



# Transparency report 2019

**KPMG Norway**

December 2019

[kpmg.no](http://kpmg.no)





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# 01

## Foreword

Trust is absolutely essential for a thriving business community and an efficiently functioning capital market, and is the cornerstone of all our activities. We fulfil our social responsibility by providing independent and objective audit services and build public trust in our clients' financial reporting.

We are living in an era of major changes: Technological advances are disrupting existing business and delivery models, differences between industries are being erased, and geopolitical factors are impacting both trust-based relationships and global trade. Increased uncertainty is changing risk profiles for all companies and thus making our role as auditors and advisers even more important. The purpose of this Transparency Report is to demonstrate our attitude and our commitment to that mission in society.

At KPMG, our ambition is to be the clear choice, for clients and employees alike. For us this means evolving our employees to be extraordinary, ensure that the clients see a difference in us and build public trust in everything we do. We regard building trust and being the preferred choice as two sides of the same coin, both of which depend on prioritizing quality and integrity in everything we do.



At KPMG, our ambition is to be the clear choice, for clients and employees alike.

Independence, ethical conduct and high moral standards are critical for our business, and we attach significant importance to embedding this in our work for clients and associated deliveries. Our global Code of Conduct clarifies the values and ethical principles that underpin our role as trustees for society.

Competence development is the bedrock of a strong quality culture. A continuous focus on competence enhancement and ensuring an appropriate combination of skills among our team is therefore crucial for delivering high-quality services. In addition, attitudes, conduct and prioritizations among our leaders are fundamental to the internal trust on which our quality work is based.

We wish to make a difference through compliant, solution-oriented and smart service deliverables that combine the best of our centres of expertise in audit, advisory, tax and legal services.

With roots stretching all the way back to 1920, we are about to celebrate our first centenary. We are proud of our contributions to business and society throughout these years and our current position as auditor for many of Norway's largest companies. We believe we are well placed to fulfil our social responsibility, now and in the future.

KPMG's quality system covers all areas of our business and we set high quality standards for all client engagements and for all types of service we deliver. This Transparency Report describes our quality system and showcases our work on continuous quality improvements.

We hope you find this report informative and insightful!



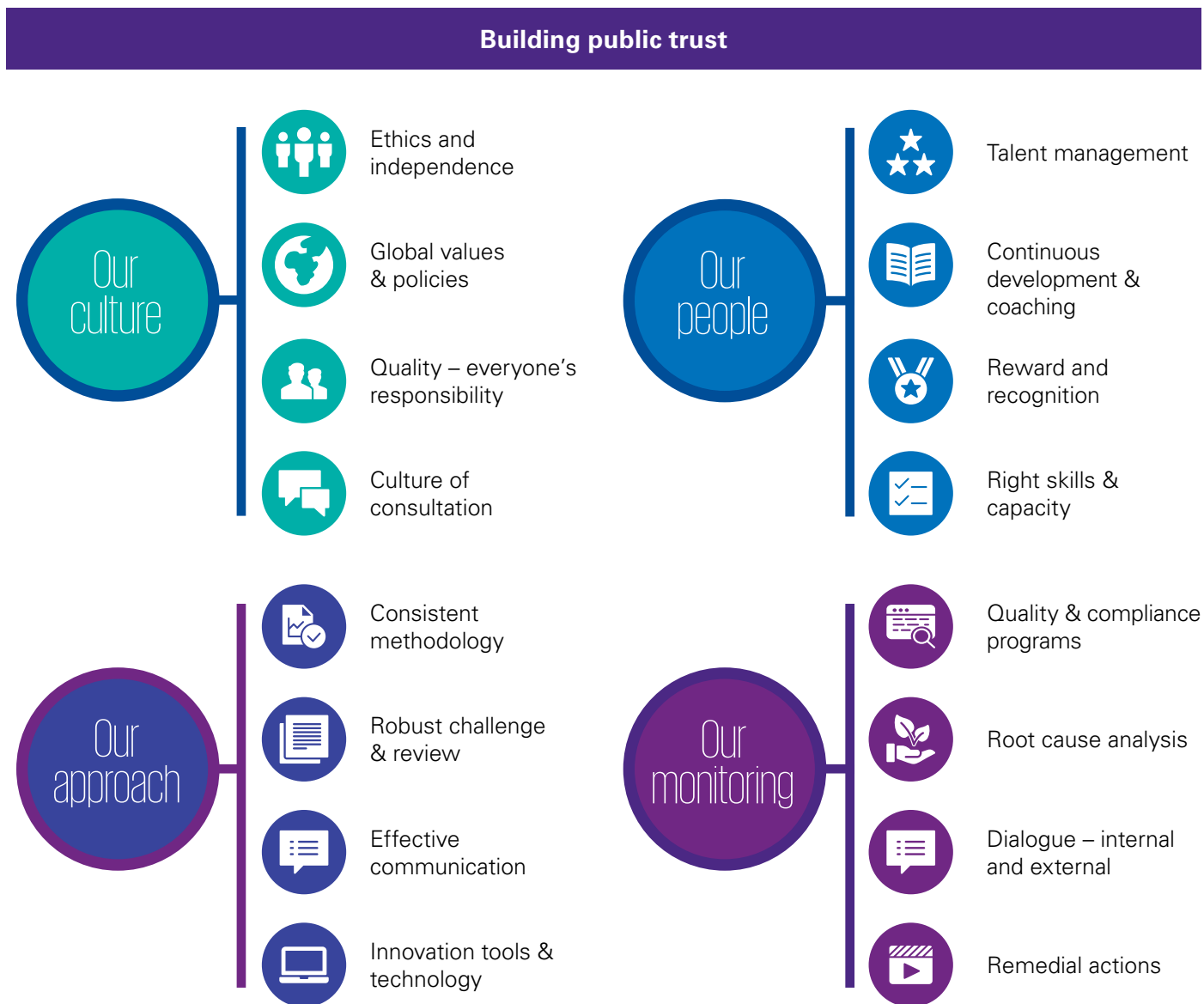
**Lars Inge Pettersen**  
Managing Partner, Chief  
Executive Officer

## 02

Our relentless  
focus on audit  
quality

## Quality – the foundation of trust

High audit quality is essential for building high levels of trust. KPMG adopts a relentless focus on quality, and we continuously strive to further strengthen our audit quality.



# 03

## Our activities

KPMG is one of the world's leading centres of expertise in audit, advisory, tax and legal services.





## KPMG International

KPMG is organised as a network of audit and advisory firms and employs more than 207,000 staff in offices in 153 countries.

KPMG's global network of businesses is coordinated by KPMG International, which is a Swiss cooperative.

KPMG is structured in such a way that global activities support a consistent level of quality and set of values, regardless of where in the world KPMG is active. Global Management is responsible for establishing shared values, structures and policies, including a global Code of Conduct, which all members of the network undertake to implement and uphold.

KPMG International is managed by a Global Board with representatives from the largest member firms measured in terms of sales. The Board comprises a Chairperson, a Deputy Chairperson, the CEO and the Chairpersons of the three regions into which KPMG is split: Americas, Asia Pacific and the region to which KPMG Norway belongs, namely EMA (Europe, the Middle East and Africa). A number of senior partners from the largest KPMG practices across the world are also represented.

207 000 

staff

153 

countries

Further details on KPMG International's governance structure can be found in the 2019 KPMG International Transparency Report.



## KPMG Norway

In Norway, KPMG is represented by around 1,200 staff and partners spread over 26 offices. Our staff deliver services in the three business areas: Audit, Advisory and Tax/Law.

