



# Transparency Report

**2016/2017**

KPMG Sweden

# Our values

KPMG is a values-driven organization. To us, the way we work is just as important as the work itself. These seven values describe our outlook towards each other, and towards the world at large. All KPMG employees throughout the world share this approach.



## **We lead by example**

At all levels we act in a way that exemplifies what we expect of each other and our member firms' clients.

## **We work together**

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



## **We respect the individual**

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

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

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



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

We share information, insight and advice frequently and constructively and manage tough situations with courage and 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 and protecting the environment.



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

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

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# From the Senior Partner



## Welcome to KPMG Sweden's Transparency Report

The report is aimed at anyone who is interested in finding out more about the way our firm is structured and how we work on quality, ethics and independence. It has been produced according to the requirements of Article 13 (1) of EU Regulation 5337/2014 on specific requirements regarding statutory audit of public interest entities, and pertains to the fiscal year from 1 October 2016 to 30 September 2017.

KPMG stands for the highest imaginable quality and service in everything we do. In each and every one of the 60,000 engagements that we perform each year, we do our utmost to meet the clients' needs and exceed their expectations. From a client perspective, the Swedish Quality Index (SKI) provides an indication of how well we are succeeding in this. In this year's index we achieved a rating of 74.3, an increase on the previous year and a signal that we are working in the right direction. We want to safeguard our key role in business. Creating security around investments and business choices for our clients, their owners and stakeholders involves great trust. We are proud of how we help to develop communities in Sweden and globally. We will continue to do so, with our sights set firmly on tomorrow's challenges and opportunities.

To us, the way we work is just as important as the work itself. We challenge ourselves to improve continually. Our leadership points the way and has the ultimate responsibility for setting ethical standards and ensuring that we have well-functioning tools and processes so that we can develop and reach our goals.

KPMG employees around the world all have a shared view of the company's role and values, vision, goals and strategy. According to our annual employee survey, 80% of our employees are proud to work at KPMG.

In this Transparency Report, we take the opportunity to provide our stakeholders with a more detailed description of our internal control and risk procedures, but also how we are continually developing in order to build trust and help our clients to change. We aspire to:

– **Earn the trust of the public** and inspire confidence in the capital markets by bringing to life our commitment to quality, ethics and integrity through our culture and values.

– **Ensure that our people are extraordinary** by finding and nurturing talent, creating high-performing teams and deploying talented, well-trained personnel in our global network.

– **Support a relentless focus on quality and excellence** in client engagements and provide valued insights, so that clients see a difference in us.

– **Drive continuous improvement** through robust quality monitoring, with an increased focus on getting to the root cause of quality issues and effective remediation.

We are committed to working closely with regulators, audit committees, investors and businesses to meet the expectations of stakeholders and welcome ongoing dialogue as we strive for continuous improvement.

Stockholm, January 30, 2018

**Magnus Fagerstedt**  
Senior Partner



# 2

# Inspiring confidence, empowering change

Whether you turn to KPMG for auditing or for advice on tax and other matters, our work is all about helping you understand the current position of your business and giving you the support you need to drive it forward in the best way to achieve excellence.

Globalization and technological development are changing the way we live and work. Ones and zeros are capable of managing practically everything – both the things we are familiar with today and those we will get to know tomorrow. The circumstances in which companies and organizations exist, work and succeed are changing. As the market economy continues to conquer new ground in many parts of the world, efforts to achieve competition neutrality and a stable supply of capital are leading to increased regulation in other parts. The political agenda is increasingly characterized by divided views rather than consensus, resulting in instability in both the geopolitical situation and the global economy.

To achieve success it is necessary to understand, embrace and implement change. To seize opportunities and minimize risks. To be fast and robust enough to take advantage of all the positive things that change involves. KPMG is at the heart of this world, and along with our clients we are drawing the map of where we are today and where we want to be tomorrow. Our experts can advise you in how to deal with risks and guide you in complying with new requirements and regulations.

We provide quality assurance for information and decision-making. Our knowledge creates security around investments and business choices for our clients, their owners and stakeholders. Our expertise is built on factual insight and collaboration.

A combination of expertise will often be needed to deal with various kinds of issues. This is why our teams regularly consist of different specialists who observe how the world is changing and who analyze, structure, investigate and help you to implement change.

We come from widely differing backgrounds, but have one thing in common: we have all chosen to join a knowledge company in which curiosity and involvement go hand-in-hand with quality, professionalism and integrity.

Together we create a tangible difference, both for you as the client and in the world around us. Everything we do, as an organization and as individuals, is about inspiring confidence and empowering change.



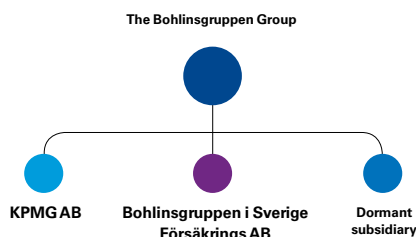
of our employees  
are proud to  
work at KPMG

# 3

# Structure and governance

## Legal structure

KPMG AB is part of a group of firms, of which the parent company is Bohlinsgruppen AB. The group also includes Bohlinsgruppen i Sverige Försäkring AB (BISFAB), which insures risks attributable to the business activity in Bohlinsgruppen AB.



