



Transparency Report 2020

Our relentless focus on quality

KPMG Sweden

kpmg.se



KPMG Values

Our Values represent what we believe in, and what's important to us as an organization. They guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:

- **Integrity:** We do what is right.
- **Excellence:** We never stop learning and improving.
- **Courage:** We think and act boldly.
- **Together:** We respect each other and draw strength from our differences.
- **For Better:** We do what matters.

KPMG's Values express the organization's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler and more memorable to help each of us bring them to life every day.



Quality remains our top priority

In a changing and increasingly complicated world, our role has never been more important. Audit is the foundation of the KPMG brand and is the backbone of our business. Quality remains our top priority and underpins everything we do. We have an unwavering commitment to serve the public interest by leading the profession in audit quality.

Our corporate culture is characterized by a strong desire to deliver the highest conceivable quality in everything we do and to constantly challenge ourselves to improve. The business is founded on clear ethical standards: management has the ultimate responsibility for ensuring that these are complied with, and that the firm has well-functioning tools and processes to be able to uphold it.

COVID-19 is pushing us to think differently about how we engage our people, companies we audit, stakeholders and society. The increased economic uncertainty and risk due to the pandemic will have significant financial reporting implications both in Sweden and throughout the world. We will continue to respond to and embrace this challenge as we focus on recovery and resilience in this new reality.

COVID-19 has proven our common values and behaviors to be even more important. Our values form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. We do what is right, in the right way, at the right time. We embody our values of integrity and excellence in our commitment to quality.

Beside – and based upon – a clear set of values; tone at the top, leadership and conduct are essential to set the framework for quality. We have an unwavering commitment to audit quality and know that our standards are required to be at the very highest level in order to build and maintain public trust. Responsibility for quality starts at the top and means driving and reinforcing accountability through the

complete chain of command in all our audit teams and practices so that every action helps us meet our rigorous quality objectives as well as to comply with the Global Code of Conduct. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is inconsistent with our values.

However, our values are required to be backed up by a system of quality control that ensures that our performance meets the highest professional standards. Quality control and risk management are the responsibility of all partners and employees. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day work. The system of quality control applies to all KPMG partners and employees wherever they are based. While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in our Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

In order to deliver quality audits, we continually evolve and develop our technology solutions to keep pace with today's digital world. Through KPMG Clara, we are integrating a new workflow and enhanced methodology along with powerful, web-based and cloud-enabled technology to enhance the audit process and enable real-time engagement monitoring. With the increased reliance on a virtual environment, KPMG Clara is a key component of our technology enablement for the companies we audit and central to our efforts to enhance quality and consistency across the organization. To complement our KPMG Clara, there is a Nordic approach for our small entities, NASAA Web, that focuses on the needs for the micro audit engagements. Both KPMG Clara and NASAA Web are significant investments that underline our commitment to audit quality, consistency and innovation.



Last, but not least, one of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver high quality audits. KPMG is committed to building an extraordinary people experience for all current and prospective KPMG partners and employees.

KPMG AB demonstrates commitment to quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society. Constant and close dialogue with legislators, regulators, investors and businesses is a natural element of our quest for continuous improvement.

As part of the leadership, I play a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence. Together at KPMG we're taking action, we're investing and we're making it happen.

KPMG AB's Transparency Report is aimed at anyone who is interested in finding out more about the way our firm is structured and our commitment to quality, ethics and independence. The report has been produced according to the requirements of Article 13 of EU Regulation 537/2014 on specific requirements regarding statutory audit of public interest entities. It relates to the fiscal year from 1 October 2019 to 30 September 2020.



Patrik Anderbro
Managing Director

What we stand for

At KPMG, we inspire confidence and empower change in all we do. We challenge ourselves to bring our absolute best to clients, to the public and to one another, every single day. We set ourselves apart through our passion and pride, our expertise and our curiosity, our inclusive culture and our focus on developing the leaders of tomorrow.



Our business

KPMG AB is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of 30 offices across Sweden and had 1600 partners and employees at the end of September 2020.

Our audit services in Sweden are delivered through KPMG AB. Full details of the services offered by KPMG AB can be found on our [website](#).



Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls.

All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.



Our structure and governance

Legal structure and ownership for the financial year ending 30 September 2020



KPMG AB is affiliated with KPMG International Cooperative ("KPMG International"). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the 'Governance and leadership' section of the [2019 KPMG International Transparency Report](#).

Legal structure and ownership from 1 October 2020



On 1 October 2020, KPMG AB and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any

of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm. KPMG AB is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

Name, ownership and legal relationships



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

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

KPMG AB, the Swedish member firm of the KPMG network, is a company limited by shares. KPMG AB is wholly owned by its parent company Bohlinsgruppen AB.

The head office of KPMG AB is in Stockholm, Sweden. KPMG AB offers Audit, Tax and Advisory services. During the year, KPMG AB acquired KPMG in Latvia. In total, the number of employees in the two countries amounts to 1,800. On 1 October 2020, KPMG in Lithuania was acquired, making the total number of employees in the group almost 2,000.

KPMG AB is registered with the Swedish Inspectorate of Auditors (SIA), as an audit firm. KPMG AB is also registered as an audit firm with the PCAOB in the USA and the Financial Services Agency in Japan.



Responsibilities and obligations of member firms



Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, procedures and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools.

Each member firm takes responsibility for its management and the quality of its work and member firms commit to a common set of KPMG Values.

KPMG International's activities are funded by an annual fee paid to it by member firms. The basis for calculating such fee is approved by the Global Board and consistently applied to the member firms. A firm's status as a KPMG member firm and its participation in the KPMG organization may be terminated if, among other things, it has not complied with the policies, procedures and regulations set by KPMG International or any of its other obligations owed to KPMG International.

Governance structure



Shareholders

KPMG AB is wholly owned by its parent company Bohlinsgruppen AB. The shareholders of Bohlinsgruppen AB are individuals employed at KPMG AB or its subsidiaries. As of 30 September 2020, there were 110 shareholders in Bohlinsgruppen AB.

The shareholders of Bohlinsgruppen AB take part in shareholders' meetings and the Annual General Meeting. Shareholder's meetings make decisions on, among other things, the selection of new shareholders, members of the shareholders' committee, members of 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 to nominate the Chairman of the Board and external auditors.