The subsidiary KPMG Accounting AS (accounting services) was sold to new owners on 30 September 2019. The company has changed its name to Xacct Accounting AS (org. no. 997 471 237). KPMG has established the subsidiary KPMG Regnskapservice AS, which only performs limited activities in its specialist area.

Audit and Advisory services are delivered through the legal entity KPMG AS. KPMG's audit practice is based on Norwegian audit legislation and international standards for auditing and ethics. These in turn are founded on core principles relating to professional integrity, independence and ethical conduct.

We provide audit services to small Norwegian businesses, public-sector enterprises and major multinational companies. KPMG applies the same methodologies and procedures across the entire globe. This ensures a consistent and uniform client experience in all countries. Our advisory and consulting activities are performed by a number of specialist groups. Specialists in the Advisory business are employed as an integral part of the audit teams in order to strengthen our audit work in areas that require specialist expertise.

Our tax specialists at KPMG Law Advokatfirma AS are similarly deployed. We also offer technical assistance with the preparation of annual financial statements and tax reporting to non-audit clients through the state-authorised accounting company KPMG Regnskapservice AS.

## Our values

KPMG’s values are embedded in the company’s activities: Generous, Proactive, Inclusive and Innovative.

Our values permeate our working day and are characterised by respect and responsibility towards our surroundings. Our values express who we are and how we work. Our people display a proactive, inclusive and inquisitive attitude, and a willingness to innovate. Our communication is open and honest, and in demanding situations we act with courage and candour. KPMG’s staff respect the individual, seek the facts and provide insight. We are committed to our communities – and, above all, we act with integrity.

We realise our core values through KPMG’s global set of values:



### **We lead by example**

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



### **We work together**

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



### **We respect the individual**

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



### **We seek the facts and provide insight**

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



### **We are open and honest in our communication**

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



### **We are committed to our communities**

We act as responsible corporate citizens by broadening our expertise, experience and perspectives through engagement and work in our communities and protecting the environment.



### **Above all, we act with integrity**

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

Our values form the core of our global Code of Conduct, which defines standards for the ethical behaviours we demand of all employees in KPMG’s network of companies across the globe.



## Corporate Social Responsibility

At KPMG, Corporate Social Responsibility (CSR) involves integrating social and environmental considerations into our strategy and daily operations.

As a supplier of professional services, we help our clients to ensure that their operations are legal, long-term and sustainable. We use our expertise and experience to improve society. Our business is run responsibly, and based on environmentally certified operations, a sound working environment, a culture that promotes inclusion and diversity, and an ethical and value-based approach. We demonstrate our social commitment by partnering with non-governmental organizations (NGOs) and social entrepreneurs to deliver pro bono services and financial support, and by highlighting the important work they perform.

An important part of KPMG's CSR work involves offering our specialist expertise free of charge to NGOs with limited budgets and assignment backlogs. By encouraging our employees to identify worthy causes that could benefit from their commercial experience and professional skills, KPMG helps to change society for the better.

KPMG is environmentally certified in accordance with the Eco-Lighthouse scheme. The work we have performed to achieve this certification has strengthened our internal environmental work. KPMG Norway is also climate-neutral. Our emissions primarily derive from air travel, and we are constantly endeavouring to reduce these emissions. We also compensate for our usage by investing in emissions allowances that support important environmental projects.

KPMG's approach to CSR is based on the UN's Sustainable Development Goals (SDG). We have selected four goals we believe are well suited to our strategic focus and orientation.

These are:

- Quality education (SDG 4)
- Gender equality (SDG 5)
- Reduced inequalities (SDG 10)
- Life below water (SDG 14)

## 04

Organisation  
and ownership

KPMG Holding AS wholly owns the subsidiary KPMG AS, a certified Norwegian auditing company. KPMG AS is the Principal and fully liable participant in KPMG Indre Selskap (internal partnership).

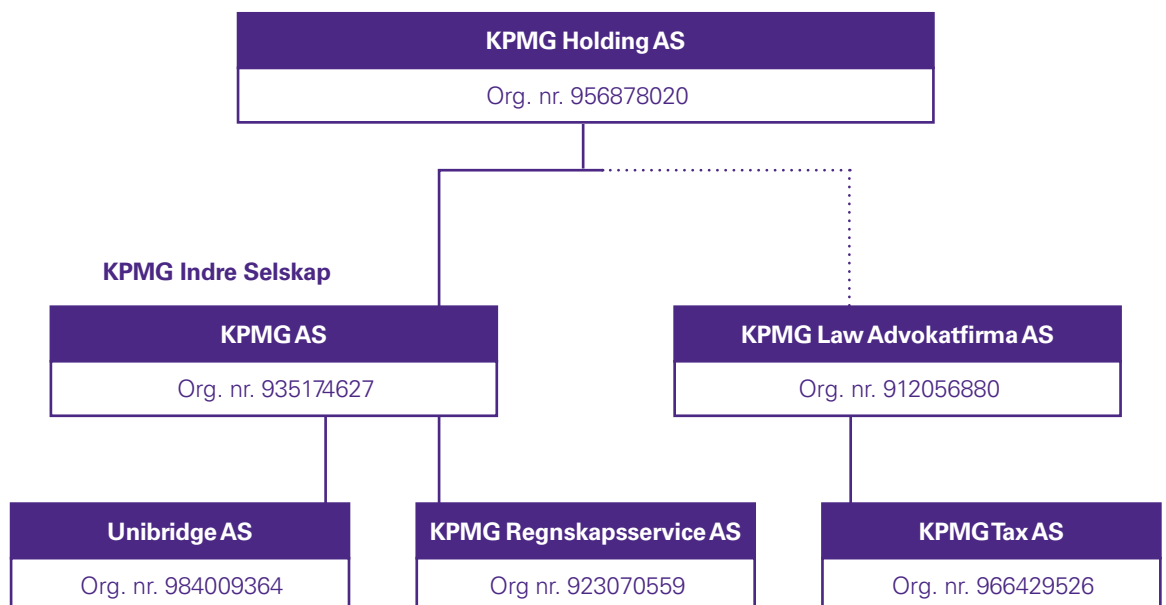
KPMG Regnskapsservice AS and Unibridge AS are wholly owned subsidiaries of KPMG AS. The independent company KPMG Law Advokatfirma AS, including the subsidiary KPMG Tax AS, is a collaborating company in accordance with Section 4-7, first paragraph, of the Norwegian Auditors Act. KPMG Law Advokatfirma AS is organised and run in accordance with the provisions of the Norwegian Courts of Justice Act.

KPMG Holding AS is authorised as an auditing firm in accordance with the provisions of the Norwegian Auditors Act. However, KPMG Holding AS does not perform any audit activities or deliver other services directly to clients.

Services are provided to clients through KPMG AS (Auditing and Advisory), Unibridge AS (Advisory), KPMG Law Advokatfirma AS (Legal Services), KPMG Regnskapsservice AS (Certified Public Accountants) and KPMG Tax AS (Advisory). KPMG Indre Selskap's activities cover all business performed by KPMG AS; however, KPMG Indre Selskap has no external profile.

KPMG AS is an auditing firm, authorised in accordance with the Norwegian Auditors Act, and is the elected auditor for all our audit clients. As of 30 September 2019, the company employed a total of 208 state-authorized accountants, in addition to 38 registered public accountants. KPMG's financial year runs from 1 October to 30 September.

### Organisation chart



# 05

## Governance

### **KPMG Norway**

The group of Norwegian KPMG companies is managed and led as a single entity by the Norwegian Group Management. All the companies in the Group have established the corporate bodies required under Norwegian corporate legislation.

