



KPMG Bedrijfsrevisoren -  
Réviseurs d'Entreprises

# Transparency Report 2015

The best firm  
for our clients,  
our people and  
our communities

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# Letter from the Head of Audit

## Transparency Report 2015

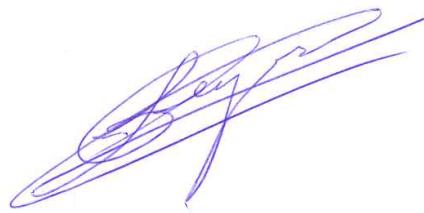
We support any measures that are put in place to help sustain the confidence of our stakeholders. As such, and pursuant to the requirements of article 15 of the law of 22 July 1953 pertaining to the constitution of the Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises and the organization of public oversight on the audit profession, which became effective on 31 August 2007, KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises burg. CVBA/ SCRL civile is required to prepare a transparency report and to put this report on its website at the latest three months after the financial year-end.

The objective of this transparency report, which covers the financial year ended 30 September 2015, is to provide the reader with the information as required by article 15 of said law.

This includes an overall view on, amongst others, legal and governance structure, its quality control system and certain financial information, as well as a statement on effectiveness of quality controls and independence.



**Luc Oeyen**  
Head of Audit



**Luc Oeyen**  
Sole Director  
Head of Audit  
17 December 2015

For more information, please check  
<http://www.kpmg.be> and <http://www.kpmg.com/Global/en/about/governance/Pages/annual-report.aspx>

# Who we are

## 2.1 Our business

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises burg. CVBA/SCRL civile is a member firm of the international KPMG network of member firms offering audit, tax and advisory services.

Our network in Belgium operating through a number of companies, all KPMG member firms, has approximately 1.000 professionals working in Brussels, Aalst, Antwerp, Ghent, Hasselt, Liège, Louvain-la- Neuve and Kortrijk. Further details of our service offerings can be found on our website at the following link: <http://www.kpmg.com/be/en/services/Pages/default.aspx>

## 2.2 Our strategy

We have determined that a commitment to quality is one of the most important priorities in our strategy. We recognize that if we do not get the quality of our service and deliverables right then each and every one of the other objectives in our business plan may be jeopardized.

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 member firms.

In terms of our expertise we offer a full-range of multidisciplinary services through our different companies: Audit, Tax & Legal, Management Consulting, Deal Advisory, Risk Consulting and Accounting. To improve our client service, we aim to be first to market with new approaches, share knowledge across our whole business to make the most of our ideas and credentials, and work to the very highest standards of quality. Our aim is to help clients overcome their most significant challenges, working closely with both the market leaders in our region and in our priority sectors (which are aligned to those sectors identified as being most critical in KPMG's global growth strategy), and with middle market clients through the national practices.

# Our structure and governance

## 3.1 Legal structure

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises is a Belgian burg. CVBA/ SCRL civile with registered office at 40 Bourgetlaan – Avenue du Bourget, 1130 Brussels, Belgium (RPR/RPM number 0419 122 548 and IBR/IRE number B00001), hereafter referred to as KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises or the Firm.

KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises is affiliated with 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.

There are a number of other legal entities which form the KPMG network in Belgium and which are independent companies affiliated with KPMG International. These Belgian KPMG companies are governed by Belgian law. They are supported by KPMG Support Services GIE (Groupement d'intérêt économique) / ESV (Economisch Samenwerkings Verbond), a Belgian economic interest grouping.

A list of operating entities in Belgium, together with details of legal structure, regulatory status and nature of their business is set out in Appendix 1. For the year ended 30 September 2015 the member firms comprising the KPMG network in Belgium generated aggregate revenues of EUR 160, 9 million.

## 3.2 Name and ownership

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

The shareholders of KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises are listed on the website of the Instituut van de Bedrijfsrevisoren (IBR) – Institut des Réviseurs (IRE) under the following links:

- <http://register.ibr-ire.be/nl/Registerlijsten/belgie/Pages/Kantoren.aspx>
- <https://www.ibr-ire.be/fr/registrelistes/Pages/default.aspx>

During the year to 30 September 2015 there was an average of 24 partners and 9 executive directors (hereafter “Engagement Leader(s)”) in KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises (2014: 22 partners and 6 executive directors).