The Board

The principal governance and oversight body of KPMG AB is the Board; which provides leadership to the organization and is responsible for the long term growth and sustainability, setting the strategy and overseeing its implementation, monitoring performance against the business plan and protecting and enhancing the KPMG brand.

The Chairman of the Board chairs the Board ensuring that the Board members receive accurate, timely and clear information and ensuring effective communication and relationships with the shareholders at large. The current Chairman of the Board, Björn Hallin, was appointed in 2016 by the shareholders meeting.

The Swedish Board consists of seven members. The constitution of the Board is determined by the annual shareholders meeting. The Board meets on a regular basis to undertake certain statutory duties for KPMG AB including approving the annual accounts.

In addition, there is a Quality Committee within KPMG AB that reports to the Board.

The Management Team

The Management Team is responsible for executing the strategy set by the Board. This includes having the authority and ability to provide operational leadership to manage the day-by-day activities of KPMG AB.

The Management Team members are appointed by the Managing Director. The members of the Management Team, as of January 1, 2021 are presented to the right.

The Quality Committee

The principal role of the Quality Committee is to provide oversight of quality and risk management matters across the firm. As part of its role it oversees that a culture of quality and integrity is maintained within the firm and, where required, it will act as a sounding board to the Risk Management Partner on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from the compliance quality monitoring programs and the adequacy of proposed remedial actions.

Board of Directors

Chairman of the Board:

Björn Hallin

Board Members:

Helena Arvidsson Älgne

Anders Bäckström

Mattias Eriksson

Susann Lundström

Nigel Rouse

Fredrik Waern

The Management Team:

Managing Director

Patrik Anderbro

Head of Audit

Johan Dyrefors

Private Enterprise Leader

Jenny Barksjö Forslund

Head of Tax & Legal

Annika Lindström

Head of Advisory

Jan Forsell

Head of Clients & Markets

Tina Zetterlund

Head of People & Culture

Annica Hedmark

Chief Financial Officer

Liselotte Haglind

Chief Digital Officer

Ulf Borgcrantz

Partner remuneration

Remuneration to partners is based on the annual surplus generated to partners.

Principles of remuneration to partner

The basis for remuneration to partners is the role and responsibility for the partner and specific key areas which are quality, competency, risk management, building the firm and living the values, leading people, market leadership and growth. In accordance with the applicable rules, audit partners are not being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

Partners are assessed yearly, which includes a self-evaluation, assessment at function level and firm level. Evaluations 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. A partner's remuneration consists of several components, such as salary, dividend, pension, contribution and other benefits.



System of quality control

Overview



Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. However, these are required to be backed up by a system of quality control that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQRMM) which applies to all KPMG personnel. KPMG AB is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG AB is required to implement KPMG International's policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by the Swedish Inspectorate of Auditors (SIA), the institute for the accountancy profession in Sweden (FAR) and other relevant regulators such as the US Public Company Accounting Oversight Board (US PCAOB) as well as applicable legal and regulatory requirements. Quality control and risk management are the responsibility of all KPMG AB's partners and employees. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to all KPMG partners and employees wherever they are based.

KPMG are implementing a program to adopt the new international standard on quality management (ISQM 1), which was approved by the IAASB in September 2020 and is effective from December 2022. ISQM 1 requires each KPMG firm to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

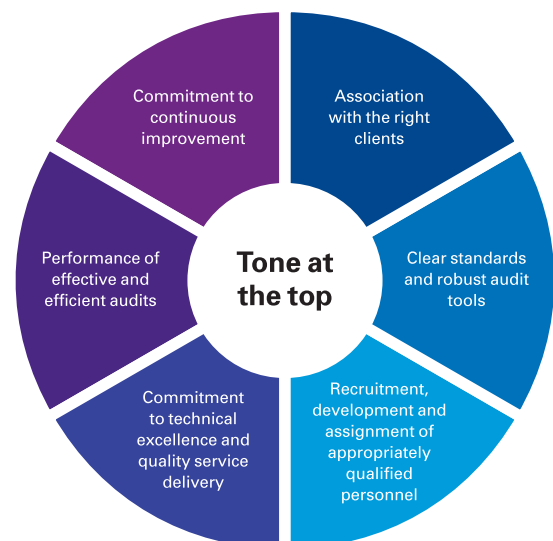
While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in member firms' Tax and Advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

Audit quality framework

At KPMG AB audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements. To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG International has developed the Audit Quality Framework.

KPMG's audit quality framework introduces a common language that is used by all KPMG firms to describe what drives audit quality and to help highlight to their audit professionals how they contribute to its delivery.

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate all KPMG firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others.





Tone at the top

KPMG global leadership, working with regional and member firm leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders rely.

At KPMG AB we promote a culture in which consultation is encouraged and recognized as a strength.

Tone at the top means that KPMG AB's leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust. KPMG share the same set of common values.

Outlined in KPMG's Global Code of Conduct are the responsibilities all KPMG personnel have to each other, our clients, and the public. It shows how our Values inspire our greatest aspirations and guide all of our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Our Values lie at the heart of the way we do things. To do the right thing, the right way, always. They drive our daily behaviors, guide our decisions, and shape our admissions. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward – through our work and the example we set – as we inspire confidence and empower change throughout the world.

Everyone at KPMG is required to comply with the Global Code of Conduct and to confirm their compliance with the Code. Everyone at KPMG is also required to take regular training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is inconsistent with our Values.

Moreover, everyone at KPMG is responsible for reporting – and is required to report – any activity that could potentially be illegal or in violation of our Values, KPMG policies, applicable laws, regulations or professional standards.

To safeguard this, each KPMG firm is required to have procedures and established channels of communication so that anyone working there can report suspected ethical and quality issues or concerns.

In addition, the KPMG International hotline is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by any KPMG International entity, activities of KPMG firms or KPMG personnel.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

At KPMG AB, we regularly monitor the extent to which our people feel that the firm lives the KPMG Values through our Global People Survey.

Leadership responsibilities



KPMG AB demonstrates commitment to quality, ethics and integrity, and communicates our focus on quality to clients, stakeholders and society.

Our leadership plays a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

Our leadership team is committed to building a culture based on quality, integrity and ethics, demonstrated through their actions – written and video communications, presentations to teams and one-to-one discussions.

