



# Transparency Report

**2017/2018**

KPMG Sweden

[kpmg.se](http://kpmg.se)





# 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 advisors.



**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.

# Contents

4	5	6	8
From the Senior Partner	Inspiring confidence, empowering change	Structure and governance	Our quality assurance systems
12	14	15	16
Our independence	Principles of remuneration to partners	Financial information	Audit clients

# From the Senior Partner



KPMG is one of Sweden's leading audit and advisory companies with around 1,500 employees around Sweden. Together we work to deliver the highest imaginable quality in everything we do. In each and every one of the 55,000 engagements that we perform each year, we do our utmost to meet our clients' needs and exceed their expectations. We want to safeguard our key role in business and are proud of how we help to develop communities in Sweden and globally. Creating security around investments and business choices for our clients, their owners and stakeholders is an important task that involves great trust.

KPMG Sweden's Transparency 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. The report 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. It pertains to the fiscal year from 1 October 2017 to 30 September 2018.

At KPMG 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 alongside our market and the world around us.

With 207,000 employees in 153 countries we have a massive network for sharing knowledge and experience. We all maintain a consistent focus on quality and have a shared view of KPMG's role, values and vision.

Close dialogue with legislators, regulators, investors and businesses ensures we live up to our stakeholders' expectations. We welcome and appreciate ongoing dialogue as we strive for continuous improvement.

Stockholm, 30 January 2019

**Magnus Fagerstedt**  
Senior Partner

# Inspiring confidence, empowering change

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

Globalization and technological development are constantly changing the way we live and work. Data and digital innovations are creating new opportunities and challenges for all kinds of businesses and organizations. At the same time, the political agenda is increasingly characterized by divided views rather than consensus, resulting in instability in both the geopolitical situation and the global economy. 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.

To achieve success in today's market it is necessary to understand, embrace and be able to implement change. This means both minimizing the risks and daring to seize the opportunities and all the positive aspects of development. 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 need to be tomorrow.

Our experienced advisers can help you make strategic decisions and guide you in complying with new requirements and regulations. With our knowledge we can provide quality assurance for information and decision-making, thereby creating security around the choices that your business faces.

A combination of competences will often be needed to deal with different kinds of issues. This is why our teams regularly consist of different specialists who analyze, structure, investigate and help you to implement change. KPMG employees 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 are working to make a 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.

## We aspire to:

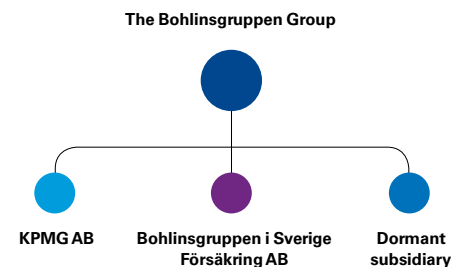
- ✓ **Earn the trust of the public** by bringing to life our commitment to quality, ethics and integrity through our culture and values.
- ✓ **Ensure that our people are extraordinary** by finding and nurturing talent, creating successful teams and sharing experience and expertise in our global network.
- ✓ **Support a relentless focus on quality and excellence** in all our 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.



# 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 accountants and advisers in the Swedish firm, which had around 1,500 employees in total at the end of the 2017/2018 fiscal year.<sup>1</sup>

KPMG AB is registered with the Swedish Supervisory Board of Public Accountants (RN) as an accounting firm. 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 207,000 employees in 153 countries and provides all member firms with a vast international knowledge network. The member firms within KPMG International are independently responsible for their own operations. Further information on KPMG International and its relationship with its member firms can be found in the 'Governance and Leadership' section of the KPMG International Transparency Report.

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.

Total revenue from member firms of KPMG International within the EU and EEA for the statutory auditing of financial statements amounted to EUR 2.8 billion for the fiscal year ended 30 September 2018. 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 2018.<sup>2</sup>

A list of all member firms within the EU and EEA with fiscal years ending 30 June 2018 or 30 September 2018 is available here: *List of KPMG audit entities located in EU & EEA*.

<sup>1</sup> During the 2017/2018 fiscal year KPMG sold its operations within accounting and payroll administration, which were incorporated into the newly formed company Aspia.

<sup>2</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.

