KPMG

cutting through complexity

KPMG SWITZERLAND

Transparency Report 2011

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Letter from the Senior Partner

I am happy to present you the Transparency Report of KPMG Switzerland for the year ended 30 September 2011. While this report is not a Swiss legal requirement we believe that our clients and wider stakeholders deserve a clear articulation of the steps that we take as a firm to uphold our professional obligations and responsibilities and to understand how we ensure delivery of the highest quality in all of our services.

We are determined that the core values of integrity, professionalism and quality inspire all our services. We also appreciate the need to demonstrate such commitment to our many stakeholders. At the same time we appreciate that the key external focus is on our role as auditors. The financial crisis has triggered a fierce debate about the future of auditing, especially in the European Union. The Swiss Firm, being an integral part of KPMG Europe LLP, has a vital interest in this debate, and so has the Swiss profession and economy at large, which are closely tied to the European economy. Proposed reforms, which with no doubt will also affect the Swiss environment, have huge implications for our profession, the high standards of audit quality we have always worked so hard to maintain and the continued development of relevant multidisciplinary services for our clients. More importantly, they raise critical questions about the long-term stability of the capital markets. This is an absolutely pivotal time for our firm and for our clients. We think it is important therefore to put on record our concerns about the direction the regulatory debate is taking.

Hubert Achermann
CEO KPMG Switzerland

The debate is primarily being driven by the European Commission and follows the publication of radical proposals by Michel Barnier, the Internal Market Commissioner, designed to achieve greater competition and quality in our profession. As for the proposals to break the market power of the Big 4, there is just as great a chance of weakening four firms and the work they do, as there is of creating a strong additional player in the industry. Some of the most radical proposals being made around the issue of competition could have an unintended, but very negative, impact on audit quality. They appear to rely on causing significant disruption to our industry and our existing clients without guaranteeing any corresponding improvement in audit quality.

The proposals to strengthen the auditor's independence for the assumed benefit of increased quality stem from a debate that has its genesis right at the heart of the financial crisis of 2008. However, the audit profession was not the cause of the crisis as some critics suggest; nor did the auditors, given the limitations of today's statutory audit, fail to do what was required of them. But the audit profession has to concede that we were there and, like many others, did not see the significance of what was coming. To that extent, we know there are lessons to be learned about the relevance as well as quality of audit.

KPMG has been very actively involved in some important discussions about the scope of the audit. Should risk models be audited? Should boards and auditors comment on forward-looking issues as well as historic performance, so that the whole report and accounts can be assured, and not just the numbers at the back? There are far-reaching reforms in these areas that are well worth pursuing. It is therefore disappointing that the Commission's proposals do little to address the relevance of audit.

As Europe is struggling in a perilous sovereign debt crisis that has once again put the banking system under severe strain, our role is more important than ever. The audit profession plays a vital role in creating stable markets by making sure investors have reliable numbers, in good times and in bad times. You cannot pick and choose your moments to fulfil this role; consistency is the key. But, at times when investor confidence is so volatile, that makes our job a great deal more meaningful. Quality ultimately is at the core of everything we do at KPMG.
It is important to us in all of our services – as it underpins our very reputation.

I trust that you find this report a useful insight into how we strive to enhance that quality and a valuable step in particular towards raising the confidence of users and purchasers of audit services.
If you would like to discuss any aspect of this report or have any questions or feedback I would very much welcome your comments.

Hubert Achermann

Who we are

2.1 Our business

KPMG Holding AG together with its wholly owned subsidiaries is referred to throughout this report as 'KPMG Switzerland' or the 'Swiss Firm'. We employ approximately 1,600 people and operate out of 11 offices in Switzerland and one office in Liechtenstein. Further details of our service offerings can be found on our website at the following link: kpmg.ch.

Our business is organized on a partnership basis. The responsibility for leadership is borne by an Executive Committee that creates the framework conditions for the successful activities of all partners and employees, geared toward clients and markets.

KPMG Switzerland is part of KPMG Europe LLP, a cross-boarder professional services organisation that delivers audit, tax and advisory services to help its national and international clients manage risks and thrive in the varied environments in which they do business.

KPMG Europe LLP was created in October 2007, initially through the merger of our German and UK firms. With effect from 1 October 2008, KPMG Switzerland was the third firm to join the merger and more have followed thereafter. KPMG Europe LLP itself together with those operating firms that had joined as at 30 September 2011 is referred to throughout this report as the 'KPMG Europe Group'. The KPMG Europe Group currently consists of firms that operate in UK, Germany, Switzerland, Liechtenstein, Spain, Belgium, The Netherlands, Luxemburg, the CIS[1], Turkey, Norway and the Gulf States of Saudi Arabia, Jordan[2] and Kuwait. Together these firms employ over 30,000 people.

2.2 Our strategy

The strategy for the KPMG Europe Group is set by the KPMG Europe LLP Board and has remained consistent for some time. It has determined that our overall ambition remains to be the number one multi-disciplinary professional services firm in Europe.

The KPMG Europe LLP Board has determined that a commitment to quality is one of the most important priorities in our strategy. We recognise that if we do not get the quality of our services and deliverables right, then each and every one of the other objectives in our business plan may be jeopardised. As such, we put significant focus on ensuring that we deliver the quality of service that our clients expect, continually reinforcing the importance of quality across our firm. As for KPMG Switzerland, quality as well as compliance with laws and regulations are regularly addressed and discussed during meetings of our Executive Committee and in the internal communication with our partners and staff.

1 Commonwealth of Independent States includes Russia, Ukraine, Armenia, Georgia, Kazakhstan and Kyrgyzstan

2 The interest in Jordan was acquired on 8 December 2011

Our structure and governance

3.1 Legal structure

National structure

KPMG Holding AG, being the parent company of the Swiss Firm, as well as KPMG Europe LLP and the other member firms in the KPMG Europe Group are all affiliated with KPMG International Cooperative ("KPMG International"), a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International and its business, including our relationship with it are set out in Section 7.

KPMG Holding AG is a wholly owned subsidiary of KPMG AG Wirtschafts-prüfungsgesellschaft, Frankfurt am Main, which itself is a wholly owned subsidiary of KPMG Europe LLP. KPMG Holding AG is domiciled in Zurich, Switzerland and the parent company of the following, directly or indirectly wholly owned subsidiaries:

- KPMG AG, Zurich[3];
- KPMG (Liechtenstein) AG, Schaan[4];
- KPMG Klynveld Peat Marwick Goerdeler SA, Zurich[5];
- Ostschweizerische Treuhand-Gesellschaft, St. Gallen[5]; and
- Fides Revision AG, Zurich[6],

During the year ended 30 September 2011 there was an average of 138 partners in KPMG Switzerland (140 during the year ended 30 September 2010).

KPMG Europe LLP structure

KPMG Europe LLP is incorporated as a UK limited liability partnership under the Limited Liability Partnerships Act 2000. It is the holding entity for a number of KPMG firms in Europe. During the year to 30 September 2011 interests were acquired in the KPMG entities operating in Norway on 31 March 2011, Kuwait on 30 June 2011 and Saudi Arabia on 21 September 2011. The inclusion of the KPMG entity operating in Jordan was completed on 8 December 2011. A list of key entities that are currently part of the KPMG Europe Group, together with details of their legal structure, regulatory status, nature of their business and area of operation, is set out in Appendix 1 of the KPMG Europe LLP Transparency Report 2011.

KPMG Europe LLP is wholly owned by its members (equity partners) all of whom work in KPMG firms in specific countries[7]. For regulatory or other reasons KPMG Europe LLP is not the legal owner of all of the operating companies in certain jurisdictions.

Although KPMG Europe LLP is a registered audit firm in the UK, it does not provide services to clients; all client work is performed by the various operating firms that are part of the KPMG Europe Group.

