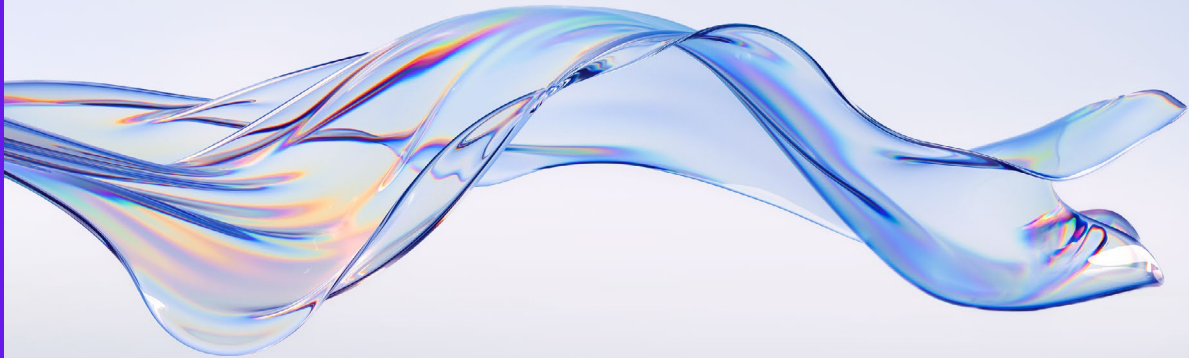




Transparency Report 2022

Our relentless focus on quality



KPMG Iceland



kpmg.is

Message from the local Senior Partner

Together. For Better
Driving quality across all we do.

The success of KPMG will always be linked to the quality of the services we provide to those that rely on us. Quality has helped us become a trusted advisor to so many businesses and stakeholders across the world and the measure of our success will be determined by the level of quality we provide — no matter how the world turns.

Providing high-quality services takes hard work, dedication and focus, as well as a continued investment in the people and technology that make it happen.

In this report we document how we are improving our quality management – by investing in new technologies and resources, while building a stronger culture of consistency and accountability. We share how our relentless focus on quality underpins our commitment to serve the public interest and drives our ambition to be the most trusted and trustworthy professional services organization.

This report sets out the practices and processes that are currently employed by KPMG ehf. While KPMG Iceland is a professional service organization, this report is primarily focused on our audit practice and related services. It relates to the fiscal year 1 October 2021 to 30 September 2022.

KPMG ehf. is a leading audit and professional services firm with 300 people employed by the firm in Iceland. KPMG ehf's clients range from large, listed companies to small companies as well as all types of organizations and activities in the public sector.

At KPMG, our purpose is to build trust and empower change. We are a network of firms in 143 countries and territories, and in FY22, collectively employed more than 265,000 people who are committed to delivering quality in Audit & Assurance, Advisory and Tax & Legal services. We

are committed to driving a strong culture of quality and excellence that is core to our purpose.

KPMG has the ambition to become the most trusted and trustworthy professional services organization. That aim is impossible without delivering quality audits, and even though we have a sound foundation to build on, we need to constantly innovate and never losing our focus.

All our actions are guided by our values. They drive our daily behaviours, guide our decisions, and shape our ethical culture.

Together, we are committed to drive a strong culture of quality and excellence that is core to our purpose. Quality is what our profession is built on, and that is why KPMG is relentless in our approach to delivering it.

The management of the firm has been working on its strategy until the year 2025 where the main theme is to work better together as a whole, across our functions and service lines. The firm aims at further growth which will be based on its strong foundation. The driving force in the strategy is satisfied personnel, to be the clients' clear choice and have positive effect on the society. Our foundation is broad knowledge and efficiency in processes and utilisation of technology.

Our main resource is our personnel and we put emphasis on creating an exceptional working environment for them and give them the opportunity to engage in subjects and challenges with a clear purpose. Our role is to create trust within the business community, and this is a role which we undertake responsibly.



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KPMG aims to be at the forefront with regards to sustainability within our operations and environment and we intend to share this experience with our clients and support them in their sustainability progress. We have employed powerful sustainability experts in advisory, certification and assurance. The firm has implemented a sustainability strategy and we emphasise to set an example for others in this regard.

KPMG ehf's Transparency Report is for anyone who is interested in finding out more about the way our firm is structured and our commitment to quality, ethics and independence.

We are committed to working closely together with regulators, our clients, their investors, and businesses to meet expectations for audit quality. Audit has been a fundamental part of our business for generations and, as the world changes dramatically, our fidelity to ensuring the successful working of the capital markets through the robust quality of our audits has stayed constant. Quality is what our profession is built on, and it is why KPMG is relentless in our approach to delivering it.

There are exciting times ahead but also with challenges. Our personnel have done an excellent job in the previous financial year, often in demanding circumstances, including COVID and changes relating to our office premises. We are very thankful for their important contribution and without them this success would not have been possible. Furthermore, we thank our clients for the trust they have shown us, and we will continue to strive to live up to this trust.




Reykjavík, January 2023
Hlynur Sigurðsson
Senior Partner, KPMG Iceland

Throughout this document, “KPMG,” “we,” “our” and “us” refers to the global organization or to one or more of the member firms of KPMG International Limited, each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients.

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

Throughout this document, references to “Firm,” “KPMG firm,” “member firm” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the ‘Governance and leadership’ section of the [2022 KPMG International Transparency Report](#).



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Living our culture and Values

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

Fostering the right culture, starting with tone at the top

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

At KPMG ehf. we promote a culture in which consultation is encouraged and recognized as a strength. We communicate our commitment to clients, stakeholders, and society at large to earn the public’s trust.