## 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 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 monitors 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 2017/2018 fiscal year, appointed by the Annual General Meeting on 10 December 2018, 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, COO, Head of Markets and Sales, 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**  
Björn Hallin



**Member**  
Thomas Forslund



**Member**  
Annika Melin Jakobsson



**Member**  
Susann Lundström



**Member**  
Mattias Eriksson



**Member**  
Joakim Thilstedt



**Member**  
Fredrik Waern

## The management



**Senior Partner**  
Magnus Fagerstedt



**COO**  
Andreas Dammert



**Business Area Manager, Audit**  
Johan Dyrefors



**Business Area Manager, Advisory**  
Jan Forsell



**Business Area Manager, Tax**  
Tina Zetterlund



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



**Head of Markets & Sales**  
Niklas Hjelt



**Director of Communication**  
Björn Bergman

# Our quality assurance systems

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, clients 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 fundamental to 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.

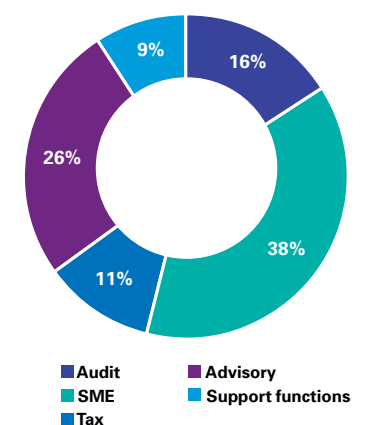
Area managers provide support and advice in all aspects of auditing, financial reporting and regulatory requirements, as well as offering expert knowledge in various sectors. KPMG's range of courses covers not only auditing, accounting, tax and regulatory issues, but also a wide selection of other technical 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

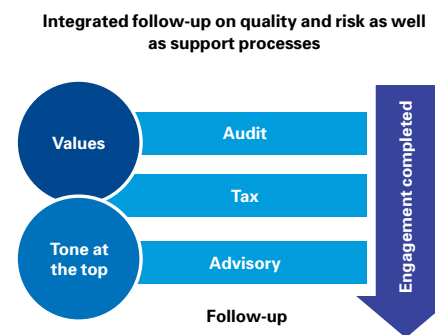
Audit work is subject to special guidelines regarding supervision, control and the use of specialist support. The guidelines also

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 the 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.

# 72.4

In the Swedish Quality Index  
2018 KPMG exceeds the  
average for the sector and is  
ranked second among the Big4.



### Tools

KPMG International provides a set of audit tools to support its audit methodology. 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 (CPAAOB) 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 quality committee which 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.

The committee's work includes making decisions, where applicable, 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.

### 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 clients' 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, as well as checks on the firm's own systems for general control and ongoing quality controls. The most recently reported quality control started in May 2018 and ended in October 2018 with a decision letter dated 22 October 2018, to which a report was appended. The report is available to the public on the Swedish Inspectorate of Auditors' website, [www.revisorsinspektionen.se](http://www.revisorsinspektionen.se).

In its decision letter the Swedish Inspectorate of Auditors states that nothing has emerged to suggest anything other than that KPMG and the quality-controlled auditors are in all essential respects conducting their auditing activities in accordance with generally accepted auditing standards and good accounting practice.

# Our independence



## 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 compromise 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, including their subsidiaries and associated firms, and a large number of other international firms, KPMG applies a policy-based procedure known as pre-approval of engagements. This means that the account executive and, if relevant, the client's audit committee must have submitted a preapproval before an engagement can be started.

Independence checks are also a prerequisite 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

# 100%

of our employees have completed the training program 'Acting with integrity'

process known as Independence Clearance and is carried out via the KPMG Independence Checkpoint.

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 preapproved 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 observe the protection of 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.