All members of KPMG Europe LLP as at 30 September 2011 are either full or affiliate members of the Institute of Chartered Accountants of England and Wales (ICAEW) or are full members of one of the other three British or Irish Institutes. During the year ended 30 September 2011 there was an average of 1,425 members of KPMG Europe LLP.

3.2 Name

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. The current transparency report for KPMG International is available at the following link: kpmg.com.

3.3 Governance structure

National governance

The main governing body of KPMG Switzerland is the Executive Committee, which also acts as the legal Executive Board of Directors of KPMG AG, our key operating firm. The Executive Committee is responsible for managing the Swiss Firm within the framework of the strategy defined by KPMG Europe LLP. The ultimate responsibility for decisions regarding the quality of our audits and our audit opinions lies with the leadership of Audit Switzerland.

As at 30 September 2011, the Executive Committee comprised the Senior Partner (CEO) and six additional officers, being the Chief Financial Officer (CFO), the National Quality & Risk Management Partner (NQRMP) and the Heads of Audit, Financial Services, Tax and Advisory. The Senior Partner is appointed by the ELLP Board after consultations with the Swiss partnership through the Swiss Partners' Committee (see below). The other members of the Executive

3 Regulatory status in country of domicile: Swiss Licensed Audit Firm under State Oversight

4 Regulatory status in country of domicile: Liechtenstein Registered Audit Firm

5 Regulatory status in country of domicile: Swiss Licensed Audit Expert

6 Dormant entity

7 In the case of the Netherlands, each partner's interest in KPMG Europe LLP is owned through a personal holding company wholly owned by the partners.

Our structure and governance continued

Committee are appointed by the Senior Partner. The term of each member of the Executive Team is three years, and all are eligible for reappointment. The Executive Committee employs a Remuneration Committee consisting of the Senior Partner, the head of Human Resources and two members of the Partners' Committee (see below).

As at 30 September 2011, the Senior Partner and another Swiss partner were non-executive members of the ELLP Board, and the Senior Partner was head of the ELLP Board's Remuneration Committee (see "KPMG Europe Group governance" below).

KPMG Switzerland employs a Partners' Committee, which acts as a sounding board to the Executive Committee, monitors the partner nomination process and provides observations and recommendations in respect of the integration of the Swiss Firm within ELLP. Two members (including the head) of the Partners' Committee together with the Senior Partner and the head of Human Resources form the Swiss Remuneration Committee that reviews the allocation of profit to the Swiss partners.

The Executive Committee met 19 times in the year to 30 September 2011, including three retreats that focused on strategic topics. The Senior Partner of KPMG Switzerland communicates regularly and through various means with the Swiss partners and staff. During the year ended 30 September 2011, two meetings were held with the Swiss partners.

Full details of those charged with governance for KPMG Switzerland, including their biographies are set out in Appendix 2.

KPMG Europe Group governance

As a major international organisation, the KPMG Europe Group applies high standards of corporate governance. The governance structure for our parent entity, KPMG Europe LLP, therefore mirrors to a large extent that followed by our major clients.

The Board of KPMG Europe LLP

The main governing body is a unitary Board. It can exercise all the powers of KPMG Europe LLP except for a small number of matters principally affecting the structure and composition of the KPMG Europe Group, which require a vote of the members.

The KPMG Europe LLP Board is responsible for ensuring that the KPMG Europe Group is run in the interests of the members as a whole and in a manner which is in keeping with the standing and reputation of the group. The Board's responsibilities include setting the strategy, overseeing its implementation by the Executive Committee and considering the KPMG Europe Group's overall financial performance and solvency.

During the year, the Board comprised the two Joint Chairmen, ten additional officers (being the Chief Operating Officer, and the Heads of the five functions, Markets, Finance & Infrastructure, Human Resources and Quality & Risk), the country senior partners and a number of KPMG partners who held non-executive roles for the KPMG Europe Group. As at 30 September 2011, there were a total of 27 partners on the board.

The Joint Chairmen are responsible for leading the KPMG Europe Group, one of them chairing the Board and the other the Executive Committee. Whilst they are both formally appointed by the Board their appointment must be ratified by an ordinary resolution of the members. They have both served four years of their initial five-year term of office (which is renewable for an additional three years). Either Joint Chairmen can be removed from office at any time by an extraordinary resolution of the members.

The ten additional officer roles are appointed by the Board after considering the recommendations of the Joint Chairmen and the Nominations Committee. They are elected for a term of three years, renewable for such a period as the Board sees fit. The KPMG partners who hold a non-executive role on the Board are recommended for appointment by the Nominations Committee in consultation with the Joint Chairmen. Their appointment is subject to ratifications by an ordinary resolution of the members: they are elected for a term of three years and can serve for two terms (or in the case where the non-executive members are senior partners of one of our operating firms they may be appointed for the period that they hold that office).

The UK Audit Regulations require a majority of the Board to have attained an appropriate accounting professional qualification from one of the EU member states. At present 19 members (accounting for approximately 66 percent) of the Board hold this qualification.

The Board met seven times in the year to 30 September 2011 (including a full day meeting in March 2011 (to which the external non-executives were invited) to consider the group's strategic plan.

Our structure and governance continued

In addition, there are six main bodies that deal with key aspects of governance within the group that report into the Board. These are:

- The Executive Committee;
- The Quality & Risk Committee;
- The Audit Committee;
- The Public Interest Committee;
- The Nominations Committee; and
- The Remuneration Committee.

Details about the role and responsibilities and composition of each of these key bodies are set out below. Full details of those holding positions on each of these bodies, including their biographies and the number of board meetings and sub-committee meetings that they attended in the year and how long they served are set out in the 2011 KPMG Europe LLP transparency report.

The Executive Committee

The Executive Committee is responsible for 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 group (including the operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, and retention and general remuneration).

The Executive Committee includes one of the Joint Chairmen and those Board members responsible for Audit, Tax, Management Consulting[8] , Risk Consulting[9] , Transactions and Restructuring, Markets, Human Resources and Finance & Infrastructure and the Chief Operating Officer. The other Joint Chairman, the Head of Quality & Risk and all of the national senior partners receive all Executive Committee papers and have the right to attend meetings.

The Executive aims to meet at least monthly and it met 12 times either face-to face or via video link/conference call during the year to 30 September 2011.

The Quality & Risk Committee

The principal role of the Quality & Risk Committee is to provide oversight of quality & risk management matters across the KPMG Europe Group. As part of its role it oversees that a culture of quality and integrity is maintained within the group and, where required, it will act as a sounding board to the Head of Quality & Risk 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 programmes and the adequacy of proposed remedial actions.

During the year ended 30 September 2011, the Quality & Risk Committee consisted of three KPMG partners who held a non-executive role on the Board and who are appointed to the committee by (and for a term determined by) the Joint Chairmen with the approval of the Board. The Quality & Risk Committee met seven times in the year to 30 September 2011. This included holding a meeting with the Chairman of the Audit Committee to discuss the process for identifying all key risks (both professional and enterprise) currently facing the KPMG Europe Group.

The Public Interest Committee

As required by the UK Code on Audit Firm Governance, with effect from 1 October 2010, KPMG Europe LLP formed a new Public Interest Committee. The committee is responsible for overseeing the Public Interest aspects of decision making of our group (which includes the management of risks). It is also responsible for engaging in a dialogue with external stakeholders.

In view of the commonality of interests, the Public Interest Committee normally meets jointly with the Quality & Risk Committee – albeit that the two committees form their own conclusions on the matters discussed. In addition, the Public Interest Committee holds private deliberations as necessary. The Public Interest Committee currently comprises three external non-executives: Sir Steve Robson, Dr. Alfred Tacke and Tom de Swaan – all of whom were appointed from outside of the KPMG Europe Group.