KPMG AB is the Swedish member firm of KPMG International, a Swiss co-operative that exists under Swiss law. KPMG in Sweden is owned by 99 accountants and advisers in the Swedish firm, which has around 1,700 employees in total.

KPMG AB is registered with the Swedish Supervisory Board of Public Accountants (RN) as an accounting firm and is thus permitted to carry out accountancy work. KPMG AB is also registered as an accounting firm with the PCAOB in the USA and the Financial Services Agency in Japan.

## KPMG International

KPMG International has 197,000 employees in 154 countries and provides all member firms with a vast international knowledge network. KPMG International does not do any business with clients, but is an umbrella organization for all member firms in the network.

All of KPMG's member firms offer their clients services in the areas of audit, tax

and advisory services. The member firms in the network operate with local and legal independence in countries all over the world. They have access to shared resources, methods and insurance cover, as well as to the combined knowledge and expertise of the international network. All member firms are obliged to comply with KPMG International's shared standards and policies.

KPMG International carries out quality controls and follows up on an ongoing basis on issues relating to the provision of services, as well as ethics and independence.

KPMG International is led by the Global Council, Global Board and Global Management Team. Further information on KPMG International can be found in the KPMG International Transparency Report for 2017.

Total revenue from member firms of KPMG International within the EU and EEA for the statutory auditing of financial statements amounted to EUR 2.7 billion for the fiscal year ended 30 September 2017. This revenue is calculated based on average exchange rates for the 12 months leading up to the end of the fiscal year on 30 September 2017.<sup>1</sup>

A list of all member firms within the EU and EEA with fiscal years ending 30 June 2017 or 30 September 2017 is available here: [List of KPMG audit entities located in EU & EEA](#).

Today KPMG Sweden is owned by around 100 partners, all of whom work in the company

## Governance of Bohlinsgruppen AB

### Shareholders

The shareholders take part in partners' meetings and the general meetings. Partners' meetings make decisions on, among other things, the selection of new partners, members of the shareholders' committee, the nominations committee and the firm's funding. Decisions made at Annual General Meetings include issues that are regulated under the Swedish Companies Act, such as the election of the Board of Directors and the auditor, as well as deciding on dividends to shareholders.

### Shareholders' committee

The primary task of the shareholders' committee is to deal with shareholder-related issues, including the distribution of shares in Bohlinsgruppen AB. The shareholders' committee works directly on behalf of the owners.

### Nominations committee

The task of the nominations committee is to nominate members for the Board of Directors, the shareholders' committee

<sup>1</sup> This financial information represents combined information from individual KPMG firms in member states of the EU and EEA that perform professional services for clients. The information has been combined for presentation purposes only. KPMG International does not perform any services for clients and thus has no revenue attributable to client engagements.

and the nominations committee, and also to nominate the Chairman of the Board and external auditors. The nominations committee works directly on behalf of the owners.

#### *Board of Directors*

Every year, the Board of Directors confirms KPMG's strategy, policy documents and general guidelines for the business. The Board of Directors also makes decisions on systems and procedures for internal control. In addition, the work of the Board of Directors includes appointing the Senior Partner, submitting proposals of candidates for partners, drawing up guidelines for remuneration to partners and appointing from within members of the remuneration committee, which deals with remuneration to and the discontinuation of partners, as well as appointing members of the Board of Directors of BISFAB and subsidiary firms.

The Board of Directors for the 2016/2017 financial year, appointed by the Annual General Meeting on 15 December 2017, is shown on the right.

#### *The Senior Partner and the management team*

The Senior Partner is responsible for the operational business and appoints the rest of the management team. Company management consists of the Senior Partner, Business Area Managers and the Director of Communication. Company management is responsible for implementing the business's strategic direction and priorities once these have been decided by the Board of Directors. Company management is also responsible for the introduction and development of KPMG's policies and guidelines for the business, as well as ongoing follow-up of quality and control procedures.

## Board of Directors



**Chairman of the Board**



**Member**  
Thomas Forslund



**Member**  
Annika Melin Jakobsson



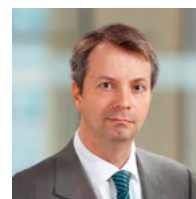
**Member**  
Susann Lundström



**Member**  
Mattias Eriksson



**Member**  
Joakim Thilstedt



**Member**  
Fredrik Waern

## The management team



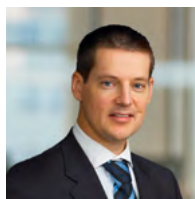
**Senior Partner and Acting Business Area Manager, Audit**  
Magnus Fagerstedt



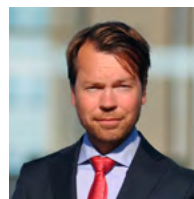
**Business Area Manager, Advisory**  
Jan Forsell