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

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public’s trust through our actions and behaviors both professionally and personally.

Our Values guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all of our stakeholders.

Integrity: We do what is right.

Excellence: We never stop learning and improving.

Courage: We think and act boldly.

Together: We respect each other and draw strength from our differences.

For Better: We do what matters.

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



Everyone at KPMG is held accountable for behaviour consistent with the Code and is required to confirm their compliance with it. All KPMG personnel are required to take annual training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code, or our Values.



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

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

The [KPMG International hotline](#) is a further mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG firms or KPMG personnel. We take reports received by the International hotline seriously, and for each of them we respond, and take appropriate action.

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

The Global People Survey provides KPMG ehf. leadership and KPMG International leadership with results related to upholding the KPMG Values. KPMG ehf. and KPMG International monitor the results and take appropriate actions to communicate and respond to any findings.

System of quality management

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

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. The quality of each audit rests on a foundational system of quality management.

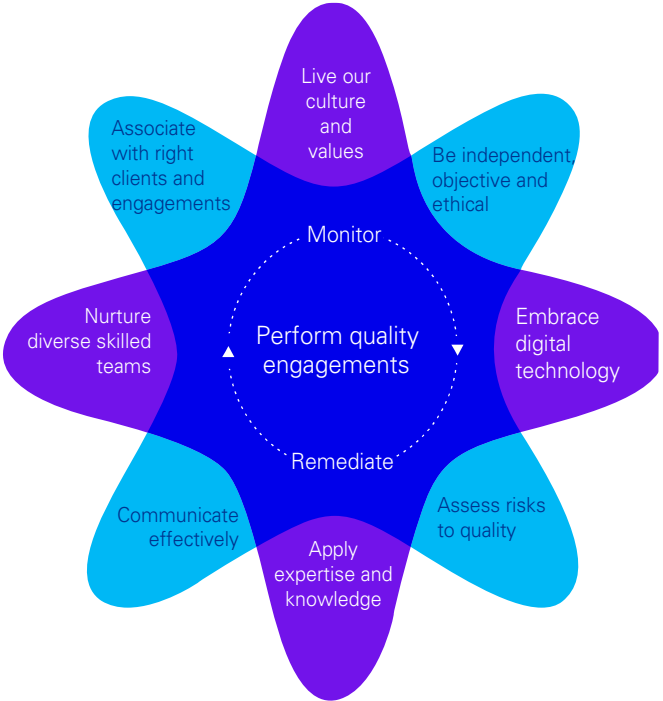
Across our global organization we have strengthened the consistency and robustness of our system of quality management that enables compliance with the International System on Quality Management Standard 1 (ISQM 1), issued by the International Auditing and Assurance Standards Board (IAASB), which will take effect on 15 December 2022. We consider this a transformational and fundamental change for KPMG firms.

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

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

The new requirements apply to all KPMG firms within our global organization. The objective of this centralized approach is to drive the consistency, robustness, and accountability of responses within KPMG firm’s processes.

In preparation for ISQM 1, we adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable to its delivery. The principle of ‘Perform quality engagements’ sits at the core along with our commitment to continually monitor and remediate our processes as necessary



The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

This Transparency Report summarizes KPMG’s approach to audit quality, it may also be useful for stakeholders interested in member firms’ Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered. .



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Leadership responsibilities for quality and risk management

KPMG ehf. demonstrates commitment to integrity, quality, objectivity, independence, and ethics, and communicates our focus on quality to clients, stakeholders, and society. Our leadership plays a critical role in setting the right tone and leading by example — demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

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

KPMG ehf. is required to seek input from the chair of the relevant Global Steering Group or his/her delegee on the performance of certain leaders within KPMG ehf. whose role most closely aligns with the activities of the Global Steering Group. Input is sought as part of the annual performance process and is based on an assessment of the leader’s performance, which includes matters of public interest, audit quality and risk management activities.

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

Senior Partner

In accordance with the principles in ISQC 1, our Senior Partner, Jón S. Helgason until 30 September 2022 and Hlynur Sigurðsson as of 1 October 2022, has assumed ultimate responsibility for KPMG ehf.’s system of quality management.

Details of some of the measures that he and the Board have taken to ensure that a culture of quality prevails within KPMG ehf. are set out in this transparency report.

Risk Management Partner / Ethics and Independence Partner

The Risk Management Partner (RMP) is responsible for the direction and execution of risk, compliance, and quality control in KPMG ehf. The Ethics and Independence Partner (EIP) has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG ehf. The same individual is responsible for both roles within KPMG ehf.

The RMP/EIP is a member of KPMG ehf.’s Executive Committee and has a direct reporting line to the Senior Partner. The RMP/EIP consults, as appropriate, with the Senior Partner, the Regional Risk Management Partner, Global Quality & Risk Management resources, and the general counsel or external counsel.

The RMP/EIP is supported by a team of partners and professionals in each of the functions.

The Audit, Tax and Advisory functions – Function Heads

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



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KPMG ehf. Head of Audit is responsible for the effective management and control of the Audit Function. This includes:

- Setting a strong tone and culture supporting audit quality through communication, engagement support and commitment to the highest standards of professional excellence, including professional scepticism, objectivity, and ethics and integrity;
- Developing and implementing an audit strategy which is aligned with KPMG ehf.'s audit quality requirements; and

Working with the Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice.