## 3.3 Governance structure

Luc Oeyen is the sole director of KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises. He completes the last year of his second 3-years term of office. He has ultimate responsibility for proposing the Firm's strategy and overseeing its implementation. A list of matters to be monitored regularly includes matters of fundamental

importance to the Firm such as quality of services, operating and financial performance, annual business plans and budgets, new business proposals, marketing, technology development, recruitment and retention, remuneration policies, etc.

Luc Oeyen is supported in his oversight and governance responsibilities by several partners and support departments, amongst others:

- Quality and Risk Management (QRM): Drives adherence to policies, procedures and professional standards;
- Ethics & Independence (E&I): Implements and supervises firm policies in areas such as the independence of the Firm and the Firm's professionals;
- Department of Professional Practice (DPP): Supports the Firm's professionals in meeting their professional responsibilities in the areas of accounting, reporting, auditing and attestation standards;
- Human Resources (HR): supports the Firm in having the right Engagement Leaders and staff members to assign to an engagement.

While we stress that all professionals are responsible for quality and risk

## Our structure and governance continued

management the following individuals have leadership responsibilities:

The Head of Audit assumes ultimate responsibility for KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises' system of quality control.

Operational responsibility for the system of quality control and risk management has been delegated to the Head of Quality & Risk Management. He is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the Firm. The fact that the role is a national position, and the seniority of the reporting lines, underlines the importance that our organization places on risk and quality issues. He works with the Head of Audit and is supported by a team of professionals.

# System of quality control

A robust and consistent system of quality control is an essential requirement in performing high quality services. Accordingly, KPMG International has policies of quality control that apply to all member firms.

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.

These policies are based on the International Standard on Quality Control 1 (ISQC1), issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), relevant to firms that perform statutory audits and other assurance and related services engagements.

The Firm implements KPMG International policies and procedures and adopts additional policies and procedures that are designed to meet the rules and standards issued by the IFR/IRE and other regulators as well as applicable 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 the Firm's policies and associated procedures in carrying out their day-to-day activities.

While many KPMG quality control processes are cross-functional and apply equally to tax and advisory work, the primary focus of the transparency report requirements relate to audit and the remainder of this section focuses on what we do to enable the delivery of quality audits. 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 auditing standards. This means, above all, being independent, objective and compliant with relevant legal and professional requirements.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework. Our framework introduces a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.

Our 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 personnel;
- 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 our entire network.

## System of quality control continued



All of the other drivers are presented within a virtuous circle, because each driver is intended to reinforce the others.

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

### 4.1 Tone at the Top – the foundation of audit quality

Tone at the top is a term used to describe an organization's general ethical climate, as established by its leadership. KPMG and its leadership use "tone at the top" to indicate its commitment to quality, ethics and integrity.

#### KPMG's focus on quality

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;
- Focus and well-articulated strategy- incorporating quality at all levels;
- Standard set by our leadership;
- 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.

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

Our Code of Conduct incorporates our core values and addresses the commitments that we make as well as the responsibilities of our personnel at all levels across the Firm.

Our core values are further described in appendix A3.

A whistle blowing hotline is currently available. The hotline is available for all KPMG personnel to confidentially report concerns they have relating to how others are behaving (both internally and externally) and concerns regarding certain areas of activity by members of the network itself and the senior leadership of our firms. The whistle blowing hotline allows people to report their concerns (via telephone, secure internet lines or surface mail) to a third party organization. Our people can raise matters anonymously and without fear of retaliation.

Matters reported to the hotline are investigated under the supervision of an independent ombudsman and are reported ultimately to the Head of Quality & Risk Management. This report covers matters reported to the hotline, how the investigations were conducted, findings from the investigations, and the implications for our policies and procedures.

## System of quality control continued

### 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 our ability to provide high-quality professional services and to protect KPMG's reputation and support its brand.

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

#### 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 principles, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and significant beneficial owners. A key focus is on the integrity of management at a prospective client and the evaluation considers breaches of law and regulation, anti-money laundering, anti-bribery and corruption and human rights among the factors to consider. A second partner, in addition to the Engagement Leader, approves the prospective client evaluation. Where the client is considered to be 'high risk' the QRM partner is involved in approving the evaluation.

The Engagement Leader evaluates each prospective engagement. The evaluation identifies potential risks in relation to the engagement. A range of factors is considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, our global conflicts and independence checking system) as well as factors specific to the type of engagement, including for audit services, the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior Firm personnel and includes reviews by quality and risk management leadership as required.

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

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

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

We 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 if there are other quality and risk issues that cannot be appropriately mitigated.

The Non-Audit services and Conflicts of Interest sections provide more information on our independence and conflict checking policies.