### **General Meeting**

The General Meeting of KPMG Holding AS is the ultimate decision-making body of KPMG Norway. KPMG Holding AS is wholly owned by Norwegian partners. The Norwegian partners who are shareholders in KPMG Holding AS are presented in Section 14.

### **Company Meeting**

All partners participate in KPMG Indre Selskap, and the partnership agreement stipulates that all owners must be active participants in the business. The Company Meeting is the ultimate decision-making body of KPMG Indre Selskap. All Norwegian partners participate in this internal company. KPMG AS is the Principal, fully liable participant in KPMG Indre Selskap and represents the company externally.

### **Board of Directors**

The respective Boards of Directors of KPMG Holding AS and KPMG AS are constituted in accordance with Norwegian corporate legislation, including the provisions of the Norwegian Auditors Act. All Board members shall uphold the company's shared interests. In accordance with the company's Articles of Association, the Board shall comprise six to eleven members, with at least two substitute members. Three of the permanent members are employee representatives. The employee representatives serve on the Board on the same terms as the shareholder-elected representatives. Members of the Board are elected for a term of up to three years. The Board appoints its own Chairperson.

### **Nomination Committee and Partner Committee**

The Nomination Committee's mandate is to submit proposals for shareholder-elected Board members to the General Meeting, and specific candidates for Board Chairperson. The Nomination Committee shall ensure that the proposed new Board satisfies

the requirements of Section 3-5, first paragraph, no. 1 of the Norwegian Auditors Act, which stipulates that at least half of the Board's members and substitute members shall be authorised accountants, with regard to both shareholder-elected and employee-elected representatives.

The Partner Committee's mandate is to review matters relating to the partners. The Committee is the appeal body for the partners with regard to remuneration issues. The Committee is also mandated to organise the election of the CEO, and to submit proposals for candidates for adoption to the company's General Meeting. The Partner Committee evaluates the work of the CEO.

### **Employee Board Representatives**

Employees are guaranteed Board representation in accordance with the requirements of the Norwegian Limited Liability Companies Act. A Nomination Committee is appointed comprising two people who are responsible for the election of employee representatives. Elections take place by electronic vote after employees have been given the opportunity to propose candidates.

### **Managing Partner/Chief Executive Officer**

The role of CEO is a fixed-term position. The CEO is elected by the Norwegian partners on the recommendation of the Partner Committee. The term of office is four years with an option of prolongation. The CEO is responsible for the day-to-day management of KPMG's activities in Norway. The CEO appoints his or her own management groups, which are referred to as Group Management and General Management.

The CEO bases all his or her work on KPMG's values, overarching goals and adopted strategies.

### **Group Management**

The primary remit of Group Management is to secure the development and execution of the enterprise's strategy and management and control activities. Group Management is also responsible for implementing decisions made by the Board of KPMG Holding AS.

The Group Management is appointed by the CEO.

## The Board of Directors

**Harald Sylta**

Chairperson, Partner

**Tonje Christin Norrvall**

Partner

**Stig-Tore Richardsen**

Partner

**Torbjørn Hansen**

Partner

**John Thomas Sørhaug**

Partner

**Geir Moen**

Partner

**Bjarte Ulvestad**

Employee Representative

**Ida Hagelsteen Vik**

Employee Representative

**Dejan Grahovac**

Employee Representative

## Deputy Board Members

**Thore Kleppen**

Partner

**Elisabet Ekberg**

Partner

**Stig Bjørklund**

Partner

**Julie Fjeld**

Employee Representative

**Endre Johan Berner**

Employee Representative

**Mona Kristin Lien**

Employee Representative

## Group Management

**Lars Inge Pettersen**

Managing Partner and CEO

**Rune Skjelvan**

Deputy CEO, Head of Advisory

**Roland Fredriksen**

Head of Audit

**Per I. Skinstad**

Head of Law

**Vegard Tangerud**

CFO

**Bjørn Kristiansen**

Quality and Risk  
Management Partner

**Clint Sookermany**

Head of Strategy

**Julie Berg**

Head of Business Development

**Monica Hansen**

National People Partner

**Gunnar Alskog**

Regional Head North

**Yngve Olsen**

Regional Head Central

**Kai Holhjem**

Regional Head South-East

**Anfinn Fardal**

Regional Head West

**Cathrine B. Dalheim**

Deputy Head of Law

**Jan Erik Gran Olsen**

Head of Risk Consulting









# 06

## Our system of quality control



Stringent quality control requirements are placed on Norwegian auditing companies, including through the Norwegian Auditors Act and the ISQC 1 standard (International Standard on Quality Control), as well as requirements established by the US Public Company Accounting Oversight Board (PCAOB). These international standards are embedded in KPMG's internal quality control system.

The main elements of our system of quality control are as follows:

- management strategy and culture "tone at the top"
- association with the right clients
- clear standards and robust audit tools
- recruitment, development and assignment of appropriately qualified personnel
- commitment to technical excellence and quality service delivery
- performance of effective and efficient audits
- commitment to continuous improvement



## Responsibility for quality and quality control

### The Board of Directors, Chief Executive Officer and Business Area Leaders

In accordance with the principles of ISQC 1, the Board has overarching responsibility for KPMG's quality control system. The CEO has daily responsibility for the system and ensuring that the company complies with the system. National leaders of the business areas are responsible for the quality of the delivered services within their disciplines.

Together with the business area's Quality and Risk Management Partner, the leaders of the business areas establish the required policies for risk management, quality assurance and monitoring within the frameworks issued by the National Quality and Risk Management Partner.

### Head of Audit Quality

The Head of Audit Quality is responsible for ensuring high quality execution of the audit assignments and reports to Audit management at KPMG Norway on an ongoing basis.

### Quality & Risk Management (QRM)

The Quality & Risk Management division covers the areas of risk management, ethics and independence, anti-money laundering and corruption, legal advice and quality control. Responsibility for the above areas is delegated to the National QRM Partner (Quality & Risk Management Partner/Ethics & Integrity Partner). The QRM Partner reports to the CEO and is part of the CEO's management group. The Quality Control Leader reports to the National QRM Partner. The division encompasses all departments and functions in KPMG Norway.

The QRM division is responsible for:

- establishing QRM guidelines and policies
- monitoring compliance with guidelines and policies
- implementing training for employees at all levels within risk management
- planning and implementing quality controls and compliance testing
- following up on ethics and independence breaches
- providing ongoing assistance to management and partners on issues relating to risk management
- handling any disputes in which KPMG may be involved

### Global Quality & Risk Management (GQ&RM)

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. The National QRM Partner reports to the ARL for Northern Europe, who in turn reports to KPMG International.

## Ethics and Code of Conduct

### Ethical standards – Code of Conduct

KPMG ensures compliance with all judicial and ethical requirements, as well as requirements for professional independence, including through the use of clear risk management policies and procedures. We strive to ensure that everything we do is performed to high ethical standards. The culture in all KPMG companies is guided by our values and our global Code of Conduct. We communicate our values and expected behaviours to all employees, and these are also an integral part of employee performance appraisals and remuneration processes at all levels.

Compliance with KPMG's values is a particularly important consideration on admittance of partners and promotion to management positions. The ethical guidelines emphasise that all employees must comply with regulations regarding independence, confidentiality, objectivity and professional ethics, and that any breach of the independence rules shall be reported immediately.

### Anti-money laundering

A new Norwegian Anti-Money Laundering Act came into effect on 15 October 2018. The regulation has been incorporated in our guidelines to combat money laundering and terrorist financing. The required client actions according to the Anti-Money Laundering Act are an integral part of our client and project evaluation process. These guidelines regulate ongoing monitoring, the duty to investigate and report, training and the responsibilities of the Money Laundering Officer.