Audit Leadership Team

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

For more complex issues (which might require amendments to KPMG’s global audit methodology or audit tools) these will be raised with the KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG) and the International Standards Group (ISG). For more information about the KGSG and the ISG refer to section 8.1.2 of the member firm transparency report.

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

Our business

KPMG ehf. is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of 16 offices across Iceland and had an average of 281 partners and employees] in the year to 30 September 2022 (2021: 271).

Our audit services in Iceland are delivered through KPMG ehf. Full details of the services offered by KPMG ehf. can be found on our website kpmg.is.

Our strategy

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

Defined accountabilities, roles and responsibilities, including for leadership

Legal structure

KPMG ehf. and all other KPMG firms are party to

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

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found in section ‘Governance and leadership’ of the [2022 KPMG International Transparency Report](#).

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

KPMG ehf. is a private limited liability company incorporated under the Icelandic Act on Private Limited Liability Companies no. 138/1994.

It was established on 4 September 1975 and became an affiliate with KPMG International in 1985. It is wholly owned by 34 practicing partners as at 30 September 2022 (2021: 35 partners). A list of the partners is accessible at the company’s website.

KPMG ehf. is authorised in accordance with the Icelandic Act on Auditors and Auditing no. 94/2019, and has the auditor registration number EF-2011-003.

Audit, Tax and Advisory services are delivered through the legal entity KPMG ehf. and legal services through the legal entity KPMG Law ehf. which is a sub-licencee of KPMG ehf.

Name, ownership and legal relationships

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



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Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

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

Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG Values (see section Fostering the right culture, starting with tone at the top).

KPMG International's activities are funded by an annual payment paid to it 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 organization may be terminated if, among other things, it has not complied with the policies, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Overseen using robust governance structures

Governance structure

KPMG ehf. applies high standards of corporate governance.

The shareholders

The shareholders of KPMG ehf. take part in shareholders' meetings and the Annual General Meeting. Shareholder's meeting makes decisions on, among other things, the selection of new shareholders and the firm's funding. Decisions made at Annual General Meeting include issues that are regulated under Icelandic law, such as the election of the Board of Directors and the auditor, as well as deciding on dividends to shareholders.

The Board

The Board of Directors of KPMG ehf. is constituted in accordance with Icelandic corporate legislation, including

the provisions of the Icelandic Act on Auditors and Auditing. All Board members shall uphold the company's shared interests. In accordance with the company's Articles of Association, the Board shall comprise five members. Members of the Board are elected for a term of one year. The Board appoints its own Chairperson.

The Board meets generally once a month to undertake certain statutory duties for KPMG ehf., including approving the annual accounts and the transparency report.

Details of those charged with governance for KPMG ehf. are set out in Appendix 2.

The Executive Committee

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

The Executive Committee consists of the Senior Partner, RMP/EIP, Heads of Functions, CFO and Head of HR.

The Compensation Committee

The Compensation Committee makes decisions regarding fixed salaries for partners as well as share in profit for each year. The Compensation Committee consists of the Senior Partner and 2 partners elected by annual general meeting for a term of 3 years at a time.

The Nomination Committee

The Nomination Committee prepares proposals for annual general meeting regarding members of the Board and compensation committee. The Nomination Committee consists of 3 partners elected annually at shareholders meeting.

The Sustainability Committee

The Sustainability Committee oversees implementation of sustainability at KPMG, prepares policies and strategies relating to sustainability and consults the Board, the Executive Board and management on matters relating to the firm's sustainability matters. The committee is responsible towards the Senior Partner. The Sustainability Committee consists of the Senior Partner, CFO, Head of HR, Head of Business Development, one partner and a sustainability specialist.



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Applying expertise and knowledge

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



Methodology aligned with professional standards, laws and regulations

Consistent audit and assurance methodology and tools

Bringing consistency through our methodology

Our audit and assurance methodology, tools and guidance enable a consistent approach to planning, performing and documenting audit procedures over key accounting processes:

- Globally consistent and fully compliant with the applicable standards, including International Standards on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by KPMG firms;
- Inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed;
- Centered on identifying risk, focusing on risks of material misstatements and the necessary audit response;
- Made available to all KPMG audit and assurance professionals and required to be used, where necessary;
- Applied even where local auditing standards may be less demanding than the ISAs; and
- Based on the requirements of the International Standard on Assurance Engagements (ISAE) and aligned to assurance products in response to the growth of ESG reporting.



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

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

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

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

Deep technical expertise and knowledge

Access to specialist networks

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

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

Our commitment to audit quality during significant external events

Significant external events such as the conflict in Ukraine, the COVID-19 pandemic and the emerging impacts of climate change have contributed to rising inflation and interest rates, supply chain disruption and increased global economic uncertainty.

Matters such as going concern, asset impairments and valuations will likely require careful judgment as organizations deal with elevated uncertainty and market volatility. KPMG firms’ role as auditors is to evaluate these judgments.

We maintain an [online financial reporting resource center](#) to assist financial statement preparers and other stakeholders in understanding the potential accounting and disclosure implications of significant external events.

KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, auditing and reporting related matters arising from the impacts of these external events, addressing the potential implications for going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, subsequent events, audit evidence and communications with those charged with governance.

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

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance and audit platforms and tools available electronically, which enable our engagement teams to effectively operate in office and remote working environments.

Quality and risk management manual

KPMG International has quality and risk management policies that apply to all member firms. These are included in KPMG’s Global Quality & Risk Management Manual (GQ&RM Manual) which applies to all KPMG firms and all KPMG personnel. KPMG ehf. is required to establish and maintain a system of quality management and design, implement, and test the operating effectiveness of quality controls.