#### 4.2.3 Continuance process

An annual re-evaluation of all audit clients and audit engagements 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 we will decline to continue to act for any client where we are unable to deliver to our expected level of quality or if we consider that it would not be appropriate to continue to be associated with the client. More commonly, we use the re-evaluation to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this may include the assignment of professionals or the need to involve additional specialists on the audit).

#### 4.2.4 Client portfolio management

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

### 4.3 Clear standards and robust audit tools

Professional practice, risk management and quality control are the responsibilities of every KPMG professional. Our professionals are

## System of quality control continued

expected to adhere to KPMG policies and procedures (including independence policies) and are provided with a range of tools to support them in meeting these expectations. The policies and procedures 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

Significant resources are dedicated to keep our standards and tools complete and up to date. Our global audit methodology, developed by KPMG International's Global Services Centre (GSC), is based on the requirements of the International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISA and which KPMG believes enhance the quality of our audits. We have added local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements.

Our audit methodology is supported by eAudIT, KPMG International's electronic audit tool, which provides KPMG auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits.

eAudIT's activity-based workflow provides engagement teams with ready

access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders. The key activities within the eAudIT workflow are:

#### Engagement setup

- Perform engagement acceptance and scoping;
- Determine team selection and timetable;

#### Risk assessment

- Understand the entity;
- Identify and assess risks;
- Plan for involvement of KPMG specialists and external experts, internal audit, service organizations and other auditors as required;
- Evaluate design and implementation of relevant controls;
- Conduct risk assessment and planning discussion;
- Determine audit strategy and planned audit approach;

#### Testing

- Test operating effectiveness of selected controls;
- Plan and perform substantive procedures.

#### Completion

- Update risk assessment;
- Perform completion procedures, including overall review of financial statements;

- Perform overall evaluation, including evaluation of significant findings and issues;
- Communicate with those charged with governance (e.g., the audit committee); and
- Form the audit opinion.

KAM contains, 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 involvement of relevant 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, and 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 (GQ&RMM) that is applicable to all KPMG member firms, functions and personnel.

## System of quality control continued

### 4.3.2 Independence, integrity, ethics and objectivity

#### 4.3.2.1 Overview

Member Firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially). These policies are supplemented by other processes to ensure compliance with the standards issued by the IBR/IRE.

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

Our operating firms have a designated Ethics and Independence Partner (EIP), supported by a core team of specialists to help ensure that we implement robust and consistent independence policies and procedures.

Ethics and independence policies are set out on our intranet, which contains all our independence policies, and reinforced through an annual training programme. Amendments to the ethics and independence policies in the course of the year are communicated by email alerts and included in regular quality and risk communications.

These policies and processes cover areas such as personal independence,

firm financial independence, business relationships, post-employment relationships, Engagement Leader rotation, and approval of audit and non-audit services.

#### 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 Engagement Leader 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. Engagement Leaders 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. We monitor Engagement Leader and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals. In 2015, 29 of our professionals were subject to these audits.

Any professional providing services to an audit client is also required to notify the EIP if he or she intends to enter into employment negotiations with that audit client.

#### 4.3.2.3 Firm financial independence

KPMG Bedrijfsrevisoren/Réviseurs d'Entreprises maintain a record of their investments. These records are monitored through our compliance process.

#### 4.3.2.4 Business relationships/suppliers

We have policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and any additional applicable independence requirements. Compliance with these policies and procedures is reviewed periodically.

#### 4.3.2.5 Independence training and confirmations

We provide all relevant personnel with annual independence training appropriate to their grade and function and provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon joining the 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 independence policies.

## System of quality control continued

### 4.3.2.6 Audit Engagement Leader rotation

Audit Engagement Leaders 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 Engagement Leaders in certain roles may provide audit services to an audit client. KPMG rotation policies are consistent with the IESBA Code of Ethics and also require the Firm to comply with any stricter applicable rotation requirements. The Firm monitors the rotation of Engagement Leaders (and any other key roles where there is a rotation requirement), and has transition plans to enable the Firm to allocate Engagement Leaders with the necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

### 4.3.2.7 Non-audit services

We have policies as to the scope of services that can be provided to audit clients which are consistent with IESBA principles and regulations applicable in Belgium.

KPMG International policies require the lead audit Engagement Leader to evaluate 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 Leaders 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 enables lead audit Engagement Leaders for entities for which group structures are maintained to review and approve, or deny, any proposed service for those entities worldwide.