**Business Area Manager, Tax**  
Tina Zetterlund



**Market Segment Manager, Small and Medium-Sized Enterprises (SMEs)**  
Patrik Anderbro



**Director of Communication**  
Björn Bergman

# 4

# Our quality assurance

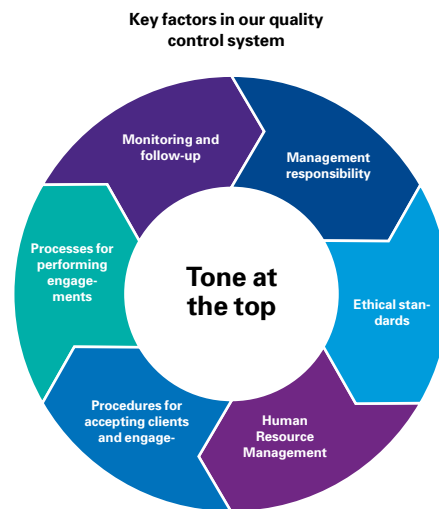
An audit is a service in the public interest. It is intended to quality-assure the financial information of firms and organizations for the benefit of owners, investors, banks and other stakeholders. As a provider of audits and audit-related advice, we have a responsibility to clients, society and other stakeholders to deliver credible work to a very high level of quality.

A high degree of credibility is crucial for the industry, KPMG and the individual auditor and adviser. Credibility is based on factors such as a high level of expertise, integrity and good judgement. How we appear and act in various situations affects how the world at large perceives us and the degree of trust that we enjoy. Professional behavior in our contact with clients and in other contexts when we are representing our firm or our industry is therefore not merely a matter of how we express ourselves and what we do. It is also about being professional in the way we do our job, and about satisfying our clients' expectations of confidentiality.

## KPMG observes international standards

The international quality standard that is relevant to auditing activities is the International Standard on Quality Control (ISQC1), issued by the International Federation of Accountants (IFAC). There are also rules and standards issued by the Swedish industry organization for accountants and advisers (FAR) as well as supervisory authorities such as the Swedish Inspectorate of Auditors (SIA) and the US Public Company Accounting Oversight Board (US PCAOB). These rules have been integrated into all of KPMG's business areas. Within KPMG

International and its member firms, these regulations are combined with each employee's personal responsibility for risk management and quality assurance. This involves a requirement to understand and observe the firm's policies and in their day-to-day work perform engagements on the basis of the procedures set out in the policies. As each employee is independent in each relationship and performs engagements with integrity and impartiality, confidence is maintained both in our own role and in the capital markets.



The quality control system helps our employees to act correctly in various situations, to observe applicable laws and regulations, and to meet professional requirements. Our quality work is under constant evaluation and development with the intention of guaranteeing high quality and adding value in what we do.

## Tone at the top

At the heart of the quality control system are the attitude and behavior of manage-

ment with regard to quality, ethics and integrity. Management's attitude clearly shows what kinds of behavior are accepted.

## Strategy

It is clearly communicated to all employees that quality is at the heart of our business.

## Responsibilities

We strive to have competent, experienced employees in the right positions who can affect quality in day-to-day work.

## Whistleblowing

KPMG has a clear reporting procedure through which employees can report any breaches of the Code of Conduct and our ethical rules. Questions and mandatory notification cases relating to risk and ethics may be put directly to our Quality & Risk function. Employees and suppliers can report suspected breaches anonymously using our international hotline.

## Management responsibility

### Board of Directors and Senior Partner

The Senior Partner has overall responsibility for the level of quality in the business and assumes responsibility for this work towards the Board of Directors. The Board of Directors is ultimately responsible for the structure and effectiveness of the quality assurance system.

The Board of Directors' ultimate responsibility for the quality control system is also stipulated in ISQC1. Our corporate culture is infused by a high level of commitment to issues relating to quality. The Board of Directors and the Senior Partner contribute both through existing processes and in other ways to maintaining and



enhancing our quality culture. The importance of high quality is a consistent message in communication from management.

#### *Risk & Compliance*

The quality control and risk management system in KPMG is monitored by the Quality & Risk Management function, comprising the Risk Management Partner and a risk management team.

#### *Our business areas*

The managers of our business areas are responsible for the quality of services delivered within their respective areas, and they report to the Senior Partner. Procedures have been drawn up within each business area for risk management, quality assurance, and follow-up and control. These procedures are based on the guidelines we have adopted for the business.

#### **Ethical standards**

We have committed to maintaining a high ethical level in everything we do. KPMG's values encapsulate the high demands we have of all our employees in terms of performance and professionalism. Support is provided by such means as a Code of Conduct, about which employees are informed. This is supplemented by a number of internal policies, such as the employee policy, working environment policy, equal opportunity policy, quality policy and environment policy. Policies are then translated into clear guidelines and procedures. Our value, "We act with integrity", is fundamental in this respect. Our values are communicated to all employees. They are also integrated into the process through which employees' performance is evaluated and rewarded. Our Code of Conduct contains all of KPMG's global values and the ethical standards that are expected to pervade all the actions we take as a firm and as employees. It emphasizes in particular that objectivity and independence are cornerstones of our business.