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Embracing digital technology

At KPMG, we are committed to serving the public interest and creating value through continuous innovation. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our ability to focus on the issues that matter.

Intelligent, standards-driven audit workflows

All KPMG ehf. professionals are expected to adhere to KPMG International and KPMG ehf. policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG ehf. policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations. This includes the Act on auditors and auditing no. 94/2019, the Financial Statements Act no. 3/2006 and other relevant laws and regulations such as bribery legislation, the Anti Money Laundering Act and insider rules.

Evolving our audit workflows

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

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

The release of the KPMG Clara workflows and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

KPMG Clara

KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. As a fully integrated, scalable, cloud-based platform, it enables the enhanced audit methodology through data-enabled workflows.

The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization.

The digital audit is increasingly integral to how KPMG member firms perform quality audits and interact with their clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation and testing, deployment and support of technology in our audits.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

- Analysis of account balances and journal entry data;
- Automation of ‘period on period’ balances comparison and ‘time series’ evolution information;
- Analysis of sub-ledger, transactional data over certain business processes and accounts; and
- Integration (where applicable) with industry-specific digital procedures and solutions.



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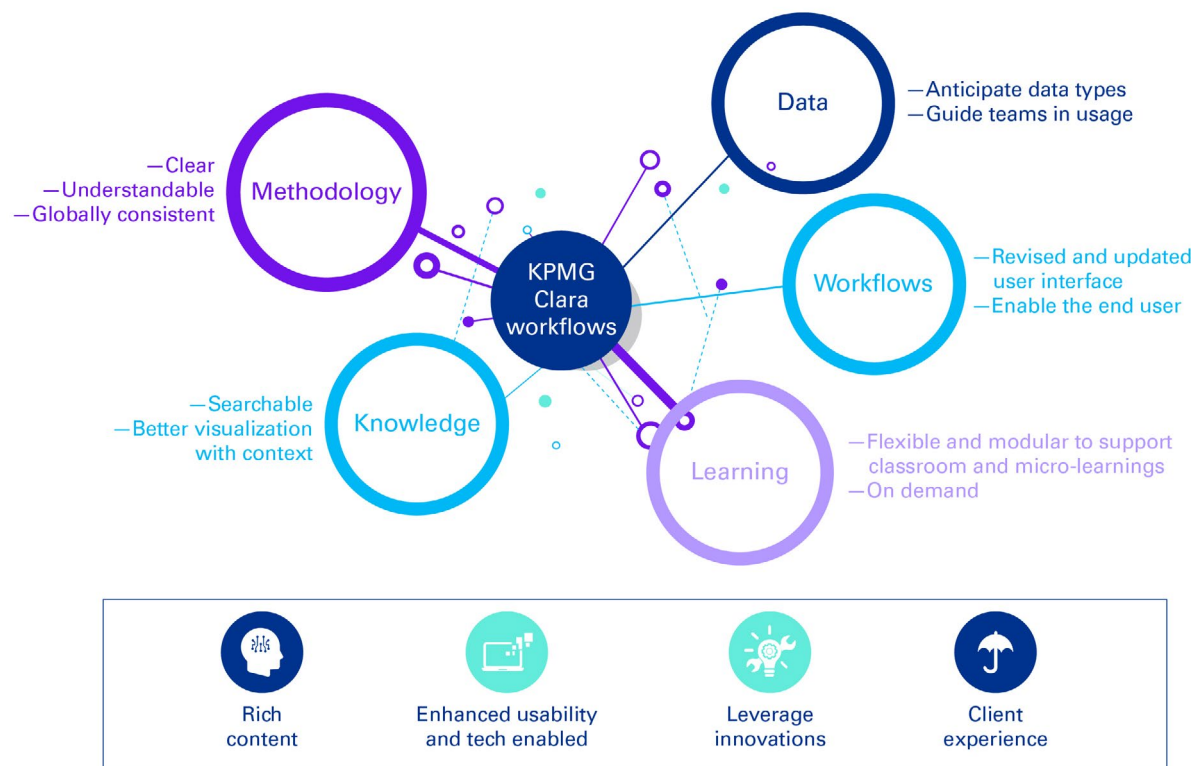
Our vision of the future

KPMG Clara was developed to be a foundational technology platform for KPMG to deliver audit quality. It delivers this by being the base technology providing new capabilities in a globally consistent way, enabling the audit workflows and providing a fully digital experience for our audit professionals.

The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.

KPMG Clara workflows

Our previous platform, eAuditIT, is being replaced with new workflows embedded with our revised audit methodology and enabled by the KPMG Clara smart audit platform. Phased full deployment of the KPMG Clara workflows (with the exception of very small and less complex national audits) commenced globally in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits. Global transition for less complex national audits, leveraging enhanced scaling capability has commenced in 2022 and will be completed by 2023.



The web-enabled KPMG Clara workflows guide audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflows and revised audit methodologies are scalable – adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflows significantly enhance the execution of an audit by KPMG professionals and drive audit quality and global consistency.

Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflows can also facilitate monitoring of audit execution at the engagement level.

We continue to enhance the KPMG Clara smart audit platform to accommodate evolving security demands,

further integrate existing audit applications, and develop new capabilities to digitalize additional audit processes.

Client confidentiality, information security, and data privacy

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

We have policies on information security, confidentiality, personal information and data privacy. We have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with applicable laws, regulations, and professional standards.