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

### 4.3.2.8 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise if 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, KPMG International's policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% 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 (EQC) 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 our operating firms over the last two years.

### 4.3.2.9 Conflicts of interest

Conflicts of interest may prevent our operating firms 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 outcome 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.

### 4.3.2.10 Breaches of independence policy

In the event of failure to comply with the firm's independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them.

## System of quality control continued

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

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

Accordingly, training covering compliance with laws (incl. those relating to anti-bribery and corruption), regulations, professional standards, and the KPMG Code of Conduct 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 the 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.

Further information on KPMG International anti-bribery and corruption can be found on its anti-bribery and corruption site.

### 4.4 Recruitment, development and assignment of appropriately qualified people

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the entity subject to audit. This requires a focus on recruitment, development, promotion and retention of our personnel and the development of robust capacity and resource management processes. We monitor

quality incidents for the purposes of Engagement Leader assignment and also for the purposes of Engagement Leaders evaluation, promotion and remuneration.

#### 4.4.1 Recruitment

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

Upon joining the 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 can commence as an Engagement Leader or employee with the Firm.

#### 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 4.5.1).

In relation to audit we provide opportunities for professionals to develop the skills, behaviors, and personal qualities that form the foundations of a successful career in auditing.

Courses are available to enhance personal effectiveness and develop

technical, leadership and business skills. We further develop our personnel for high performance through coaching and mentoring on the job, stretch assignments, country rotational and global mobility opportunities.

#### 4.4.3 Performance evaluation and compensation

All professionals, including Engagement Leaders, undergo annual goal-setting and performance reviews. Each professional is evaluated on attainment of agreed-upon goals demonstration of the KPMG Global behaviors, technical capabilities and market knowledge. These evaluations are conducted by performance managers and partners who are in a position to assess their performance and propose a performance rating. Performance ratings are awarded following a robust calibration process to effectively address rating inconsistencies and ensure fairness in the rating process. This is achieved through our global performance development process which is supported by a web based application.

KPMG is committed to the career development of its people. To support this the Global People, Performance, and Culture group has designed a new behavioral capability framework which is being adopted in member firms around the world. This framework, combined with development initiatives in areas such as coaching and mentoring, will support our people in enhancing their skills, maximizing their performance, and reaching their full potential.

## System of quality control continued

We have compensation and promotion policies that are clear, simple, and linked to the performance evaluation process which for Engagement Leaders includes the achievement of key audit quality and compliance metrics. This helps our Engagement Leaders and employees know what is expected of them and what they can expect to receive in return. Our policies do not permit audit Engagement Leaders to be compensated for the sale of non-audit services to their audit clients.

### 4.4.4 Partner admissions

Our process for admission to the partnership is rigorous and thorough, involving appropriate members of the operating firms' leadership.

Our criteria for admission to partner are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities on consistent principles.

### 4.4.5 Assignment

We have procedures in place to assign both the Engagement Leaders and other professionals to a specific engagement on the basis of his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the Engagement Leaders assignment process.

Key considerations include Engagement Leader experience, accreditation, and

capacity, based on an annual Engagement Leader portfolio review, to perform the engagement in view of the size, the complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

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

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the Engagement Leader'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.

### 4.5 Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need. This includes access to networks of specialists and professional practice departments (DPP), which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

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.

#### 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, including the requirements set by the IBR/IRE.

Audit Learning and Development steering groups at the global, regional and, where appropriate, local levels identify annual technical training

## System of quality control continued

priorities for development and delivery using a blend of classroom, e-learning and virtual classroom methods. Audit Learning and Development teams work with subject matter experts and leaders from Global Service Center (GSC), the International Standards Group (ISG) and DPP as appropriate to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

### 4.5.2 Accreditation and licensing

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

The 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.

In addition, we have specific accreditation requirements for Engagement Leaders and managers working on IFRS engagements, US Generally Accepted Accounting Principles engagements, US Generally Accepted Auditing Standards engagements, and the Standards of the Public Company Accounting Oversight Board for SEC engagements performed outside the US. These require that the Engagement Leader, manager, and Engagement Quality Control reviewer have sufficient training and experience in performing engagements that apply the relevant reporting standards.

The Firm requires that all Audit professionals maintain accreditation with

their professional bodies and satisfy the Continuing Professional Development requirements of such bodies. Our policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

### 4.5.3 Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists or specialists in other KPMG member firms. Engagement Leaders are responsible for ensuring that their engagement teams have the appropriate resources and skills. The need for specialists (e.g. Information Technology, Tax, Treasury, Pensions, Forensic, Valuation) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

### 4.5.4 Consultation

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

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.

