- tracking the progress of the audit engagement;
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement;
- helping engagement team members address any significant matters that arise during the audit, and modifying the planned approach appropriately; and
- identifying matters for consultation with more experienced team members during the engagement.

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



Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

KAM recognises that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before our report is finalised.

Engagement teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not longer than 60 days from the date of the audit report. A key principle that engagement team members are required to consider when preparing audit documentation is whether an experienced auditor, having no previous connection with the engagement, reviewing the audit documentation sometime in the future will understand:

- the nature, timing, and extent of audit procedures performed to comply with ISAs, KAM and other requirements applicable legal and regulatory requirements;
- the results of the procedures performed and the audit evidence obtained;
- significant findings and issues arising during the audit, and actions taken to address them (including additional audit evidence obtained); and
- the basis for the conclusions reached, and significant professional judgements made in reaching these conclusions.

Appropriate involvement of the Engagement Quality Control (“EQC”) Reviewer

EQC reviewers are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgements made by the audit team. They are experienced audit professionals who are independent of the engagement team and are required to be involved at several stages throughout the audit. They offer an objective review of the more critical and judgemental elements of the audit.

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

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

- a review of selected audit documentation relating to significant judgements the engagement team made and the conclusions it reached;
- a review of the financial statements and proposed auditor’s report; and

- evaluation of the conclusions reached in formulating the audit report and consideration of whether the proposed report is appropriate.

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

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

Reporting

Auditing standards and Company Law largely dictate the format and content of the audit report that includes an opinion on the fair presentation in all material respects of the client’s financial statements. Experienced auditors arrive at all audit opinions, after involvement in and review of the work performed by the audit team.

We provide extensive reporting guidance and technical support to audit partners in preparing audit reports, where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

We have also continued to engage directly with the Central Bank in relation to meetings that are governed by the Auditor Protocol which has been widened now to other entities. We continue to work with the Central Bank in relation to the provision of Auditor Assurance on systems of Internal Governance with high impact credit institutions and insurance undertakings.

Insightful, open and honest two-way communication

Two-way communications with those charged with governance at our clients, often identified as the audit committee, are key to audit quality and a key aspect of reporting and service delivery. At KPMG in Ireland we stress the importance of keeping those charged with governance informed of issues arising throughout the audit, the need to listen and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and when appropriate, ongoing informal discussions with management and members of the audit committee.

Communications with the audit committee include:

- an overview of the planned scope and timing of the audit, which includes communicating significant risks identified;
- significant findings from the audit which may include control deficiencies and financial statement misstatements; and
- an annual written communication that states the engagement team and KPMG has complied with relevant independence requirements; describes all relationships and other matters between KPMG and the audit client that, in

our professional judgment, may reasonably be thought to bear on independence; and states related safeguards we have applied to eliminate (or reduce to an acceptable level) identified threats to independence.

We ensure such communications meet the requirements of professional standards.

Audit Committee Institute

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, our Audit Committee Institute (“ACI”) aims to help audit committee members enhance their awareness, commitment and ability to implement effective audit committee processes. The ACI provides Audit Committee members with authoritative guidance (such as the ACI Audit Committee Handbook) on matters of interest to Audit Committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and as the opportunity to network with their peers during an extensive program of technical updates and awareness seminars. The ACI’s offerings cover the array of challenges facing audit committees and businesses today – from risk management and emerging technologies to strategy and global compliance.

Focus on effectiveness of group audits

Our audit methodology KAM covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality. We work effectively with component auditors. The group audit engagement partner is required to evaluate the competence of component auditors, irrespective of whether they are KPMG member firms, as part of the engagement acceptance process.

Consistent methodology and tools are used across the KPMG network. Lead audit engagement partners are provided with information on component auditors within the KPMG network to help them evaluate their competence and capabilities. In addition, for Public Company Accounting Oversight Board (“PCAOB”) engagements the results of relevant inspections related to the KPMG component member firms are made available to the lead audit engagement partner.

Lead audit engagement partners may review component auditor engagement documentation in person or obtain electronic access.

3.6 Association with the right clients

3.6.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG’s reputation, support our brand and play an important part in enabling us to provide quality professional services.

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

3.6.2 Client and engagement acceptance process

Client evaluation

KPMG in Ireland undertakes an evaluation of every prospective client.

This involves an assessment of the prospective client’s principals, its business and other service-related matters. This also involves obtaining and analysing ‘know your client information’ on the prospective client, its key management and significant beneficial owners. A key focus is on the integrity of management at a prospective client and the evaluation includes consideration of any breaches of law and regulation, anti-bribery and corruption, and ethical business practices, including human rights. A second partner, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be ‘high risk’ the Head of Risk Management is also involved in reviewing and approving the evaluation.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG International’s proprietary global conflicts and independence checking system) as well as a range of factors specific to the type of engagement. For audit services these include the competence of the client’s financial management team.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional procedures including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

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

We follow specific procedures to identify and evaluate threats to independence for prospective audit clients that are public interest entities.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are 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 and firm standards, or if there are other quality and risk issues that cannot be appropriately mitigated.

Section 3.6.6 provides more information on our independence and conflict checking policies.

3.6.3 Continuation process

KPMG in Ireland undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigation procedures that need to be put in place (this would include the assignment of professionals such as an Engagement Quality Control (“EQC”) reviewer or the need to involve additional specialists on the audit).

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

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

3.6.4 Withdrawal

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

3.6.5 Client portfolio management

Our leadership allocates engagement partners that have the appropriate competence, capabilities, time and authority to perform the role.

Each partner’s client portfolio is regularly reviewed to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

3.6.6 Independence, integrity, ethics and objectivity

Overview

We have adopted the KPMG Global Independence Policies which are derived from the IESBA Code of Ethics and incorporate, as appropriate, the rules of the US Securities and Exchange Commission (“SEC”) and of the US PCAOB. In addition, we comply with relevant local ethics and independence requirements as issued by the Irish Auditing & Accounting Supervisory Authority and/or the Financial Reporting Council.

The Firm’s policies cover areas such as independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, postemployment relationships, partner rotation, and approval of audit and non-audit services.

The designated Ethics and Independence Partner (“EIP”) is also the Head of Risk Management and is supported by a core team of specialists to help ensure that we apply robust and consistent independence policies, processes and tools. Ethics and independence policies are set out in our Global Quality and Risk Management Manual which contains our independence policies, and is reinforced through the issue of alerts and an annual training program. Amendments to the

ethics and independence policies in the course of the year are communicated through the use of e-mail practice alerts and are incorporated in regular risk and quality communications and this is checked through the internal monitoring programs described in Section 3.9.

Personal financial independence

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

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

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

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

Employment relationships

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

Former members of the audit team or former partners of a member firm are prohibited from joining an audit client in certain roles unless they have disassociated from the member firm financially and have ceased participating in the business or professional activities of the Firm.

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

We communicate and monitor requirements in relation to employment of KPMG professionals by audit clients.

Firm financial independence

Our Firm maintains a record of its investments (made for example through pension plans and treasury activities) in the web based independence tracking system. This record is monitored through our compliance process. KPMG in Ireland also uses KICS to record its own investments in SEC entities and affiliates (including funds), locally listed companies and funds, direct and material indirect investments held in pension, and employee benefit plans (including non-public entities and funds).

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

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

Business relationships/suppliers

KPMG in Ireland has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with both the Ethical Standards and the IESBA Code of Ethics. Detailed guidance is maintained covering, inter alia, business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities. Consultation with our ethics and independence professionals is required in any case of uncertainty to ensure that no relationship is entered into with an audit client or its management which is not permitted for independence purposes. Compliance with these policies and procedures is reviewed periodically.