The Code of Conduct states that all of our employees must:

- observe and apply all laws, regulations and the content of KPMG's policies
- report any breaches of law regardless of whether they were committed by KPMG's employees, clients or a third party
- report any breaches of guidelines on risk management committed by a KPMG firm or its employees
- Not offer, promise, give, request or accept bribes (either directly or through an intermediary).

#### **Human Resource Management**

Our procedures, processes and programs for recruitment and employee development aim to attract, develop and manage our employees in such a way that we make sure they have the knowledge, skills and other qualities necessary to perform their work. New employees take part in a comprehensive induction program that includes ethics and independence.

#### *Engagement management*

Employees are assigned specific engagements based on competence, relevant professional and industry experience and the nature of the engagement. The business area managers are responsible for the process of appointing account executives, and also for ensuring that the engagement teams have the right competence and resources.

#### *Skills development*

At KPMG we continuously evaluate our employees' capacity and competence to carry out engagements in accordance with our high demands for professionalism. We want to give our employees opportunities to develop both within their area of competence and as an individual. All employees are offered opportunities for development within the framework of the business's needs. Employees and managers work together to drive the individual's skills development.

Area managers provide support and advice in all aspects of auditing, financial reporting and regulatory requirements, as well as offering expert knowledge in various sectors.

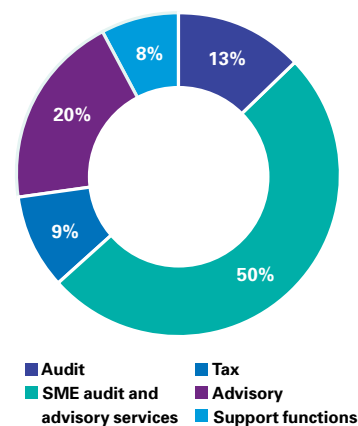
KPMG's range of courses covers not only auditing, accounting, tax and regulatory issues, but also a wide selection of other technical skills as well as business development, personal development and knowledge of our ethical rules of conduct.

#### *Authorization and accreditation*

Our policies require that accountants and specialists achieve and maintain the technical competence and experience that meet the requirements of current legislation and other regulations. Our auditors complete annual training programs and attend seminars to enhance their skills.

Accountants who are responsible for signing audit reports must, among other things, satisfy the requirements issued by FAR. Certain accounting and advisory services require special internal accreditation and/or accreditation at individual level, which is the subject of a specific control procedure. This applies, for example, to audit clients reporting according to US GAAP or US Auditing Standards, or financial companies.

**Employees per service area**



### Goals and follow-up

Every year, goals are set for each employee on the basis of KPMG's business plan. Each employee has a so-called Performance Manager, whose job it is to evaluate the employee's work and performance on an ongoing basis over the year, and to follow up on the goals at the end of the year. The remuneration rules are linked to the evaluation process.

### Selection of partners

The process for being accepted as a partner is wide-ranging and involves the management team, the Board of Directors and partners' meetings. All proposals for new partners are reviewed by the Board of Directors in accordance with a defined process before being put before the partners' meeting.

### Procedures for accepting clients and engagements

To perform our tasks as accountants and to produce the reports and service expected by the client and the market, a check is performed for each engagement via the global support system Sentinel™ to ensure that there are no conflicts of interest in relation to previous engagements or individual employees. The accountant's independence is analyzed in system-based procedures for the evaluation of clients and engagements.

The person appointed to be responsible for the client and engagement evaluates each potential assignment based on various criteria, such as the sector in which the company operates and the management's control system, which along with the nature of the assignment results in a risk profile. We do not accept clients or carry out engagements that do not meet the requirements of KPMG's internal control, which also includes checks based on the requirements set in regulations on money laundering and the financing of terrorism. The evaluation is repeated for both client and engagement at a frequency that is set on the basis of the risk profile, but at

least every three years and when circumstances change. The evaluation allows us to decide whether further control measures need to be taken for the engagement in question or future engagements.

Where our evaluation shows that we need to decline the engagement or the client relationship, internal consultation takes place to establish which legal and regulatory measures and steps need to be taken, and when required, we also consult with our supervisory body.

### Processes for performing engagements

The foundation on which our delivery of professional services to our clients is built comprises the quality controls that are part of the firm's processes for performing an engagement. These quality controls include follow-up on policies and procedures, the purpose of which is to help ensure that the work carried out by members of the engagement team complies with applicable professional requirements, laws and rules, as well as satisfying internal quality requirements.

The following sections contain more detailed information about this, especially about statutory accounting services.

### Audit methodology

Our audit methodology, developed by KPMG International, is based on the requirements set out in the International Standards on Auditing (ISA). The methodology is described in our "KPMG Audit Methodology" (KAM). The audit process is structured and requires active leadership by the engagement manager throughout the whole process.

