

# 2018 Transparency Report

Samjong KPMG



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## 1. Message from the CEO

Welcome to our 2018 Transparency Report, which sets out the structure and governance of KPMG Samjong Accounting Corp. (“KPMG Korea”) as well as the quality control procedures and standards of integrity that we adopt across our services.

The pillars of our “Vision” to become “The Clear Choice” are: “Our people are extraordinary”, “Our Clients see a difference in us” and “The public trusts us”.

We have always prided ourselves on providing quality professional services in an ethical manner in our market. Our Firm’s success and reputation are based on our unwavering commitment to audit quality and ‘tone at the top’. We remain committed to working closely with regulators, audit committees, investors and businesses to enhance the quality.

Thereupon, we are delighted to publish Transparency Report 2018, which clearly outlines our commitment to audit quality and the steps we take to achieve it. We trust this report will be a useful insight into how we strive to enhance the quality of our work.



**Kyo Tae Kim**  
**Chief Executive Officer**

July 31, 2018



## 2.WHO WE ARE

### 2.1 OUR BUSINESS

KPMG Korea is a professional services firm that delivers Audit, Tax and Advisory services. We have two offices – the main office in Seoul and a local office in Naju - with 2,774 personnel, as of March 31, 2018.

Our audit services in Korea are delivered through KPMG Samjong Accounting Corp. Full details of the services offered by KPMG Korea can be found on our website:  
<https://home.kpmg.com/kr/en/home.html>.

### 2.2 OUR STRATEGY

Our strategy is set by the KPMG Korea Board and has remained consistent over time. It has empowered us to be the number one multi-disciplinary professional services firm in Korea.

The KPMG Korea Board has determined that commitment to quality is the key to our vision: to become the best firm that our professionals are proud of, a firm that clients trust and a firm that is socially respected.

## 3.OUR STRUCTURE AND GOVERNANCE

### 3.1 LEGAL STRUCTURE

#### *Legal structure and ownership*

KPMG Korea is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed

under Swiss law. It is the entity with which all the member firms of KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in Appendix 1 to the [KPMG International Transparency Report](#).

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

KPMG Korea is a partnership formed under the Korean “Certified Public Accountant Act” in Korea. It is wholly owned by motivated members striving to work together to reach our overall goal.

As of March 31, 2018, there were 136 partners in KPMG Korea.

A list of key entities, including KPMG Samjong Accounting Corp. and other associated entities, together with details of their legal structure, regulatory status, the nature of their business, and the area of operation are set out in [Appendices A.1.](#)

### 3.2 NAME AND OWNERSHIP

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

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

Samjong KPMG LLC, the holding company of KPMG Samjong Accounting Corp., consists of more than one separate legal entity. Each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

### 3.3 RESPONSIBILITIES AND OBLIGATIONS OF MEMBER FIRMS

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

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

Member firms commit to a common set of KPMG Values (see section 4.1)

KPMG Internationals' activities are funded by the member firms. The basis for calculating the amounts is approved by the Global Board and the measurement is consistently applied to the member firms. The status as a KPMG member firm and the firm's participation in the KPMG network with the policies and regulations set by KPMG International or any of its other obligations owed to KPMG International.

### 3.4 GOVERNANCE STRUCTURE

KPMG Korea applies high standards of corporate governance.

#### ***The Shareholders' Council***

The Shareholders' Council consists of 7 members, elected through the Shareholders' Meeting. The Council meets occasionally to undertake certain duties for shareholders.

#### ***The Board***

The Chief Executive Officer (CEO) chairs the Board ensuring the accurate, timely, and clear delivery of information to the Board members and establishing the effective communication and relationships with the members at large.

The principal governance and oversight body of KPMG Korea is the Korea Board, which provides leadership to the organization and is responsible for our long term growth and

sustainability by setting our strategy and overseeing its implementation, monitoring performance against our business plan, and protecting and enhancing the KPMG brand.

The Korea Board consists of 12 members, including the Chief Executive Officer and the Risk Management Partner. The constitution of the Board is determined through the Shareholders' Meeting. The Board meets occasionally to undertake certain statutory duties for KPMG Korea.

Full details of those charged with governance for KPMG Korea can be found in [Appendices A.2](#).

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

- The Executive Committee
- Risk Management Committee

Details about the role and responsibilities and composition of each of the key bodies are shown below.

#### ***The Executive Committee***

The Executive Committee is responsible for management of the day-to-day activities at KPMG Korea, 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 operation 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 Korea).

The Executive Committee members are all KPMG Korea Partners and are appointed by the CEO. In addition to the CEO, the Executive Committee includes the Risk Management Partner, Head of Audit, and other senior partners.

The Executive Committee aims to meet on a monthly basis at the minimum.

### **The Risk Management Committee**

The principal role of the Risk Management Committee is to provide oversight of quality & risk management matters across the firm. As part of its role, it oversees the maintenance of a culture of quality and integrity within the firm and, where required, it acts as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programs and the adequacy of proposed remedial actions.