Business acquisitions, admissions and investments

If KPMG in Ireland is in the process of considering the acquisition of, or investment in, a business, we are required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultation requirements are applied to enable independence and other issues to be addressed when integrating the business into KPMG in Ireland and the network.

Independence clearance process

KPMG in Ireland follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities and to identify any services that we need to terminate prior to accepting the client as an audit client. These procedures, also referred to as 'the independence clearance process', must be completed prior to accepting an audit engagement for these entities. Our independence clearance is also completed when an audit client becomes a public interest entity.

Independence training and confirmations

KPMG in Ireland provides all relevant personnel (including all Partners and client service professionals) with independence training that is appropriate to their grade and function on an annual basis. New personnel who are required to complete this training must do so by the earlier of (a) thirty days after joining

KPMG or (b) before providing any services, or becoming a member of the chain of command for, any audit client, including any of its related entities or affiliates.

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

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation.

In addition, all KPMG personnel are required to confirm their understanding of, and compliance with, the applicable Code of Conduct upon joining their member firm and on an annual basis thereafter. This confirmation is used to evidence the individual's compliance with and understanding of our independence policies.

Non-audit services

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

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

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. Using Sentinel™ lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients as well as their affiliates, and identify and evaluate any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners for those entities for which group structures are maintained, to review and approve, or deny any proposed service for those entities worldwide.

Fee dependency

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

partner from another operating firm would be appointed as the Engagement Quality Control Reviewer (“EQCR”). Also, this would be disclosed to those charged with governance at the audit client.

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

Conflicts of interest

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

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

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

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

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

Breaches of independence policy

All KPMG personnel are required to report an independence breach as soon as they become aware of it. In the event of failure to comply with the Firm’s independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy.

KPMG in Ireland has a documented disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them. Matters arising are factored into our promotion and compensation decisions and, in the case of

engagement partners and responsible individuals, are reflected in their individual quality and risk metrics.

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

Compliance with laws, regulation and standards is a key requirement for all KPMG personnel. In particular, KPMG has zero tolerance of bribery and corruption. We prohibit involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption policies and procedures can be found on the antibribery and corruption site.

Partner and firm rotation

Partner rotation

KPMG in Ireland partner rotation policies are consistent with the Ethical Standards and where applicable any stricter rotation requirements.

KPMG in Ireland partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a ‘time-out’ period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit.

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

Firm rotation

KPMG in Ireland is permitted to act for public interest entity audit clients for a maximum period of 10 years and not to act as auditor for such clients for a period of four years thereafter – referred to as the ‘cooling off period’. KPMG in Ireland has processes in place to track and manage audit firm rotation.

3.7 Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of our professionals. KPMG’s behaviours, which are linked to our Values, are designed to articulate what is required

for success – both individually and collectively. One of KPMG’s behaviours is ‘Delivering Quality’.

3.7.1 Our people

We depend on our ability as a Firm to recruit, train and motivate intelligent professionals who take personal responsibility to deliver high-quality work. We make a big effort to develop our people and help them advance their careers.

Over the past three years 685 of our people qualified as Chartered Accountants and 117 of these people and qualified as Chartered Tax advisers. People who work within our Audit function complete Chartered Accountants Ireland’s Final Admitting Examination (“FAE”) Audit Elective examination in order to ensure better delivery of audit services to our clients.

Exam success is a key priority for our people and for the Firm. Our overall exam success rate is significantly higher than the national average and our people regularly achieve the top exam placings in both the Chartered Accountants Ireland and Institute of Tax exams.

In 2017, for the 4th year in a row, KPMG International was named Sustainable Firm of the Year by International Accounting Bulletin. In 2017 KPMG in Ireland won the gradireland Best Graduate Training & Development Programme. This award recognises the tremendous investment we make in our graduate training programme. Previously in 2016, we won the Most Popular Employer of the Year Award (as voted by the students) and also won the Best Accountancy/Professional Services Award, Silver prize for Best Innovation on Campus, Bronze prize for Best Internship Programme and Bronze prize for Best Recruitment Diversity Award. These awards are an acknowledgment of our ongoing focus on innovative and quality graduate recruitment. We are committed to supporting our people sitting professional exams; 241 of our people passed Chartered Accountants Ireland’s FAE and 54 people passed the Irish Tax Institute’s final examinations (“Part 3”) in 2017.

Internally, the Firm participates in the “KPMG Global People Survey” on an annual basis which, inter alia, measures people engagement and performance excellence with a view to maximising the success of the Firm. We engage in a comprehensive programme of communication and feedback with our people in all business units each year following the Global People Survey results. We continue to invest in equipping our people with the technical, coaching and management skills needed to deliver quality work and we also encourage regular, honest feedback to help in their development.

KPMG in Ireland delivers over 1,500 courses every year to ensure our people have the best leadership, business and technical skills to support them to succeed as individuals and the Firm to continue to succeed. Being part of the KPMG Business School ensures we have access to state of the art virtual classroom and on-line resources from across the KPMG network and we engage with cutting edge universities and executive education schools to ensure our Leadership and Business training remains first class. Our technical training is delivered by a combination of our partners, directors and

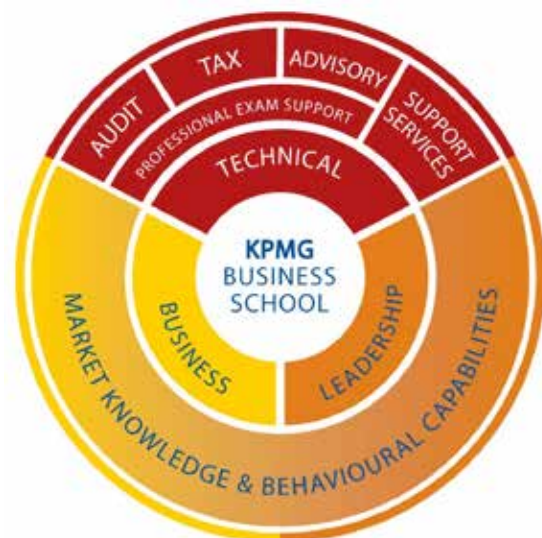
managers, who are subject matter experts, and external specialists.

Our learning culture focuses on the application of training in a supportive, coaching orientated and learning environment. We strongly believe that people learn in the classroom, through on-line forums, by networking with others and by applying their knowledge in a range of work environments.

On joining the Firm and in each year of their training contract our graduates attend a structured programme that combines technical and leadership skills in line with the increasing challenges of their role. As they progress through their professional exams (through Chartered Accountants Ireland and the Irish Tax Institute) they benefit from our additional supports and development, helping our exam results remain well ahead of the national average.

As people are promoted to the grade of manager and above they continue to enhance their technical skills and benefit from our leadership skills development, helping them to excel with their clients and support them as they contribute and lead more complex and challenging projects.

In 2017 our people completed 53,026 hours of classroom based audit technical training programmes, and additional e-learning courses were also available and accessed. Training is only one aspect of our people’s development. We try to give an optimal mix of on-the-job experience, coaching and training programmes. This is supported by additional development opportunities such as secondments and international assignments.



3.7.2 Recruitment

KPMG in Ireland strives to be an employer of choice by creating an environment where our people can fulfil their potential and feel proud and motivated to give their best.