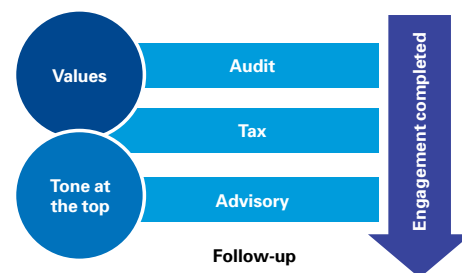
### Mentoring, supervision and review of engagement teams

Audit work is subject to special guidelines regarding supervision, control and the use of specialist support. The guidelines also include in some cases requirements for a special engagement-based function to

control quality, including for engagements that are of public interest. In accordance with good accounting practice, we are obliged to quality-assure our reporting internally. One of the means of achieving this is through what is known as an Engagement Quality Control Reviewing Partner. The partner responsible for this quality assurance studies audit planning, implementation, KPMG's reports and annual accounts, and submits his or her own comments before the firm's auditor signs the audit report. If the audit team identifies issues that require special consideration, these must always be discussed with the Engagement Quality Control Reviewing Partner.

Internal consultation with colleagues is encouraged and, in some cases, is a requirement. One important support function in this respect is the Department of Professional Practice (DPP), which provides specialist support in the field of audit methodology and other issues that the audit team might encounter. All engagement teams also have access to support from KPMG's Financial Reporting Group and KPMG International Standards Group, as well as support from SEC (Securities and Exchange Commission) reviewing partners when auditing SEC-registered firms and their related companies.

### Integrated follow-up on quality and risk as well as support processes



### Tools

KPMG International provides a set of audit tools to support its audit methodology.

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# 74.3

Client satisfaction has increased since last year, (73.3) according to the Swedish Quality Index

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These tools promote a consistent application of the audit process globally and thus contribute to the quality of the audit. KPMG's electronic audit tool, eAudIT, provides the methodology, guidance and industry support required to conduct an effective audit of the highest quality. eAudIT is based on the solid experience that KPMG already possesses, but also to a large extent on innovation. eAudIT gives us the opportunity to provide an effective, well-coordinated audit for our clients.

## Monitoring and follow-up

We satisfy ISQC1 monitoring requirements by means such as an annual quality control as well as an annual review by an internal Risk Compliance Program. We are also subject to quality controls performed by FAR and the Swedish Inspectorate of Auditors (SIA). In addition, we fall under the supervision of the PCAOB (US) and the Certified Public Accountants and Auditing Oversight Board (CPAABO) in Japan.

The quality of our work is followed up on an ongoing basis through various quality control programs within KPMG:

- Annual quality controls of auditing and advisory engagements are conducted via KPMG's global Quality Performance Review. Engagements are selected at random and the quality control is conducted by reviewers who are independent of the engagement. Within

each three-year period, all of KPMG's partners are subject to a Quality Performance Review. Other qualified accountants follow a nationally defined cycle for quality control.

- The Risk Compliance Program is an annual self-evaluation scheme that aims to guarantee the effectiveness of internal controls relating to issues of risk and independence. Independent reviewers examine this work in order to verify that policies, processes and effective controls have been implemented and are being observed.
- KPMG International conducts regular Global Compliance Reviews and so-called Country Performance Reviews of national member firms. In order to be able to operate under KPMG's name, a national member firm must show that they adhere to work methods defined and approved by KPMG, that training activities maintain a defined level, that there is sufficient support from specialist employees and that the Quality Performance Review and the Risk Compliance Program are being conducted in an appropriate way. The controls are conducted by senior partners from countries outside the country being checked.
- Using a traffic light model, each employee is given confirmation annually of their personal compliance within 13 measured areas, such as completing mandatory training on time and reporting financial interests correctly and within the time limits.
- The Board of Directors has established a disciplinary committee to make decisions on disciplinary action in connection with any breaches relating to the rules on independence. The members of the committee are appointed by the Board of Directors, which also confirms the rules on work and discipline that govern the committee's work.
- The quality committee, which is also appointed by the Board of Directors, serves to promote the maintenance and

further development of the high level of quality that is a prerequisite for KPMG's business and to protect the KPMG brand by dealing with any deviations from what is considered acceptable behavior in employees in the situations just described.

## Feedback from clients

We conduct interviews with our clients on an ongoing basis in order to guarantee a high level of quality in our work. These interviews are conducted by senior people within KPMG or by people who are independent of KPMG. Our client's views and assessments thus become a part of our continuous learning process and development.

## Supervision by the Swedish Inspectorate of Auditors

KPMG is a registered accounting firm and is therefore subject to supervision by the Swedish Inspectorate of Auditors. The Swedish Inspectorate of Auditors (SIA) is the control body for auditors under the Swedish Auditors Act 2001:883 and conducts ongoing controls of both auditing activities and auditors. SIA's quality control takes the form of an annual review of audits performed on public interest entities by the firm's auditors, and also checks the firm's own systems for general control and ongoing quality controls. The last reported quality control started in October 2014 and ended in December 2015 with a decision on 22 December 2015. The decision and report are available to the public on the Swedish Inspectorate of Auditors' website, [www.revisorsinspektionen.se](http://www.revisorsinspektionen.se).

The most recent control by the PCAOB was conducted in fall 2014 and was reported to KPMG on 21 December 2015. A final follow-up report, dated 6 July 2017, was received in August 2017.

The report states that the measures KPMG has taken based on the PCAOB's previous reporting have been implemented satisfactorily.