The Firm provides appropriate consultation support to audit engagement professionals through

professional practice resources that include DPP.

Across the Firm, the role of DPP is crucial in terms of the support that it provides. 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 International Financial Reporting Standards (IFRS) and ISAs.

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

Technical support is available to the Firm through the International Standards Group (ISG) as well as the US Capital Markets group for work on SEC foreign registrants.

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.

## System of quality control continued

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

### 4.6 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. 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 behaviors in the performance of effective and efficient audits. These behaviors are discussed below.

#### 4.6.1 KPMG Audit Process

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

- Timely Engagement Leader 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 EQC reviewer
- Insightful, open and honest two-way communication with those charged with governance
- Client confidentiality, information security, and data privacy.

#### 4.6.1.1 Timely Engagement Leader and manager involvement

To identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates. The Engagement Leader is responsible for the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement.

Involvement and leadership from the Engagement Leader during the planning process and 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 Engagement Leader's experience and skill. Timely involvement of the Engagement Leader at other stages of the engagement allows the Engagement Leader to identify and appropriately address matters significant to the

engagement, including critical areas of judgment, and significant risks.

The Engagement Leader is responsible for the final audit opinion and reviews key audit documentation – in particular documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the Engagement Leader in these responsibilities and in the day to day liaison with the client and team.

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

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. 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 contradictions or inconsistencies in audit 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.

## System of quality control continued

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments. Our professional judgment process has professional skepticism at its heart. It recognizes the need to be alert to biases which may pose threats to good judgment, consider alternatives, and critically assess audit evidence by challenging management's assumptions and following up contradictory or inconsistent information and document rationale for conclusions reached on a timely basis as a means of testing their completeness and appropriateness.

Professional judgment training has been embedded in our core Audit Technical training program for junior professionals as well as being included in our periodic and annual update training for qualified and experienced professionals and Engagement Leaders.

**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.

Ongoing mentoring and on-the-job coaching and supervision during an audit include:

- Engagement Leader participation in planning discussions;

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

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

### 4.6.1.4 Appropriately supported and documented conclusions

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 on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence

obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the audit report but may be more restrictive under certain applicable regulations.

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

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

The 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.

## System of quality control continued

### 4.6.1.5 Appropriate involvement of the EQC reviewer

Engagement Quality Control (EQC) reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the engagement 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 EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information of all listed entities, other public interest entities, and other engagements as designated by the QRM partner or the Head of Audit.

Before the date of the auditor's report, these individuals review:

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

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

We are continually seeking to strengthen and improve the role that the EQC review plays in audits, as this is a fundamental part of the system of audit

quality control. In recent years, we have taken a number of actions to reinforce this, including:

- Ensuring that the role performed by EQC reviewers is also taken into account when performing the Engagement Leader Portfolio Review process (refer to Section 4.4.5) to ensure adequacy of time and appropriate skill set for the role and reallocation if needed;
- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers;
- Incorporating specific procedures into eAudit to facilitate effective reviews; and
- Implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

### 4.6.1.6 Reporting

Auditing standards and local legislation largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the client's financial statements in all material aspects.

Experienced Engagement Leaders arrive at all audit opinions, based on the audit performed.

In preparing audit reports, Engagement Leaders have access to extensive reporting guidance and technical support

to audit Engagement Leaders through consultations with DPPs, especially where there are significant matters to be reported to users of the audit report, either as 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 is key to audit quality. Often the audit committee will be the body 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 our assessment of the appropriateness of accounting practices including accounting policies, accounting estimates, financial disclosures, significant deficiencies in the design and operation of financial reporting systems, controls, when such deficiencies come to our attention during the course of the audit, and any uncorrected misstatements. We share our industry experience to encourage discussion and debate with those charged with governance.

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

## System of quality control continued

their responsibilities, the KPMG Audit Committee Institute (ACI) was created in 2002 to help audit committee members enhance their awareness, commitment and ability to implement effective audit committee processes.

The ACI provides audit committee members with authoritative guidance on matters of interest to audit committees as well as the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The challenges facing audit committees as a result of proposed EU regulation and the increased expectations placed upon them in the wake of the financial crisis make the work of the ACI more relevant than ever.

### 4.6.1.8 Focus on effectiveness of group audits

Our audit methodology covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group engagement team and the component auditors, which is a key to audit quality. The group audit Engagement Leader is required to evaluate the competence of component auditors, whether or not they are KPMG member firms, as part of the engagement acceptance process.