## **4.SYSTEM OF QUALITY CONTROL**

A robust and consistent system of quality control is essential in performing high quality services. Accordingly, KPMG International has quality control policies that apply to all member firms. They are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) available to all personnel. Those policies and associated procedures are designed to assist the member firms in complying with relevant professional standards and regulatory and legal requirements, issuing appropriate reports in different circumstances, as well as to help member firm personnel act with integrity and objectivity and perform their work with diligence.

These policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of them are relevant to firms that perform statutory audits and other assurance and related services engagements.

KPMG Korea implements policies and procedures of KPMG International and adopts additional policies and procedures that are designed to address rules and standards issued by Financial Supervisory Services and other relevant regulators as well as applicable legal and other requirements.<sup>1</sup>

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

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

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

<sup>1</sup> All the references to 'KPMG policies' or 'our policies' refer to both the KPMG International policies and the additional KPMG Korea policies.

### Audit quality framework

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

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

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



### 4.1 TONE AT THE TOP

The culture of KPMG International and KPMG member firms is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviors to permeate throughout the KPMG network. At KPMG Korea we promote a culture in which

consultation is encouraged and recognized as a strength.

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

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Value: “Above all, we act with integrity”. Integrity means constantly striving to uphold the highest professional standards, providing sound and good-quality advice to our clients while rigorously maintaining independence.

Our Values, which have been explicitly codified for a number of years, are embedded into the working practices and value-based compliance culture at KPMG Korea. Our Values form the foundation of our culture and set the tone at the top. They also form the foundation of our approach to audit and shape how we work together.

We communicate our Values clearly to our people and ingrain them into our people processes - induction, performance development, and reward.

Our Values are described in [Appendices A.4](#).

### Code of Conduct

Building on the KPMG Values is the KPMG International Global Code of Conduct. Member firms, including KPMG Korea are required to adopt, as a minimum, the Global Code of Conduct.

The KPMG Korea Code of Conduct incorporates the KPMG Values and defines the standards of ethical conduct that is required from all KPMG people. It sets out ethical principles and helps partners and employees at KPMG Korea to understand and uphold those principles. In addition, the Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to one’s job functions and the level of responsibility. The Code of Conduct includes provisions that require KPMG personnel to:

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

and

- not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

All KPMG Korea personnel are required to:

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

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

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

In addition, the [KPMG International hotline](#) (as well as our own local [KPMG Korea hotline](#)) is a mechanism for KPMG partners, employees, clients, and other external parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG Korea, we regularly monitor the extent to which our people feel we live up to our Values through Global People Survey (refer to section 4.4.6).

#### 4.1.1 Leadership responsibilities for quality and risk management

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

Our leadership is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions – written and video communications, presentations to teams and one-to-one discussions.

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

#### **Chief Executive Officer (CEO)**

In accordance with the principles in ISQC 1, our CEO Kyo Tae Kim assumes the ultimate responsibility for KPMG Korea's system of quality control. Details of the measures that he and the rest of the Board have taken to ensure that a culture of quality prevails within KPMG Korea are set out in section 4 – System of quality control.

#### **Risk Management Partner (RMP)**

Operational responsibility for the system of quality control, risk management and compliance in KPMG Korea has been delegated to the Risk Management Partner, Won Jeong Suh, who is responsible for setting the overall professional risk management and quality control policies and monitoring compliance for the firm. The RMP owns a direct reporting line to the CEO. The RMP consults with the appointed Area Quality and Risk Management Leader.

Seniority of the reporting lines underlines the importance that the firm places on risk and quality issues. The RMP is supported by a team of partners and professionals in each of the functions.

#### **Ethics and Independence Partner (EIP)**

The Ethics and Independence Partner has the primary responsibility for the direction and execution of ethics and independence policies and procedures at KPMG Korea and reports on ethics and independence issues to the RMP.

#### **The Audit, Tax and Advisory (Consulting Service and Deal Advisory) functions – Function Heads**

The 4 heads of the client service functions (Audit, Tax, Consulting Service and Deal Advisory) are accountable for the quality of service delivered in their respective function. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Head of Department of Professional Practice (DPP). These procedures make it clear that all professionals hold the ultimate responsibility of risk management and quality control at the engagement level.

KPMG Korea Head of Audit is responsible for

leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. This includes:

- setting the right 'tone at the top' by demonstrating fundamental commitment to the highest standards of professional excellence, including skepticism, objectivity, and independence;
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- working with the Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be the key to audit quality.

### **Department of Professional Practice (DPP)**

The DPP function is responsible for providing support to the firm's professionals in meeting their professional responsibilities in the areas of accounting, reporting, auditing and assurance standards, and advisory services. It is comprised of a team of directors and experienced managers with the technical expertise necessary to support client teams on the interpretation and application of auditing, accounting and regulatory requirements.