### Anti-corruption

KPMG adopts a zero-tolerance approach to bribery and corruption. We prohibit all forms of corruption and do not tolerate any bribery by third parties, including clients, suppliers and public-sector officers. KPMG provides training on combating bribery and corruption for all partners and employees, and has established guidelines on which gifts KPMG employees may give and receive.

### Insider trading

KPMG's guidelines for insider trading comply with the Norwegian Securities Trading Act. Section 3-5, third paragraph of this Act obliges us to notify recipients of inside information of their statutory liability and obligations. Under KPMG's guidelines, the Engagement Partner is responsible for ensuring that team members are informed of their obligations and liability with regard to inside information.

The Engagement Partner is also responsible for maintaining a list of individuals with access to inside information.

### Notification of censurable matters (whistle-blowing)

KPMG has an established routine for whistle-blowing. Whistle-blowing involves escalating potential censurable matters to a party who can deal with the matter in question. Censurable matters include breaches of statutory regulations, internal regulations or ethical guidelines.

KPMG's whistle-blowing procedures shall help to ensure that anyone who may have concerns about others' conduct, either internally or at a client site, can escalate the matter – even when this is difficult. The identity of the whistle-blower always remains confidential, and individuals shall be able to notify censurable matters without fear of reprisals.

Whistle-blowing can be performed anonymously; however, a transparent approach will normally guarantee smoother processing and a more favourable outcome for everyone involved. Internationally, KPMG has a dedicated hotline for anonymous whistle-blowing that can be used by all our employees. Third parties can also use the whistle-blowing service to report censurable matters.

Reports of whistle-blowing are evaluated by KPMG's ombudsperson. The ombudsperson is not employed by KPMG, but is engaged by the company to conduct investigations on reported matters and present proposed measures.



Our global methodology secures a uniform and efficient audit in accordance with international auditing standards for all our clients – regardless of where in the world the engagement is being performed.

## Quality in client engagements

### Acceptance and continuation of clients and engagements

Stringent guidelines for acceptance and continuation of clients and engagements are necessary in order to deliver high quality professional services. KPMG has established global guidelines and policies to determine whether we should accept or continue a client relationship, and whether we should deliver certain services to a particular client. High-risk clients and engagements require special approval from the Quality & Risk Management Partner.

KPMG Norway has developed an electronic tool for risk assessment and client review for use in acceptance and continuation of clients and engagements. The tool is a global IT system that is also used by several other KPMG Member Firms.

The client and engagement partner is responsible for the risk assessment. We evaluate a number of factors as part of the general acceptance process, including management's and the owners' expertise and integrity, and the company's financial position. In accepting a new client the engagement partner confirms that an identity check and other necessary procedures have been carried out in accordance with anti-money laundering regulations.

All audit engagements are evaluated annually, with a particular focus on re-evaluation of risk profiles, independence, expertise, team cover and rotation.

### Execution of engagements

One key element of our professional services are quality reviews, which are incorporated into our routines for engagements. These quality reviews cover policies and guidelines designed to ensure that work performed

satisfies professional standards, statutory requirements and internal quality standards. KPMG's global auditing methodology (KPMG Audit Methodology – KAM) is used in audit engagements to determine the tasks and duties of engagement partners and project managers in accordance with responsibilities in auditing engagements established in international accounting standards and auditing legislation.

### Audit methodology

All our audit engagements are implemented in accordance with the requirements and policies established in KAM. KAM has been developed and is continually updated by our Global Services Centre based on the requirements of International Standards on Auditing (ISAs). Our global methodology secures a uniform and efficient audit in accordance with international auditing standards for all our clients – regardless of where in the world the engagement is being performed.

KPMG uses the global audit platform eAudit to conduct audit assignments, from planning and risk assessment through to the auditor's conclusion and reporting. eAudit is designed to help the user to consistently make the right choices in accordance with the requirements of our methodology (KAM) to ensure a high-quality audit process.

Our audit methodology is founded on thorough assessments of risk and materiality, leveraging our partners' and colleagues' detailed business intelligence and industry expertise.

We are keen to ensure an effective audit process that not only provides confidence in financial reporting, but also provides added value for our clients. Consequently, we employ a process-oriented audit approach based

on our clients' existing systems and control routines. We make extensive use of IT audit in order to design an audit process for each individual engagement that makes maximum use of the opportunities that lie in the client's IT environment and internal control routines.

KPMG has been heavily investing in evolving the Global Organisation's audit capabilities and will continue to do so in the coming years. This includes investing in a new global electronic audit workflow platform – KPMG Clara – KPMG's smart, modular audit platform that is capable of continually integrating new and emerging technologies, with embedded advanced capabilities that leverage data, automation, and visualisation. Data & Analytics (D&A) is integral to the way KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG's high-quality audit process will continue to include:

- timely partner and manager involvement throughout the engagement
- access to the right knowledge by including involvement of specialists, in addition to satisfying training and experience requirements, and securing relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgement
- ongoing mentoring, supervision and review of the engagement team

### **KPMG Clara Workflow**

Building on the launch of KPMG Clara in 2017, KPMG has created a new workflow tool that will be used by KPMG Norway audit teams to execute and document KPMG audits. It is intuitive, user-friendly and innovative. The new system will guide audit teams through a series of steps in a logical sequence, clearly displaying information and visuals, with knowledge and guidance available at the moment of need, along with embedded advanced data and analytics (D&A) capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project represents a significant redesign of the execution of an audit by KPMG professionals and drives further improvements in audit quality.

KPMG Clara Workflow was piloted in 2018. We are expecting to gradually replace eAudit with KPMG Clara Workflow over the next years.

### **Controls, evaluation, guidance and support for the engagement team**

We have established guidelines for audit work with regard to controls, evaluation, consultation and guidance. In accordance with these guidelines, all audit engagements for listed companies, other public interest entities or high-risk audit engagements are allocated to an audit partner, in addition to the Engagement Partner who is responsible for reviewing engagement quality.

The Head of Audit Quality, together with our Department of Professional Practice (DPP), support our audit partners and offer technical guidance on specific engagement-related issues.

### **Reporting to clients**

Our reporting in the audit report underpins the value and quality of our audit work. The format of the audit report is determined by prevailing applicable auditing standards and auditing legislation, and normally includes confirmation that the annual financial statements provide a true and fair view of the audit client's financial position and results. The audit report also contains declarations on individual disclosures in the Report from the Board of Directors and the company's recording and documentation of accounting information.

In addition to the public audit report, we issue reports to the Board and/or the Audit Committee of the company we are auditing. The contents of these reports could relate to the annual financial statements and Report from the Board of Directors, key accounting judgements, discussion of the company's control functions and other matters we deem to be of material importance to the recipients of the reports. In accordance with the requirements of Norwegian auditing legislation, some matters are reported in the form of numbered letters.

### **Professional indemnity insurance**

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

## Client confidentiality and information security

### Our focus on client confidentiality and data security

Maintaining the confidence of clients is critical to KPMG's success. Auditors, lawyers and accountants are subject to a statutory duty of confidentiality, but client confidentiality is also essential for our advisers. We take client confidentiality very seriously.

All our employees participate in ongoing training and coaching, and must issue an annual affidavit confirming their independence and compliance with our guidelines. All our staff can view our national guidelines on information security on our intranet.

### Data security and privacy

KPMG processes personal data in client engagements, for marketing purposes and as an employer. This data is processed in accordance with the requirements of the Norwegian Personal Data Act and the General Data Protection Regulation (GDPR).

Guidelines and procedures have been established for processing personal data and everyone at KPMG receives training in this area. KPMG has introduced several planned and systematic measures that guarantee satisfactory data security with regard to confidentiality, integrity and availability.