Our audit methodology incorporates the heightened attention currently being given to key risk areas for group audits, e.g. emerging markets and business environments that may be subject to heightened fraud risks.

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

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

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

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

### 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 continuous 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 addresses both engagement delivery and important KPMG International policies and procedures.

The results and lessons from the programs are communicated within each of our operating firms, and the overall results and lessons from the programs are considered and appropriate actions taken at regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively.

Our monitoring procedures involve ongoing consideration of:

- Compliance with KPMG International policies and procedures
- The effectiveness of training and other professional development activities
- Compliance with applicable laws and regulations and our operating firms' standards, policies, and procedures

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax & Legal, Advisory and Accounting

## System of quality control continued

functions: the Quality Performance Review (QPR) Program and the Risk Compliance Program (RCP).

Additionally all KPMG member firms are covered by cross-functional Global Compliance Reviews (GCRs). These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

### 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 KPMG International's requirements and applicable professional standards.

The QPR Program assesses engagement level performance in the Audit, Tax & Legal, Advisory and Accounting functions and identifies opportunities to improve engagement quality. All Engagement Leaders 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 senior experienced lead reviewer independent from the operating firm, and are monitored regionally and globally. We perform a root cause analysis for pervasive issues.

Remedial action plans for all significant deficiencies noted are required at an

engagement, and operating firm level. We disseminate our findings from the QPR Program to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection program to gauge the extent of continuous improvement.

Lead audit Engagement Leaders are notified of less than satisfactory engagement ratings on their respective cross-border engagements. Additionally, lead audit Engagement Leaders of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the 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.

### Global Compliance Review Programs (GCRs)

GCRs are performed by reviewers independent of the member firm, who

report to Global QRM and are led by the Global Compliance Group. GCRs are carried out on member firms once in a three-year cycle. These reviews focus on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm's RCP). 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 time lines, 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 address the identified issues with the objective of continuous improvement.

#### 4.7.1.2 External monitoring

In Belgium, the Firm is also subject to the periodic inspections defined by article 33 of the law of 22 July 1953, as updated. The last inspection of our quality systems and procedures, including a sample of listed clients was carried out in 2014. The Firm will consider the findings and recommendations included in the confidential report, which will be issued as a result of such regulatory review.

## System of quality control continued

### 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 centrally and by the 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 Leader to ensure that concerns on quality are dealt with on a timely basis.

### 4.7.3 Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

### 4.7.4 Interaction with regulators

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

# Financial information

The member firms of the KPMG network in Belgium provide Audit, Tax & Legal, Advisory and Accountancy services.

Audit: Provision of statutory and regulatory attestation services, provision of advice in relation to compliance with reporting and regulatory requirements

Tax & Legal: Tax compliance, VAT and customs duties, transfer pricing, employee taxes, remuneration, pensions and benefits and cross-border tax planning

Advisory: Business performance services, IT advisory, financial risk management, forensic services, internal audit risk and compliance services,

corporate finance services, restructuring services and transaction services

Accountancy: SME advice, VAT, inheritance and gift taxes, tailor-made advice in the field of accounting legislation, VAT and direct taxes, bookkeeping and administration advice and tax law for SME

## For the 12 month period ended 30 September

Revenue by type of services (in million euros)	2015	2014
<b>KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises</b>	<b>62,7</b>	<b>61,8</b>
Statutory audit engagements	39,5	35,4
Consolidated statutory audit engagements	13,7	13
Other assurance engagements (e.g. other legal assignments, mergers & acquisitions)	8,4	10,4
Other engagements	1,1	3
<b>Other KPMG member firms in Belgium</b>	<b>98,2</b>	<b>100,8</b>
KPMG Advisory	43,3	40,9
KPMG Tax & Legal Advisers	39,5	36,2
KPMG Accountants	11,6	11
KPMG CFO Advisory	2,6	3,7
KPMG Eurometropole **	0,4	-
KPMG Vias *	-	4,6
KPMG & Partners *	-	3,2
KPMG Tax Services	0,8	0,8
KPMG Enterprises *	-	0,4
<b>TOTAL</b>	<b>160,9</b>	<b>162,6</b>
<b>Key figures of KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises (in million euros except FTE and Partners)</b>	<b>2015</b>	<b>2014</b>
Revenue	62,7	61,8
Total assets	58,7	59,3
Shareholders' funds	2,3	1,7
Total liabilities	56,4	57,6
<b>Full time equivalents (FTE)</b>	<b>385</b>	<b>337</b>
<b>Partners</b>	<b>24</b>	<b>22</b>

\* Merged with KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises

\*\* Financial interest of 50%

# Partner remuneration

The partners are voting members of limited liability partnerships and do not have employment contracts. The remuneration comprises a base amount and an additional variable element which is established once the profits of the year have been determined. The partners currently make their own provision for retirement.