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

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Nurturing diverse skilled teams

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

Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience

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

Recruitment

KPMG ehf. has invested in understanding how we can attract the talent we need now and in the future across the organization. This requires the right recruitment, development, reward, promotion and assignment of professionals. This includes to building an extraordinary people experience for all current and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges, and business schools. KPMG ehf. also recruits significant numbers at an experienced hire level and some lateral partner hires annually.

All candidates apply and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These methods leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

KPMG ehf. recruited 23 new graduates in the year ended 30 September 2022 (2021:19).

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

Inclusion, diversity & equity programs

KPMG ehf. is committed to building a diverse and equitable firm that is inclusive to all.

Inclusion, diversity, and equity (IDE) is core to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our Values, and do what is right.

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

Our KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity, and equity at KPMG ehf, and across all KPMG firms.

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

Reward and Promotion

Reward

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



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Reward decisions are based on consideration of both individual and firm performance as well as market collective salary agreement.

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

Promotion

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

Assigning an appropriately qualified team

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

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

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

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

- Understanding of KPMG ehf.’s quality control policies and procedures; and
- Quality Performance Review (QPR) results and results of regulatory inspections.

Investing in data centric skills – including data mining, analysis and visualization

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

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

Commitment to technical excellence and quality service delivery

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

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

Lifetime learning strategy

Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development groups at global, regional and, where applicable, KPMG firm level.

Mandatory learning requirements for audit professionals across the KPMG organization are established annually. Training is delivered using a blend of learning approaches and performance support. All mandatory audit training curriculum training is provided by our regional KPMG Nordic L&D Centre of Excellence in Riga.



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Mentoring and on the job training

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

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

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

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

Licensing

All KPMG ehf. professionals are required to comply with applicable professional licence rules and satisfy the Continuing Professional Development requirements stipulated by the Icelandic Act on Auditors and Auditing. KPMG International and KPMG ehf. policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework – IFRS.

Mandatory requirements – US GAAP engagements

In addition, KPMG has specific requirements for partners, managers and Engagement Quality Control (EQC) reviewers working on engagements performed outside the US to report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with US auditing standards, including reporting on the effectiveness of the entity’s internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls

Recognizing quality

Personal development

KPMG ehf.’s approach to performance development, ‘Open Performance Development’, is built around the ‘Everyone a Leader’ performance principles, and includes:

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

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

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

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



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Associating with the right clients and engagements

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

Following the client and engagement acceptance and continuance policies

The KPMG client and engagement acceptance and continuance policies and processes are designed to identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

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

Accepting appropriate clients and engagements

Client evaluation

KPMG ehf. undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management, and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes an assessment of the client's risk profile, and obtaining background information on the client, its key management, directors and owners. If necessary, we obtain additional information required to satisfy applicable legal and regulatory requirements.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, whether the services would be unethical or inconsistent with our Values, as well as factors specific to the type of engagement. For audit services, these include the

competence of the client's financial management team and the skills and experience of KPMG professionals assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG ehf. personnel and includes additional reviews as required.



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

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

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks.



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

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

Continuance process

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

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

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

Withdrawal process

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

Managed portfolio of clients

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

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



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Being independent and ethical

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



Acting with integrity and living our Values

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

These policies are supplemented by other policies and processes to ensure compliance with the Icelandic Act on Auditors and Auditing, and the EU Audit Regulation or the SEC independence rules (as relevant). These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

The Head of the Global Independence Group is supported

by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel comply with these requirements.

KPMG ehf. has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG ehf.. The EIP is responsible for communicating and implementing KPMG International policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than the KPMG International requirements.

The EIP fulfils this responsibility through:

- Implementing/monitoring the ethics and independence quality control process and structure within the firm;



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

Amendments to KPMG International’s ethics and independence policies are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in Chapter on Monitoring and remediation.

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

Maintaining an objective, independent and ethical mindset, in line with the Code

Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm audit and assurance clients (by definition, ‘audit client’ includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners — irrespective of their firm or function — are generally prohibited from owning securities of any audit client of any KPMG firm.

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

All partners and manager grade or above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are

permitted to do so. They are also required to maintain a record of all of their investments in publicly available funds and securities registered on recognized or regulated exchanges in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with the KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Employment relationships

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

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

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

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

Firm financial independence

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

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



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

On an annual basis, KPMG ehf. confirms compliance with independence requirements as part of the KPMG Quality & Compliance Evaluation program.

Business relationships/suppliers

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

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

Business acquisitions, admissions and investments

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

Independence clearance process

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, KPMG ehf. follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as ‘the independence clearance process,’ are required to be completed prior to accepting an audit engagement for these entities.

The ‘KPMG Independence Checkpoint’ tool is used to automate and standardize the procedures that comprise the independence clearance process.

Independence training and confirmations

All KPMG ehf. partners and client facing professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG ehf. and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training are required to do so by the earlier of (a) thirty days after joining KPMG ehf. or (b) before providing any services to or becoming a member of the chain of command for, any audit client.

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

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

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



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

Non-audit services

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

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



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Lead audit engagement partners (LAEPs) are required to maintain group structures for their public interest entity and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision to, approve, or deny any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

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

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

Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies require firms to consult with their Regional Risk Management Partner where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In addition, if the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

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

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

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG ehf. partners or employees have a personal connection with the client that may interfere, or be perceived to interfere, with their ability to remain objective, or where they are

personally in possession of confidential information relating to another party to a transaction. Consultation with the RMP or the EIP is required in these situations.

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

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

KPMG ehf. has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which is required to be documented.