## **4.2 ASSOCIATION WITH THE RIGHT CLIENTS**

### **4.2.1 Acceptance and continuance of clients and engagements**

Rigorous client and engagement acceptance and continuance policies and procedures help protect KPMG's reputation, support our brand, and play a vital role in our ability to provide high-quality professional services.

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

### **4.2.2 Client and engagement acceptance process**

#### **Client evaluation**

KPMG Korea undertakes an evaluation of every prospective client.

This involves an assessment of the prospective client's principals, its business and other service-related matters. This also involves obtaining and analyzing 'know your client information' on the prospective client, its key management and significant beneficial owners. A key focus is on the integrity of management at a prospective client, and the evaluation considers breaches of law and regulation, anti-bribery and corruption, and ethical business practices, including human rights, among the factors to consider.

A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' the Risk Management Partner or experienced delegate is involved in approving the evaluation.

#### **Engagement evaluation**

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors is considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system) 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 personnel assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Korea firm personnel and includes reviews by quality and risk management leadership as required.

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

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

We follow specific procedures (detailed further in section 4.3.2.7) to identify and evaluate threats to independence for prospective audit clients that are

public interest entities.

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

#### 4.2.3 Continuance process

KPMG Korea undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that are needed 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 engagements are also subject to re-evaluation.

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

#### 4.2.4 Withdrawal

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

#### 4.2.5 Client portfolio management

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

The Audit Client Acceptance and Assignment Committee has been established to assign an

appropriate audit partner for high risk audit clients that fall under high risk industries and engagements. In addition, The Committee reviews and selects appropriate audit clients, especially which fall under high risk industries.

### 4.3 CLEAR STANDARDS AND ROBUST AUDIT TOOLS

All KPMG Korea professionals are expected to adhere to KPMG International and KPMG Korea policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting those expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

#### 4.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up-to-date. The global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The global audit methodology is explained in KPMG International's Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes to enhance the quality of our audits. KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal, or regulatory requirements.

The global audit methodology is supported by eAudit, KPMG International's electronic audit tool, which provides KPMG Korea auditors with the methodology, guidance, and industry knowledge needed to perform high-quality audits.

eAudit's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders. The key activities within the eAudit workflow are:

##### Engagement setup

- perform engagement acceptance and scoping;
- determine team selection and timetable;

##### Risk assessment

- identify and assess risks;
- plan for involvement of KPMG specialists and external experts, internal audit, service organizations and other auditors as required;
- evaluate design and implementation of relevant controls;
- understand the entity;
- conduct risk assessment and planning discussion;
- determine audit strategy and planned audit approach;

### Testing

- test operating effectiveness of selected controls;
- plan and perform substantive procedures;

### Completion

- update risk assessment;
- perform completion procedures, including overall review of financial statements;
- perform overall evaluation, including evaluation of significant findings and issues;
- communicate with those charged with governance (e.g., the audit committee); and
- form the audit opinion.

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

The global audit methodology encourages the use of specialists when appropriate and also requires the involvement of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary.

KAM includes the implementation of quality control procedures at the engagement level that provide us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory, and KPMG International policy requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Q&RMM

that is applicable to all KPMG member firms, functions and personnel and is tailored by KPMG Korea for any local policies and procedures.

### **Data & Analytics (D&A) and Clara**

Technology and innovation are changing the way we execute our audit engagements, empowering our people to deliver greater quality and value. Making data and analytics (D&A) a core part of the KPMG audit is critical to our mission of driving audit quality.

KPMG Clara, the KPMG smart audit platform, was launched in mid-2017. It puts technology and D&A right at the heart of our approach, bringing advanced capabilities and knowledge together in one environment.

KPMG Clara will integrate all of KPMG's advanced capabilities and knowledge, and empower our people to work in smarter ways, unlocking the power of innovation to help deliver a robust and leading-edge audit. It is our gateway to continued audit innovation, and incremental additions will be made over time.

Further details on innovation in audit tools and technology are set out in the [KPMG International Annual Review](#).

## **4.3.2 Independence, Integrity, Ethics and Objectivity**

### **4.3.2.1 Overview**

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Q&RM Manual. Automated tools facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the standards issued by the Korean Institute of Certified Public Accountants (KICPA), and those of Korean "Certified Public Accountant Act" and the "Act on External Audit of Stock Companies". These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

KPMG International has a Partner-in-Charge of the

Global Independence Group, who is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG member firms, and that tools are available to help them and their personnel comply with these requirements.

KPMG Korea has a designated Ethics and Independence Partner (EIP) who has the primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Korea.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts, and this is checked through the internal monitoring programs described in 4.7.1.

KPMG Korea personnel are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual.

#### 4.3.2.2 Personal financial independence

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

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

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

Based on the KICPA guidelines, KPMG Korea bolstered the KPMG International policy by extending KICS users from partners and client facing managers to include all professionals. All professionals are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so.

They are also required to maintain a record of all of their investments in KICS, which automatically notifies them if their investments subsequently become restricted and they must dispose of that investment within five business days of the notification. We monitor professional compliance with this requirement as part of our program of independence compliance audits of a sample of professionals.