The final allocation of all variable elements of partners' remuneration and hence overall remuneration is approved by a Partners' Committee after the Head of each function has assessed each partner's contribution for the year in line with the process followed for all KPMG personnel. The 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.

The Partners' Committee makes recommendations on policies for partners' remuneration and approves the process. The Head of each function together with a member of the Partners' Committee reviews the remuneration of all partners across its operating firms on an individual basis, specifically considering their quality indicators.

# Network arrangements

## 7.1 Legal structure

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

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

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 that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture or in a principle or agent relationship or partnership with each other.

No member firm has any authority to obligate or bind KPMG International or

any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

## 7.2 Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its 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 captive insurer that is available to all KPMG member firms.

## 7.4 Governance structure

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

### Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit 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 56 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

### Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving

## Network arrangements continued

policies and regulations. It also admits member firms and ratifies the global chairman's appointment of the global deputy chairman and members of the Global Management Team.

The Global Board includes the global chairman, the global deputy chairman, the chairman of each of the 3 regions (the Americas, Asia Pacific (ASPAC) and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms. It is led by the global chairman who is supported by the Executive Committee, consisting of the global chairman, the global deputy chairman, the chairman of each of the regions and currently three other senior partners of member firms.

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

The Global Board is supported in its oversight and governance responsibilities by several other committees, including a Governance Committee, an Operations Committee, and Investments Committee, a Quality and Risk Management Committee, and

a Professional Indemnity Insurance Committee. The lead director nominates the chairs and members of certain Global Board committees for approval by the Board.

### Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments. It is led by the global deputy chairman, and includes the global chairman, the global deputy chairman, the global chief operations officer, global function and infrastructure heads and the general counsel.

The Global Steering Groups are responsible for supporting and driving the execution of the strategy and business plan in their respective areas and act under oversight of the Global Management Team. The role of the Global Quality & Risk Management Steering Group is outlined in more detail in the KPMG International Transparency Report.

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

Further details about KPMG International including the governance arrangements, can be found in its Transparency Report, which is available at <http://www.kpmg.com/Global/en/about/governance/Pages/transparency-report.aspx>

### 7.5 Area Quality & Risk Management leaders

KPMG International has a network of Area Quality & Risk Management Leaders (ARLs), reporting to the Global Vice Chair—Quality, Risk and Regulatory. The ARLs are members of the Global Quality & Risk Management Steering Group and each ARL performs a monitoring function over a group of member firms. Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms.

# Internal controls statement

The measures and procedures that serve as the basis for the systems of quality control for KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by the Firm comply with the applicable laws and regulations.

Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Head of Audit of KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises has reviewed the effectiveness of the Firm's systems of internal control.

This monitoring covers all key controls including financial controls, operational and compliance controls, and risk management controls and considers whether significant risks are identified, evaluated, managed and controlled. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss, or non-compliance with relevant regulatory or legislative requirements.

The key elements of the review of the Head of Audit of the internal control process during the period under review have been:

- the design, implementation and effectiveness of the quality management systems including the independence practices and procedures and policies relating to continuing professional education;
- the findings from the monitoring activities operated by the Firm (including the KPMG International Review Programs as described in Section 4.7.1.1 and our local compliance monitoring programs);
- the findings from regulatory inspections;
- the status of the actions completed and being undertaken to address matters arising from the monitoring activities referred to above;
- the conclusion of the Firm's external auditor, incl. any control weaknesses or issues.

No significant weaknesses in internal controls have been identified during the course of this review. The issues which have been identified as a result of this year's review of quality control

processes have been analyzed, and an appropriate action plan, together with a timetable for completion, has been agreed and put in place to address these issues.

The Head of Audit confirms with a reasonable level of assurance that the systems of quality control within the Firm have operated effectively in the year to 30 September 2015.

Further, the Head of Audit confirms that an internal review of independence compliance has been conducted in the year to 30 September 2015.