# 5

# Our independence



## 100%

100% of our employees have completed the training program

### KPMG guarantees independence

Impartiality, independence and an ethical approach are the cornerstones of our accounting practice. KPMG's Ethics & Independence function has overall responsibility for issues of professional ethics within the firm. Our system for guaranteeing independence in our accounting business includes not only measures within the individual engagement, but also firm-wide measures.

What is referred to as the analysis model is mandatory in engagement activities. This means that, before starting work on an engagement for an audit or assurance client, we check whether there are any circumstances that might com-

promise confidence in the auditor's ability or desire to perform the audit engagement with impartiality and independence. If this analysis identifies any circumstances that might represent an unacceptable threat to the auditor's independence, we decline the engagement. An additional review is conducted before the audit report is submitted, in which consideration is given to other engagements conducted for the client during the financial year. All engagements are preceded by a check to ensure that there are no conflicts of interest with other engagements. For all audit clients that are SEC-registered, publicly listed firms and their subsidiaries and associated firms, and a large number of other international firms, KPMG applies a policy-based

procedure known as preapproval of engagements. This means that the account executive and, if relevant, the client's audit committee must have submitted a pre-approval before an engagement can be started.

Independence checks are also a pre-requisite when tendering to audit a listed company, or where an existing audit client becomes a public interest entity (PIE). Control takes place according to a special process known as Independence Clearance and is carried out via the KPMG Independence Checkpoint – IT support that was implemented in 2016.

Not only must KPMG as a firm maintain its independence in relation to our audit clients; all our employees have to do the same. Any financial interests of the company or the individual employee that might constitute a threat to the auditor's independence are monitored via a system support function (KICS) that covers all of KPMG's audit clients throughout the world.



Any employee in a position involving leadership is to check via KICS whether a planned acquisition of securities is permitted. Securities acquired by our firm, the employee or persons related to them are registered and monitored in case the holding should become no longer permitted. In this event the holding must be sold within five working days

With a few specific exceptions, employees working on engagements are prevented from taking up board positions. As with discussions concerning taking up employment with an audit client, such positions must be reported and approved by our Ethics & Independence function. We check compliance with these procedures continually.

All new employees complete mandatory training in professional ethics during their first week with KPMG. All employees subsequently receive annual training in matters concerning ethical principles and independence.

Our employees are trained in our Code of Conduct and in applicable laws and regulations, such as bribery legislation, the Money Laundering Act, insider rules and in KPMG's internal rules and standards. New employees complete such mandatory training within two months of starting employment.

New employees confirm via their contract of employment that they can and will comply with the rules on independence. In each subsequent year, all employees submit a declaration of compliance with policies and with rules on professional ethics, information security and knowledge management. We have system support functions and processes to monitor and maintain our independence. These systems manage and monitor all issues relating to independence in our engagements.

#### Rotation

A person who has been the elected auditor of a public interest entity for seven years may not take part in the audit

for a period of two years (cooling off period). Equivalent rotation requirements also exist for Engagement Quality Control Reviewing Partners, among other things.

#### EU regulation

On 17 June 2016, the EU's regulation on specific requirements regarding statutory audit of public interest entities entered into force – the EU Audit Reform. In brief, the regulation involves:

- The category of public interest entities (PIEs) has been expanded in scope, to include financial institutions as well as companies with securities listed for trading on a regulated market.
- Mandatory rotation also covers certain other key auditors such as auditors of significant subsidiaries. Mandatory rotation of audit firms at least every ten years. In the case of non-financial institutions, this can be extended in certain circumstances.
- The regulation states certain non-audit services that the audit firm is prohibited from providing to audit clients that are public interest entities. Permitted services must be approved in advance by the client's audit committee.
- The volume of non-audit services is limited by a fee cap for public interest entities.

- Expanded reporting by the auditor, through the audit report and to the audit committee.

KPMG's Quality & Risk Management function monitors compliance with the rotation requirements for auditors selected and for our firm, as well as other independence requirements.

#### Areas to consider

The reason for our rules of conduct regarding independence is that we conduct auditing activities and must therefore safeguard our auditors' independence and impartiality – referred to in everyday terms as the auditor's independence. We have to observe not only actual independence, but also perceived independence in areas other than the client relationship. The matter of independence is also considered in other areas, such as services, purchasing and other business relations. Before an agreement is concluded with a new supplier, a check is performed on whether the firm is an audit client of KPMG, and whether this might threaten our independence. Relationships such as sponsorship and distribution or marketing agreements etc. are similarly checked.