# Principles of remuneration to

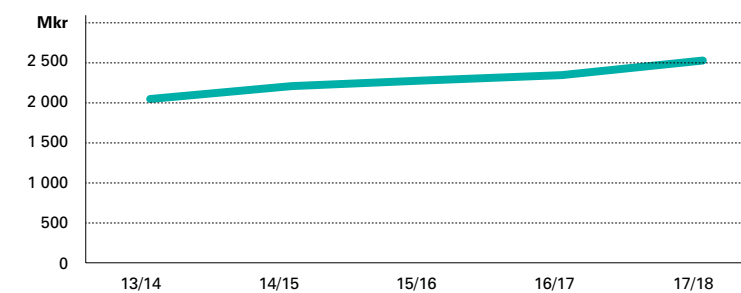
Remuneration to partners is based on the Guiding Principles defined annually by the Board of Directors. The Guiding Principles are based on the strategy established by the Board and on KPMG's long-term goals. Remuneration to partners is based on the key areas evaluated, which are quality, competence, 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 review of performance and targets with a designated senior partner, as well as calibration at a Business Unit and company level. Evaluation of quality and independence are particularly important components. The remuneration committee, which is a sub-committee of the Board of Directors, monitors the remuneration process based on the established guidelines. A partner's remuneration consists of several components, such as salary, profit-sharing, pension contributions and other benefits.



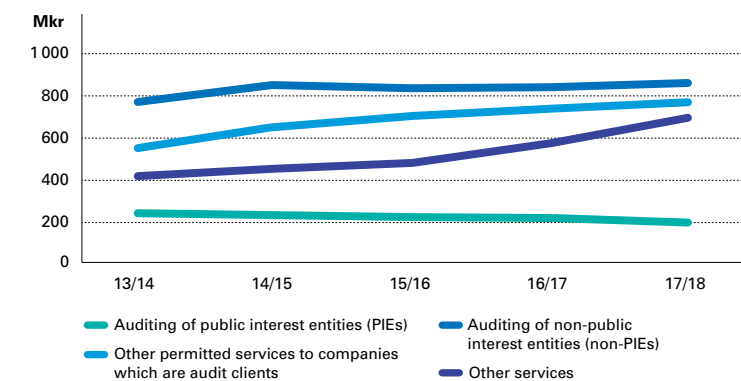
# Financial information

Net revenue KPMG



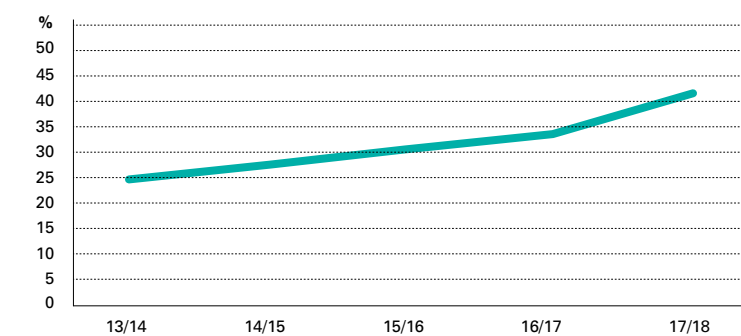
Net revenue for the financial year 2017/2018 was SEK 2,535 million, representing an increase of 6% compared with the previous financial year.

Net revenue breakdown as per EU auditing rules



Auditing of public interest entities (PIEs) accounted for just under 10% of the group's net revenue and auditing of other companies for 33%. The growth has mainly taken place on the advisory side, with an increase of 10%. Other permitted services for companies that are audit clients were relatively unchanged since the last fiscal year. Other consulting services have increased by 22% since last year.

Equity/assets ratio



The equity/assets ratio was just under 42% at 30 September 2018 and has gradually increased in recent fiscal years. The year-on-year increase was 8 percentage points. The sale of the group's accounting and payroll services operations during the fiscal year had a positive impact on the equity/assets ratio.



# 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 2018 that are public interest entities as defined by EU legislation.

OMX Large Cap	Hansa Medical AB
Ahlsell AB	HiQ International AB
BillerudKorsnäs Aktiebolag	Hoist Finance AB
Bravida Holding AB	Humana AB
Com Hem Holding AB	Investment AB Öresund
Hemfosa Fastigheter AB	Inwido AB
Holmen AB	Knowit Aktiebolag
Hufvudstaden AB	Lagercrantz Group AB
ICA Gruppen Aktiebolag	Momentum Group AB
L E Lundbergföretagen Aktiebolag	NP3 Fastigheter AB
Modern Times Group MTG AB	OEM International AB
NIBE Industrier AB	Opus Group AB
Peab AB	Qliro Group AB
ÅF AB	Swedol AB
	Xvivo Perfusion AB
OMX Mid Cap	OMX Small Cap
AddLife AB	Actic Group AB
Addtech AB	Active Biotech AB
AQ Group AB	B3 Consulting Group AB
Bergman & Beving Aktiebolag	BiolInvent International AB
Bilia AB	Concordia Maritime AB
Cloetta AB	Empir Group AB (formerly MSC Group AB)
Concentric AB	Episurf Medical AB
Eastnine AB	eWork Group AB
Eltel AB	
Ferronordic Machines AB	