Our recruiting strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships

with a younger, diverse talent pool at an early age. In 2017, 313 graduates joined the Firm and we expect a further 350 to join us in 2018.

KPMG in Ireland also recruits significant numbers at an experienced hire level, in 2017 we recruited 177 client facing professionals.

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

Where individuals are recruited for senior grades. A formal independence procedure is conducted with them by the Ethics and Independence Department. KPMG in Ireland does not accept any confidential information belonging to the candidate's former firm/employer.

The Partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles.

3.7.3 Personal development

It is important that all of our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see Section 3.8).

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

Our people are also developed for high performance through access to coaching and mentoring on the job, global mobility opportunities and client secondments.

3.7.4 Inclusion and diversity programs

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

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

We believe that the established Inclusion and Diversity strategy provides the framework to drive the actions we believe, based on external research, are necessary to promote inclusive leadership across the Firm.

3.7.5 Performance & Reward

Evaluation process including quality and compliance metrics

KPMG in Ireland professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of KPMG global behaviours, technical capabilities and market knowledge. A culture of continuous improvement

is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers. Feedback gathered forms an integral part of performance reviews.

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

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

Reward

We have compensation and promotion policies that are linked to the performance review process, which for partners includes the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them and what they can expect to receive in return.

Reward decisions are based on consideration of both individual and organizational (member firm) performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to Section 3.7.1).

Promotion

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

3.7.6 Partner admissions

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. The procedure includes a business case and a personal case for the individual candidate. We use criteria for admission to the partnership that are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. The criteria are strongly aligned to KPMG's behavioural capabilities and are based on consistent principles to help achieve quality in our partner admissions. All recommendations for admission to partnership of KPMG in Ireland need to be approved by the partners.

3.7.7 Assignment of professionals to engagements

Our Firm has procedures in place to assign both the engagement leaders and other professionals to a specific engagement by evaluating his or her skills, relevant professional and industry experience, and the nature of the assignment or engagement. Heads of Function are responsible for the process of allocating particular engagement leaders to clients. Key considerations include partner experience and capacity, based on a partner portfolio review, to perform the engagement in view of the size,

complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement). Audit engagement leaders are required to be satisfied that their engagement teams have appropriate competencies and capabilities to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving KPMG's local and global specialists.

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

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

Insights from our people – People Survey (“PS”)

Every year we invite all our people to participate in an independent People Survey (“PS”) which measures their overall level of engagement with the firm. The PS provides an overall Employee Engagement score as well as insights into areas driving engagement which may be strengths or opportunities. The survey also identifies opportunities to strengthen those levels of engagement. Results can be analysed by functional or geographic area, grade, role, gender to provide additional insight. Additional insight is provided on how we are performing in selected categories known to impact employee engagement.

The survey also specifically provide leadership with information on employee/partner attitudes to quality, leadership and tone at the top.

KPMG in Ireland monitors the results and takes appropriate actions to communicate and respond to the findings of the PS. This includes monitoring PS results against agreed targets relevant to:

- audit quality and tone at the top - referred to in the PS as ‘leadership behaviour’;
- employee engagement through the EEI.

The results of the PS are also aggregated for the KPMG network and are presented to the partners and employees each year and appropriate follow-up actions agreed.

3.8 Commitment to technical excellence and quality service delivery

All KPMG in Ireland professionals are provided with the technical training and support they need, including access to networks of specialists and DPP, which comprise senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG in Ireland, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

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

3.8.1 Lifetime learning strategy

We invest heavily in delivering and developing training.

In addition to personal development, discussed at Section 3.7.3, our lifetime learning strategy is underpinned by policies requiring all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Investment in training in audit

Our annual training programme runs for a calendar year to match the typical audit cycle with the majority of training taking place in the summer and autumn. Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at the global, regional and local levels. Training is delivered using a blend of classroom, e-digital learning and performance support to assist auditors on the job. Audit Learning and Development teams work with subject experts and leaders from the GSC, the International Standards Group (“ISG”) and DPP to ensure the training is of the highest quality, relevant to performance on the job and is delivered on a timely basis. Training would include, for example, Audit quality workshops, learning from quality reviews, IFRS updates, US GAAP and/or US GAAS/PCAOB and industry specific training.

Mandatory requirements – IFRS and U.S.GAAP engagements

We have specific requirements for partners and managers working on International Financial Reporting Standards (“IFRS”) engagements, US Generally Accepted Accounting Principles (“US GAAP”) engagements, US Generally Accepted Auditing Standards (“US GAAS”) engagements, and the Standards of the PCAOB for SEC and Internal Control Over Financial Reporting (“ICOFR”) engagements performed outside of the US. These require that the partner, manager, and EQC reviewer have completed relevant training and that the engagement team collectively has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

For the year ended 31 December 2017, our formal audit training programme included mandatory technical, risk and technological based courses. In addition to this formal

structured training, partners and staff are required to complete additional training relevant to their role and grade. All partners and staff also undergo training relevant to the industry in which they specialise. The aggregated number of hours of training undertaken by partners and staff for the year was 80,000 hours (68,000: 2016). These hours exclude time spent on any programmes to support career and professional development, and the hours spent ensuring continual professional development.

Mentoring and on the job training

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

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

All KPMG professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (“CPD”) requirements in the jurisdiction where they practice. Policies and procedures are designed to facilitate compliance with licence requirements. Our Firm is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting frameworks – principally IFRS and accounting standards issued by the Financial Reporting Council (“FRC”).

3.8.2 Client confidentiality, information security and data privacy

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

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

Our security requirements are set out in the Global Information Security Policies and Standards published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal information security audit programme and is supplemented by annual checks by the Global Information Risk and Security Office.

As part of these Global requirements, the Firm has a National IT Security Officer (“NITSO”), with the necessary authority, skills and experience to lead the information security function. Our NITSO is in charge of our information security programme and works closely with Quality and Risk Management. The NITSO also reports to IT Senior Management and also to the Global IT Security Officer and Global Head of Information Protection.

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

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

3.9 Commitment to continuous improvement

We commit to continually improve the quality, consistency and efficiency of our audits. Integrated quality monitoring and compliance programs enable us 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 member firm’s system of quality control. KPMG International’s integrated quality and monitoring programs include the Quality Performance Review (“QPR”) program, the Risk Compliance Program (“RCP”) and the Global Compliance Review (“GCR”) program.

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

3.9.1 Internal monitoring and compliance programs

Our monitoring programs evaluate both:

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

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

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

We use two formal internal inspection programs conducted annually across the Audit, Tax and Legal Services, and Advisory functions; the QPR program and the RCP. Both programs are developed and administered by KPMG International.

Additionally, all member firms are covered once in a three-year cycle by cross-functional Global Compliance Reviews (“GCRs”) performed by reviewers in the Global Compliance Group who are independent of the member firm and report to Global Quality & Risk Management. These programs are designed by

KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

Audit Quality Performance Reviews (“QPR”)

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

Risk based approach

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

KPMG in Ireland conducts the annual QPR program in accordance with global QPR instructions. The reviews are tailored to the relevant function, at KPMG in Ireland level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

Reviewer selection, preparation and process

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

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

Evaluations from Audit QPR

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

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

Reporting

Findings from the QPR program are disseminated to professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of any less than satisfactory engagement ratings on their respective cross border engagements. Additionally, engagement partners of global audit accounts are notified where a subsidiary of their global account is audited by a member firm where quality issues have been identified during the QPR.