The KPMG Europe Group considered the UK Audit Firm Governance Code and the Ethical Standards for Auditors in drawing up criteria for appointment of the members of the Public Interest Committee. These criteria recognise the need for the non-executives to maintain appropriate independence from the KPMG

8 Management Consulting was formerly known as Performance & Technology
9 Risk Consulting was formerly known as Risk & Compliance

Our structure and governance continued

Europe Group and its partners and have due regard to the impact of any financial and business relationships held by the non-executives on the KPMG Europe Group's independence of its audit clients.

The full terms of reference for the Public Interest Committee together with the mini biographies of the current members can be found at the following link: kpmg.eu/governance.

The Audit Committee

The Audit Committee is responsible for reviewing the annual financial statements of the KPMG Europe Group, considering accounting issues arising in respect of the legal group's affairs, receiving and considering reports from the internal and external auditors as well as reviewing the effectiveness of the operational and financial controls within the KPMG Europe Group.

The Audit Committee currently comprises three KPMG partners who hold a non-executive role on the Board and who are appointed to the committee by (and for a term determined by) the Joint Chairmen with the approval of the Board. The Audit Committee met four times in the year to 30 September 2011.

A report on the activities of the Audit Committee in the year is included in the 2011 KPMG Europe LLP Annual Report: kpmg.eu/annualreport.

The Nominations Committee

The Nominations Committee is responsible for overseeing the process of identifying suitable candidates within the KPMG Europe Group for appointment to the Board and other key appointments. This includes interviewing potential candidates and making recommendations to the Board and Joint Chairmen as appropriate. The Nominations Committee met four times in the year to 30 September 2011. The members of the Nominations Committee are appointed by the Board, for a term of up to three years (which can be renewed for a further term not exceeding three years). As at 30 September 2011 there were five members on the committee, being one non-executive board member and four non-board members.

The Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Joint Chairmen and officers and making recommendations on policies for partners' remuneration. It is also responsible for approving the process for determining partner remuneration used by the Executive Committee and hearing appeals from partners regarding their remuneration.

As part of its activities, the Remuneration Committee receives and considers a report from the Head of Quality & Risk on (i) the approach to ensuring that quality issues are appropriately considered in partner counselling and (ii) whether or not there are any quality concerns about specific partners. In addition, it receives detailed quality and risk compliance metrics for the KPMG Europe LLP Board members, Executive Committee members, KPMG Europe LLP sector leads, country operating team members and the lead partners for the top accounts, for whom it has a responsibility to monitor pay.

The Remuneration Committee comprises nine KPMG Partners who hold a non-executive role on the Board and who are appointed to the Committee by (and for a term determined by) the Joint Chairmen with the Boards approval following consultation with the Nominations Committee. The Remuneration Committee met three times in the year ended 30 September 2011 and has held three meetings to discuss 2011 partner pay (two of which occurred after the year end).

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

Communication with the members

The Joint Chairmen and Chief Operating Officer communicate regularly with the senior partners of our operating firms as well as from time to time directly with all of the members of KPMG Europe LLP on any matters of importance for the whole group. Every two years a one day partners' conference is held which brings together the partners from across the KPMG Europe Group. The last such conference was held in July 2010 in Frankfurt and was attended by over 1,000 partners.

The country senior partners have primary responsibility for communication with the partners in the relevant country – they use a variety of media for this purpose including regular meetings of members in the various geographies, functions and service lines, e-mails and facilitated WebEx sessions.

System of quality control

KPMG International has policies of quality control that apply to all member firms. These policies are based on professional standards issued by the International Ethics Standards Board for Accountants (IESBA), including International Standard on Quality Control 1, relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

The Swiss Firm implements KPMG International policies and procedures and adopt additional systems of quality controls that are designed to meet the rules and standards issued by the Swiss Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA) as well as other relevant regulators and local legal and other requirements.

KPMG International's policies reflect individual quality control elements to help our personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

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

While many KPMG quality control processes are cross-functional, implemented by National Quality & Risk Management and apply equally to tax and advisory work, the focus of this section is on explaining what we do to achieve the highest quality in the audits supporting opinions issued by the Swiss Firm. In this section we therefore focus on our system of audit quality control.

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the applicable auditing standards. This means, above all, being independent, compliant with relevant legal and professional requirements, and offering insight and impartial advice to our clients.

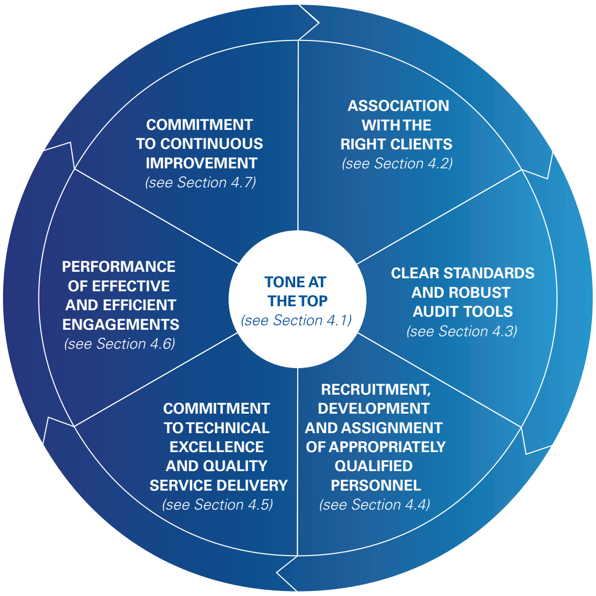
In order to deliver an appropriate and independent opinion, we have our global audit methodology (see Section 4.3.1 for further information on our methodology). We also have our Audit Quality Framework which we use to describe, focus on and enhance audit quality for the benefit of all our stakeholders. In particular it highlights what we believe drives audit quality and how we address these.

The Audit Quality Framework identifies seven drivers of audit quality.

- Tone at the top
- Association with the right clients
- Clear standards and robust audit tools
- Recruitment, development and assignment of appropriately qualified professionals
- Commitment to technical excellence and quality service delivery
- Performance of effective and efficient audits
- Commitment to continuous improvement

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 Swiss Firm and the entire KPMG network. All of the other key aspects of our system of quality control then operate within a virtuous circle, with each driver of the model reinforcing the others. Each of these key drivers of our quality control system is described in more detail in the following sections of this report.

System of quality control continued



4.1 Tone at the Top

Tone at the top sits at the core of the Audit Quality Framework and ensures the right behaviours permeate our entire network and maximizes our outcomes through a focused and consistent voice.

Our leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity.

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

- Culture, values, and code of conduct – clearly stated and demonstrated in the way we work;
- Focused and well-articulated strategy – incorporating quality at all levels;
- Standard set by leadership; and
- Governance structure and clear lines of responsibility for quality-skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Core Value – Above all, we act with Integrity. For us integrity means constantly striving to uphold the highest professional standards in our work, providing sound good quality advice to our clients and rigorously maintaining our independence. Our values, which have been explicitly codified now for a number of years, are embedded into our working practices at KPMG. For example, they are reflected in the performance appraisal process that our people follow and adherence to these values is also reviewed when our people are considered for more senior promotions, including to partner.

Our Code of Conduct defines the standards of ethical conduct that we require from our firm and our people. The Code sets out KPMG's ethical principles, and helps partners and employees to understand and uphold those principles. The Code emphasises that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. It has provisions that require KPMG people to:

- Comply with all applicable laws, regulations and KPMG policies;
- Report any illegal acts, whether committed by KPMG personnel, clients or other third parties;
- Report breaches of risk management policies by KPMG firms or people;
- Uphold the highest levels of client confidentiality; and
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

We have a Code of Conduct which incorporates our core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels across our firm. Our core values are further described in Appendix 4.