The following individuals have leadership responsibilities for quality and risk management at KPMG AB.

Managing Director

In accordance with the principles in ISQC 1, our Managing Director, Patrik Anderbro, has assumed ultimate responsibility for KPMG AB's system of quality control. Details of some of the measures that he and the Board have taken to ensure that a culture of quality prevails within KPMG AB are set out in this transparency report.

Risk Management Partner

The Risk Management Partner (RMP) is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG AB. The RMP consults with the appointed Area Quality and Risk Management Leader.

The fact that RMP is a senior role underlines the importance the firm places on risk and quality issues. The latter areas are also standing items on the board agenda. The RMP is supported by a team of partners and professionals in each of the functions.

Ethics and Independence Partner (EIP)

The RMP also holds the role as Ethics and Independence Partner, and has thereby also primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG AB.



The Audit, Tax & Legal and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax & Legal and Advisory) are accountable to the Managing Director for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Risk Management Partner. These procedures make it clear that, at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

KPMG AB's Head of Audit is responsible for leading a sustainable high-quality Audit practice. This includes:

- setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence, including scepticism, objectivity, and independence;
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities; and
- working with the Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

Audit Leadership Team

The Audit Leadership Team of KPMG AB met regularly during the year to 30 September 2020 and these meetings included regular discussions about current and emerging audit quality issues arising from external and internal quality review processes, queries being raised by engagement teams, root cause analysis procedures and other quality matters identified from a variety of sources. These were debated, other observations collected from client-facing teams were considered, and actions agreed. Typically, most of these actions are short term, in which case they are developed and communicated through the regular technical briefings issued to the whole Audit function of KPMG AB and also, if considered of sufficient magnitude, included in the next mandatory training.

For more complex issues (which might require amendments to KPMG's global audit methodology or audit tools) these will be raised with the KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG) and the International Standards Group (ISG).

Investing in continuous improvement

KPMG continues to invest significantly in audit quality across the global organization. We are building on our sound audit quality foundations, both in terms of how we manage our firms and how we execute audit engagements.

This means ongoing investment in our system of quality management, global monitoring of audit quality, enhanced support, and providing best-in-class technology and tools for engagement teams.

Our global audit quality program supports consistent deployment of investments to enhance and drive a common approach.

Association with the right clients



Acceptance and continuance of clients and engagements

Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship, or performing a specific engagement.

KPMG firms are required to evaluate whether to accept or continue a client relationship, or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

Client evaluation

KPMG AB undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners.

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG AB partners and employees and includes review by quality and risk management leadership as required.



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

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

Continuance process

KPMG AB undertakes an annual re-evaluation of all its audit clients. The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place. This may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit.

Recurring or long running non-audit engagements are also subject to periodic re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

Withdrawal process

Where KPMG AB comes to a preliminary conclusion that indicates that we should withdraw from an engagement or client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.

Client portfolio management

KPMG AB leadership appoints engagement partners who have the appropriate competence, capabilities, time and authority to perform the role for each engagement.

We review each audit partner's client portfolio in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.

Clear standards and robust audit tools



All professionals are expected to adhere to KPMG International and KPMG AB policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The KPMG AB policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards, and other relevant laws and regulations such as bribery legislation, the Money Laundering Act and insider rules.

Our approach to audit

The KPMG organization has been investing significantly in evolving its audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data science, audit automation, data visualization and more. Digital audit is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

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

- timely partner and manager involvement throughout the engagement
- access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment
- ongoing mentoring, supervision and review of the engagement team managing and documenting the audit.

KPMG's commitment to audit quality during the COVID-19 pandemic

The COVID-19 pandemic has forced us all to think differently, we continue to respond to and embrace this challenge. Most organizations are likely to be impacted by the COVID-19 pandemic, either directly or indirectly, and the increased economic uncertainty and risk may have significant financial reporting implications. Issues including going concern, asset impairments and valuations will require careful judgment as organizations deal with a high degree of uncertainty and market volatility. KPMG firms' role as auditors is to evaluate these judgements.



Since the start of the pandemic we have maintained an online COVID-19 – Financial reporting resource center to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence communications with Those Charged With Governance, and considerations for remote working environments.

KPMG's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with all audit, technical accounting and auditing resources, guidance and audit platforms and tools available electronically, enabling the conversion to a remote working environment.

Communication has been increasingly important to everyone during the COVID-19 pandemic. KPMG International have leveraged our investments in technology to provide KPMG firms with more regular updates, including virtual meetings to share best practices and guidance.

Consistent audit methodology and tools

Bringing consistency through our methodology

Our audit methodology, tools and guidance are:

- globally consistent and fully compliant with the applicable standards, including International Standard on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by member firms
- inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed
- centered on identifying risk, focusing on risks of material misstatements and the necessary audit response
- made available to all KPMG audit professionals and required to be used, where necessary
- applied even where local auditing standards may be less demanding than the ISAs

The KPMG audit methodology is set out in KPMG's Audit Manual and the KPMG Audit Execution Guide and includes additional requirements that go beyond the ISAs, which we believe enhance audit quality. The methodology emphasizes

applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards, and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many companies are experiencing significant financial uncertainty. KPMG have issued guidance to auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairments and provided reminders of the importance of exercising professional skepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

Delivering through our current audit workflow

The current KPMG audit is enabled through eAuditIT, an activity-based workflow and electronic audit file used by all KPMG member firms. eAuditIT is KPMG's audit documentation workflow that allows professionals to complete quality and consistent audits. eAuditIT integrates KPMG's audit methodology, guidance and industry-specific knowledge, and the tools needed to execute and document the audit work performed.

eAuditIT can be "scaled" to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to KPMG's audit guidance, professional standards and documentation templates.

Investing for the future

While our current audit workflow and methodology are robust and consistent with all auditing standards' requirements, the changes we are making will enable us to execute on our objective of a relentless focus on audit quality and provide us with the platform to build in continuous enhancements as the power of new technologies develops.

We have laid the groundwork for this already with the launch of our smart audit platform, KPMG Clara, in 2017. In addition to KPMG Clara, we have in 2020 launched the first version of the audit tool NASAA Web (Nordic Automated Standardized Audit Approach), applicable for our micro- and less complex entities.

Audit solutions for today's world

We recognize that in order to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world.