Risk Compliance Program (“RCP”)

KPMG International develops and maintains quality control policies and processes that apply to all member firms. These policies and processes, and their related procedures, include the requirements of ISQC1. During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

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

Where deficiencies are identified, we are required to develop appropriate action plans.

Global Compliance Review (“GCR”)

Each member firm is subject to a GCR conducted by the global GCR team, independent of the member firm led by the Global Compliance Group and carried out over a three-year cycle.

The GCR provides independent oversight of our assessment of our system of quality control, including:

- our commitment to quality and risk management (tone at the top) and the extent to which the overall structure, governance and financing support and reinforce this commitment; and
- the completeness and robustness of our RCP.

The GCR team performing the reviews is independent of KPMG, objective and knowledgeable about Global Quality and Risk Management policies.

We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by a global GCR team. Results are reported to the Global Quality & Risk Management Steering Group (“GQRMSG”), and where necessary to appropriate KPMG International and regional leadership, to ensure timely remedial actions.

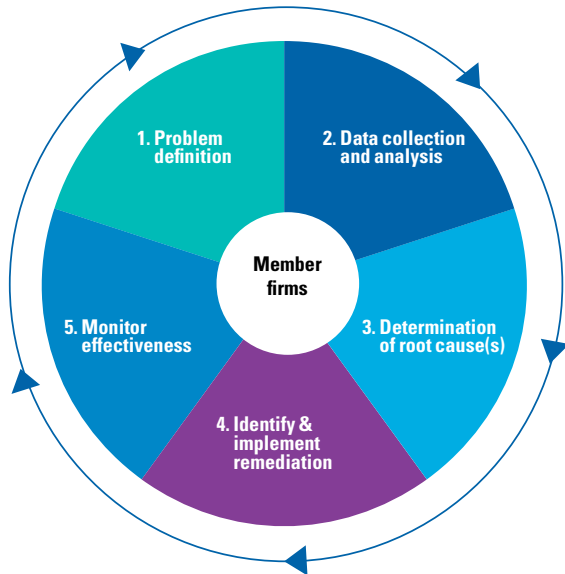


Root Cause Analysis (“RCA”)

KPMG in Ireland performs root cause analysis to identify and address audit quality issues with the intention of preventing them from recurring and help identify good practices as part of continuous improvement.

RCA training, based on our Global RCA 5 Step Principles, is attended by those individuals at KPMG in Ireland who perform RCA or direct those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is our responsibility to implement RCA principles and thereby identify and subsequently develop appropriate remediation plans for any audit quality issues identified.

KPMG in Ireland’s Head of Audit is responsible for the development and implementation of action plans including identification of solution owners to address audit quality issues. The Risk Management Partner monitors their implementation.

3.9.2 External feedback and dialogue with Regulators

Our Firm is registered as a statutory audit firm with Chartered Accountants Ireland (“CAI”). CAI is subject to oversight by IAASA. On 17 June 2016 IAASA was designated as the independent statutory audit oversight body in Ireland. IAASA is directly responsible for the inspection of the audits of Public Interest Entities (“PIE”) and is ultimately responsible for:

- the approval of statutory auditors and audit firms;
- the disciplinary systems in relation to all statutory auditors and audit firms;
- quality assurance; and
- continuing professional education requirements for auditors.

The Firm is also subject to review by the Professional Standards department of CAI in relation to statutory audits of non-PIE entities. Professional Standards is the department within CAI which is responsible for developing standards of professional conduct and supervising the compliance of member firms in their execution of statutory audits.

IAASA are nearing completion of their first inspection of the Firm as at the date of this report and we expect that a final report from their inspection will be issued to the Firm later this year. An action plan will be developed to respond to any matters arising from the inspection.

As the Firm is registered with the Public Company Audit Oversight Board (“PCAOB”) in the US, we are also subject to inspections by the PCAOB. The most recent inspection took place in November 2008 and encompassed detailed file reviews of two of our SEC listed audit clients, together with a review of many of our Firm wide governance and risk management practices. A clean report was issued by PCAOB in April 2011. The public report on the inspection was released on 29 April 2011 and both the report and our response are available on www.pcaobus.org. A further inspection is expected in the next two years.

Our Firm is also registered with the Japanese Financial Services Agency, the Johannesburg Stock Exchange, the Isle of Man Financial Supervision Commission, the Jersey Financial Services Commission and the Guernsey Registry.

Client feedback

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

Monitoring of complaints

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



4

Corporate Citizenship

At KPMG in Ireland we believe in Corporate Citizenship. It is at the heart of all great organisations, and we are committed to making a real difference to the communities in which we operate. All organisations have a social responsibility to their people, their clients and to society. We believe a real commitment to Corporate Citizenship unites an organisation, strengthens its reputation and creates vital links with the communities in which it operates. We want our employees to be part of this effort and to be actively involved in Corporate Citizenship activities that will ultimately make a positive impact on society.

KPMG in Ireland strives to create a well-rounded Corporate Citizenship programme. In recognition of this, our initiatives have been grouped into six categories: Community, Charity, Education, Environment, Developing World and Workplace/Marketplace.

We measure our Corporate Citizenship activity in our communities through a number of key metrics. Our metrics for the year to 31 December 2017 are set out below.

Community Connections	128
Employee volunteer hours	11,791
Cash Donations	€277,501
Employee fundraising	€127,199
In-Kind Donations	€1,149,833

Corporate Citizenship involves creating innovative and proactive solutions to societal and environmental challenges, as well as collaborating with both internal and external stakeholders to maximise the impact of our Corporate Citizenship activity in our community. The Firm is committed to playing a leading role in achieving a sustainable future. We take responsibility for our actions and promote responsible business practices, support the growth and development of our people and communities, embed Corporate Citizenship in our values and business processes and create a distinctive business in a responsible way.

In 2017 KPMG won a number of awards for its Corporate Citizenship activities at the Chambers Ireland CSR Awards: 'Overall Outstanding Achievement in CSR', 'Excellence in the Workplace' award for our Inclusion & Diversity programme and

the 'Excellence in Community Volunteering' for our KPMG Family for Literacy initiative.

Community

We have an opportunity to play a significant role in positively impacting our surrounding communities. The education obtained by our people and their work ethic serves as a good example to the youth in our community and allows us to engage with many organisations in the wider community such as the Business in the Community Ireland – Ready for Work initiative which provides work experience and guidance to people who are looking to move on from homelessness into employment or training.

The Get Cents programme sees KPMG in Ireland volunteers work with early school leavers (aged 16-21) to develop their financial know-how in managing their money, budgeting and saving.

KPMG in Ireland partners with St. Michael's House to work with the charity to develop a new and innovative project of writing and packaging multi-sensory stories for use in the development and wellbeing of profoundly disabled children.

Charity

Each year KPMG in Ireland supports individual staff members who fundraise for their own personal charities, and gives them a donation towards their fundraising efforts based on the amount raised. This ensures that the Firm supports a wide range of charities that our people feel passionate about.

2017 was the eleventh year of the Denis O'Connor Walk, which has raised €560,000 for various charities to date. The Denis O'Connor Walking Festival is an annual event that aims to raise funds for deserving causes. For the last number of years, people in KPMG in Ireland, our alumni, and family and friends have raised money for a number of charities. In 2017 we had over 80 people participate in the walk and raised €40,000 for ARC Cancer Support.