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

We operate a whistle-blowing hotline which is available for our personnel, clients, and other parties to confidentially report concerns they have relating to how others are behaving (both internally and externally). The whistle-blowing hotline allows people to report their concerns (via telephone, secure internet lines or surface mail) to a third party organisation. Our people can raise matters anonymously and without fear of retaliation.

System of quality control continued

Matters reported to the hotline are investigated under the supervision of an independent ombudsman and are reported ultimately to the KPMG Europe Group's Quality & Risk Committee and the Public Interest Committee. This report covers matters reported to the hotlines, how the investigations were conducted, findings from the investigations and the implications for our policies and procedures.

4.1.1 Leadership responsibilities for quality and risk management

While we stress that all professionals are responsible for quality and risk management the following entities and individuals have leadership responsibilities.

Senior partner

In accordance with the principles in ISQC1, our senior partner Hubert Achermann has assumed ultimate responsibility for the system of quality control of KPMG Switzerland. Details of some of the measures that he and the rest of the Executive Committee have taken to ensure that a culture of quality prevails within KPMG Switzerland are set out in Section 4.1 above.

Head of National Quality & Risk Management

Operational responsibility for the system of quality control, risk management and compliance in KPMG Switzerland has been delegated to the National Quality & Risk Management Partner, Philipp Hallauer, who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the Swiss Firm. He is a member of the Executive Committee and has a direct reporting line to the senior partner. The fact that the role is an Executive Committee position, and the seniority of the reporting line, underline the importance that the Swiss Firm places on risk and quality issues. The National Quality & Risk Management Partner is supported by a team of partners and professionals at the center and in each of the functions.

The Heads of Audit, Tax, Advisory and Financial Services

The heads of the client service functions (Audit, Tax, Advisory) and the head of the line of business Financial Services are accountable to KPMG's Executive Committee for the quality of service delivered in their respective function/line of business. 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 National Quality & Risk Management Partner. These procedures all make it clear though that at engagement level risk management and quality control are the ultimate responsibility of all professionals.

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 processes are vitally important to the Swiss Firm's and the KPMG Europe Group's ability to provide quality professional services, protect KPMG's reputation and support its brand.

4.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and beneficial owners. A key focus is on the integrity of management at a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be of 'high risk', approval is also required from the Functional and the National Quality & Risk Management Partner.

Each prospective engagement is also evaluated. The prospective engagement partner evaluates a prospective engagement in consultation with Functional and National Quality & Risk Management as required. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel, our global conflicts and independence checking system) as well as a range of factors specific to the type of engagement, including for audit services, the competence of the client's financial management team.

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

Depending on the overall risk assessment of the prospective client and engagement additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are documented and resolved in consultation with other parties.

The Swiss Firm will decline a prospective client or engagement if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other risk issues that cannot be appropriately mitigated.

Section 4.3.2 provides more information on our independence and conflict checking policies.

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4.2.3 Continuance process
An annual re-evaluation of all audit clients is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long running engagements are also subject to re-evaluation.

This re-evaluation serves two purposes. Firstly, the Swiss Firm will decline to act for any client where we are unable to deliver to our expected level of quality or if we considered that it would not be appropriate to continue to be associated with the client. More commonly we use the re-evaluation process to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this would include the assignment of professionals or the need to involve additional specialists on the audit).

4.3 Clear standards and robust audit tools
All of our professionals are required to adhere to the clear policies and procedures (including independence policies) that we set and we provide a range of tools to support them in meeting these expectations. The policies and procedures we set for audit 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
We dedicate significant resources to keeping our standards and tools complete and up to date. Our global audit methodology is based on the requirements of International Standards on Auditing (ISAs). The methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs where KPMG believes these enhance the quality of our audits. ELLP member firms may also add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

Our audit methodology is supported by eAudIT, KPMG's electronic audit tool, which provides auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. eAudIT has been deployed to all audit professionals in the Swiss Firm.

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

Engagement setup
- Engagement acceptance and scoping.
- Team selection and timetable.

Risk assessment
- Understand the entity and identify and assess risks.
- Plan for involvement of specialists and others including experts, internal audit, service organizations and other auditors.
- Evaluate design and implementation of selected controls.
- 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).
- Form the audit opinion.

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional skepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate and also requires use of certain specialists in the core audit engagement team when certain criteria are met.

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

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

System of quality control continued

The provisions of International Standard of Quality Control 1 (ISQC-1) are addressed through KAM and through the Swiss Firm's implementation of the Global Quality and Risk Management manual.

4.3.2 Independence, integrity, ethics and objectivity

4.3.2.1 Overview

We have adopted the KPMG Global Independence Policies which are derived from the IESBA Code of Ethics and incorporate, as appropriate, SEC, US PCAOB and other applicable regulatory standards. These policies are supplemented by other processes to ensure compliance with the Swiss law and the standards issued by the Swiss Institute of Certified Accountants and Tax Consultants. These policies and processes cover areas such as firm independence (covering for example treasury and procurement functions), personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

The Swiss Firm has a designated Ethics & Independence Partner. In addition, there is a core team of virtual specialists led by the Head of Ethics and Independence for KPMG Europe LLP to help ensure that robust and consistent independence policies and procedures are applied across our firm and the KPMG Europe Group and that these are updated and communicated as required. These policies and procedures cover areas such as personal independence, business relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services. If applicable, amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications.

To help ensure ethical conduct, including integrity and independence, our firm and its personnel must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

In the event of failure to comply with relevant independence policies, whether identified in the rolling compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of partners and directors, are reflected in their individual quality and risk metrics.

4.3.2.2 Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a Web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners and client facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. The Swiss Firm monitors compliance with this requirement through performing regular audits of a sample of partners and managers. During the year ended 30 September 2011, 68 of our people were subject to these audits (this included approximately 37% of our partners).

Any professional providing services to an audit client is also required to notify the Ethics & Independence Partner if they intend to enter into employment negotiations with an audit client.

4.3.2.3 Independence training and confirmations

The Swiss Firm provides all relevant personnel (including all partners and client service professionals) with annual independence training appropriate to their grade and function and to provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon commencement of employment at our firm. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with and understanding of our firm's independence policies.

System of quality control continued

4.3.2.4 Audit partner rotation
Audit partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws and regulations and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG International rotation policies are consistent with the IESBA Code of Ethics and require our firm to comply with any stricter applicable rotation requirements. The Swiss Firm monitors the rotation of partners, which also assists them to develop transition plans that help them to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

4.3.2.5 Non-audit services
The Swiss Firm has policies as to the scope of services that can be provided to audit clients which are consistent with both IESBA principles and independence rules issued by the Swiss Institute of Certified Accountants and Tax Consultants, the Swiss Federal Audit Oversight Authority and the Swiss Financial Market Supervisory Authority as well as Swiss law. Additionally, KPMG policies require the consideration by the lead audit engagement partner of the threats arising from the provision of non-audit services and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients and their affiliates in the system. Every engagement entered into by any KPMG member firm in our network is required to be included in the system prior to starting work. The system then enables lead audit engagement partners for restricted entities to review and approve, or deny, any proposed service wherever in the world the service is proposed to be provided and wherever the member firm is based.

In Switzerland, the Swiss Federal Audit Oversight Authority has determined that independence may be impaired when the ratio of audit to non-audit fees for a listed audit client exceeds 1 to 3 in two consecutive years. The Swiss Firm monitors fees earned on audit engagements in order to ensure that this threshold is not exceeded.

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

4.3.2.6 Fee dependency
KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the operating firm expressing the audit opinion. In particular, these policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the engagement quality control reviewer. Also, this would be disclosed to those charged with governance at the audit client.