That is why we embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver more detailed insights to our clients, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

The continuation of this process will see a new workflow and revised audit methodology embedded into the KPMG Clara platform. Limited deployment of the new KPMG Clara workflow took place during 2019, and full deployment globally started in 2020, and is expected to be completed by the end of 2022.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG's journey to innovate, digitalize and transform the audit experience for our people. Side by side with KPMG Clara workflow, there is a Nordic project ongoing, NASAA Web, that aims to focus on the needs for the audit of small entities.

Both KPMG Clara and NASAA Web are significant investments that underline our commitment to audit quality, consistency and innovation.

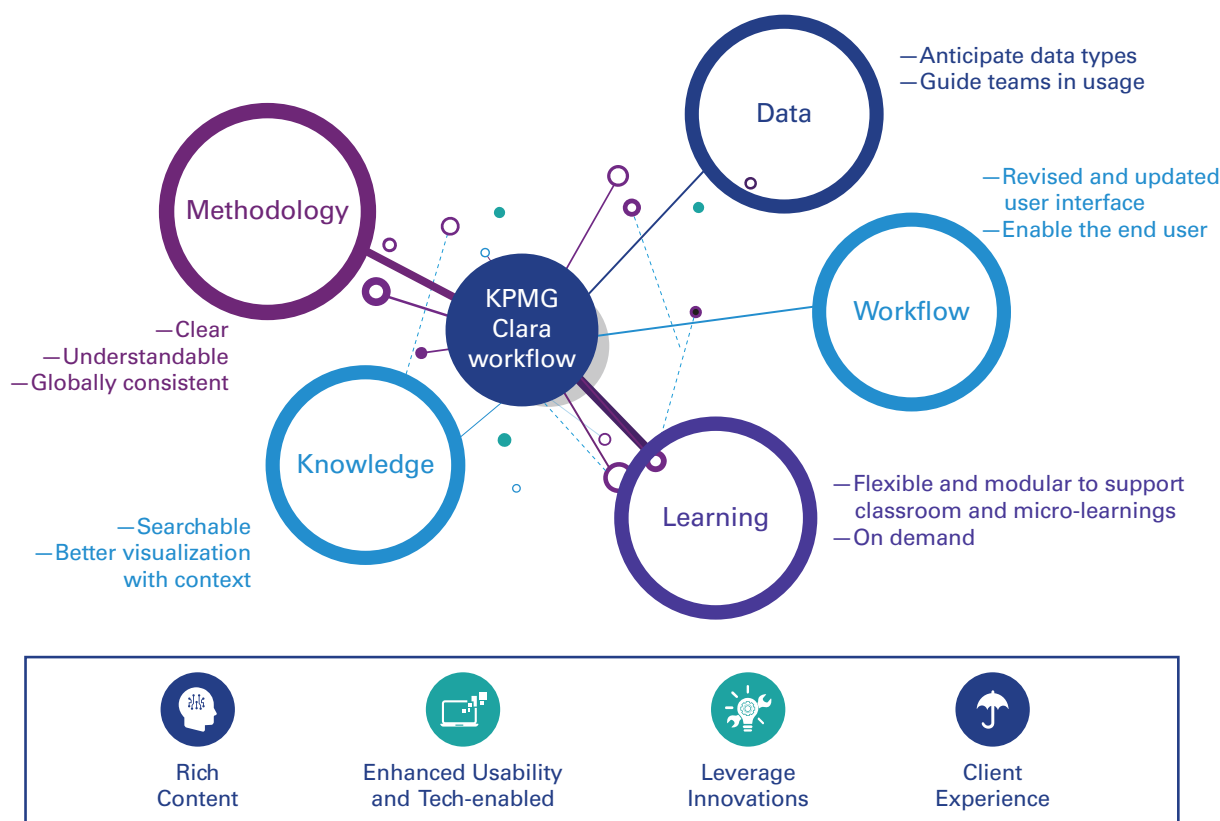
Bringing it all together in KPMG Clara

The KPMG Clara smart audit platform brings together KPMG's digital audit capabilities, innovative new technologies, collaboration capabilities and our new KPMG Clara workflow.

Creating the new KPMG Clara workflow

The new KPMG Clara workflow will be used by our audit teams to execute and document KPMG audits. It will guide audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards with a clear display of information, visuals, and guidance available at the moment of need, and with embedded advanced digital audit capabilities. The workflow and revised audit methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and clearly drive audit quality and global consistency.

Through the use of data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow will also facilitate member firms' monitoring of audit execution at the engagement level.





Once the KPMG Clara workflow has been fully deployed our predecessor audit workflow tool, eAudIT, will be retired.

Strategically embedding the use of data through digital audit capabilities

KPMG Clara also allows us to more seamlessly build digital audit capabilities into our audits. Digital audit routines are capable of interrogating and analyzing vast quantities of data.

KPMG's audit is designed to:

- enhance audit quality; by providing a deeper understanding of data populations, giving focus to higher risk transactions;
- be secure; by restricting access to data both in transit and within KPMG's IT environments; and
- be transparent; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and provide increased visibility into higher risk transactions and process areas.

Digital audit capabilities and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

Current capabilities in this area facilitate the performance of planning and risk assessment activities and substantive procedures, and include capabilities that:

- enable the analysis of account balances and journal entry data
- automate 'period on period' balances comparison and 'time series' evolution information
- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

Development of Nordic Automated Standardized Audit Approach (NASAA)

Even though KPMG Clara Workflow will be a scalable audit tool, there is a need for considering the large amount of small and less complex audit engagements in Sweden and in the Nordics. The development of NASAA Web is a collaboration between KPMG in Sweden and KPMG in Finland.

NASAA Web is a cloud based audit tool and the implementation of the tool will, to a great extent, lead to replacement of manual audit work with automatized and standardized processes. Through obtaining and analyzing clients' data frequently during the year, we will be able to perform a real-time audit. The objectives with NASAA Web are to enhance audit quality, increase efficiency and create higher value for the clients. Version 1 of the audit tool is in use since mid-2020.

Together with our KPMG Clara platform and NASAA Web, we are investing significantly in digital audit capabilities and paving the way for the increasing use of emerging

technologies such as robotic process automation and machine learning – which will take the power of technology applied in the audit to an even greater level.