Education

Education is one of the key pillars of KPMG in Ireland's Corporate Citizenship strategy and we believe that education is paramount in terms of its contribution to the development of a successful society. Our education programme allows us to further the



capacity of schools and colleges, work with children and young people to advance potential, and invest in skills that support enterprise in the community. As part of this initiative through Business in the Community Ireland, KPMG in Ireland has forged a highly successful relationship with CBS Westland Row School. This programme involves KPMG in Ireland people mentoring 5th and 6th year students and making a real difference in their lives.

KPMG in Ireland is also working with Business in the Community on a programme called Time to Read. This programme involves volunteers from businesses, including KPMG in Ireland, providing one to one reading support to second class students in City Quay National School. The desired outcomes of the programme are to: increase the enjoyment of reading; improve fluency and comprehension when reading; increase confidence in reading; and improve and encourage self-discovery.

KPMG in Ireland has led the charge in establishing Enactus in Ireland. Enactus is an international non-profit organisation, founded in the US, that works with leaders in business and higher education to mobilise university students to make a positive difference in their communities while developing the skills to become socially responsible business leaders. This is a way of uniquely engaging students by:

- giving them personal development opportunities;
- showcasing their talents and skills to a key business audience;
- getting students to be more socially aware and put in place solutions to community, environment and social issues;
- utilising the skill-sets of students to put their academic learning into real-life practice; and
- potentially having the honour and prestige of being crowned the Enactus Ireland National winner and going on to represent Ireland at the Enactus World Cup.

There are 1,600 universities in 37 countries around the world participating in Enactus and this is a wonderful opportunity to showcase the best of Irish talent. The Board of Directors of Enactus Ireland is chaired by a representative of KPMG in Ireland. The Board also consists of the CEOs of Enactus Ireland's other sponsors. In the 2016/17 academic year, ten third level institutions participated in the initiative.

Environment

We are pleased to confirm that KPMG in Ireland renewed its carbon neutral status for 2017/18. KPMG in Ireland was the first professional services firm to achieve carbon neutral status in January 2007. KPMG in Ireland has moved all its energy supply to renewable sources and moved to a bin free office, encouraging all staff to individually segregate and recycle their waste.

Developing World

KPMG in Ireland also has Corporate Citizenship activity outside of Ireland. Working on projects in the Developing World is something that helps us reach out to people living in extreme poverty and dire health conditions. KPMG in Ireland funds a project with Plan International Ireland, aimed at empowering marginalised women in Sri Lanka. As part of a three year project, 550 young women from plantations and rural villages will be brought together in community-based groups for livelihood training including financial literacy and management, ICT and household economic security as well as microenterprise development. Internships and work placements will also be included. Through the 'Training of Trainers Model', it is envisaged that these young women will go on to help educate an average of 23 additional young women in community-based business groups, bringing the total number of participants to 12,650 over three years. The initiative aims to equip vulnerable women with the skills to claim and exercise their rights as citizens in order to escape the poverty cycle and maintain gainful employment.

Workplace/Marketplace

We have a range of Workplace and Marketplace policies and practices in the Corporate Citizenship area. As part of a Workplace Corporate Citizenship initiative, KPMG in Ireland has a workplace entrepreneurial programme to encourage staff to address local social and environmental needs. Project Bright is an innovative workplace initiative aimed at encouraging staff to be social entrepreneurs. Staff participate in a competition to identify social issues and then develop unique solutions that make a real difference to the associated community organisation, utilising the skill-set of our own employees. Through this initiative KPMG in Ireland is:

- directly engaging with staff;
- encouraging them to be innovative;
- getting the winning team to project manage the winning idea;
- empowering them to engage with a broad cross-section of their peers; and
- giving the winning team a tremendous development opportunity to attend the annual One Young World Summit for young leaders which was held in Ottawa in October 2016.

KPMG in Ireland is also delighted to work with Social Entrepreneurs Ireland ("SEI"). SEI supports people who have solutions to Ireland's social and environmental problems. They provide funding and a range of in-depth supports to significantly increase the impact of leading early stage social entrepreneurs. The support focuses on increasing the capacity and sustainability of the social entrepreneur and scaling the impact of their work.

5

Financial information

The EU Regulation No. 537/2014 requires disclosure of financial information that shows the importance of statutory audit work to the overall Firm's results. The results set out below for the year to 31 December 2017 have been extracted from the draft partnership accounts which have not as of yet been finalised and approved by the partners.

Revenue is presented in accordance with the EU Regulation No. 537/2014 and included for:

1. Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE
 2. Revenues from the statutory audit of annual and consolidated financial statements of other entities
 3. Revenues from permitted non-audit services to entities that are audited by the audit firm
 4. Revenues from non-audit services to other entities.
- Financial information for the period ended 31 December 2017 expressed in Euro million

Service	Revenue	Percent
Statutory audits and directly related services for PIEs	17	4%
Other audit services and directly related services for non-PIEs	90	24%
Non-audits services provided to audit clients	96	26%
Non-audits services provided to other entities	174	46%
Total revenue	377	100%

The classification above for audit work includes a small proportion of revenues derived from other assurance services which are directly related to audit.

As the Firm's business has grown we have invested very significantly in additional skills and resources. Our headcount has grown from 1,993 at 31 December 2013 to 2,636 at 31 December 2017.

The Firm's Head of Finance and Administration is responsible for the preparation of financial information. Financial Performance is reviewed on a monthly basis by the Executive Team and is circulated to all partners on a monthly basis and is discussed at partners' meetings.

The Executive Team has a reasonable expectation that the Firm has adequate resources to continue in operational existence for the foreseeable future and therefore considers that the Firm is a going concern.

The identification, evaluation, management and monitoring of the most significant risks that face our Firm and could threaten the achievement of our strategic objectives are the joint responsibility of the Executive Team and Policy Committee.



6

Partner remuneration

Partners are remunerated out of the distributable profits of the Firm as set out in the partnership accounts and as approved by the partnership. The determination of the profits available for distribution is based on the results of the Firm as a whole and is not dependent directly on the performance of any particular line of business or function. The final allocation of profits to partners is made after assessing each partner's contribution for the year. This assessment is considered on an individual basis by the Remuneration Committee.