During the year to March 31, 2018, over 624 of KPMG Korea personnel were subject to these audits (this included approximately 40% of our partners)

#### 4.3.2.3 Employment relationships

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

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

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

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

#### 4.3.2.4 Firm financial independence

KPMG Korea also use KICS to record its own investments in SEC entities and affiliates (including funds), locally listed companies and funds, direct and material indirect investments held in pension, and employee benefit plans (including non-public entities and funds).

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

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

#### 4.3.2.5 Business relationships/suppliers

KPMG Korea has policies and procedures in place that are designed to ensure its business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements. Compliance with these policies and procedures is reviewed periodically.

#### 4.3.2.6 Business acquisition, admission and investments

If KPMG Korea 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 consultation requirements are applied to enable independence and other issues to be addressed when integrating the business into KPMG Korea and the wider KPMG network.

#### 4.3.2.7 Independence clearance process

KPMG Korea follows specific procedures to identify and evaluate threats to independence related to prospective audit of clients that are public interest entities; these procedures, also referred to as 'the independence clearance process', must be completed prior to accepting an audit engagement for these entities.

#### 4.3.2.8 Independence training and confirmations

KPMG Korea provides all relevant personnel (including all partners and client service professionals) with independence training that is appropriate to their grade and function on an annual basis. New personnel who are required to complete this training must do so by the earlier of (a) two days (in case of unavoidable reasons, this timeline can be extended up to two weeks if RMP's pre-approval is obtained) after joining KPMG Korea or (b) before providing any services to, or becoming a member of the chain of command for any audit client, including any of its related entities or affiliates. In addition, certain non-client-facing personnel who work in finance, and who are at the assistant manager level and above, are also required to undertake independence training.

We also provide all personnel with training on the Code of Conduct and ethical behavior,

including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies on a biennial basis. New personnel are required to complete this training within two days of joining the firm and this timeline can be extended up to two weeks, in case of unavoidable reasons, if RMP's pre-approval is obtained.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by, applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation as well as their understanding of, and compliance with, the applicable Code of Conduct. This confirmation is used to evidence the individual's compliance with and understanding of KPMG's independence policies.

#### 4.3.2.9 Non-audit services

We have policies that are consistent with IESBA principles and applicable law and regulations (Korean "Certified Public Accountant Act" and the "Act on External Audit of Stock Companies"), which address the scope of services that can be provided to audit clients.

We are required to develop and maintain a process that reviews and approves all new and modified services. KPMG Korea's EIP is involved in the review of potential independence issues, and the Global Independence Group is involved in the case of services developed which are intended to be delivered to audit or assurance clients in more than one jurisdiction.

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

group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

#### 4.3.2.10 Fee dependency

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

- This would be disclosed to those charged with governance at the audit entity; and
- A Senior Partner from another KPMG member firm would be appointed as the EQC reviewer.

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

#### 4.3.2.11 Conflicts of interest

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

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

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

KPMG Korea has risk management resources ('Resolvers') who are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented. It

may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise, or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients, and making arrangements to monitor the operation of such dividers.

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

#### 4.3.2.12 Breaches of independence policy

All KPMG Korea personnel are required to report an independence breach as soon as they become aware of it. 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.

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

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

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

Compliance with laws, regulation and standards is a key aspect for all KPMG Korea personnel. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery — even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third-parties, including by our clients, suppliers or public officials.

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

[bribery and corruption site.](#)

#### 4.3.2.14 Partner rotation

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require all member firms to comply with any stricter applicable rotation requirements.

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

KPMG Korea monitors the rotation of audit engagement leaders and EQC Reviewer and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The partner rotation monitoring is subject to compliance testing.

## 4.4 RECRUITMENT, DEVELOPMENT AND ASSIGNMENT OF APPROPRIATE LEVEL OF QUALIFIED PERSONNEL

One of the key drivers of quality is ensuring that our professionals are equipped with appropriate skills and experience, passion and purpose for the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. KPMG global behaviors, which are linked to the KPMG Values, are designed to articulate what is required for success – both individually and collectively. One of KPMG's global behaviors is 'Delivering Quality'.

### 4.4.1 Recruitment

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

Our recruiting strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools helping build relationships with a younger, diverse talent pool at an early age.

KPMG Korea also recruits significant numbers at an experienced hire.

All candidates submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews (only for below manager level candidates), and qualification/reference checks.

KPMG Korea recruited over 350 of new KICPAs in the year ended March 31, 2018. (2017: We recruited 295.)

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 Korea does not accept any confidential information belonging to the candidate's former firm/employer.

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

### 4.4.2 Personal development

It is important that all professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see section 4.5.1).

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

KPMG Korea professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments, and country rotational and global mobility opportunities.

### 4.4.3 Inclusion and Diversity programs

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

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

We believe that the established Global Inclusion and Diversity strategy of KPMG International provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Korea and across the KPMG network.