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

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

Independence breaches

All KPMG ehf. personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence requirements of the IESBA Code of Ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible, except where alternative timing for less significant breaches has been agreed with those charged with governance.

KPMG ehf. has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. KPMG ehf.'s Disciplinary Committee oversees policies and procedures in relation to ethical matters and breaches of requirements.



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

Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements. KPMG ehf. partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a ‘time-out’ period during which time these partners may not:

- Participate in the audit;
- Provide quality control for the audit;
- Consult with the engagement team or the client regarding technical or industry-specific issues;
- In any way influence the outcome of the audit;
- Lead or coordinate professional services at the client;
- Oversee the relationship of the firm with the audit client; or
- Have any other significant or frequent interaction with senior management or those charged with governance at the client.

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

Firm rotation

KPMG ehf. is permitted to act as an auditor for Public Interest Entities (“PIE”) as defined in the EU Audit Regulation.

This means that the firm is subject to firm rotation rules stipulating a maximum number of years as the statutory auditor and not to act as auditor for such clients for a specified period thereafter (referred to as the ‘cooling off period’).

KPMG ehf. has processes in place to track and manage compliance with audit firm rotation requirements.

Zero tolerance of bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at KPMG ehf. We have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials. KPMG International requires KPMG firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

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

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



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Performing quality engagements

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

Consulting when appropriate

Encouraging a culture of consultation

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

To help with this, firms are required to have established protocols for consultation and documentation of significant matters, including procedures to facilitate resolution of differences of opinion on engagement issues. KPMG audit, assurance and reporting manuals also include required consultations. GORMM includes mandatory consultation requirements on certain matters

Technical consultation and global resources

Technical accounting, auditing and assurance support is available to member firms through the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG), all of which report directly to the Global Head of Audit.

Global Audit Methodology Group (GAMG)

KPMG’s audit and assurance methodology is developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit and assurance methodology based on the requirements of the applicable audit and assurance standards of the IAASB, PCAOB, and AICPA.

KPMG Global Solutions Group (KGSG)

The KGSG is responsible for the envisioning, development and deployment of global audit solutions, including new technology and automation innovations.

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

With locations in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, assurance, IT, data science, mathematics, statistics, and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG’s audit capabilities.

International Standards Group (ISG)

The KPMG ISG works with Global IFRS Standards topic teams, with geographic representation from around the world, and the IFRS Standards Panel and Methodology Advisory Group (MAG) to promote consistency of interpretation of IFRS Standards and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis. The ISG recently has expanded its remit to encompass the activities of the International Sustainability Standards Board (ISSB), including providing global thought leadership and guidance as the ISSB issues standards.



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PCAOB Standards Group (PSG)

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

Member firm professional practice resources

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). Across KPMG ehf., the role of DPP is crucial in terms of the support that it provides to our audit professionals. 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 Accounting & Reporting and Audit & Assurance.

KPMG ehf. is a part of Nordic Department of Professional Practice (Nordic DPP).

Nordic DPP is a team of permanent and seconded Audit and Accounting specialists whose role is to help and support our engagement teams in the Nordics, i.e. Denmark, Finland including Estonia, Iceland, Norway and Sweden including Latvia and Lithuania.

NDPP support includes responding to complex audit and accounting issues, performing pre-issuance reviews, developing tools, templates, policies, guidance and trainings to improve Audit Quality.

Nordic DPP has experts in audit methodology and reporting and in accounting and financial reporting. Nordic DPP also support Audit Quality monitoring and remediation activities (including System of Quality Management) and oversight of the quality of audit innovation and audit technical training.

NDPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of

Quality and Risk, Head of Audit or ultimately the Senior Partner.

Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG’s ISG and PSG are also available for consultation support when required.

Critically assessing audit evidence using professional judgement and skepticism

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

Direct, coach, supervise and review

Embedding ongoing coaching, supervision and review

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

Ongoing direction, coaching and supervision during an audit involves:

- Engagement partner participation in planning discussions;
- Tracking the progress of the audit engagement;
- Considering the competence and capabilities of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions;
- Whether the team understands its instructions and 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 to review and discuss with more experienced team members during the engagement.

The timely review of the work performed so that significant matters are promptly identified, discussed and addressed is also used as a coaching opportunity.



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Engagement quality control (EQC) reviewers

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

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

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

Appropriately support and document conclusions

Reporting

Auditing standards largely dictate the format and content of the auditors’ report which includes an opinion on the fair presentation of the reporting entity’s financial statements in all material respects. Engagement leaders form all audit opinions based on the audit performed and evidence obtained.

In preparing auditors’ reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors’ report (e.g. a modification to the opinion or through the inclusion of an ‘emphasis of matter’ or ‘other matter’ paragraph).

Engagement documentation

KPMG ehf. audit documentation is completed and assembled according to the timeline determined by the KPMG firm in accordance with KPMG International policy and applicable auditing standards. We have implemented administrative, technical, and physical safeguards to protect the confidentiality and integrity of client and firm information. KPMG International adopted policies to apply to all KPMG firms to reduce the time period allowed to assemble audit documentation, which is significantly less than the time period required by the applicable auditing standards.



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Assessing risks to quality

KPMG International reviews the results of the quality monitoring programs and develops additional global remediation actions as needed.

Global remediation actions developed by KPMG International are aimed at changing behavior and driving

quality and consistency across the global organization. Remediation actions may be implemented through the development of global policies, procedures, training, tools and guidance.