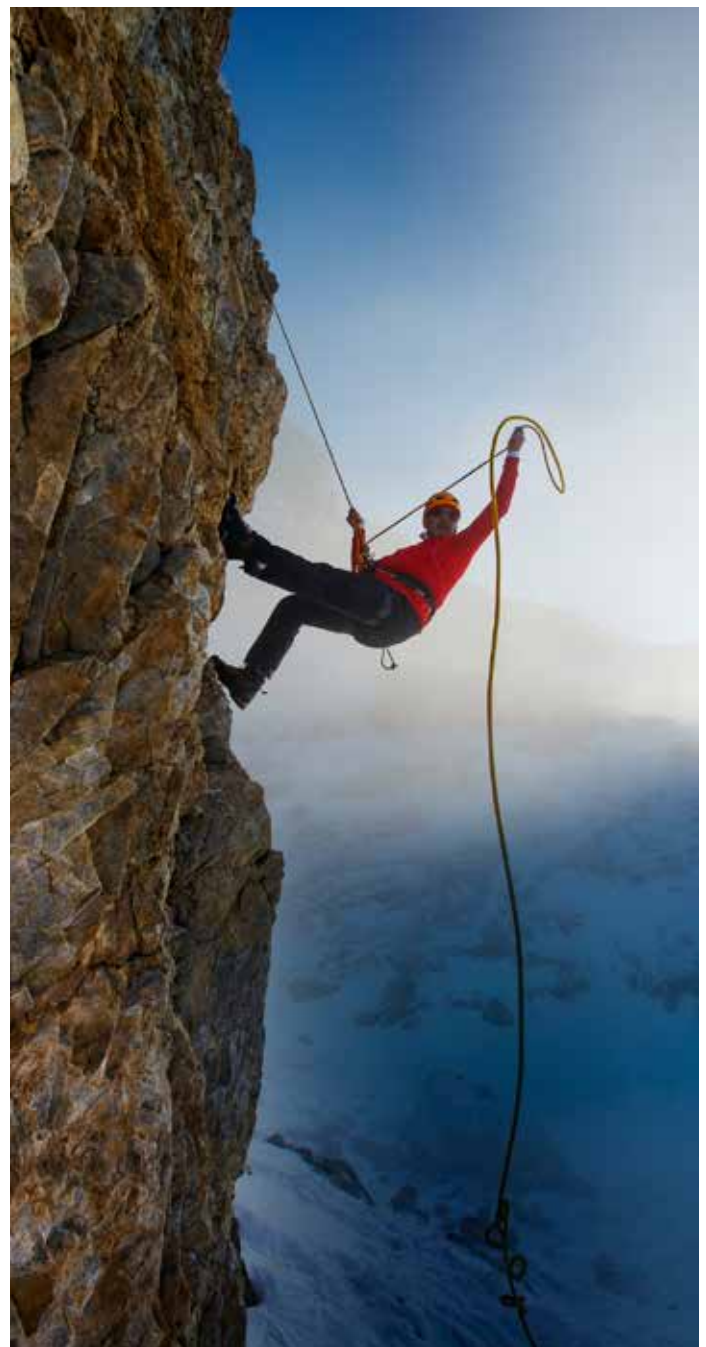
Each partner is required to submit a written appraisal to the Remuneration Committee detailing his/her own view of performance against objectives over the previous year. The Audit Executive Team specifically considers the contribution of each audit partner to audit quality on their engagements and to the audit quality agenda across the audit practice as a whole. The Committee hears a report from each partner's Counselling Partner on his/her individual performance for the year. Finally, as part of its deliberations, the Remuneration Committee also receives and considers presentations from the Heads of Audit, Tax and Legal Services, Advisory, Markets, Risk Management, and People and Operations setting out an assessment of the quality of work performed by each partner during the year under review.

The Remuneration Committee details its findings and its recommendations in relation to profit allocations in a report at the end of the review process which is then circulated to all partners for their approval before the profit allocations for the year are finalised. Partner remuneration comprises primarily a predetermined proportion of the profits arising which reflects the seniority and experience of each partner.

In addition to the profit share as described above, certain partners also receive a bonus payment, or special award, based on a number of criteria.

Our policies for all elements of partner remuneration take into account a number of factors including the quality of work, the link between quality and partner remuneration, excellence in client service, growth in revenue and profitability, leadership and supporting the Firm's values.

Audit partners, (plus other non-audit specialist partners who are members of the audit team) are not permitted to have any objectives related to, or receive any remuneration based on, selling non-audit services to the Firm's audit clients.



7

Network arrangements

7.1 Legal structure

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

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

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

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

The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available in Appendix 3.

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

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was €2.7 billion during the year ended 30 September 2017. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2017.

7.2 Responsibilities and obligations of member firms

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

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

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

7.3 Professional indemnity insurance

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

7.4 Governance structure

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

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

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit KPMG International has no share capital and only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 58 member firms that are "members" of KPMG International as a matter of Swiss law. Sublicensees are generally indirectly represented by a member.

Global Board

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

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

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

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

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing the global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments. It is led by the Global Chairman and includes the Global Chief Administrative Officer, Global function and infrastructure heads and the General Counsel.

The list of Global Management Team members as at 1 October 2017 is available in KPMG's International Annual Review.

Global Steering Groups

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

- establish and communicate appropriate audit and quality/risk management policies;

- enable effective and efficient risk processes to promote audit quality; and
- proactively identify and mitigate critical risks to the network.

The Global Steering Groups act under the oversight of the Global Management Team. The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in Appendix 1 to the KPMG International Transparency Report.

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

Further details about KPMG International including the governance arrangements, can be found in Appendix 1 to the KPMG International Transparency Report, which is available at www.kpmg.com

7.5 Area Quality & Risk Management Leaders

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

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

8

Statement on the effectiveness of quality controls and independence

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

Our Policy Committee has considered:

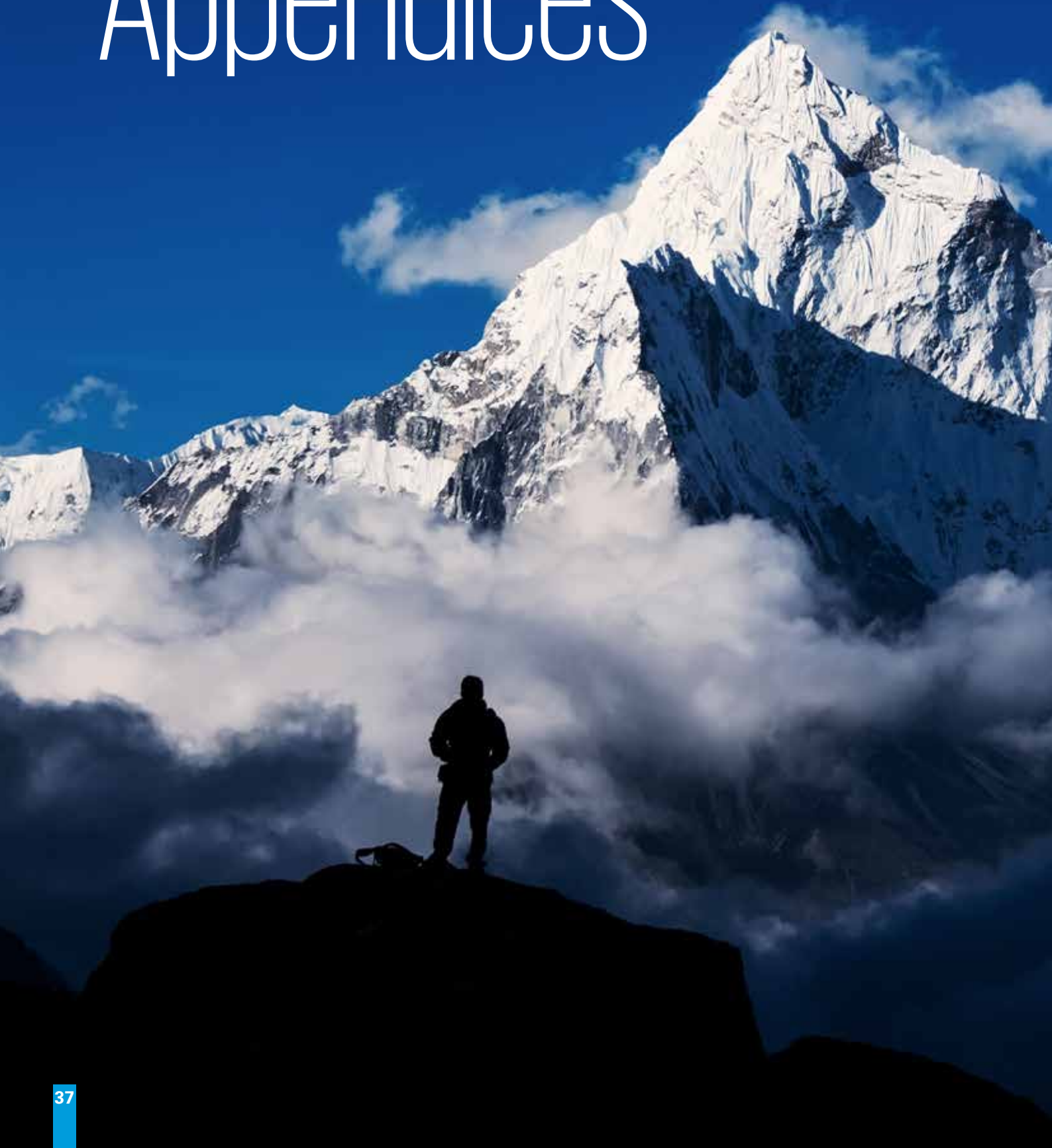
- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our Firm (including the KPMG International Review Programs as described in Section 3.9 and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Policy Committee confirms with a reasonable level of assurance that the systems of quality control within our Firm have operated effectively in the year to 31 December 2017.