## 6

# Principles of remuneration to partners

Remuneration to partners is based on the Guiding Principles defined annually by the Board of Directors. The Guiding Principles are based on the strategy established by the Board and on KPMG's long-term goals. Remuneration to partners is based on the key areas evaluated, which are quality, leadership, marketing and profitability, as well as the roles and responsibilities that the partner has. In accordance with the applicable rules, auditors are not remunerated for other services sold to audit clients and therefore these are not

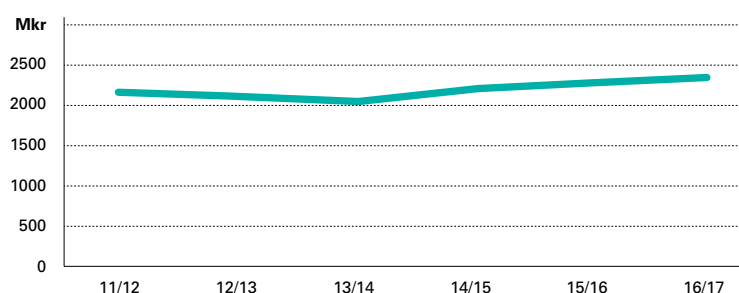
taken into consideration. The evaluation process includes a self-assessment, appraisal by a nominated senior partner and calibration at a Business Unit and company level. Evaluation of quality and independence is a particularly important component. The remuneration committee, which is a sub-committee of the Board of Directors, takes the final decision on remuneration. A partner's remuneration consists of several components: salary, profit-sharing, pension contributions and other benefits.



# 7

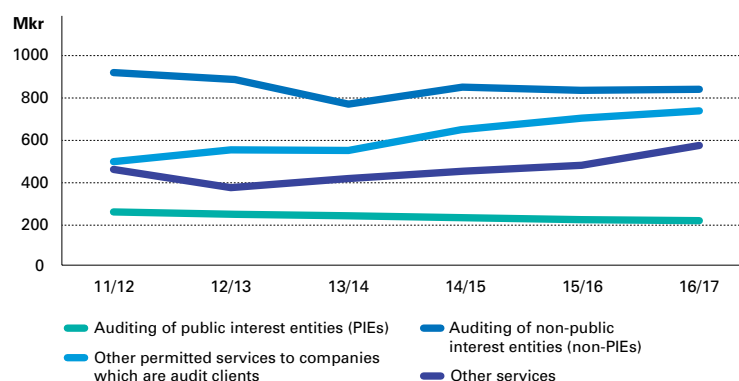
# Financial information

## Net revenue KPMG



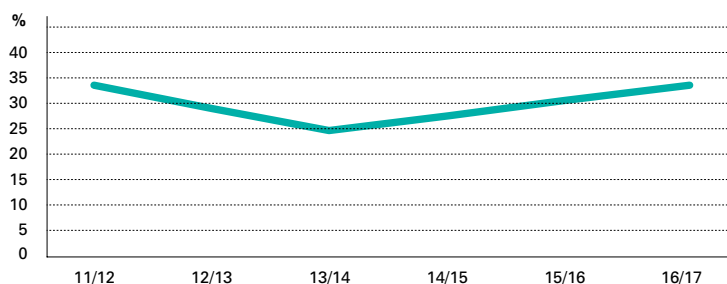
Net revenue for the financial year 2016/2017 was SEK 2,383 million, representing an increase of 7% compared with the previous financial year.

## Net revenue breakdown as per EU auditing rules



Auditing of public interest entities (PIEs) accounted for 10% of the group's net revenue and auditing of other companies for 35%. The growth has mainly taken place on the advisory side. Other permitted services for companies that are audit clients have grown by nearly 8 percent since the last fiscal year. Other consulting services have increased by 23 percent since last year.

## Equity/assets ratio



The equity/assets ratio was just under 34 percent at 30 September 2016 and has been gradually recovering over the past three fiscal years. This is an increase of 2.4 percentage points compared with the same date the previous year.

## 8

# Audit clients

that are public interest entities (PIEs)

In accordance with the EU's 8th Directive, below we present our audit clients as of 1 November 2017 that are public interest entities as defined by EU legislation.

## OMX Large Cap

Ahlsell AB (publ)  
Alfa Laval AB  
BillerudKorsnäs AB  
Bravida Holding AB  
Com Hem Holding AB  
Fingerprint Cards AB  
Hemfosa Fastigheter AB  
Holmen AB  
Hufvudstaden AB  
ICA Gruppen Aktiebolag  
Lundbergföretagen Aktiebolag, L E  
Modern Times Group MTG AB  
NIBE Industrier AB  
Peab AB  
Sandvik AB  
ÅF AB

## OMX Mid Cap

Acando AB  
AddLife AB  
Addtech AB  
AQ Group AB  
Bergman & Beving Aktiebolag  
Bilia AB  
Cloetta AB (publ)

Concentric AB  
Eastnine AB (publ)  
Ferronordic Machines AB  
Hansa Medical AB  
Hoist Finance AB  
Humana AB  
Investment AB Öresund  
Inwido AB  
Lagercrantz Group AB  
Momentum Group AB  
OEM International AB  
NP3 Fastigheter AB  
Opus Group AB  
Qliro Group AB  
Xvivo Perfusion AB

## OMX Small Cap

Actic Group AB  
Active Biotech AB  
Avega Group AB  
B3IT Management AB  
BioInvent International AB  
Concordia Maritime AB  
Episurf Medical AB  
eWork Group AB  
FM Mattsson Mora Group AB