For more about Inclusion & Diversity at KPMG International and its member firms are read [here](#).

### 4.4.4 Performance & Reward

#### ***Evaluation process including quality and compliance metrics***

KPMG Korea professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of our global behaviors, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers. Feedback gathered forms an integral part of performance reviews.

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

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

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

#### ***Reward***

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

Reward decisions are based on consideration of both individual and organizational (member firm) performance. The extent to which our people feel their performance has been reflected in their reward is measured through Global People Survey, with other plans developed accordingly (refer to section 4.4.6).

#### ***Promotion***

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

#### ***Partner admissions***

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

### 4.4.5 Assignment of professionals

KPMG Korea has procedures in place to assign both the 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 KAM, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm or other KPMG member firms.

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

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

#### 4.4.6 Insights from our people – Global People Survey (GPS)

Annually, KPMG Korea invites all its people to participate in an independent Global People Survey which measures their overall level of engagement with the firm. The GPS provides an overall Employee Engagement Index (EEI) and Performance Excellence Index (PEI) as well as insights into areas driving engagement which may be strengths or opportunities. The survey also identifies opportunities to strengthen those levels of engagement. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional insight. Additional insight is provided on how we are faring on categories known to impact employee engagement.

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

KPMG Korea participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. This includes monitoring GPS results including those related to audit quality and tone at the top, referred to in the GPS as 'leadership behavior', and employee engagement score through the EEI, and employee performance through PEI.

The results of the GPS are also aggregated for the KPMG network and are presented to the Global Board each year and appropriate follow-up actions agreed.

## 4.5 COMMITMENT TO TECHNICAL EXCELLENCE AND QUALITY SERVICE DELIVERY

All KPMG Korea professionals are provided with the technical training and support they need. This includes access to specialists and professional practice departments (DPP), which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation. Where the right resources is not available within KPMG Korea, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

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

### 4.5.1 Lifetime learning strategy

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

#### *Formal training*

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at the global, regional and, where applicable, KPMG Korea. Training is delivered using a blend of classroom, digital learning and performance support to

assist auditors on the job. Audit Learning and Development teams work with subject matter experts and leaders from GSC, the ISG and a member firm Department of Professional Practice (DPP) as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

### ***Mentoring and on the job training***

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

### **4.5.2 Licensing and mandatory requirements for U.S. GAAP engagements**

#### ***Licensing***

All KPMG Korea professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. 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 – Korean International Financial Reporting Standards.

#### ***Mandatory requirements –U.S. GAAP engagements***

In addition, we have specific requirements for partners and managers working on U.S. GAAP engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that the partner, manager, and EQC reviewer have completed relevant training and that the engagement team, collectively, has sufficient experience to perform engagements or has implemented appropriate safeguards to address any shortfalls.

### **4.5.3 Access to specialist networks**

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

The need for specialists (e.g., Information Technology, Tax, FRM, Actuarial, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process. Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfill their role. Training on audit concepts is provided to these specialists.

### **4.5.4 Consultation**

KPMG Korea promotes a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters.

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

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources.

Auditing and technical accounting support is available to all member firms and their professionals through the GSC and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

#### ***Global Services Centre (GSC)***

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

### **International Standards Group (ISG)**

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

Further details about the GSC and ISG and its activities are available in the [KPMG International Transparency Report](#).

#### **4.5.5 Developing business understanding and industry knowledge**

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

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

## **4.6 PERFORMANCE OF EFFECTIVE AND EFFICIENT AUDITS**

How an audit is conducted is as important as the final result. KPMG Korea personnel are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.

### **4.6.1 KPMG Audit Process**

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

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

#### **4.6.1.1 Timely partner and manager involvement**

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

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

Involvement and leadership from the engagement partner during the planning process helps set the appropriate scope and tone for the audit, and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters significant to the engagement, including critical areas of judgment, and significant risks.

The engagement partner is responsible for the final audit opinion and reviews key audit documentation. In particular, documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the partner in meeting these responsibilities and in the day-to-day liaison with the client and team, building a deep business understanding that helps the partner and team deliver valued insights.

#### **4.6.1.2 Critical assessment of audit evidence with emphasis on professional skepticism**

We consider all audit evidence obtained during the course of the audit, including consideration

of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. For the purpose of obtaining sufficient appropriate audit evidence each team member is required to exercise professional judgment and maintain professional skepticism throughout the audit engagement.

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

The KPMG professional judgment process facilitates good judgment by introducing a structured approach to auditing areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasizes the importance of having the right mindset - the need to apply professional skepticism.

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

- considering alternatives;
- critically assessing audit evidence by challenging management's assumptions and following up contradictory or inconsistent information; and
- documenting the rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness.

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



#### 4.6.1.3 Ongoing mentoring, supervision and review

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

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

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

#### 4.6.1.4 Appropriately supported and documented conclusions

KPMG Korea uses the KAM and KPMG International's electronic audit tool, eAudit, to provide guidance, mechanisms for and documentation of, the supervision and control of the audit engagement. Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on each audit engagement. KPMG policies require review of documentation by more experienced engagement team members.