Further, the Policy Committee confirms that an internal review of independence compliance within our Firm has been conducted in the year to 31 December 2017.



Appendices



Leadership roles



Shaun Murphy

- Managing Partner
- Lead Director of Global Board,
- Member of Global Council and EMA Board



Darina Barrett

- Head of Markets: Financial Services
- Member of Global Markets Steering Group



Conall O'Halloran

- Head of Audit
- Member of EMA Audit Board



Kieran Wallace

- Head of Markets: Other Sectors



Conor O'Brien

- Head of Tax & Legal Services



Paul Toner

- Head of Markets: Strategic Pursuits



David Wilkinson

- Head of Advisory
- Member of the Global and EMA Advisory Boards



Colm Gorman

- Head of People & Operations
- Member of Global HR Steering Group



Paul Dobey

- Head of Risk Management
- Member of Global Quality & Risk Management Steering Group
- Area Risk Leader for the Nordic region



Mark Mulqueen

- Head of Finance & Administration

Public interest entities

This list includes those audit clients for whom KPMG Ireland issued an audit opinion between 1 January 2017 and 31 December 2017 that were public interest entities as defined in the European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU and Regulation (EU) No 537/2014) Regulations 2016 (S.I. No. 312 of 2016)

Aberdeen Diamond Private Equity III plc	Benteler Reinsurance Company Designated Activity Company
Aberdeen Umbrella Fund plc	BMO UCITS ETF ICAV
Absolute Insight Funds plc	Brandes Investment Funds plc
Acorn Life Designated Activity Company	C & C Group plc
Adidas International Re Designated Activity Company	Cairn Homes plc
Aetna Health Insurance Company of Europe Designated Activity Company	Carador Income Fund PLC
Alexandria Capital Public Limited Company	Carrefour Insurance Designated Activity Company
Allianz Global Life Designated Activity Company	Catalina Insurance Ireland Designated Activity Company
Allianz plc	Citibank Europe plc
Allianz Re Dublin Designated Activity Company	Continuum Global Finance Public Limited Company
AMG Funds plc	Cork Street CLO Designated Activity Company
Aminex plc	Corsair Finance (Ireland) Limited
Amtrust International Underwriters Designated Activity Company	Corsair Finance (Ireland) No.2 Ltd.
Aphex Capital Public Limited Company	Corsair Finance (Ireland) No.6 Limited
Aphex Europe CPP Plc	Cramer Rosenthal McGlynn UCITS plc
Aria CDO II (Ireland) Public Limited Company	Credit Suisse European Mortgage Capital Limited
Aurum Alpha Fund	Dalata Hotel Group plc
Azor Mortgages Public Limited Company	Darta Saving Life Assurance Designated Activity Company
Babson Capital Master Funding Public Limited Company	dbInvestor Solutions 2 plc
Bank of Montreal Ireland plc	DBInvestor Solutions Public Limited Company
Barings Global Investment Funds 2 plc	DCC Group Insurances Designated Activity Company
Barings Global Investment Funds Plc	DCC plc
Barings Umbrella Fund Plc	Deco 9 - Pan Europe 3 plc
Beazley Re Designated Activity Company	Delta Spark Limited
Belfast Gas Transmission Financing plc	Depfa ACS Bank
	Depfa Bank plc
	Dilosk RMBS No. 1 DAC

Diversification Strategy Fund plc
 E.I. Sturdza Funds plc
 EII PropertyWorld Invest (ex-US) Fund
 Eirles One Designated Activity Company
 Eirles Three Designated Activity Company
 Eirles Two Designated Activity Company
 Electric Insurance Ireland Designated Activity Company
 Elva Funding Public Limited Company
 Ennismore Smaller Companies plc
 Epsilon
 Equinox CA Europe Designated Activity Company
 Equinox Credit Funding Public Limited Company
 ESB Finance Designated Activity Company
 Euro Insurances Designated Activity Company
 Eurocredit CDO V Plc
 Eurocredit CDO VII Public Limited Company
 EUROPEAN WEALTH INVESTMENT FUND PLC
 Fabien Pictet & Partners Global Funds Plc
 Freshwater Finance plc
 Galena CDO II (Ireland) Public Limited Company
 GE Capital European Funding
 GE Capital UK Funding
 German Postal Pensions Securitisation 2 Public Limited Company
 German Postal Pensions Securitisation Public Limited Company
 Global Insurance Settlements Funds plc
 Go UCITS ETF Solutions plc
 Green Effects Investments plc
 Greencore Group plc
 GS Secured Funding Public Limited Company
 GTLK Europe Designated Activity Company
 Guggenheim Global Investments Plc
 Guggenheim Qualifying Investor Fund plc
 Hannover Re (Ireland) Designated Activity Company
 HSBC ETFs PLC
 HSBC Global Liquidity Funds plc
 Imagine Asset Services Designated Activity Company
 Independent News & Media plc
 ING Captive Re Designated Activity Company
 Insight Global Funds II Plc
 Insight Liquidity Funds plc
 International Financial Services Growth Fund
 Intesa Sanpaolo Bank Ireland plc
 Intesa Sanpaolo Life Designated Activity Company
 Inveralmond Insurance Designated Activity Company
 Iron Hill CLO Limited
 Ixion Public limited company
 Kingspan Group plc
 Lagoon Finance Limited
 Laguna Life Designated Activity Company
 LAM ZyFin Global Markets UCITS ETF Plc
 LBB Finance (Ireland) plc
 LDI Solutions Plus plc
 LightPoint Pan-European CLO 2007-1 Public Limited Company
 Lion I Re Designated Activity Company
 MAEXIM Secured Funding Limited
 Magna Umbrella Fund plc
 Magnolia Finance I Public Limited Company
 Magnolia Finance II Public Limited Company
 Magnolia Finance IV Public Limited Company
 Magnolia Finance IX Designated Activity Company
 Magnolia Finance VI Public Limited Company
 Magnolia Finance VII Public Limited Company
 Magnolia Finance X Designated Activity Company
 Magnolia Finance XI Designated Activity Company
 Magnolia Finance XVII Designated Activity Company
 Mainstay Medical International plc
 Majedie Asset Management (International) Investment Fund Company plc
 Marriott International Funds Plc
 MBA Community Loans Plc
 MBDA Insurance Designated Activity Company
 Mercator CLO II Plc
 MMC Finance Limited
 Montag & Caldwell Funds Plc
 Moyle Interconnector (Financing) plc
 Natinium Financial Products Plc
 Newell Insurance Designated Activity Company
 Northern Trust Global Funds plc
 Northern Trust Investment Funds plc
 Oak Hill European Credit Partners I PLC
 Oak Hill European Credit Partners II PLC
 Oak Hill European Credit Partners III DAC
 Oak Hill European Credit Partners IV DAC