Our IT division was certified to ISO/IEC 27001:2013 in June 2019. We also perform an annual internal audit of data security and privacy, which also forms one of the focus areas in our Global Compliance Review (GCR).

We understand that security involves more than just processes and



All our employees participate in ongoing training and coaching, and must issue an annual declaration confirming their independence and compliance with our guidelines.

certifications, and with this in mind, we have established a Global Security Operations Centre (GSOC), which monitors our global network 24/7/365. In addition to employing a dedicated team of analysts, GSOC also uses artificial intelligence to analyse our log data to ensure that we can detect and immediately respond to all incidents.

Thanks to our local security team and market-leading technology we can assure our clients their information is in the safest possible hands.

### Retention of documentation

KPMG has prepared guidelines for the safekeeping and storage of documentation that apply to all engagements and colleagues. Data stored on mobile media is encrypted. These guidelines and internal procedures ensure that the requirements for safe-keeping incumbent on auditors, accountants and lawyers are satisfied. In addition, processes have been established for safe-keeping of documentation in cases where there is a requirement to protect against deletion, removal or destruction.





KPMG has prepared guidelines for the safekeeping and storage of documentation that apply to all engagements and colleagues.



# 07

## People management

### Working environment

Every year we carry out an international employee survey organised by KPMG Global. The results of the most recent employee survey in 2018 revealed a high level of job satisfaction and engagement among our employees. A total of 75 per cent of employees responded, with 87 per cent stating that they would recommend KPMG as a good employer, and as many as 93 per cent responding that they were proud to work at KPMG.

The surveys are used as an important tool to measure whether we are achieving the ambitious goals we have set ourselves and as input for improvements. The most important work takes place after the survey, when each group/division addresses follow-up and development measures.

## Talent management

One of the key drivers of quality is ensuring that we allocate the right managers and employees to our assignments. We must secure constant access to people with the appropriate expertise, skills, passion and purpose required to satisfy the clients' needs, and comply with professional requirements and standards. Our system for talent management encompasses the following core areas:

- recruitment and appointments
- development and coaching
- authorisation and accreditation
- resource management
- evaluation of performance and remuneration
- promotions and admittance as partner
- bribery and corruption

### Recruitment and appointments

Everyone who applies to work with KPMG, regardless of their level or role, is recorded in our recruitment system, which gathers all the relevant candidate information such as applications, CVs, certificates and diplomas. In the interviews, we attach importance to candidates' competence and experience, integrity and personal characteristics, motivation and engagement, and whether the person identifies with KPMG's values.

On employment, and as part of the employment contract, new recruits sign a confidentiality and independence declaration. During their introduction

to KPMG, new employees must also familiarise themselves with guidelines for physical and personal safety, as well as security policies for IT and electronic communication.

### Development and coaching

Newly-hired employees must complete training programmes in several areas, including in the field of ethics and independence, and risk management. During their first months at KPMG, new employees undergo a partly generic and partly individually customised tutorial programme, which includes relevant professional training and methodology, as well as an introduction to our organisation and network, services, strategy and prioritisations, along with routines, guidelines and tools.

KPMG's policy requires all our professional staff to maintain their professional expertise and comply with applicable regulations, including requirements for continuing professional development. We give our partners and staff the opportunity to satisfy competence development requirements and achieve their personal development goals. We do this by facilitating professional training in combination with skills training. We have established programmes for employee and leadership development that cover all levels of experience and all business areas. The contents of the training are regularly reviewed and updated to reflect prevailing requirements for professional expertise.

The extensive mandatory training programme ensures that all our professionals satisfy formal continuing professional development requirements and maintain their core competencies within their respective disciplines. All specialists who deliver services to audit clients are required to first undertake specialist training. This comprises two mandatory courses and an associated test that must be passed. In addition to the mandatory training programme, a number of technical courses are provided on Norwegian accounting standards (NGAAP). We offer extensive IFRS training at all levels of the organisation. We also offer training opportunities related to US GAAP based on our global training programme.



All professionals are offered a wide range of training in disciplines tailored to their professional requirements.

### Authorisation and accreditation

All audit partners and employees with auditing responsibility pursuant to the Norwegian Auditors Act must satisfy the requirements of responsible auditors contained in Section 3-7 of the Norwegian Auditors Act, including the regulations on continuing professional development and pledging of security. The company runs extensive training for the company's professionals. All responsible auditors are monitored each year to ensure that they as a minimum complete the hours of continuing professional development for the current three-year period required to satisfy statutory requirements. All professionals are offered a wide range of training in disciplines tailored to their professional requirements.

KPMG has additional requirements and guidelines for accreditation of auditing of financial statements based on frameworks other than generally accepted Norwegian accounting practice, including IFRSs and US GAAP.

### Resource management

Resource management is an important management task, where managers of the business areas are responsible for allocating engagement partners to respective clients. Resource management complies with professional requirements and KPMG's internal guidelines, placing an emphasis on available capacity and the appropriate expertise. The Engagement Partner is responsible for ensuring that the engagement team constantly has access to adequate resources and skills, including requesting specialist expertise for engagements where required.

### Evaluation of performance and remuneration

All staff, including partners, have annual performance appraisals with their personnel manager. Individual goals are set based on KPMG's global expectations relating to professional expertise and other skills at the various experience levels. Each individual is evaluated with regard to achievement of individual goals, demonstrated skills and behaviours, as well as how he or she complies and acts according to the group's values. Results achieved and adherence to values and behaviour should correspond to the reward that the individual receives.

### Measurement system for Quality and Compliance

KPMG has a measurement system ("Metrics") that covers all partners, directors, senior managers and managers. Metrics is a "traffic-light system" that measures a range of parameters relating to compliance with policies and quality-related matters throughout the year. The results of the Metrics measurement are reported to the Disciplinary Committee at the end of the fiscal year and included in the basis for establishing individual remuneration.

### Promotions and partner admissions

Clear and well-established criteria and policies have been established for promotions at all levels of the organisation. Promotions are placed in a development perspective and processes start one year in advance. Individual career planning is an important and integral part of employee performance appraisals.



Results achieved and adherence to values and behaviour should correspond to the reward that the individual receives.

The procedure for admittance as partner includes a thorough evaluation of the candidate's performance, professional expertise and other skills required to fulfil the role as a partner of KPMG. The company's commercial goals and strategies are also assessed, along with the candidate's ability to contribute to these.



# 08

## Independence

We attach significant importance to ensuring independence in dealings with our clients, and that our work and deliveries are characterised by integrity, high ethical standards and objectivity.



A key element of this work involves ensuring that partners and staff who serve clients do not find themselves in situations that could impact or raise doubts as to the auditor's independence and objectivity.

KPMG complies with the requirements governing independence established in the Norwegian Auditors Act and the Norwegian Institute of Public Accountants' ethical guidelines, which are based on the International Federation of Accountants' (IFAC's) "Code of Ethics for Professional Accountants". However, in cases where the Norwegian Auditors Act imposes more stringent requirements than IFAC's regulations, the requirements of the Norwegian Institute of Public Accountants are adapted to those of the Norwegian Auditors Act. The IFAC's regulations are also incorporated into KPMG's global requirements and guidelines that apply to all member countries in the network. Since KPMG has to comply with several sets of rules governing independence, the company at all times adopts a principle of applying the most stringent regulation.

The independence guidelines cover personal independence of individuals and their related parties, connections after a position has been vacated, partner rotation and approval of auditing and other services. The guidelines are closely monitored to ensure that they are updated in accordance with changes in regulations.