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

4.3.2.7 Business relationships/suppliers
The Swiss Firm has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics, Swiss law and other Swiss independence requirements. Compliance with these policies and procedures is reviewed periodically.

4.3.2.8 Conflicts of interest
Conflicts of interest may prevent our firm from accepting or continuing an engagement. Sentinel is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the resolution of all matters is documented. An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

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.

System of quality control continued

4.3.2.9 Anti-bribery and corruption

The Swiss Firm provides anti-bribery and corruption training to all client facing partners and employees. Training covering compliance with laws, regulations and professional standards is required to be completed by client facing professionals at a minimum of once every two years, with new hires completing such training within three months of joining our firm. In addition, certain non-client-facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are also required to participate in anti-bribery training.

4.4 Recruitment, development and assignment of appropriately qualified people

We are committed to equipping our people with the skills and tools they need to cut through the complexity of today's world – complexity that sees our people increasingly working across borders, collaborating on a global basis and take on challenging and innovative projects.

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the client. This requires recruitment, development, promotion and retention of our professionals and robust capacity and resource management processes.

4.4.1 Recruitment

All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, and qualification/reference checks.

Upon joining our firm, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence. This also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual's employment or partnership commences.

4.4.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see Section 4.5). A comprehensive learning catalogue has been developed for that purpose.

In relation to audit we provide opportunities for professionals to develop the skills, behaviours and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, country rotational and global mobility opportunities and the like.

4.4.3 Performance evaluation and compensation

For some time now, the 'glue' that binds all of our people processes and policies together for our employees has been our Global Skills and Behaviours. The Swiss Firm uses these to shape their performance management process, to underpin the learning and development offering and also the promotion processes.

All professionals undergo annual goal-setting and performance evaluations. Each professional is evaluated on attainment of agreed-upon goals, demonstration of the KPMG skills and behaviours for their level, and adherence to the KPMG values and attributes. This is achieved through our global performance management process, which is supported by a web-based application. These evaluations are conducted by performance managers and partners who are in a position to assess their performance. In preparation for their counselling all of our people are required to seek evidence of their performance during the year. As part of the year end counselling process they are awarded a grading based on how well they have performed in meeting their objectives. This grade directly influences the total amount of remuneration that they are paid. The results of the annual counselling are also considered when promotion decisions are being made.

Similarly, each year, partners are also required to agree objectives for the coming year which are specific to their individual role. They do this using a scorecard which records both their objectives and their performance against those objectives at year end, including objectives relating to quality (which is of course important for all of our services but absolutely critical for statutory audit). As for staff, as part of the year end counselling process our partners are awarded a grading based on how well they have performed in meeting their individual objectives. They are required to provide objective evidence to demonstrate this, which includes their individual quality and risk metrics which are described in further detail below. The result of the annual performance evaluation directly affects the compensation of our partners and in some cases their continued association with KPMG.

All partners and directors within the Swiss Firm and the KPMG Europe Group are issued with standardised quality and risk metrics which are fed into their annual counselling process. The quality

System of quality control continued

and risk metrics include a number of parameters, such as the results of external regulatory reviews, timely completion of training, and the outcome of internal monitoring programmes. As part of these metrics, an overall red, amber or green grading is awarded.

Compensation and promotion

The Swiss Firm has compensation and promotion policies that are clear, simple, and linked to the performance evaluation process so that our people know what is expected of them and what they can expect to receive in return. Our compensation policies do not permit audit partners to be compensated for the sale of non-audit services to their audit clients.

A common senior grading model and career path framework has been implemented for all partners across the KPMG Europe Group. This outlines the varied roles a partner may undertake throughout their career, the level of seniority associated with the roles and the potential career routes a partner may take to achieve the roles/level of seniority. Expectations of each role are described through a role profile.

Partner admissions

Our process for admission to the partnership is rigorous and thorough, involving appropriate members of our leadership. KPMG Switzerland follows a common approach defined by the KPMG Europe Group for assessing and admitting new partners. This procedure includes a business case and a personal case for the individual candidate. Our key criteria for admission to partner are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. All recommendations for admission to the partnership of the Swiss Firm need to be approved by the Executive Committee. Furthermore, all recommendations for admission to membership of KPMG Europe LLP need to be approved by the KPMG Europe LLP Board.

4.4.4 Assignment

The Swiss Firm has procedures in place to assign both the engagement partners and professionals to a specific engagement by evaluating his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the process for allocating particular engagement partners to clients.

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving specialists.

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

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

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

4.5 Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need, including access to networks of specialists and professional practice departments ("DPP"), either to provide resources to the engagement team or for consultation.

At the same time we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.

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4.5.1 Technical training

In addition to personal development discussed at 4.4.2 our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Our technical training curriculum covers all grades of staff with a core training programme for junior staff and periodic and annual update training for qualified and experienced staff and partners.

Audit learning and development steering groups at the global, regional and local levels identify annual technical training priorities for development and of new courses, content for periodic and annual update training and amendments to the core programme. Delivery of training is through a blend of classroom, e-learning and virtual classroom. Audit Learning and Development teams work with subject experts and leaders from the global firm to ensure the training is of the highest quality, relevant to performance on the job and is delivered on a timely basis. The "ELLP Update for Auditors" is eLearning training which is made available, on a quarterly basis, throughout the KPMG Europe Group for completion by Audit managers and partners.

Audit training is mandatory and completion is monitored at country level through a Learning Management System. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development requirements and with KPMG's mandatory training and accreditation requirements (see below).

4.5.2 Accreditation and licensing

All KPMG professionals comply with applicable professional license rules in the jurisdiction where they practice.

The Swiss Firm is responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework. We have accreditation requirements for many of our services (including for US audit and accounting work, International Financial Reporting Standards, Transactions and Corporate Finance services) which ensure that only partners and employees with the appropriate training and experience are assigned to clients and are appropriately licensed where necessary.

The Swiss Firm requires that all Audit professionals are also required to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with the requirements of IESBA and the Swiss Institute of Certified Accountants and Tax Consultants). Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

4.5.2.1 Access to specialist networks

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

The need for specialists (e.g. Information Technology, Tax, Treasury, Valuations, Pensions, Forensic) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

4.5.3 Consultation

Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

The Swiss Firm provides appropriate consultation support through professional practice resources that include a Department of Professional Practice ('DPP') and an International Accounting Department ('IAD'), which are made up of senior professionals with extensive experience of audit, reporting and risk management.

Across the KPMG Europe Group, the Role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISAs.

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, National Quality &

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Risk Management Partner or a Panel consisting of such individuals.

Technical support available to our firm also includes the International Standards Group (ISG) based in London as well as (for work on SEC foreign registrants) the U.S. Capital Markets Group based in New York.

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues and develop global guidance on a timely basis. The ISG has a network of contacts and holds regular calls both in relation to auditing and IFRS to update country professional practice representatives.

4.5.4 Developing business understanding and industry knowledge

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

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

4.6 Performance of effective and efficient audits

We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. These behaviours are discussed below.

4.6.1 KPMG Audit Process

As set out in Section 4.3.1 above, our audit workflow is enabled in eAudIT. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional skepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control Reviewer (EQCR);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

4.6.1.1 Timely partner and manager involvement

To identify and respond to the significant audit risks for each year's 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 a key participant in the planning meetings, reviews key audit documentation – especially documentation relating to significant risks and key audit judgments – and is responsible for the final audit opinion. The engagement manager assists the partner in these responsibilities and in the day to day liaison with the client and team.

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

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 conflicting or missing evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We recognise that audit evidence obtained from external sources tends to be more persuasive.

System of quality control continued

The analysis of the audit evidence requires each of our team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

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

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments, which has skepticism at its heart and recognizes the need to consider alternatives and to consider conflicting as well as confirming evidence.