Oaks Emerging Umbrella Fund plc
 Old Mutual International Ireland Designated Activity Company
 Ottam Mexican Capital Trust Limited
 Pan Insurance Designated Activity Company
 Paris Bertrand Sturdza Investments plc
 PCM Global Funds ICAV
 Phoenix Natural Gas Finance plc
 Phosagro Bond Funding Limited
 Premier Transmission Financing plc
 Prescient Global Funds plc
 Prescient Global Qualified Investor Fund plc
 Prudential International Assurance plc
 PVE UCITS Funds plc
 Queen Street X Re Designated Activity Company
 Queen Street XI Re Designated Activity Company
 Queen Street XII Re Designated Activity Company
 Rayo Finance Ireland (No 1) Limited
 Robusta Absolute Return Fund
 Robusta Asia Pacific Equity Fund
 Robusta Commodities Fund
 Robusta Common Contractual Fund - Active European Equities Sub-Fund
 Robusta Common Contractual Fund - Active North American Equities Sub-Fund
 Robusta Common Contractual Fund - Passive European Equities Sub-Fund
 Robusta Emerging Market Debt Fund
 Robusta Emerging Markets Equity Fund
 Robusta European Equity Fund
 Robusta European Small Cap Fund
 Robusta Fund of Hedge Funds II
 Robusta Fund of Hedge Funds III
 Robusta Global Bond Fund
 Robusta Global Credit Bond Fund
 Robusta Global Inflation-Linked Bond Fund
 Robusta International Property Fund I
 Robusta Private Equity Fund of Funds I
 Robusta Private Equity Fund of Funds II
 Robusta Tactical Trading Fund of Hedge Funds
 RSA Insurance Ireland Designated Activity Company
 Rubrika Finance Company Limited
 Ryanair Holdings plc
 Santam Structured Reinsurance Designated Activity Company
 Saturns Investments Europe PLC
 Seamair Insurance Designated Activity Company
 Slandia Finance (Ireland) Limited
 Sligo Card Finance 2015 Designated Activity Company
 Société d'Assurances Générales Appliquées (SAGA) dac
 Sofinsod Insurance Designated Activity Company
 Squadron Reinsurance Designated Activity Company
 Starts (Ireland) Plc
 STRATEGIC INVESTMENT FUNDS UCITS PLC
 Talanx Reinsurance (Ireland) SE
 Talisman -5 Finance plc
 Talisman -6 Finance plc
 Talisman -7 Finance Designated Activity Company
 Tara Insurance Designated Activity Company
 TCS Insurance Company of Ireland Designated Activity Company
 Tenax Credit Opportunities Fund Plc
 Tenax Financials Fund plc
 Titian CDO Plc
 Tyre Reinsurance (Ireland) Designated Activity Company
 Vallauris II CLO plc
 VanEck Vectors UCITS ETFs PLC
 W&W Global Strategies Fund
 Wagram Insurance Company Designated Activity Company
 Wells Fargo Bank International Unlimited Company
 Westwood Investment Funds plc
 Winchester Street Public Limited Company
 Windermere XIV CMBS Designated Activity Company
 Xelo II Plc
 Xelo Plc

List of KPMG audit entities located in EU/EEA

This is a list of KPMG audit firms as defined in Article 2 (3) of EU Directive 2006/43/EC which are located in EU/EEA countries. It has been prepared solely for the purpose of compliance by KPMG member firms with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. It is prepared by KPMG International Cooperative ('KPMGI'), a Swiss entity which provides no professional services to clients. To the best of our knowledge, the list is accurate as of 31 December 2017. However, we cannot and do not warrant its accuracy at any given time.

Location	Firm Name
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Linz)
Austria	KPMG Niederösterreich GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Austria	Plan Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	Securitas Revisions- und Treuhandgesellschaft m.b.H.
Austria	T&A Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH
Belgium	KPMG Bedrijfsrevisoren/KPMG Réviseurs d'Entreprises
Bulgaria	KPMG Audit OOD
Croatia	KPMG Croatia d.o.o. za reviziju
Cyprus	KPMG
Cyprus	KPMG Limited
Cyprus	G. Syrimis & Co
Cyprus	Metaxas Loizides Syrimis & Co
Cyprus	KPMG CEE Holdings Limited
Czech Republic	KPMG Ceska republika Audit, s.r.o.
Denmark	KPMG Statsautoriseret Revisionsaktieselskab
Estonia	KPMG Baltics OÜ
Finland	KPMG Oy Ab
Finland	KPMG Julkishallinnon Palvelut Oy
France	Avignon Experts Comptables
France	CEGEST
France	FUTIN Associés
France	KPMG Audit DFA S.A.S.
France	KPMG Audit Est S.A.S.
France	KPMG Audit FS I S.A.S.

Location	Firm Name
France	KPMG Audit ID S.A.S.
France	KPMG Audit IS S.A.S.
France	KPMG Audit Nord S.A.S.
France	KPMG Audit Normandie S.A.S.
France	KPMG Audit Ouest S.A.S.
France	KPMG Audit Paris et Centre S.A.S.
France	KPMG Audit Rhône Alpes Auvergne S.A.S.
France	KPMG Audit Sud-Est S.A.S.
France	KPMG Audit Sud-Ouest S.A.S.
France	KPMG SA
France	KPMG Tartaroli
France	SALUSTRO REYDEL S.A.
France	SAS de Commissaires aux Comptes Berthoud Coldefy Chabalier
France	SEGEC
France	SGADG
Germany	KPMG AG Wirtschaftsprüfungsgesellschaft
Germany	ATH Allgemeine Treuhandgesellschaft mbH Wirtschaftsprüfungsgesellschaft
Germany	EUREVISIO GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Germany	KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Germany	KPMG Prüfungs- und Beratungsgesellschaft für den Öffentlichen Sektor Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Gibraltar	KPMG Limited
Greece	KPMG Certified Auditors AE
Hungary	KPMG Hungária Kft./KPMG Hungary Ltd.
Iceland	KPMG ehf.
Ireland	KPMG
Italy	KPMG S.p.A.
Italy	KPMG Audit S.p.A.
Latvia	KPMG Baltics SIA
Liechtenstein	KPMG (Liechtenstein) AG
Lithuania	'KPMG Baltics' UAB
Luxembourg	KPMG Luxembourg
Malta	KPMG
Netherlands	KPMG Accountants N.V.
Norway	KPMG Holding AS
Norway	KPMG AS
Poland	KPMG Audyt Sp. z.o.o.
Poland	KPMG Audyt Sp. z.o.o. Sp. Komandytowa
Portuga	KPMG & Associados — Sociedade de Revisores Oficiais de Contas, S.A.
Romania	KPMG Audit SRL
Slovakia	KPMG Slovensko spol. s r.o.
Slovenia	KPMG Slovenija, podjetje za revidiranje, d.o.o.

Location**Firm Name**

Spain	KPMG Auditores, S.L.
Sweden	KPMG AB
United Kingdom	KPMG LLP
United Kingdom	KPMG Audit Holdings Limited
United Kingdom	KPMG Audit Plc
United Kingdom	KPMG Holdings Limited
United Kingdom	KPMG Overseas Services LimitedBenteler Reinsurance Company Designated Activity Company

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Produced by: KPMG’s Creative Services. Publication Date: March 2018. (3583)