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

Engagement teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the auditor's report but may be more restrictive under certain applicable regulations.

The key principle that engagement team members are required to consider when preparing audit documentation is whether an experienced auditor, having no previous connection with the engagement, will understand:

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

#### 4.6.1.5 Appropriate involvement of the EQC reviewer

EQC reviewers are independent of the engagement team and have the appropriate

experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

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

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

- review of selected audit documentation relating to significant judgments the engagement team made and the conclusions it reached;
- review of the financial statements and proposed auditor's report; and
- evaluation of the conclusions reached in formulating the auditors' report and consideration of whether the proposed report is appropriate.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

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

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

#### 4.6.1.6 Reporting

Auditing standards largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

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

#### 4.6.1.7 Insightful, open, and honest two-way communication

Two-way communication with those charged with governance, often identified as the audit committee, is key to audit quality and is a key aspect of reporting and service delivery.

At KPMG Korea, we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the audit committee.

Communications with audit committees include:

- an overview of the planned scope and timing of the audit, which includes communicating significant risks identified;
- significant findings from the audit which may include control deficiencies and audit misstatements; and
- an annual written communication that states the engagement team and KPMG Korea have complied with relevant independence requirements; describes all relationships and other matters between KPMG Korea and the audit client that, in our professional judgment, may reasonably be thought to bear on independence; and states related safeguards we have applied

either to eliminate (or reduce to an acceptable level) identified threats to independence.

We ensure that such communications meet the requirements of professional standards.

#### Audit Committee Institute

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, our [Audit Committee Institute](#) (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes. The ACI operates in more than 40 countries across the globe including KPMG Korea and provides audit committee members with authoritative guidance (such as the [ACI Audit Committee Handbook](#)) on matters of interest to audit committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing Audit Committees and businesses today — from risk management and emerging technologies to strategy and global compliance.

Further details and insights on Audit Committee Institute are available [here](#).

#### 4.6.1.8 Focus on effectiveness of group audits

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

Consistent methodology and tools are used across the KPMG network. Lead audit engagement partners are provided with information on component auditors within the KPMG network to help them evaluate their competence and capabilities. In addition, for PCAOB engagements, the results of relevant

inspections related to the KPMG component member firms are made available to the lead audit engagement partner.

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

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

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

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

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

### 4.7 COMMITMENT TO CONTINUOUS IMPROVEMENT

We commit to continually improve the quality, consistency and efficiency of our audits. Integrated quality monitoring and compliance programs enable member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both in respect of individual audit engagements and the member firm's system of quality control. KPMG International's integrated quality and monitoring programs include the Quality Performance Review (QPR) program, the Risk Compliance Program (RCP) and the Global Compliance Review (GCR) program.

The quality monitoring and compliance programs are globally administered and consistent in their approach across member firms, including the nature and extent of testing and reporting. KPMG Korea compares the results of its internal monitoring programs with the results of those of

any external inspection programs and take appropriate action.

#### 4.7.1 Internal monitoring and compliance programs

Our monitoring programs evaluate both:

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

The results and lessons from the integrated monitoring programs are communicated internally, and the overall results and lessons from the programs are considered and appropriate action is taken at local, regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and effectively operated.

KPMG International developed and administered inspection programs, which are conducted annually across the Audit, Tax, and Advisory functions: QPR and RCP.

Additionally, all member firms are covered at least every three years by cross-functional GCR program. Participation in QPR, RCP, and GCR is a condition of ongoing membership of the KPMG network.

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

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

#### **Risk-based approach**

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

KPMG Korea conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Korea level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

### Reviewer selection, preparation and process

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

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

### Evaluations from Audit QPR

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

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

### Reporting

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

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

Lead audit engagement partners are notified of less than satisfactory engagement (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

### Global Audit Quality Monitoring Program (GAQMP)

To further enhance the quality, rigor and consistency of the QPR program, the Global Audit Quality Monitoring Program was launched by KPMG International in 2016.

The GAQMP is a team comprised of partners, directors and senior managers experienced in performing QPR program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

Each of the GAQMP reviewers attends the Global QPR training delivered for their respective

member firm. The GAQMP team is responsible for performing selected QP reviews of LRE audit engagements as determined by Global Quality & Risk Management.

### Risk Compliance Program (RCP)

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

The objectives of the RCP are to:

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

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

### Global Compliance Review (GCR) program

Each member firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at least once in a 3 year cycle.