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Communicating effectively

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

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

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

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

IFRS Standards Institute

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

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

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Annually KPMG ehf. personnel are invited to participate in KPMG’s Global People Survey (GPS) to share their perception about their experience of working at KPMG. The GPS provides a measure of our people’s engagement and insights into areas driving engagement. Results can be analyzed by several factors, for example functional or geographic area, grade and gender to provide additional focus for action.

Through the GPS, KPMG ehf. gains additional insight on how we are faring on categories known to impact employee engagement. We also cover areas of focus that are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

The survey also provides KPMG ehf. leadership and KPMG International leadership with insights related to quality and risk behaviors, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG ehf. participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire global organization and are presented to the Global Board each year and appropriate follow-up actions agreed.

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



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Monitoring and remediation

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

Rigorously monitor and measure quality

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG firm audits. The quality monitoring and compliance programs are globally consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG ehf. compares the results of its internal monitoring programs with the results of those of any external inspection programs and takes appropriate action.

Internal monitoring and compliance programs

KPMG ehf. monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

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

Our internal monitoring programs also contribute to the assessment of whether our system of quality management has been appropriately designed, effectively implemented, and operates effectively. These include

Quality Performance Reviews (QPR), the KPMG Quality & Compliance Evaluation program (KQCE) and the Global Quality & Compliance Review (GQ&CR) program.

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

Audit Quality Performance Reviews (QPRs) program

The Audit 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 four-year cycle. A risk-based approach is used to select engagements.

KPMG ehf. conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG ehf. level and are monitored regionally and globally.



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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 engagement 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 ‘Compliant’, ‘Compliant- Improvement Needed’ or ‘Not Compliant’.

Reporting

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

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

Lead audit engagement partners (LAEPs) are notified of not compliant ratings on their respective cross-border engagements. Additionally, LAEPs of parent companies/ head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR program.

KPMG Quality & Compliance Evaluation (KQCE) program (formerly known as Risk Compliance Program (RCP))

KPMG International develops and maintains quality management policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of the GQ&RM Manual, ISQC 1, and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE program are to:

- Document, assess and evidence KPMG ehf.’s implementation of ISQM 1, extent of compliance of their system of quality management with the Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements and
- Provide the basis for KPMG ehf. to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where exceptions are identified, we are required to develop

appropriate action plans and then monitor the status of each action item.

Global Quality & Compliance Review (GQ&CR) program

Each KPMG firm is subject to a GQ&CR conducted by KPMG International’s GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria

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

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

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

Obtain, evaluate and act on stakeholder feedback

Regulators

As a registered audit firm KPMG ehf. is subject to supervision through external regulatory review processes performed by various regulators. In Iceland the Auditors’ Oversight Board performs independent inspections in accordance with the Icelandic Act on Auditors and Auditing with regards to individual auditors as well as registered audit firms.

The external inspections have not identified any issues that have a material impact on the conduct of our statutory audit business.



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

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

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.

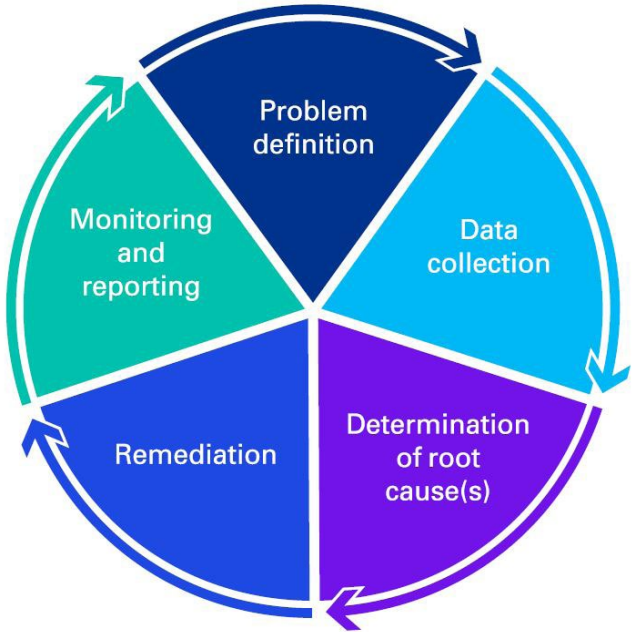
Monitoring of complaints

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

Perform root cause analysis

KPMG ehf. conducts Root Cause Analysis (RCA) in respect of audit quality issues. In 2022, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG ehf. who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



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

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



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Revenues includes expenses billed to clients and revenues related to billings to other KPMG firms. Revenues amounts disclosed in this report include revenues from both audit and non-audit clients.

Revenues is presented in accordance with the Annual Accounts Act 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 statutory auditor or the audit firm.
4. Revenues from non-audit services to other entities.

Financial information for the period ended on 30 September 2022 expressed in ISK million.

	FY22	%	FY21	%
Statutory audits of PIEs	304	5%	67	1%
Statutory audits of non-PIEs	1.435	25%	1.414	27%
Permitted non-audit services to entities that are audited by KPMG	1.087	20%	1.119	22%
Non-audit service to other entities	2.863	50%	2.589	50%
Total	5.689	100%	5.189	100%

For more detailed financial information, please refer to our [annual report as of 30 September 2022](#).



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Partner remuneration

Remuneration to partners is based on the annual surplus generated to partners.

Principles of remuneration to partners

The basis for remuneration to partners is the role and responsibility for the partner and specific key areas which consider a number of factors including Quality & Trust, People, Market & Growth, Building the firm and living the KPMG values. Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

Partners are assessed annually, which includes a self-evaluation, assessment at function level and firm level.