FM Mattsson Mora Group AB
IMMUNICUM Aktiebolag
MIPS AB
MQ Holding AB
Nilörngruppen Aktiebolag
Prevas AB
Rottneros AB
Companies with listed loans
Ampla Kapital AB
Apikal Fastighetspartner AB
Com Hem Sweden AB
Energa Finance AB
Humlegården Fastigheter AB
If Skadeförsäkring Holding AB
Intea Fastigheter AB
Lendify Sweden 1 AB
Lendify Sweden 2 AB
Lendify Technologies AB
LSTH Svenska Handelsfastigheter AB
Peab Finans Aktiebolag
PKO Finance AB
PostNord AB
PZU Finance AB
Strömma Turism & Sjöfart AB
Velcora Holding AB

NGM Equity	If Skadeförsäkring AB
Guideline Geo AB	Kommungaranti Skandinavien Försäkrings AB
	Kommuninvest i Sverige AB
<b>Banks, insurance companies, etc. under the supervision of FI, Sweden’s financial supervisory authority.</b>	KPA Livförsäkring AB
	KPA Pensionsförsäkring AB
AK Nordic AB	Kyrkans Försäkring AB
Brummer Life Försäkringsaktiebolag	Landstingens Ömsesidiga Försäkringsbolag
Dina Försäkring AB	LMG Försäkrings AB
Dina Försäkringar Göteborg	Länsförsäkring Kronoberg
Dina Försäkringar Skaraborg-Nerike	Länsförsäkringar Bank Aktiebolag
Dina Försäkringar Sydost ömsesidigt	Länsförsäkringar Blekinge
Dina Försäkringar Sydöstra Norrland ömsesidigt	Länsförsäkringar Fondliv Försäkringsaktiebolag
Dina Försäkringar Väst	Länsförsäkringar Gotland
Dina Försäkringar Västra Hälsingland Dalarna	Länsförsäkringar Grupplivförsäkringsaktiebolag
EnterCard Group AB	Länsförsäkringar Gävleborg
Folksam Fondförsäkringsaktiebolag	Länsförsäkringar Göinge – Kristianstad
Folksam LO Fondförsäkringsaktiebolag	Länsförsäkringar Hypotek AB
Folksam ömsesidig livförsäkring	Länsförsäkringar Jönköping
Folksam ömsesidig sakförsäkring	Länsförsäkringar Liv Försäkringsaktiebolag
Fryksdalens Sparbank	Länsförsäkringar Sak Försäkringsaktiebolag
Förenade Liv Gruppförsäkring AB	Länsförsäkringar Skaraborg – ömsesidigt
Förenade Småkommuners Försäkrings (FSF) Aktiebolag	Länsförsäkringar Skåne – ömsesidigt
Försäkringsaktiebolaget Agria	Länsförsäkringar Uppsala
Försäkringsbolaget PRI Pensionsgaranti – ömsesidigt	Länsförsäkringar Älvsborg
Gamla Livförsäkringsaktiebolaget SEB Trygg Liv	Länsförsäkringar Östgöta
Holmia Livförsäkring AB	OK-Q8 Bank AB
Häradssparbanken Mönsterås	Peab Försäkrings AB
ICA Banken AB	Preem Försäkrings AB
ICA Försäkring AB	Qliro AB
If Livförsäkring AB	Saco Folksam Försäkrings AB

Sappisure Försäkrings AB
Sparbanken Boken
Sparbanken Tanum
Stockholmsregionens Försäkring AB
Svenska Kommun Försäkrings AB
Södra Hestra Sparbank
Sörmlands Sparbank
Twincap Försäkrings AB
Wasa Kredit AB
Westra Wermlands Sparbank
Volvofinans Bank AB
Åse Viste Sparbank

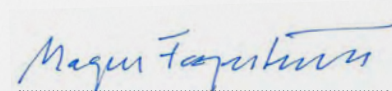
## Declaration of effectiveness in the quality control system

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 programs (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 2019



Magnus Fagerstedt  
*Senior Partner*



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