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

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

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

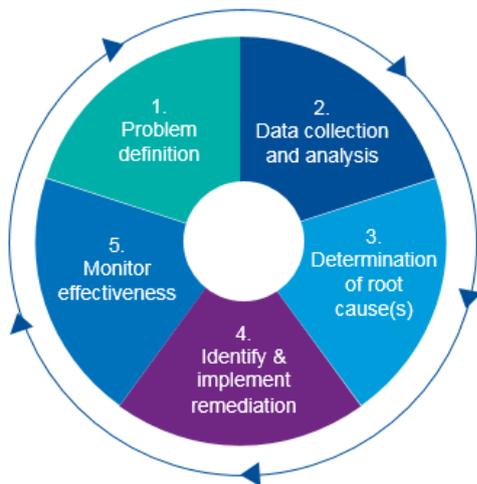
We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global

Quality & Risk Management Steering Group (GQRMSG), and where necessary to appropriate KPMG International and regional leadership, to help ensure timely remedial actions taken by the member firm.

**Root Cause Analysis (RCA)**

KPMG Korea performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG Korea 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 member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG Korea’s Head of Audit is responsible for the development and implementation of action plans as a results of RCA including identification of solution owners. The Risk Management Partner monitors their implementation.

**4.7.2 Recommendation for improvements**

At a global level, through the GAQIC (Global Audit Quality Issues Council) and the GQRMSG, KPMG International reviews the results of the quality monitoring programs, analyzes member

firm root causes and action plans, and develops additional global actions as required.

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

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

**4.7.3 External feedback and dialogue**

**4.7.3.1 Regulators**

In Korea, the Financial Supervisory Service (FSS) has been carrying out independent inspections for a number of years. They completed their work on the 2016 inspection of the firm in December 2016. FSS had delivered their final inspection report in February 2017.

KPMG Korea is also registered with the US PCAOB, Japanese Financial Services Authority, POB and CSSF. The US PCAOB inspected the KPMG Korea (with the FSS) on December 2016. 2016 Inspection report was released in May 2017.

We have considered each of the findings and recommendations and have implemented actions to address deficiencies and strengthen policies and procedures as appropriate.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues at a network level.

**4.7.3.2 Client feedback**

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

**4.7.3.3 Monitoring of complaints**

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

#### 4.7.3.4 Other assessments of audit quality

KPMG Korea also has an in-flight review process to ensure audit quality.

DPP selects a sample of audit engagements each year and conducts in-flight reviews in three phases. Each phase has pre-defined points for review, which also includes comments received during the relevant year's QPR, and is notified to all audit engagement teams prior to the commencement of the review.

The phase 1 review includes review points related to audit planning matters and is conducted prior to interim audit season.

The phase 2 review includes the relevant points for risk assessment and controls testing and is conducted after audit engagement teams have completed their interim audits but prior to the commencement of year-end audits.

The phase 3 (RMP Final Review) review includes review of the client's financial statements and review of pre-defined review points as well as certain significant areas in the relevant audit documentation and is conducted before the audit report is to be issued. These selected audit engagements are graded based on the contents of the reviews and the relevant audit engagement teams are to clear these comments before they can issue the audit report. The final grades of the in-flight review are reflected in the relevant engagement partner's quality performance evaluation program (QPEP) for each year.

## 5. FINANCIAL INFORMATION

KPMG Korea's total revenues on the year ended March 31, 2018 are as follows:

(In millions of Korean Won)

Source of Revenue	Revenue <sup>2</sup>
Revenues from non-EU audit clients that are listed in the EU	6,581
All other revenues	376,206
<b>Total</b>	<b>382,787</b>

## 6. PARTNER REMUNERATION

### Partners' profit share

Partners are remunerated out of the distributable profits of the KPMG Korea (such profits being determined by the KPMG Korea Board) and are personally responsible for funding pensions and most other benefits. The final allocation of profits to partners is made by the KPMG Korea after assessing each partner's contribution for the year.

There are two elements to partner remuneration:

- base component – a proportion of the KPMG Korea budgeted profits are allocated to members as base component; this is effective member salary. The amount of base component reflects the role and seniority of each partner; and
- profit related performance component – rewards performance in the year by each partner against individual objectives previously agreed and the overall profits of their part of the KPMG Korea and the KPMG Korea as a whole. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the Values of the KPMG Korea. 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.

<sup>2</sup> Revenues are reported gross, inclusive of expenses incurred in the performance of providing services.

## Drawings

During the year, members working within KPMG Korea received monthly drawings and, from time to time, additional profit distributions. The level and timing of the additional distributions are decided by the Board of KPMG Korea, taking into account cash requirements for operating and investing activities. All such drawings and profit distributions to members represent payments on account of current year profits and are reclaimable from members until profits have been allocated. Any over-distribution of profits during the year is also recoverable from members.

## 7. NETWORK ARRANGEMENTS

### 7.1 LEGAL STRUCTURE

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

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

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

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



The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration, or principal place of business are available at <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2018/02/eu-and-eea-audit-entities-list-31-12-2017.pdf>.

## Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements<sup>3</sup>

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

## 7.2 RESPONSIBILITIES AND OBLIGATIONS OF MEMBER FIRMS

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

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

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

## 7.3 PROFESSIONAL INDEMNITY INSURANCE

A substantial level of insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written

through a captive insurer that is available to all KPMG member firms.