Independence, integrity, ethics and objectivity

Overview

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Quality & Risk Management Manual, which applies to all KPMG firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues and facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the Swedish Auditors Act, and the EU Audit Regulation or the SEC independence rules (as relevant), as well as rules and pronouncements by the Swedish Inspectorate of Auditors (Revisorsinspektionen).

The policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

The Partner-in-Charge of the Global Independence Group is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG firms, and that tools are available to help the firms and their personnel to comply with these requirements.

KPMG AB has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing partners responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials,



- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in section *Internal monitoring and compliance programs*.

KPMG AB partners and employees are required to consult with the EIP on certain matters as defined in the GQMMM. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

Compliance with the Swedish Auditors Act encompass, amongst other things, applying the so called Analysis model for all engagements relating to an audit client. This means that, before starting work on an engagement for an audit or assurance client, a check is made 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, the engagement is declined. Furthermore 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.

As described in the section *Resolving conflicts of interest* 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 or subject to the EU Audit Regulation including their affiliates/related entities, a preapproval process is stipulated. This means that the client's audit committee or a designated delegate have to assess the proposed engagement and as found relevant, provide a pre-approval before an engagement can be initiated.

Personal financial independence

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners – irrespective of their firm or function – are generally prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

All partners and all manager grade and above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

Employment relationships

Any KPMG AB professional providing services to an audit client irrespective of function is required to notify the EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG firm that is a public interest entity.

Former members of the audit team or former partners of KPMG AB are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG AB, including payments which are not fixed and predetermined and/or would be material to KPMG AB and ceased participating in KPMG AB business and professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG AB professionals by audit clients.

Firm financial independence

KPMG firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.



In common with other KPMG firms, KPMG AB uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension and employee benefit plans.

Additionally, KPMG AB is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG AB confirms compliance with independence requirements as part of the Risk Compliance Program.

Business relationships/suppliers

KPMG AB has policies and procedures in place that are designed to ensure its business relationships with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC.

These include establishing and maintaining a process to evaluate potential third-party arrangements (for example business alliances and joint working arrangements, procurement relationships and marketing and public affairs activities) with particular regard to whether they have a bearing on auditor independence.

Business acquisitions, admissions and investments

If KPMG AB is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG AB and the wider global organization.

Independence clearance process

KPMG AB follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' required to be completed prior to accepting an audit engagement for these entities.

The 'KPMG Independence Checkpoint' tool is used to automate and standardize all the workflows that comprise the independence clearance process. The tool was developed in anticipation of the increasing number of audit tenders and independence clearances that need to be completed as a result of mandatory firm rotation of statutory audits.

Independence training and confirmations

All KPMG AB partners and client facing professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG AB and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training should do so by the earlier of (a) thirty days after joining KPMG AB or (b) before providing any services to, or becoming a member of the chain of command for, any audit client.

We also provide all partners and employees with annual training on:

- the Global Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards; and
- reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies.

New partners and employees are required to complete this training within three months of joining KPMG AB.

All KPMG AB partners and employees are required to sign, upon joining KPMG AB, as well as annually, a confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

Non-audit services

All KPMG firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG AB is required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG AB. KPMG AB's EIP is involved in the review of potential independence issues related to these new or modified services.

In addition to identifying potential conflicts of interest, Sentinel facilitates compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees are required to be entered into Sentinel as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel submission.

Lead audit engagement partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel. They are also responsible for identifying and evaluating any independence threats that may arise



from the provision of a proposed non-audit service and the safeguards available to address those threats. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG global independence policies prohibit member firm audit partners from being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies require firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

- this be disclosed to those charged with governance at the audit client; and
- a partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

No audit client accounted for more than 10 percent of the total fees received by KPMG AB over the last two years.

Contingent fees are prohibited for audit clients.

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG AB partners or employees have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the Risk Management Partner (RMP) or the EIP is required in these situations.

KPMG International policies are also in place to prohibit KPMG partners and staff from offering or accepting inducements, including gifts and hospitality to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered with the intent to improperly

influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/ or its partners' or employees' ability to be objective or otherwise act without bias.

All KPMG firms are required to use Sentinel for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG AB has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which are required to be documented.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

Independence breaches

All KPMG AB personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence rules are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG AB has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. Our Quality Committee oversees policies and procedures in relation to ethical matters and breaches of requirements.

Matters arising are factored into our promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

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

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG AB. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local



practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials.

Further information on KPMG International anti-bribery and corruption policies can be found on the anti-bribery and corruption [site](#).

Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG AB partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these partners may not:

- participate in the audit;
- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;

- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

KPMG AB monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control Reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Firm rotation

KPMG AB is permitted to act as an auditor for Public Interest Entities ("PIE") as defined in the EU Audit Regulation. This means that the firm is subject to firm rotation rules stipulating a maximum number of years as the statutory auditor and not to act as auditor for such clients for a specified period thereafter (referred to as the 'cooling off period'). KPMG AB has processes in place to track and manage compliance with audit firm rotation requirements.





Delivering a skilled and supported workforce

Recruitment, development and assignment of appropriately qualified people



One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver high quality audits. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

KPMG AB is committed to building an extraordinary people experience for all current and prospective KPMG partners and employees.

Recruitment

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools. KPMG AB also recruits experienced personnel and a few new partners yearly.

All candidates submit an application and are employed following a variety of selection processes, which include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

KPMG AB recruited 132 new graduates in the year ended 30 September 2020 (Year 2019: 109 new graduates).

Where individuals are recruited for senior grades, a formal background check is conducted. KPMG AB does not accept any confidential information belonging to the candidate's former firm/employer.

Personal development

Attracting, retaining and developing talented individuals is at the very top of our people agenda and is key in order for KPMG to be the clear choice in the market. KPMG AB's approach to performance development, is built around the 'Open Performance Development process', the Everyone a

Leader performance principles, and an ambitious learning agenda. Performance development at KPMG AB also includes:

- global and local role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a Learning library including a blend of formal learning for the development of key technical, leadership and business skills and also social learning or learning through others and through their engagement and project work.
- a goal library (including audit quality content); and
- standardized review forms – performance zones (with provision for audit quality ratings),

Open Performance Development is designed to articulate what is required for success – both individually and collectively. With a focus on high performance and regular feedback we identify high potentials who will develop into more senior or more complex roles. High performers are further developed through coaching and mentoring on the job, internal or global mobility opportunities and secondments.