Finally, the Head of Audit confirms in accordance with Article 15 § 2 h) of the Act of 22 July 1953 that he believes that the training within the audit firm allows the auditors to comply with the principles laid down in Articles 14 § 4 and 31 of the law of 22 July 1953.

# A1. Key legal entities and nature of business

Name of Entity	Legal Structure	Regulatory Status	Nature of Business
KPMG Bedrijfsrevisoren - KPMG Réviseurs d'Entreprises	Belgian Civil Cooperative Company with Limited Liability	Belgian Audit regulated	Audit services
KPMG Belastingconsulenten en Juridische Adviseurs - KPMG Conseils Fiscaux et Juridiques	Belgian Civil Cooperative Company with Limited Liability	Belgian Accounting and Tax regulated	Tax and legal services
KPMG Accountants - KPMG Experts-comptables	Belgian Civil Cooperative Company with Limited Liability	Belgian Accounting and Tax regulated	Accounting services
KPMG Advisory	Belgian Civil Cooperative Company with Limited Liability	None	Advisory services
KPMG Tax Services	Belgian Civil Cooperative Company with Limited Liability	Belgian Accounting and Tax regulated	Tax services
KPMG Support Services	Economic Interest Grouping	None	Internal services to KPMG companies in Belgium
KPMG CFO Advisory	Belgian Cooperative Company with Limited Liability	None	Advisory services
KPMG Eurometropool - KPMG Eurométropole	Belgian Private Company with Limited Liability	None	Transborder advisory services
KPMG Belgium	Belgian Civil Cooperative Company with Limited Liability	None	Holding

## A2. Public Interest Entities

The list of public interest entity audit clients for which KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises has signed an audit opinion in the year ended 30 September 2015 is given below. The definition of public interest for this purpose is that given under the provisions of article 2,7° of the Law of 1953, where a public interest entity is defined as a listed entity in the meaning of article 4 of the Belgian Company Code, the financial institutions in the sense of article 1 of the Law of 25 April 2014 and the insurance companies in the meaning of article 2 of the Law of 9 July 1975 regarding the statute and oversight on insurance companies.

### Listed companies

4ENERGY INVEST
AGEAS
AGFA-GEVAERT
BELGISCHE SCHEEPVAARTMAATSCHAPPIJ - COMPAGNIE MARITIME BELGE
BHF KLEINWORT BENSON GROUP
D'IETEREN
ELIA SYSTEM OPERATOR
ETABLISSEMENTEN FR. COLRUYT
EURONAV
EXMAR
KBC ANCORA
KINEPOLIS GROUP
KKO INTERNATIONAL
QUEST FOR GROWTH (PRIVAK)
ROSIER
SCHEERDERS VAN KERCHOVE'S VERENIGDE FABRIEKEN
SETTLEMENTS
TELENET GROUP HOLDING
VIOHALCO

**Banks and insurance companies**

ABK BANK
ABN AMRO BANK
ABN AMRO LIFE CAPITAL BELGIUM
AG INSURANCE
ALLIANZ BELGIUM
BANK J. VAN BREDA & CO
BANQUE DEGROOF - BANK DEGROOF
BANQUE DEGROOF LUXEMBOURG
BPOST BANK - BPOST BANQUE
CAISSE D'EPARGNE ET DE PREVOYANCE NORD FRANCE EUROPE
CITIBANK INTERNATIONAL
COMPAGNIE DE BANQUE PRIVEE QUILVEST
CREDIT EUROPE BANK
CREDIT FONCIER DE FRANCE
CURALIA
DAS RECHTSBIJSTAND
DEUTSCHE BANK
DKV BELGIUM
ERGO INSURANCE
EULER HERMES EUROPE
FINAXIS
HOIST KREDIT
ICICI BANK UK LIMITED ANTWERP (BRANCH)
INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE)
MEDIRECT BANK SA
ROTHSCHILD BELGIQUE (BRANCH)
SOCIALE HOSPITALISATIEVERZEKERINGEN (SOHO)
SOCIÉTÉ MUTUALISTE D'ASSURANCES DU BRABANT/VERZEKERINGSMATSCHAPPIJ VAN ONDERLINGE BIJSTAND VAN BRABANT
SUMITOMO MITSUI BANKING CORPORATION, SUCCURSALE DE BXL
THE BANK OF NEW YORK MELLON
THE BANK OF NEW YORK MELLON (BRANCH)
TOTAL PENSIONS BELGIUM
TRIODOS BANK (BRANCH)
UNITED TAIWAN BANK
VMOB HOSPIPLUS

## A3. KPMG's values

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

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.