Professional judgment training has been embedded in our core Audit Technical training programme for junior staff as well as being included in our periodic and annual update training for qualified and experienced staff and partners.

4.6.1.3 Ongoing mentoring and on the job coaching, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of the skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Supervision during an audit involves tracking the progress of the engagement and the team, including:

- 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;
- addressing any significant matters arising during the engagement, considering their significances and modifying the planned approach appropriately; and
- identifying matters for consultation with more experienced team members during the engagement.

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

4.6.1.4 Appropriately supported and documented conclusions

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

Our methodology recognizes that documentation prepared at the time the work is performed is likely to be more efficient and effective than documentation prepared later. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is usually not longer than 60 days from the date of the audit report.

The Swiss Firm has a formal document retention policy in accordance with the local regulation that governs the period we retain audit documentation and other client-specific records.

4.6.1.5 Appropriate involvement of the Engagement Quality Control Reviewer (EQCR)

EQCRs have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the audit team. They are experienced audit professionals who are independent of the engagement team. They offer an objective review of the more critical and judgmental elements of the audit.

An EQCR is required to be appointed for the audits of all listed entities and of other engagements identified as high public profile or high risk. Before the Swiss Firm issues its audit report, these individuals review:

- selected audit documentation and client communications;
- the appropriateness of the financial statements and related disclosures; and
- the significant judgments the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQCR is satisfied that all significant questions raised have been resolved.

System of quality control continued

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

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQCRs;
- Incorporating specific procedures in eAudIT to facilitate effective reviews;
- Ensuring that the role performed by EQCRs is also taken into account when performing the partner portfolio review (see Section 4.4.4) to ensure adequacy of time and appropriate skill set for the role and reallocation if needed; and
- Assessing, as part of our Quality Performance Reviews, the work performed by the EQCR and the adequacy of involvement including discussion with the EQCR.

4.6.1.6 Clear reporting of significant findings

Swiss and international auditing standards largely dictate the format and content of the audit report that includes an opinion on the fair presentation and/or compliance with Swiss law, in all material respects, of the client's financial statements. Experienced auditors arrive at all audit opinions, after involvement in and review of the work performed by the audit team.

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

4.6.1.7 Insightful, open and honest two-way communication with those charged with governance

Two-way communications with those charged with governance at our clients are key to audit quality. Often the audit committee will be the group identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee. We deliver insights such as the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgments and any matters where we may disagree with management's view, and any uncorrected audit misstatements. We ensure the content of these reports meets the requirements of auditing standards and we share our industry experience to encourage discussion and debate with the members of the audit committee.

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, KPMG's Audit Committee Institute ('ACI') was created to help audit committee members enhance their awareness, commitment and ability to implement effective audit committee processes. The Institute which currently operates in Switzerland as well as many other KPMG Europe LLP countries (including Germany, the Netherlands, Spain, Belgium, the UK, Luxemburg and Russia) provides audit committee members with authoritative guidance on matters of interest to audit committees as well as the opportunity to network with their peers during an annual programme of roundtable events and awareness seminars.

4.6.1.8 Focus on effectiveness of group audits

The conduct of group audits is one of the key aspects of our role and our KPMG Audit Methodology covers this in detail. We work effectively with component auditors. The group audit engagement partner is required to evaluate the competence of component auditors, whether they are KPMG Member firms or not, as part of the engagement acceptance process. Additional guidance, training and material has been issued in this area at both global and European levels as follows:

- eAudIT includes guidance and functionality based on revised ISA 600 for group audit engagements and heightened attention is being given to key risk areas for group audits, for example emerging markets and business environments that may be subject to heightened fraud risk;
- In November 2010 we revised inter firm/office reporting guidance and policies in the International Standards Reports Manual to help component auditors communicate the results of their work to group engagement teams;
- In January 2011 we launched Frequently Asked Questions to assist the practical application of the revised ISA 600;
- Training for partners and managers in 2011 reinforced key principles and requirements about the responsibility of the group auditor for the work undertaken by component auditors.

System of quality control continued

4.7 Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

4.7.1 Monitoring

4.7.1.1 Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring program addresses both engagement delivery and important KPMG International policies and procedures and meets the ISQC1 monitoring requirements.

The results and lessons from the program are discussed with the function heads and the senior partner and communicated within the Swiss Firm, and the overall results and lessons from the program are considered within the KPMG Europe Group, as well as at regional and global levels.

Our monitoring procedures involve ongoing consideration of:

- The relevance and adequacy of KPMG's policies and procedures;
- The appropriateness of KPMG's guidance materials;
- The effectiveness of training and other professional development activities; and
- Compliance with applicable laws and regulation and member firms' standards, policies, and procedures.

We use two formal internal inspection programs conducted annually across the Audit, Tax, and Advisory functions, the Quality Performance Review Program (QPR) and the Risk Compliance Program (RCP).

Additionally all KPMG member firms are covered over a three-year period by a cross-functional Global Compliance Review (GCR) performed by reviewers in the Global Compliance Group who are external to the member firm. These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (see Section 7).

Quality Performance Reviews (QPRs)

The international QPR Program is the cornerstone of our efforts to monitor engagement quality and our primary means of ensuring that member firms are collectively and consistently meeting both KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax and Advisory functions and identifies opportunities to improve engagement quality. All engagement partners are generally subject to selection for review at least once in a 3-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a Lead Reviewer from outside of the specific operating firm being reviewed, and are monitored regionally and globally with benchmarking across and between the regions to promote consistency. Remedial action plans for issues arising are required and are developed at an engagement, Swiss Firm and where applicable KPMG Europe Group level. We disseminate our findings from the QPR Program to our professionals through written communications, internal trainings, or periodic partner, manager and staff meetings. These areas are also emphasised in subsequent inspection programmes to gauge the extent of continuous improvement.

In 2011 our QPR Program covered the following:

Function	No. of engagements reviewed	Percentage of engagement leaders reviewed
Audit	40	41%
Tax	41	33%
Advisory	34	62%

Lead Audit Engagement Partners (LAEPs) are notified of less than satisfactory engagement ratings on their respective cross-border and/or global audit accounts and subsidiaries. Additionally LAEPs of global audit accounts are notified where a subsidiary of their global account is audited by a member firm where quality issues have been identified during the Audit QPR.

Risk Compliance Program (RCP)

The RCP is a member firm's annual self-assessment program. The objectives of the RCP are to monitor, assess, and document firm-wide compliance with the system of quality control established through KPMG International's quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

System of quality control continued

Global Compliance Review (GCR)
The GCR is performed by reviewers external to the member firm and led by the Global Compliance Group. It is carried out over a three-year cycle. Such review focuses on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm's RCP Program). In the event that a GCR identifies significant issues that require immediate or near-term attention, a follow-up review will be performed as appropriate.

All three programs require action plans to address identified issues, with timelines, to be developed by the member firm, and these actions to improve performance are followed up at the regional and global level to ensure that the actions are addressing deficiencies with the objective of continuous improvement.

4.7.1.2 External monitoring
In Switzerland, the Federal Audit Oversight Authority (FAOA) has been carrying out independent inspections for a number of years. Such inspections consist of a firm level review and a selection of audit engagement file reviews. In addition, the Swiss Financial Market Supervisory Authority (FINMA) conducts audit engagement file reviews of our Financial Services clients on a sample basis.

The FAOA's 2011 inspection of KPMG AG is substantially completed and we received the draft report in December 2011. We will consider each of the findings and recommendations and implement actions to further strengthen our policies and procedures as appropriate.