Evaluations of quality and independence are particularly important components. The remuneration committee, which is a sub-committee of the Board of Directors, monitors the remuneration process. A partner’s remuneration consists of several components, such as salary, dividend, pension and other benefits.



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Legal structure

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

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

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

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable; having an ownership, governance and management structure that ensures continuity and stability and long-term success; and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

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

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found in section 'Governance and leadership' of the [2022 KPMG International Transparency Report](#).

The name of each audit firm that is a member of the organization and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available on <https://home.kpmg.com/xx/en/home/about/governance/list-of-kpmg-eu-eea-audit-firms.html>

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

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

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.2 billion during the year ending 30th September 2022. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30th September 2022.



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

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

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.05 billion during the year ending 30th September 2021.

An updated statement of aggregated EU/EEA statutory audit revenues for the 12 months to 30th September 2022 is available within the Appendix to the [2022 KPMG International Transparency Report](#). The aggregated EU/EEA statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30th September 2021 (and 30th September 2022 for the updated numbers to be published in the KPMG International Transparency Report).

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

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

Professional Indemnity Insurance

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

Governance structure

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

Global Council

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

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 56 KPMG firms that are “members” of KPMG International Limited as a matter of English law.

Global Board

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

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

The list of current Global Board members, is set out on the Leadership page of kpmg.com <https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>.

Global Board committees:

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

- Executive Committee;
- Governance Committee;
- Global Quality, Risk Management and Reputation Committee; and
- Global Audit Quality Committee.

The overarching responsibility of the Global Audit Quality Committee is to strive for globally consistent audit quality across all firms and to oversee those KPMG International activities which relate to improving and maintaining the consistency and quality of audits, assurance engagements and the system of quality management provided by KPMG firms.



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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, and jointly recommending the global strategy to the Global Board for its approval. The Global Management Team also supports KPMG firms in their execution of the global strategy and KPMG International decisions and policies by member firms, including holding them accountable against their commitments.

It is led by the Global Chairman, Bill Thomas. The list of current Global Management Team members is available in the [Leadership](#) section on KPMG.com.

Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together they assist the Global Management Team in discharging its responsibilities. They act under delegated authority from the Global Board and oversight by the Global Management Team (GMT). Under the oversight of the GMT, they promote the execution of the global strategy and compliance with KPMG International decisions and policies by member firms.

In particular, the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- Establish, and ensure communication of, appropriate audit and quality/risk management policies;
- Establish and support effective and efficient risk processes to promote audit quality;
- Promote and support strategy implementation in member firms’ audit functions, including standards of audit quality; and
- Assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.
- The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section ‘Governance and leadership’ of the [2022 KPMG International Transparency Report](#).

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

Further details about KPMG International including the governance arrangements for the year ending 30 September 2022, can be found in section ‘Governance and leadership’ of the [2022 KPMG International Transparency Report](#).



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

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

The Board of KPMG ehf. 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 11.1.2 and our local compliance monitoring programs); and
- Findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the Board of KPMG ehf. confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2022.

Further, the Board of KPMG ehf. confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2022.

Reykjavík, 16 March 2023

Hrafnhildur Helgadóttir, Chairman of the Board



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Details of those charged with governance at KPMG ehf. as at 30 September 2022

The Board of Directors

- Hrafnhildur Helgadóttir Chairman of the Board
- Ágúst Karl Guðmundsson
- Haraldur Örn Reynisson
- Sigríður Soffía Sigurðardóttir
- Magnús G. Erlendsson

Management

- Jón S. Helgason Senior Partner and CEO
- Magnús Jónsson Head of Audit
- Birna M. Rannversdóttir Head of Bookkeeping
- Soffía Eydís Björgvinsdóttir Head of Tax
- Svanbjörn Thoroddsen Head of Advisory
- Auður Þórisdóttir RMP
- Erik Christansson Head of HR
- Sigrún Kristjánsdóttir CFO



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Appendix 2

The list of public interest entity audit clients for which KPMG ehf. has signed an audit opinion in the year ended 30 September 2022 (FS 2021 audited in 2022) is given below. The definition of public interest for this purpose is that given under the provisions of the Act on Auditors and Auditing no. 94/2019, item 3, paragraph 1, Article 2.

Alma leigufélag hf.	Mosfellsbær
Brú Lífeyrissjóður starfsmanna sveitarfélaga	Múlaþing
Eik fasteignafélag hf.	Origo hf.
Elkem Ísland ehf.	Rammi hf.
FISK Seafood ehf.	Rangárþing ytra
FÍ Fasteignafélag slhf.	Rio Tinto á Íslandi hf.
Fjarðabyggð	Síminn hf.
Frjálsi lífeyrissjóðurinn	Sjóvá-Almennar tryggingar hf.
HS Orka hf.	Sjóvá-Almennar líftryggingar hf.
Icelandair Group hf.	Skeljungur hf.
Icelandair ehf.	Skinney-Þinganes hf.
ÍL-sjóður	Sparisjóður Austurlands
Lífeyrissjóður starfsmanna Reykjavíkurborgar	Sparisjóður Strandamanna
Marel hf.	Stapi lífeyrissjóður
Míla ehf.	Vestmannaeyjabær



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International 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.

Throughout this document, “we”, “KPMG”, “us” and “our” refers to the global organization, to KPMG International Limited (“KPMG International”) or to one or more of the member firms of KPMG International, each of which is a separate legal entity.

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Publication name: Transparency Report 2022
Publication date: March 2022