Potential listed audit clients must undergo a process to verify and document a worldwide independence: the Independence Clearance Process (ICP). This process is completed in and supported by the Independence Clearance Checkpoint tool.

### Independence and personal interests

All our employees undertake to ensure that they do not have any personal financial interests that contravene applicable laws and guidelines that apply

to our activities. Partners and managers in particular are monitored in this area using KPMG's global Independence Compliance System (KICS), in which everyone reports any personal or related parties' interests and changes in these.

### Independence training and independence guidelines

The two most important pillars for ensuring that employees are familiar and comply with the independence regulations are an annual independence training (including a mandatory test



All our employees undertake to ensure that they do not have any personal financial interests that contravene applicable laws and guidelines that apply to our activities.

that must be passed) and a subsequent independence declaration, in which individuals issue an annual independence compliance confirmation regarding their compliance with the regulations.

The independence training and declaration are adapted to particular service areas and/or position levels in order to reflect special regulations and issues.

### Rotation of audit partners

All responsible audit engagement partners are rotated every seventh year for public interest entities, including all listed companies. Other rotation rules may be established for other audit clients. Our guidelines have been drawn up so as to satisfy all applicable requirements, including the requirements of Section 5a-4 of the Norwegian Auditors Act on rotation. Our

system monitors audit partners' service periods so that we can prepare timely rotation plans that ensure the audit company delivers an independent and high-quality audit over time.

### Non-audit services

KPMG has guidelines and policies to limit the services that can be performed for audit clients. These regulations and policies require partners who are involved in audit engagements to assess any threats that may arise in connection with non-audit services, and which security arrangements are in place to manage such threats. This prevents the provision of services to audit clients that could undermine the auditor's independence. KPMG International's in-house system, Sentinel, ensures that we comply with these guidelines. The system enables partners who are involved in audit engagements to assess, and approve or reject, any proposed services to be delivered to audit clients and their associates by any firm in KPMG International.

### Conflict of interests

Conflicts of interest can render it impossible for KPMG to accept a client or engagement. Sentinel is also used to identify and manage potential conflicts of interest in and across countries in KPMG International's network. Any identified issues relating to conflicts are resolved in consultation with other parties and the solution is documented in Sentinel. Conflicts that raise important questions of principle are escalated to the Quality & Risk Management Partner for an assessment and ruling.

### EU Audit Reform

The EU Audit Reform has entered into force in the EU, but is not yet applicable in Norway. The regulation is expected to be enacted in Norway through the new Auditors Act in 2020/2021. The expected changes include among others new rotation rules for audit companies and some changes to what services that can be delivered to public interest entities.

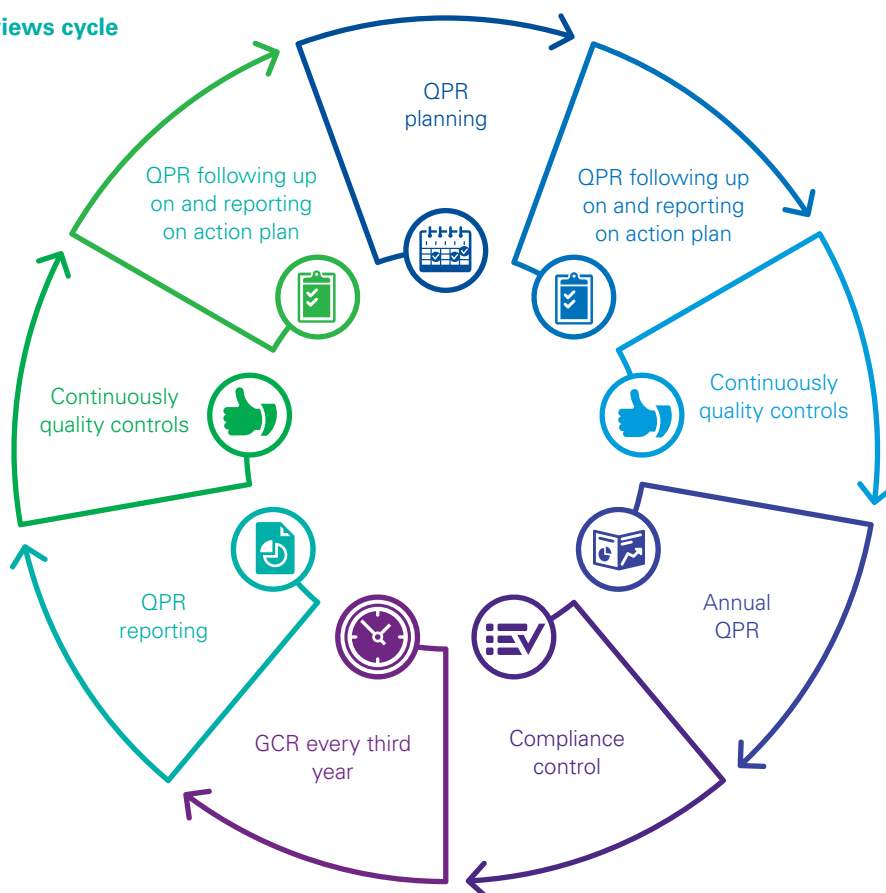


# 09

## Periodic quality reviews



### Quality reviews cycle



## Internal quality control and monitoring

### Internal monitoring

KPMG has extensive procedures for quality control based on the company's international guidelines, which fully comply with Norwegian requirements pursuant to ISQC 1 (International Standard on Quality Control).

Quality control comprises both national and international controls divided into two areas:

- review of compliance with national and international policies and guidelines
- engagement review of whether engagement partners comply with the requirements and guidelines

### Annual review of compliance with policies and guidelines

Annual reviews are implemented for all KPMG's international and national procedures and guidelines. The results of such reviews are reported internationally. Subsequent evaluation and reviews have not revealed any material weaknesses. An action plan is prepared for any identified improvement points.

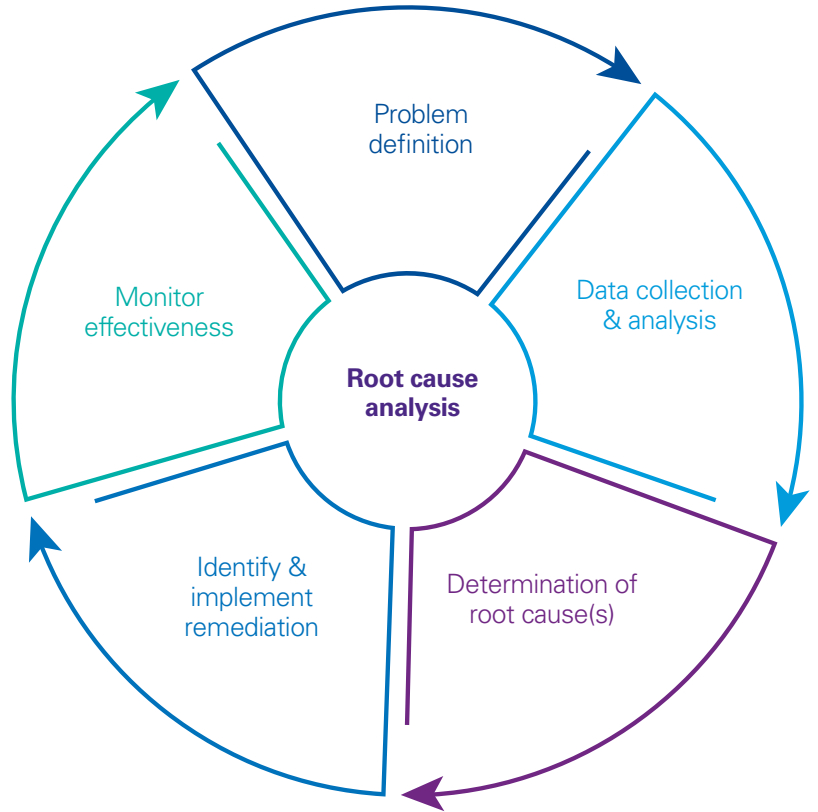
**Annual Quality Performance Review (QPR)**

The purpose of quality performance reviews is to help to further develop practical auditing methodology by identifying potential improvements. Quality reviews have the following objectives:

- evaluation of compliance with relevant standards
- assessment of technical and professional quality
- to improve quality by analysing results, identifying problem areas, clarifying causes of problem areas and rectifying causes
- testing of compliance with KPMG’s quality control guidelines

In accordance with KPMG’s international guidelines for quality control, all engagement partners are assessed at least once every three years. Engagements are selected for review based on a range of criteria, including risk and involvement of new clients or new partners. Reviews are performed by partners and managers with relevant experience, and who are independent of the audit engagement under review. The reviewers receive annual training.