At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organization.

KPMG AB monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners and directors. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

Inclusion and Diversity programs

KPMG AB is committed to fostering an inclusive culture for all. To succeed with this we constantly educate all our staff in different ways. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.



Our leadership and management teams also need to reflect on the diversity within our firm and the diversity of our clients.

We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusion and diversity at KPMG AB and across all KPMG firms.

For more about Inclusion & Diversity at KPMG read [here](#).

Reward and Promotion

Reward

KPMG AB has compensation and promotion policies that are informed by market data, clear, simple, and linked to the performance review process. This helps our partners and employees understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved by assessing relative performance across a peer group to inform reward decisions.

Reward decisions are based on consideration of both individual and firm performance as well as market collective salary agreement.

Promotion

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

The extent to which our people feel their performance has been reflected in their reward is measured with action plans developed accordingly.

Partner admissions

The KPMG AB process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Partner admissions require recommendation from both the Managing Director and the Board, and approval by the partnership in a formal partners meeting. Our criteria for admission to the KPMG AB partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

Assignment of professionals

KPMG AB has procedures in place to assign both engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity – based on an annual partner portfolio review – to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

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

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

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

Insights from our people – Global People Survey (GPS)

Annually, KPMG invites all its people to participate in an independent Global People Survey to share their perception about their experience of working for KPMG. The GPS provides an overall measure of our people's engagement through an Engagement Index as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role, gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in audit respond to, giving us a particular data set for audit quality related matters.

The survey also specifically provides KPMG AB leadership and KPMG global leadership with results related to quality and risk behaviors, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG AB generally participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are



also aggregated for the entire global organization and are presented to the Global Board each year and appropriate follow-up actions agreed. In 2020 KPMG AB replaced the GPS with quarterly pulse surveys. The reason for replacing the GPS was internal organisational changes at the time of the GPS so the result would not be representative or comparable with previous years.

Commitment to technical excellence and quality service delivery



All KPMG AB professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG AB the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

At the same time, audit policies require all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

Lifetime learning strategy

Formal training

Annual training priorities for development and delivery are identified by Audit Learning and Development steering groups at a global, regional and firm level. Training is delivered using a blend of learning approaches and performance support to assist auditors on the job.

In relation to audit, KPMG AB:

- deploys a variety of learning solutions that are designed to reinforce the KPMG Values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit.

Mentoring and on the job training

Learning is not confined to a single approach – rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and instill that every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences.

In relation to audit, KPMG AB:

- provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics – this is used by audit teams and this guidance is embedded across audit learning solutions

Continuing professional development (CPD)

All client serving partners and employees are required to maintain CPD in accordance with applicable professional standards, laws and regulations.

Compliance with the CPD requirements is tested as part of firms' annual monitoring programs.

Licensing and mandatory requirements for IFRS and U.S. GAAP engagements

Licensing

All KPMG AB professionals are required to comply with applicable professional licence rules and satisfy the CPD requirements stipulated by the Swedish Inspectorate of Auditors (SIA) as well as the institute for the accountancy profession in Sweden (FAR). KPMG AB policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework – IFRS as well as K3 and K2 (Swedish GAAP).

Mandatory requirements – U.S. GAAP engagements

In addition, KPMG has specific requirements for partners, managers and Engagement Quality Control (EQC) reviewers working on engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

Access to specialist networks

KPMG AB engagement teams have access to a network of KPMG specialists – either within KPMG AB or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfill their role.

The need for specialists to be assigned to an audit engagement in areas such as information, technology,



tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the conduct of the engagement.

Culture of consultation

Encouraging a culture of consultations

KPMG encourages a strong culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG AB promotes a culture in which consultation is recognized as a strength and that encourages all KPMG AB professionals to consult on difficult or contentious matters.

To help with this, KPMG AB has established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the GQRMM includes mandatory consultation requirements on certain matters.

Technical consultation and global resources

Technical auditing and accounting support is available to KPMG AB as well as other member firms through the Global Audit Methodology Group (GAMG), KPMG Global Solutions Group (KGSG), the ISG and the PCAOB Standards Group (PSG).

Global Audit Methodology Group (GAMG)

KPMG's audit methodology is developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit methodology based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

KPMG Global Solutions Group (KGSG)

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in our audit methodology and tools with the core focus of improving audit quality and global consistency.

Key areas of work performed include:

- developing innovative audit capabilities (i.e. technology solutions) and deploying and using advanced audit solutions
- deploying KPMG Clara – a smart audit platform, incorporating advanced technologies, data science, audit automation, data visualization and more
- enhancing KPMG's audit methodology, workflow and knowledge used by member firms' audit professionals.

With locations, in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

International Standards Group (ISG)

The ISG works with Global IFRS topic teams, with geographic representation from around the world, as well as the IFRS Panel and ISA Panel to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis.

PCAOB Standards Group (PSG)

The PCAOB Standards Group (PSG) comprises a dedicated group of professionals with background in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards applied globally in KPMG firms' audits of non-US components and foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

KPMG AB's professional practice resource

KPMG AB provide consultation support on auditing and technical accounting matters to our audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP).

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

DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Quality and Risk, Head of Audit or ultimately the Managing Director.

Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG's International Standards Group and PCAOB Standards Group are also available for consultation support when required.



Performance of effective and efficient audits

How an audit is conducted is as important as the final result. KPMG AB partners and employees are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.

Embedding ongoing mentoring, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG AB promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- engagement partner participation in planning discussions
- tracking the progress of the audit engagement
- considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out in accordance with the planned approach to the engagement
- helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately
- identifying matters for consultation with more experienced team members during the engagement.

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

Engagement quality control (EQC) reviewers

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner or country Head of Audit.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.

EQC reviewers are required to meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.



KPMG is continually seeking to strengthen and improve the role that the EQC review plays in member firm audits and have taken a number of actions to reinforce this, including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

Reporting

The auditing standards largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the inclusion of an 'emphasis of matter' or 'other matter' paragraph, as well as key audit matters to be communicated).