KPMG AG is also registered with the following foreign audit regulators:

- Canadian Public Accountability Board (CPAB)
- French 'Haut Conseil du Commissariat aux Comptes' (H3C)
- German 'Abschlussprüferaufsichtskommission' (APAK)
- Irish Auditing & Accounting Supervisory Authority (IAASA)
- Italian 'Commissione Nazionale per le Società e la Borsa' (CONSOB)
- Japanese Financial Services Authority (JFSA)
- Liechtenstein Financial Market Authority (FMA)
- Luxembourg 'Commission de Surveillance du Secteur Financier' (CSSF)
- Swedish Supervisory Board of Public Accountants
- UK Professional Oversight Board of the FRC
- US Public Company Accounting Oversight Board (PCAOB)

4.7.2 Client feedback

In addition to internal and external monitoring of quality, we operate a formal program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that we receive from this program is formally considered by our firm and individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

4.7.3 Monitoring of complaints

We have robust procedures in place for handling complaints received from clients relating to the quality of our work. These procedures are detailed on our firms' website: kpmg.ch/complaints.

KPMG Switzerland takes any complaints about the quality of its services or the behaviour of its people seriously. We undertake to investigate them and address the concerns raised promptly.

If a client has a complaint or is not satisfied with any aspect of their dealings with KPMG Switzerland they are invited to raise their concerns with a partner or a senior member of staff who is known to them. If they are not able to reach a satisfactory resolution in this way, they may follow one of the following courses of action:

- if the complaint concerns KPMG's professional services they may contact the National Quality & Risk Management Partner;
- if they wish to report possible illegal, unethical or improper conduct involving KPMG Switzerland or any of its people and do not wish to follow any of the previous courses of action, they may make use of our whistleblowing hotline.

System of quality control continued

4.7.4 Interaction with regulators

At an international level KPMG has regular two way communication with the International Federation of Independent Audit Regulators (IFIAR) to discuss issues identified and actions taken to address such issues at a network level.

The four key areas of focus identified by IFIAR have been addressed in this report as follows:

- Group audits – see Section 4.6.1.8
- Professional skepticism – see Section 4.6.1.2;
- Engagement quality review – see Section 4.6.1.5; and
- Use of specialists – see Section 4.5.2.1.

Within the KPMG Europe Group we have established a forum which consists of representatives from our group and respective country regulators. The primary goals of the forum are to increase mutual understanding and to enhance any further alignment across KPMG Europe LLP.

Financial information

KPMG Switzerland achieved the following revenues for the year ended 30 September 2011:

Gross revenues by service line	Share of sales in %	Change in %	**2011** in million CHF	**2010** in million CHF
Audit	52	–4.3	223.8	233.80
Tax (including Legal)	27	1.2	117.0	115.60
Advisory	21	4.8	89.2	85.1
Total	**100**	**–1.0**	**430.0**	**434.5**

Gross revenues include out-of-pocket expenses and services of subcontractors and other KPMG member firms billed by KPMG Switzerland.

Net revenues by service line	Share of sales in %	Change in %	**2011** in million CHF	**2010** in million CHF
Audit	55	–2.3	201.5	206.2
Tax (including Legal)	27	0.3	99.7	99.4
Advisory	18	0.5	64.4	64.1
Total	**100**	**–1.1**	**365.7**	**369.8**

Net revenues refer to services rendered by KPMG Switzerland.

Partners & staff	Change in %	FTE in **2011**	FTE in **2010**
Total FTE, as of 30 September 2011	**0.1**	**1519**	**1518**

Partner remuneration

6.1 Partner compensation

The partners of KPMG Switzerland are employed by KPMG AG and part of their remuneration comprises a base salary and associated benefits (including employer contributions to the Swiss Firm's pension fund, see below) as for other employees. In addition, they are entitled to share in bonus and profit pools of their respective function and the Swiss Firm, which are established when the profits of the year (before bonuses) have been determined. In Switzerland and Liechtenstein, partners are members of a pension fund operated for all employees; both employer (the Swiss Firm) and employee (partners and staff) are required to contribute to this scheme.

Each partner's remuneration is paid almost exclusively from the relevant operating subsidiary. Equity partners also hold a share in KPMG Europe LLP. Whilst there is the capacity to pay profit shares from KPMG Europe LLP it is not intended that this entity should generate significant profits, and so far, only KPMG Europe LLP Board members were allocated small profit shares from KPMG Europe LLP; these profit shares were taken into account when determining the overall remuneration paid to them.

The final allocation of bonuses and hence overall remuneration of partners of the Swiss Firm is determined by the Executive Committee after assessing the Swiss Firm's overall financial performance and each function's and each respective partner's contribution to that performance for the year. There is transparency among partners over the average total compensation – in bands – allocated to them. The Swiss Remuneration Committee, consisting of the Senior Partner, two members of the Partners' Committee and the head of Human Resources, reviews the proposed partner bonus and profit allocations and total compensation, making recommendations to the Executive Committee for additional consideration.

At the level of KPMG Europe LLP, the Board's Remuneration Committee performs an additional review of partner compensation, making recommendations on policies for partners' remuneration and approving the process applied by the Executive Committee. The committee determines the remuneration for the Joint Chairmen, Executive Committee and Head of Quality & Risk. The committee also reviews the remuneration of a selection of partners across the KPMG Europe Group on an individual basis, specifically considering their quality & risk metrics.

KPMG Europe Group's policies for the 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 KPMG values. Audit partners are explicitly not rewarded for non-audit services sold to their audit clients.

6.2 Drawings

During the year, partners receive monthly drawings of part of their compensation. The timing of the payment of additional bonuses and profit shares is dependent on the Swiss Firm's working capital requirements.

Network arrangements

7.1 Legal structure

The independent member firms of the KPMG network (including KPMG Europe LLP's operating firms) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. The KPMG network consists of approximately 140,000 professionals working in 146 countries. For the year ended 30 September 2010 the network member firms generated aggregate revenues of US$20.11 billion.

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 its member firms.

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by the 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 and 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 which is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture 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 oblige or bind any member firm.

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 and regional strategies, share resources (incoming and outgoing), service multinational 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 are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work).

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 mutual 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 Executive Team.

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 that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 55 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the 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 and ratifies the Chairman's appointment of the Deputy Chairman and members of the Global Executive Team.

The Board includes the Chairman, the Deputy 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. One of the Board members is elected as the lead director by those

Network arrangements continued

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

The Board is supported in its oversight and governance responsibilities by several committees, including a Governance Committee; an Audit, Finance, and Investments Committee; a Compensation and Nomination Committee; a Quality and Risk Management Committee; a Professional Indemnity Insurance Committee; and a Board Process and Evaluation Committee. The lead director nominates the chairs and members of Board committees for approval by the Board.

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the chairman and includes the deputy chairman, the chief operating officer, global practice heads, regional leaders, and a number of senior partners of member firms.

The Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas. In particular, the Global Quality & Risk Management Steering Group operates under delegated authority from the Global Executive Team.

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

Members of the Global Board and Global Executive Team are members of the various network firms. Such members perform these roles on behalf of KPMG International and in that capacity do not act for KPMG Europe LLP or any entity within our group.

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available at kpmg.com/Global/en/WhoWeAre/ValuesAndCulture/Pages/default.aspx.

7.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the Global Vice Chair–Quality and Risk Management. The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML is allocated an area which covers one or more member firms (typically several). Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms. Our group's Head of Quality & Risk Management also acts as the AQRML for KPMG Europe LLP.

Statement by the Executive Board of Directors on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality management for KPMG Switzerland outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by the Swiss Firm comply with the relevant laws and regulations.

The Executive Board of Directors has considered:

- the design and operation of the quality management systems as described in this report;
- the findings from the various compliance programmes operated by our firm (including the KPMG International Compliance Programmes as described in Section 4.7.1 and our local compliance monitoring programmes); and
- findings from regulatory inspections.