A key element of KPMG’s quality reviews involves identifying the underlying causes of any weaknesses (root cause analysis). Based on the results of the quality review, necessary measures are implemented to raise the quality to the desired level. Such measures could include written communication, internal coaching, various types of aids, direct communication with the engagement teams, etc. Areas in which measures are implemented will also be accorded importance in subsequent quality reviews in order to measure the extent of improvements.



**KPMG’s Global Compliance Reviews (GCRs)**

Global Compliance Reviews are primarily based on our annual reviews of compliance with policies and guidelines. Following the review, a report is prepared that forms the basis for an action plan. GCRs are carried out a minimum of every three years with the next review scheduled for 2020.



A key element of KPMG’s quality reviews involves identifying the underlying causes of any weaknesses (root cause analysis).

## External quality control and monitoring

In accordance with Section 5b-2 of the Norwegian Auditors Act, audit firms that audit the annual financial statements of companies subject to statutory audits shall be subject to quality reviews at least once every six years. In accordance with Section 5a-1 of the same Act, audit firms that audit public interest entities shall be subject to quality reviews at least once every three years. As a minimum, the quality review shall include an assessment of independence, resource utilisation, audit fees and audit execution, as well as the company's internal quality control systems.

### **Company inspections performed by Finanstilsynet and PCAOB – joint inspections**

Finanstilsynet (the Financial Supervisory Authority of Norway) and the Financial Supervisory Authority of the US (Public Company Accounting Oversight Board (PCAOB)) conduct routine company inspections of KPMG every three years. The most recent inspection took place at KPMG's offices in Oslo in October 2018. This was a "joint inspection" where both Finanstilsynet and the PCAOB conducted their inspections simultaneously. Both supervisory bodies carried out engagement and company inspections.

As part of its company inspection, Finanstilsynet reviewed a selection of KPMG's procedures and routines designed to ensure compliance with auditing legislation, including independence,

confidentiality, fees, internal quality control and money laundering.

Reports from company inspections are published on Finanstilsynet and PCAOB's websites – [www.finanstilsynet.no](http://www.finanstilsynet.no) and [www.pcaob.org](http://www.pcaob.org).

KPMG actively utilises the reports from the supervisory bodies in our ongoing quality assurance and improvement work, in order to deliver high-quality audit services. Both Finanstilsynet's and PCAOB's quality reviews are extensive. With a cycle of ordinary inspections every third year, Finanstilsynet's and PCAOB's reviews represent an ongoing process that forms an important and integral part of our quality work.

### **Thematic inspections performed by Finanstilsynet**

From time to time, Finanstilsynet conducts theme inspections aimed at the audit industry in general. Finanstilsynet's reports on different thematic inspections are published on Finanstilsynet's website – [www.finanstilsynet.no](http://www.finanstilsynet.no).

## 10

Declaration  
from the  
Board of  
Directors

The Norwegian Auditors Act stipulates that audits shall be performed in accordance with best judgement and generally accepted auditing practice. Detailed provisions on the establishment and maintenance of quality control systems in auditing firms are established in the ISQC 1 standard – Quality control of firms that perform audits and reviews of financial statements, and other assurance and related services engagements.

The Board of KPMG AS believes that the company's quality management system is appropriately designed to ensure compliance with requirements governing independence, objectivity and ethics

in accordance with the Norwegian Auditors Act and associated regulations, the IFAC's "Code of Ethics for Professional Accountants", the Norwegian Institute of Public Accountants' ethical regulations and KPMG's international guidelines. While these regulations overlap to a large extent, in cases of conflict the most stringent of the regulations will apply.

The Board of KPMG AS has reviewed the reports from internal and external quality reviewers and monitoring measures. On this basis, the Board believes that KPMG's quality control system functions satisfactorily and that the company satisfies guidelines on auditors' independence.

**Oslo, December 2019**



**Harald Sylta**



**Torbjørn Hansen**




**Geir Moen**



**Bjarte Ulvestad**



**Ida Hagelsteen Vik**



**Stig-Tore Richardsen**



**John Thomas Sørhaug**



**Tonje Christin Norrvall**



**Dejan Grahovac**

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## Partner remuneration

Partners' remuneration is established once a year. Remuneration is defined as a share of KPMG's overall result that is allocated to the individual partner.

The main purpose of the remuneration model is to motivate, recognise and reward partners based on their individual contribution to the company's performance. It is important that the model inspires desired behaviours consistent with KPMG's strategies, goals and values.

The total remuneration consists of two elements: specifically agreed remuneration and a share of profits. Remuneration paid to individual partners is linked to KPMG Norway's overall result and individual partners' contributions. Measurable results relating to quality and compliance and other matters are directly reported to the Compensation Committee by the Quality & Risk Management Partner, and are included in the evaluation.

KPMG's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients, as such incentives could jeopardise the

auditor's independence. However, it is important that objectives are established to ensure that experts from the firm's Advisory team are included in the audit team in order to improve the quality of the audit and the overall service delivery.

The CEO appoints a Compensation Committee that performs an overall review of each partner's remuneration and provides feedback to each individual partner. The partners may appeal the remuneration set by the Compensation Committee. The Partner Committee establishes the final remuneration. The general remuneration process is transparent, and individual partners' final remuneration (but not the assessment basis for each partner) is disclosed to the group of partners as a whole.

There are no agreements for remuneration on the departure of a partner. All partners are covered by KPMG's collective pension scheme.

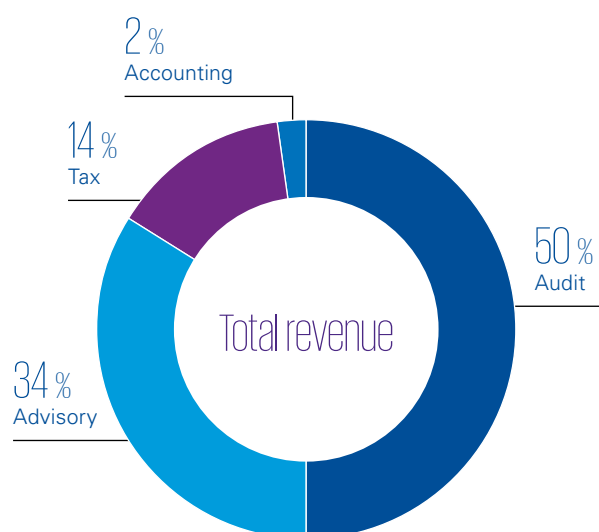
## 12

Public  
interest  
entities

Enterprises or groups of public interest\* audited by KPMG in the past financial year.