MIPS AB  
MQ Holding AB  
MSC Group AB  
Prevas AB  
Strax AB

## Companies with listed loans

Akademiska Hus AB  
Alfa Laval Treasury International AB  
Ampla Kapital AB  
Apikal Fastighetspartner AB (publ)  
Energa Finance AB (publ)  
Galliaden Holding AB (publ)  
Humlegården Fastigheter AB (publ)  
Intea Fastigheter AB (publ)  
LSTH Svenska Handelsfastigheter AB  
Länsförsäkringar AB  
NorCell Sweden Holding 3 AB  
ORLEN Capital AB (publ)  
PGE Sweden AB (publ)  
PKO Finance AB (publ)  
PostNord AB  
PZU Finance AB (publ)  
Strömma Turism & Sjöfart AB  
Vacse AB  
Velcora Holding AB

*Continued on next page >>*



**Banks, insurance companies, etc.  
under the supervision of FI, Sweden's  
financial supervisory authority.**

AK Nordic AB  
Alfa Laval Försäkrings AB  
BMW Financial Services Scandinavia AB  
Brummer Life Försäkringsaktiebolag  
Dina Försäkring AB  
Dina Försäkringar Göteborg  
Dina Försäkringar Skaraborg-Nerike  
Dina Försäkringar Sydost ömsesidigt  
Dina Försäkringar Sydöstra Norrland  
ömsesidigt  
Dina Försäkringar Väst  
Dina Försäkringar Västra Hälsingland  
Dalarna  
EnterCard Holding AB  
EnterCard Sverige AB  
ERV Försäkringsaktiebolag (publ)  
Folksam Fondförsäkrings-  
aktiebolag (publ)  
Folksam LO Fondförsäkrings-  
aktiebolag (publ)  
Folksam ömsesidig livförsäkring  
Folksam ömsesidig sakförsäkring  
Fryksdalens Sparbank  
Förenade Liv Gruppförsäkring AB (publ)  
Förenade Småkommuners  
Försäkrings (FSF) Aktiebolag  
Försäkringsaktiebolaget Agria (publ)  
Försäkringsaktiebolaget Bostadsgaranti  
Försäkringsbolaget PRI Pensionsgaranti,  
ömsesidigt  
Gamla Livförsäkringsaktiebolaget SEB  
Trygg Liv (publ)  
Hoist Kredit Aktiebolag  
Holmia Livförsäkring AB

Häradssparbanken Mönsterås  
ICA Banken AB  
ICA Försäkring AB  
Kommungaranti Skandinavien  
Försäkrings AB  
Kommuninvest i Sverige AB  
KPA Livförsäkring AB (publ)  
KPA Pensionsförsäkring AB (publ)  
Kyrkans Försäkring AB (publ)  
Landstingens Ömsesidiga  
Försäkringsbolag  
LMG Försäkrings AB  
Länsförsäkring Kronoberg  
Länsförsäkringar Bank Aktiebolag (publ)  
Länsförsäkringar Blekinge  
Länsförsäkringar Fondliv Försäkrings-  
aktiebolag (publ)  
Länsförsäkringar Gotland  
Länsförsäkringar Grupplivförsäkrings-  
aktiebolag  
Länsförsäkringar Gävleborg  
Länsförsäkringar Göinge – Kristianstad  
Länsförsäkringar Halland  
Länsförsäkringar Hypotek AB (publ)  
Länsförsäkringar Jönköping  
Länsförsäkringar Liv Försäkrings-  
aktiebolag (publ)  
Länsförsäkringar Sak Försäkrings-  
aktiebolag (publ)  
Länsförsäkringar Skaraborg – ömsesidigt  
Länsförsäkringar Skåne – ömsesidigt  
Länsförsäkringar Uppsala  
Länsförsäkringar Älvsborg  
Länsförsäkringar Östgöta  
Mondux Sverige AB  
OK-Q8 Bank AB  
Peab Försäkrings AB

Placerum Kapitalförvaltning AB  
Preem Försäkrings AB  
Remium Nordic AB  
SABO Försäkrings AB (publ)  
Saco Folksam Försäkrings AB  
Sandvik Försäkrings AB  
Sappisure Försäkrings AB  
SevenDay Finans AB  
Sparbanken Boken  
Sparbanken Tanum  
Svenska Kommun Försäkrings AB  
Sörmlands Sparbank  
Tre Kronor Försäkring AB  
Trygg-Hansa Ömsesidig  
Livförsäkring i likv  
Twincap Försäkrings AB  
Wasa Kredit AB  
Westra Wermlands Sparbank  
Visenta Försäkringsaktiebolag  
Volvofinans Bank AB  
Åse Viste Sparbank AK Nordic AB

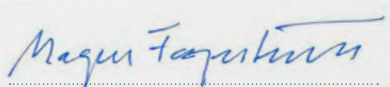
# Declaration of effectiveness in the quality control system

This report describes, among other things, the quality assurance system that we use in our auditing activities.

Our quality control framework supports our employees and enables them to act with integrity and independence, and to observe applicable laws and regulations so that we maintain the trust of the general public and stakeholders.

The results from our internal monitoring programme (locally and globally), including controls in respect of impartiality and independence together with the feedback received from independent inspection bodies, provides the basis required for being able to draw the conclusion that our quality control systems are working effectively.

Stockholm, 30 January 2018



Magnus Fagerstedt  
*Senior Partner*



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