Taking all of this evidence together, the Executive Board of Directors confirms with a reasonable level of assurance that the systems of quality control within our firm has operated effectively in the year ended 30 September 2011.

Further, the Executive Board of Directors confirms that an internal review of independence compliance within our firm has been conducted in the year ended 30 September 2011.

1 Key legal entities and areas of operation

Name of entity	Legal structure	Regulatory status in country of domicile	Nature of business	Area of operation
KPMG Holding AG	Swiss Limited Liability Company	N/A	Holding Company	Switzerland
KPMG AG	Swiss Limited Liability Company	Swiss Licensed Audit Firm under State Oversight	Audit, Tax & Advisory Services	Switzerland and Liechtenstein
KPMG (Liechtenstein) AG	Liechtenstein Limited Liability Company	Liechtenstein Registered Audit Firm	Audit, Tax & Advisory Services	Liechtenstein
KPMG Klynveld Peat Marwick Goerdeler SA	Swiss Limited Liability Company	Swiss Licensed Audit Expert	Audit Services	Switzerland
Ostschweizerische Treuhand-Gesellschaft	Swiss Limited Liability Company	Swiss Licensed Audit Expert	Audit, Tax & Advisory Services	Switzerland and Liechtenstein

2 Details of those charged with governance at KPMG AG

Hubert Achermann (1951, CH)
Chief Executive Officer,
is an attorney-at-law with a PhD in law, has been the CEO of KPMG Switzerland since 1 October 2004. He has worked for KPMG since 1982 and from 1994 to 2004 he was a member of the Executive Committee with responsibility for Tax and Legal. Hubert Achermann is a non-executive member of the KPMG Europe LLP's Board and chairs its Remuneration Committee. He is also a member of the Board of KPMG International, became in December 2008 the Lead Director and chairs the Board Process and Evaluation Committee.

Roger Neininger (1960, CH)
Head of Audit,
is a Swiss Certified Accountant and has been with KPMG since 1984. His responsibilities include auditing and advising prominent national and international companies. He has headed the Audit function since June 2009 and is the Deputy CEO and a member of the Executive Committee.

Philipp Hallauer (1964, CH)
Head of National Quality & Risk Management,
is a graduate in business administration (lic. oec.) of the University of St. Gallen and a Swiss Certified Accountant. He has worked for KPMG since 1990. He was the Chairman of the Board of KPMG Switzerland from 1 April 2005 until 30 September 2008, when the firm merged with KPMG Europe LLP. Philipp Hallauer became a member of the Executive Committee in 2010. He is also a member of KPMG Europe LLP's Nomination Committee.

Lukas Marty (1967, CH)
Chief Financial Officer,
is a graduate in business administration (lic. oec.) of the University of St. Gallen and a Swiss Certified Accountant. He has been with KPMG since 1993. He is a partner in International Accounting & Reporting and responsible for auditing and advising listed clients. He was appointed CFO in 2008 and became a member of the Executive Committee in 2010.

Stefan Pfister (1968, CH)
Head of Advisory,
has a Masters Degree in Economics from the University of St. Gallen (lic. oec.) and is a Certified Real Estate Expert and Chartered Surveyor. He has more than 15 years of Corporate Finance and Real Estate business experience, especially in leading large transactions and valuation mandates within the real estate industry. Stefan joined KPMG in 2005 and has been a member of the Executive Committee since October 2011.

Daniel Senn (1957, CH)
Head of Financial Services,
is a Swiss Certified Accountant and has been a member of KPMG's Executive Committee since June 2007. His professional career began in banking. Since joining KPMG in 1997, he has managed engagements for major national and international banks and clients in the funds sector. In addition, he has supervised numerous special projects mandated by the Swiss Financial Market Supervisory Authority (FINMA).

Jörg Walker (1962, CH)
Head of Tax,
is a graduate in law from St. Gallen (lic. iur.) and a certified tax expert. He spent four years teaching at the Institute of Public Finance and Fiscal Law (IFF) at the University of St. Gallen and joined KPMG in 1994. Jörg Walker has been a member of the Executive Committee since October 2004.

3 Public Interest Entities

The list of the Swiss Firm's public interest entity audit clients as at 30 September 2011 is provided below. The definition of 'public interest entity' for this purpose is that given under the provisions of Article 727 Section 1 lit. 1 of the Swiss Code of Obligations and includes Swiss entities publicly listed by shares or bonds and Swiss entities that contribute at least 20% of assets or revenues to the consolidated financial statements of Swiss publicly listed entities.

Absolute Invest AG
Absolute Private Equity AG
Accu Holding AG
agta record ag
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern
Allreal Generalunternehmung AG
Allreal Holding AG
Allreal Home AG
Allreal Office AG
Alpine Select AG
Autoneum Holding AG
Axpo AG
Axpo Holding AG
Bank Julius Bär & Co. AG
Barry Callebaut AG
BELIMO Automation AG
BELIMO Holding AG
Berner Oberland-Bahnen AG
Bondpartners S.A.
Burkhalter Holding AG
Burkhalter Technics AG
BVZ Holding AG
Centralschweizerische Kraftwerke AG
Ciba Spezialitätenchemie Finanz AG
Cicor Technologies Ltd.
Conzzeta AG
Credit Suisse AG
Credit Suisse Group AG
Datacolor AG
Datacolor AG Europe
DOTTIKON ES HOLDING AG
DOTTIKON EXCLUSIVE SYNTHESIS AG
EGL AG
EMS-CHEMIE AG
EMS-CHEMIE HOLDING AG
ENAG Energiefinanzierungs AG
Energiedienst Holding AG
Feintool International Holding AG
Flughafen Zurich AG
GAM (Schweiz) AG
GAM Holding AG
Georg Fischer AG
Georg Fischer Finanz AG
Gondelbahn Grindelwald-Männlichen AG
Gornergrat Bahn AG
Groupe Baumgartner Holding SA
Helvetia Holding AG
Helvetia Schweizerische Lebensversicherungsgesellschaft AG
Helvetia Schweizerische Versicherungsgesellschaft AG
Jelmoli AG
Julius Bär Gruppe AG
Jungfraubahn AG
JUNGFRAUBAHN HOLDING AG
Kardex AG
Kernkraftwerk Leibstadt AG
Kühne + Nagel International AG
Kuoni Reisen AG
Kuoni Reisen Holding AG
Lonza AG
Lonza Group AG
Lonza Sales AG
Lonza Swiss Finanz AG
Looser Holding AG
Matterhorn Gotthard Verkehrs AG
Mobimo AG
Mobimo Holding AG
Montana Tech Components AGS
Nestlé SA
NEW VALUE AG
New Venturetec AG
Nobel Biocare Holding AG
NORINVEST HOLDING SA
Norte SA
OC Oerlikon Corporation AG, Pfäffikon
Oerlikon Stationär-Batterien AG
Panalpina Welttransport (Holding) AG
Partners Group AG
Partners Group Holding AG
Phoenix Mecano AG
Private Equity Holding AG
Publicitas S.A.
Publigroupe S.A.
Roche Holding AG
Roche Kapitalmarkt AG
Schlatter Holding AG
Schlatter Industries AG
SPS Beteiligungen Alpha AG
SPS Immobilien AG
Sumara AG
Swiss Prime Site AG
Swisscom (Schweiz) AG
Swisscom AG
Swisstronics Contract Manufacturing AG
Tecan Group AG
Tecan Trading AG
u-blox AG
u-blox Holding AG
Valiant Bank AG
Valiant Holding AG
VAUDOISE ASSURANCES HOLDING SA
VAUDOISE GENERALE, Compagnie d'Assurances SA
VAUDOISE VIE, Compagnie d'Assurances SA
Villars Holding S.A.
Warteck Invest AG
Wengernalpbahn AG
Zehnder Group AG

4 Our Values

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

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