## 7.4 GOVERNANCE STRUCTURE

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

### *Global Council*

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

It performs functions equivalent to a shareholders' meeting (albeit KPMG International has no share capital and, therefore, only has members, not shareholders).

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

### *Global Board*

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

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

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

One of the other Global Board members is elected as the lead director by those Global Board

<sup>3</sup> The financial information set forth represents combined information of the separate KPMG member firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

members who are not also members of the Executive Committee of the Global Board (“non-executive” members). The key role of the lead director is to act as liaison between the Global Chairman and the “non-executive” Global Board members.

### **Global Management Team**

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

It is led by the Global Chairman and includes the Global Chief Operating Officer, global function and infrastructure heads, and the General Counsel.

The list of Global Management Team members as of October 1, 2017 is available in [the KPMG International Annual Review](#).

### **Global Steering Groups**

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

- establish and communicate appropriate audit and quality/risk management policies;
- enable effective and efficient risk processes to promote audit quality; and
- proactively identify and mitigate critical risks to the network.

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

Each member firm is part of one of 3 regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating or executive officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International’s policies and processes within the region.

Further details about KPMG International including the governance arrangements can be found in Appendix 1 to the [KPMG International Transparency Report](#).

## **7.5 AREA QUALITY & RISK MANAGEMENT LEADERS**

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

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

## 8. STATEMENT BY THE BOARD OF KPMG KOREA ON THE EFFECTIVENESS OF QUALITY CONTROLS AND INDEPENDENCE

The measures and procedures that serve as the basis for the system of quality control for KPMG Korea 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 Korea has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 4.7.1 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 Korea confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to March 31, 2018.

Furthermore, the Board of KPMG Korea confirms that an internal review of independence compliance within our firm has been conducted in the year to March 31, 2018.

July 31, 2018



**Kyo Tae Kim**  
Chief Executive Officer

## A. APPENDICES

### A.1 KEY LEGAL ENTITIES AND AREAS OF OPERATION

Name of Entity	Legal Structure (Type of Business Entity)	Regulatory Status	Nature of Business	Area of Operation
Samjong KPMG LLC	Limited Liability Company	Limited Liability Company as defined in the Commercial Law in the Republic of Korea	Holding company	Korea
KPMG Samjong Accounting Corp.	Limited Liability Company	Limited Liability Company as defined in the Certified Public Accountant Act in the Republic of Korea	Audit, tax and Deal advisory services	Korea
Samjong KPMG Economic Research Institute	Corporation	Corporation as defined in the Commercial Law in the Republic of Korea	Research on domestic/international economy and industry trends	Korea
Samjong KPMG AAS Inc.	Corporation	Corporation as defined in the Commercial Law in the Republic of Korea	Accounting Administration Services	Korea
Samjong KPMG Actuaries Inc.	Corporation	Corporation as defined in the Commercial Law in the Republic of Korea	Financing and actuarial consulting services	Korea
KPMG Customs Corp.	Limited Liability Company	Limited Liability Company as defined in the Commercial Law in the Republic of Korea	Customs services	Korea
Paran Happiness Inc.	Corporation	Corporation as defined in the Act on the employment promotion and vocational rehabilitation of persons with disabilities and the Commercial Law in the Republic of Korea	Internal Printing, Food & Beverage Service only for KPMG Korea.	Korea
KPMG Audit LLC	Limited Liability Company	Limited Liability Company as defined in the Commercial Law in Mongolia	Audit and financial advisory services	Mongolia

## A.2 DETAILS OF THOSE CHARGED WITH GOVERNANCE AT KPMG KOREA

**Kyo Tae Kim**  
Chief Executive Officer



**Won Jeong Suh**  
Risk Management Partner



**Kyung Sup Shin**  
Head of Audit



**Seung Hoe Goo**  
Head of Deal Advisory



**Hak Sup Yoon**  
Head of Tax



**Dae Gil Jung**  
Head of Consulting Service



## A.3 PUBLIC INTEREST ENTITIES

The list below includes the firm's relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU as of March 31, 2018.

SK Hynix Inc.
Samsung SDI Co., Ltd.
KT&G Corporation
The Export-Import Bank of Korea
Korea Western Power Co., Ltd.
Korea Electric Power Corporation
Korea National Oil Corporation
SK Telecom Co., Ltd.
HanaTour Service Inc.

## A.4 KPMG'S VALUES

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other:

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<b>We lead by example:</b>	At all levels we act in a way that exemplifies what we expect of each other and our clients.
<b>We work together:</b>	We bring out the best in each other and create strong and successful working relationships.
<b>We respect the individual:</b>	We respect people for who they are and for their knowledge, skills and experience as individuals and team members.
<b>We seek the facts and provide insight:</b>	By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.
<b>We are open and honest in our communication:</b>	We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
<b>We are committed to our communities:</b>	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.
<b>Above all, we act with INTEGRITY:</b>	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

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