Engagement Documentation

Our audit documentation is completed and assembled according to the timeline established by the global policy and auditing standards. We have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

Insightful, open, and honest two-way communication

Two-way communication with those charged with governance, often identified as the Audit Committee, is key to audit quality and is a key aspect of reporting and service delivery.

At KPMG AB we stress the importance of keeping those charged with governance informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, attendance at Audit Committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the Audit Committee.

IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help the Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

Client confidentiality, information security, and data privacy

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

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

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



Quality monitoring and remediation

Commitment to continuous improvement



KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits.

Integrated quality monitoring and compliance programs enable member firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.

The quality monitoring and compliance programs are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG AB compares the results of its internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

Internal monitoring and compliance programs

KPMG AB monitoring programs evaluate both:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International key policies and procedures; and
- KPMG AB's compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. These include:

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across the Audit, Tax & Legal and Advisory functions; and
- a cross functional Global Compliance review (GCR) program with firms selected for review at various intervals based on identified risk criteria.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

Risk-based approach

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

KPMG AB conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG AB level and are monitored regionally and globally. Firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the firm.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

Reporting

Findings from the QPR program are disseminated to firm professionals through written communications, internal training tools, and periodic partner, manager and staff meetings.

These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement (defined as 'Performance



Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

Global Audit Quality Monitoring Group (GAQMG)

The GAQMG is comprised of a team of partners, directors and senior managers experienced in performing QPR program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls.

Each of the GAQMG reviewers attends the Global QPR training delivered for their respective member firm. The GAQMG team is responsible for performing selected QP reviews of LRE audit engagements.

Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, KPMG perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG AB's system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for KPMG AB to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, KPMG is required to develop appropriate action plans and monitor the status of each action item.

Global Compliance Review (GCR) program

Each KPMG firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at various intervals based on identified risk criteria.

The GCR team performing the reviews is independent of the firm and is objective and knowledgeable of GQ&RM policies. GCRs assess compliance with selected KPMG International policies and procedures and share best

practices among member firms. The GCR provides an independent assessment of:

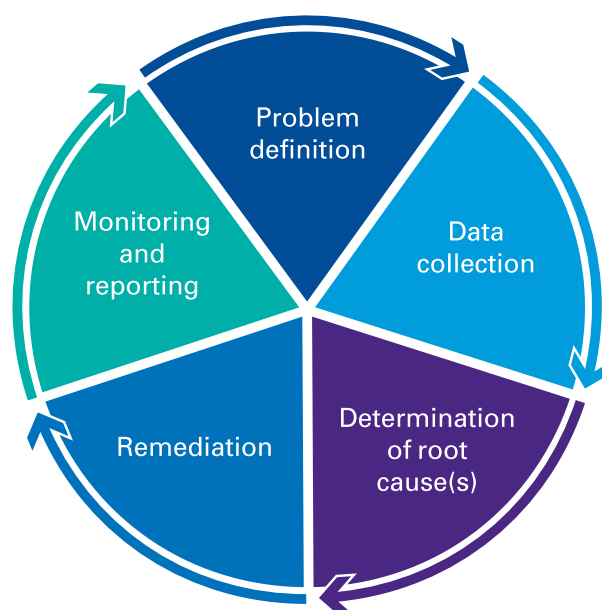
- a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- a firm's compliance with KPMG International policies and procedures; and
- the robustness with which the member firm performs its own compliance program (RCP).

KPMG AB develop action plans to respond to all GCR findings that indicate improvement is required and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the GQ&RM Steering Group and when necessary, to appropriate KPMG International and regional leadership.

Root Cause Analysis (RCA)

KPMG AB performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. RCA training based on our Global RCA 5 Step Principles has been attended by those individuals at KPMG AB who will be performing RCA or directing those performing RCA. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:





It is the responsibility of all KPMG firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG AB's Head of Audit is responsible for the development and implementation of action plans as a result of RCA, including identification of solution owners. Our Risk Management Partner monitors their implementation.

Recommendations for improvements

At a global level, through the Global Audit Quality Council and the GQ&RM Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes and planned remedial actions and develops additional global remediation actions as required.

Global remediation actions developed by KPMG International are aimed at changing culture and behavior across the global organization and at driving consistent engagement team performance within KPMG firms. The remediation actions have been implemented through the development of global training, tools and guidance to drive consistency, ensure the fundamentals are right and that best practice is shared across the global organization.

External feedback and dialogue

Regulators

As a registered audit firm KPMG AB is subject to supervision through external regulatory review processes performed by various regulators. In Sweden, the Swedish Inspectorate of Auditors (SIA) performs independent inspections in accordance with the Swedish Auditors Act 2001:883 with regards to individual auditors as well as registered audit firms. The SIA completed their most recent inspection work in October 2018. The public report on the inspection was released on 22 October 2018 and is available on the [SIA website](#). In addition, we are subject to quality controls performed by FAR, the institute for the accountancy profession in Sweden.

KPMG AB is also registered with the US PCAOB and the Japanese Financial Services Authority. The most recent inspection by the US PCAOB was performed in 2014 and reported to KPMG AB on 21 December 2015. A final follow-up report, dated 6 July 2017, was received in August 2017.

None of the external inspections have identified any issues that have a material impact on the conduct of our statutory audit business.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues across the entire organization.

Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed on our website and in our general terms of business.





Financial information

Revenue includes expenses billed to clients and revenue related to billings to other KPMG firms. Revenue amounts disclosed in this report include revenue from both audit and non-audit clients.

Revenue is presented in accordance with the Annual Accounts Act and included for

1. Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE.
2. Revenues from the statutory audit of annual and consolidated financial statements of other entities.
3. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm.
4. Revenues from non-audit services to other entities.

Financial information for the period ended on 30 September 2020 expressed in SEK million

	FY20	%	FY19	%
1. Statutory audits of PIE:s	235	9%	211	9%
2. Statutory audits of non PIE:s	912	36%	865	36%
3. Other permitted non-audit services to entities that are audited by the statutory auditor or the audit firm	341	14%	417	17%
4. Other non-audit services to other entities	1 037	41%	927	38%
Total	2 525	100%	2 420	100%

For more detailed financial information, please refer to our annual report as of 30 September 2020.



Network arrangements

Legal structure



Legal structure for the Financial Year ending 30 September 2020

KPMG AB is affiliated with KPMG International Cooperative ("KPMG International"). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the 'Governance and leadership' section of the [2019 report](#).