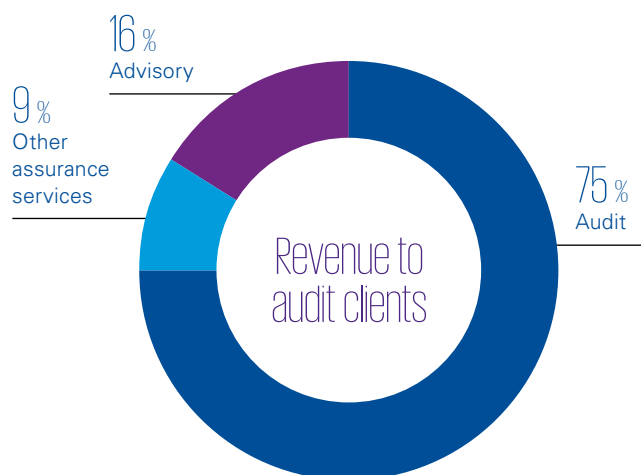
Aasen Sparebank	Norsk Hydro ASA
Akastor ASA	Norway Royal Salmon ASA
Aker ASA	Norwegian Energy Company ASA
Aker BP ASA	Næringsbanken ASA
Aker Solutions ASA	Ocean Yield ASA
Akva Group ASA	Otica Group AS
American Shipping Company ASA	Philly Shipyard ASA
Aprilia Bank ASA	Photocure ASA
Askim og Spydeberg Sparebank	Rec Silicon ASA
BN Bank ASA	Selbu Sparebank
Bolig- og næringskreditt AS	Soknedal Sparebank
Bonheur ASA	SpareBank 1 BV
Brage Finans AS	SpareBank 1 Forsikring AS
BW Offshore Limited	SpareBank 1 Nord-Norge
Carasent ASA	SpareBank 1 Søre Sunnmøre
Crayon Group Holding ASA	Sparebank 68 grader Nord
Eiendoms-kreditt AS	Sparebanken Møre
Elkem ASA	Sparebanken Narvik
Fremtind Forsikring AS	Sunddal Sparebank
GLX Holding AS	TGS Nopec Geophysical Company ASA
Grong Sparebank	Tomra Systems ASA
Hospitality Invest AS	Totens Sparebank
Industriforsikring AS	Totens Sparebank Boligkreditt AS
Instabank ASA	Tromstrygd Gjensidig Sjøforsikringsselskap
Kredittforeningen for Sparebanker	Varig Forsikring Indre Sunnmøre Gjensidig
Kværner ASA	Varig Forsikring Nordmøre og Romsdal Gjensidig
Møre Boligkreditt AS	Varig Forsikring Sykkylven Gjensidig
Navamedic ASA	Varig Oppdal-Rennebu Gjensidig Gfs
Nekkar ASA	Varig Stjørdal Forsikring Gjensidig
Nidaros Sparebank	Ørskog Sparebank
Nord-Trøndelag Elektrisitetsverk AS	
Norlandia Health & Care Group AS	

\*Norwegian Auditors Act, Section 5a-1



### Total revenue

Revenue per business unit, MNOK	%	2018/19
Audit	50%	943
Advisory	34%	646
Tax	14%	266
Accounting	2%	38
<b>Total</b>	<b>100%</b>	<b>1 893</b>



### Revenue to audit clients

Revenue per business unit, MNOK	%	2018/19
Audit	75%	753
Other assurance services	9%	85
Advisory	16%	164
<b>Total</b>	<b>100%</b>	<b>1 002</b>

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Financial  
information

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## Partners

As of 30 September 2019.

Gunnar Alskog\*

Torbjørn Amundsen\*

Ingar Andreassen

Svein G. Andresen\*

Erik Arvnes

Gjertrud H. Behringer

Julie Berg\*

Peggy T. Berner

John Tore Berntsen\*

Stig Bjørklund\*

Kristine Bolstad

Jan Arild Brandt

Andrea de Capitani

Ståle Christensen\*

Cathrine Bjerke Dalheim\*

Sverre Einersen\*

Elisabet Ekberg\*

Anfinn Fardal\*

Serge Fjærvoll

Ole Christian Fongaard\*

Jan Ove Fredlund\*

Roland Fredriksen\*

Arne Frogner

Lone B. Frogner\*

Thomas Føyen

Arve Gevoll

Ivar Andreas Lemmechen  
Gjul

Rune Grøvdal

Else Berit Hamar

Monica Hansen

Torbjørn Hansen\*

Willy Hauge\*

Arne Helme\*

Mads Hermansen

Kai Holhjem\*

Nils Eivind Holst

Frank Horntvedt

Tor Harald Johansen\*

Knut Olav Karlsen\*

Øivind Karlsen\*

Kjell Magne Kjølsvik

Oddgeir Kjørsvik\*

Thore Kleppen\*

Torbjørn Knudtzen

Hasse Kristiansen

Bjørn Kristiansen\*

Kjetil Kristoffersen\*

Øystein Kvåse

Paul M. Larsen

Stig G. Larsen

Mona Irene Larsen\*

Frode Lea

Charlie Lea\*

Thor Leegaard\*

Pedro S. Leite

Anders Liland

Per Tore Kraby Lock\*

Stein-Erik Lund

Svein Arthur Lyngroth

Ketil Timm Marcussen

Kirsti Helene Rødfjell  
Meidelsen

Marcel Miltenburg

Siv Karlsen Moa\*

Geir Moen\*

Ola Mæle

Tonje Christin Norrvall\*

Per Daniel Nyberg

Kai T. Nygaard

Jan Åge Nymoen

Yngve Olsen

Jan Erik Gran Olsen\*

Jo Sigurd Pedersen

Lars Inge Pettersen\*

Tom Rasmussen\*

Stig-Tore Richardsen\*

Hans-Jörg Robert

Monica Rosnes

Jan Samuelsen\*

Jørn Ivar Sandnes

Reidar Seland

Per Ivar Skinstad

Trond Skjelbreid\*

Rune Skjelvan\*

Øyvind Skorgevik

Clint Sookermany\*

Gunnar Sotnakk

Roald Stakland

Nina Straume Stene

Harald Sylta\*

John Thomas Sørhaug\*

Vegard Tangerud\*

Anne Tengs-Pedersen

Are Torpe

Oddbjørn Vegsund

Dave Vijfvinkel

Karianne F. Vintervoll\*

Rolf Wangsholm

Svein Wjig\*

Lars Wilberg

Eirik Øsebak

Kurt Ove Østrem

Erik Aas

\* All partners marked with \* held one share and equal voting rights in KPMG Holding AS as of 30 September 2019



Alta	Sentrumsparken 4
Arendal	Strømsbuveien 61
Bergen	Kanalveien 11
Bodø	Jernbaneveien 85
Bryne	Hetlandsgata 9
Drammen	Grønland 1
Elverum	Lundgaardvegen 17
Finnsnes	Hans Karoliusvei 6
Hamar	Vangsveien 73
Haugesund	Karmsundgata 72
Knarvik	Kvernehusmyrane 5
Kristiansand	Markensgate 30
Mo i Rana	Midtregate 10
Molde	Øvre veg 30
Oslo	Sørkedalsveien 6
Sandnessjøen	Håreksgate 2
Skien	Grønlikroken 5
Stavanger	Forusparken 2
Stord	Kunnskapshuset, Sæ 134
Straume	Grønamyrvegen 4
Tromsø	Stakkevollvegen 41
Trondheim	Sjøgangen 6
Tynset	Aumliveien 4c
Ulsteinvik	Sjøgata 41
Vestfold	Nordre Fokserød 14
Ålesund	Daaegården, Langelandsvegen 1

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Our offices