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

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable, having an ownership, governance and management structure that ensures continuity and stability and long term success and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the organization and the EU/EEA countries in which each firm

is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available on KPMG International's website.

Legal structure from 1 October 2020

On 1 October 2020, KPMG AB and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. From 1 October 2020, KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements¹

Aggregated revenues generated by KPMG firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was 2,8 billion euros during the fiscal year ended 30 September 2020. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2020.

¹ The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.



Responsibilities and obligations of member firms



Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values (shown in the beginning of this report).

KPMG International's activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the Global Board and consistently applied to the firms. A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its other obligations owed to KPMG International.

Professional Indemnity Insurance

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

Governance structure



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

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee firms are generally indirectly represented by a member.

Global Board



The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms.

It is led by the Global Chairman, and also includes the Chairman of each of the regions and a number of other member firm senior partners. The list of current Global Board members can be found [here](#).

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

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing the global strategy by working together with the Executive Committee, and jointly recommending the global strategy to the Global Board for its approval. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable against their commitments.

It is led by the Global Chairman and includes the Global Chief Operating Officer, Global Chief Administrative Officer, global function and infrastructure heads, the Global Head of Quality, Risk and Regulatory and the General Counsel.

The list of current Global Management Team members is available in the [Leadership section](#) on kpmg.com.

Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together they assist the Global Management Team in discharging its responsibilities. In particular the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- establish, and ensure communication of, appropriate audit and quality/risk management policies;



- establish and support effective and efficient risk processes to promote audit quality;
- promote and support strategy implementation in member firms' audit functions, including standards of audit quality; and
- assess and monitor audit quality issues, including those arising from quality performance and regulatory reviews, and focus on best practices that reduce audit quality findings.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

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

Further details about KPMG International including the governance arrangements for the year ending 30 September 2020, can be found in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

Area Quality & Risk Management Leaders



The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GQ&RM leadership. The objectives of the ARL role are to:

- assist GQ&RM leadership in the monitoring of member firms' quality and risk activities;
- work with GQ&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled; and
- assist in monitoring the effectiveness of firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.



Statement of KPMG AB on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG AB outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

KPMG AB has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in this report and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, KPMG AB confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively 1 October 2019 to 30 September 2020.

Further, KPMG AB confirms that an internal review of independence compliance within our firm has been conducted 1 October 2019 to 30 September 2020.

Stockholm, 29 January 2021

Patrik Anderbro
Managing Director



Appendix 1

Audit clients that are public interest entities (PIEs)

In accordance with the EU's 8th Directive, these are the audit clients, that are defined as public interest entities in accordance with the EU legislation for which we have carried out statutory audits. Status as of September 30, 2020.

Public interest entities that have issued transferable stocks on a regulated market

OMX Large Cap

Addtech AB
Avanza Bank Holding AB
BillerudKorsnäs Aktiebolag (publ)
Bravida Holding AB
EQT AB
Holmen Aktiebolag
Hufvudstaden AB
ICA Gruppen Aktiebolag
L E Lundbergföretagen Aktiebolag (publ)
Modern Times Group MTG AB
NIBE Industrier AB
Nordic Entertainment Group AB
Nyfosa AB
Peab AB
Wallenstam AB
ÅF Pöyry AB

OMX Mid Cap

AddLife AB
AQ Group AB
Beijer Alma AB
Bergman & Beving Aktiebolag
Bilia AB
Concentric AB (publ)
Eastnine AB (publ)
Eltel AB
Ferronordic AB
Hansa Biopharma AB
HiQ International AB
Humana AB
Internationella Engelska Skolan i Sverige Holdings II AB
Investment AB Öresund
Inwido AB (publ)

K2A Knaust & Andersson Fastigheter AB (publ)
Knowit Aktiebolag (publ)
Lagercrantz Group AB
MIPS AB
Momentum Group AB
NP3 Fastigheter AB
Oasmia Pharmaceutical AB
Opus Group AB
Nelly Group AB (publ)
Rottneros AB
SAS AB
Xvivo Perfusion AB

OMX Small Cap

Active Biotech AB
B3 Consulting Group AB (publ)
BioInvent International AB
Christian Berner Tech Trade AB
Concordia Maritime AB
Elos Medtech AB
Empir Group AB
Episurf Medical AB
eWork Group AB
FM Mattsson Mora Group AB
IRRAS AB
MedCap AB (publ)
Micro Systemation AB (publ)
Nilörngruppen Aktiebolag
SinterCast Aktiebolag
Xbrane Biopharma AB
XSpray Pharma AB (publ)

NGM Equity

Paynova AB

NGM Nordic AIF

SBF Bostad AB (publ)

Companies that have issued transferable debt instruments on a regulated market

Ampla Kapital AB
Apikal Fastighetspartner AB (publ)
Apikal Fastighetspartner II AB
Arwidsro Fastighets AB
Cibus Nordic Real Estate AB (publ)
Energa Finance AB (publ)



Fastighets AB Stenvalvet (publ)
Humlegården Fastigheter AB (publ)
If Skadeförsäkring Holding AB
Intea Fastigheter AB (publ)
Luossavaara-Kiirunavaara Aktiebolag
LSTH Svenska Handelsfastigheter AB
Lendify Technologies AB (publ)
Nordisk Bergteknik AB (publ)
Peab Finans Aktiebolag
PostNord AB
Swedavia AB
Öresundsbro Konsortiet

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

AK Nordic AB
Avanza Bank AB
Dina Försäkring AB
Dina Försäkringar Mitt, ömsesidigt
Dina Försäkringar Skaraborg-Nerike
Dina Försäkringar Göta Ömsesidigt (fd Dina Försäkringar
Sydost)
Dina Försäkringar Sydöstra Norrland ömsesidigt
Dina Försäkringar Väst ömsesidigt
Eir Försäkring AB
Fryksdalens Sparbank
Försäkringsaktiebolaget Agria (publ)
Försäkringsaktiebolaget Avanza Pension
Försäkringsaktiebolaget Skandia (publ)
Försäkringsbolaget PRI Pensionsgaranti, ömsesidigt
Gamla Livförsäkringsaktiebolaget SEB Trygg Liv (publ)
Holmia Livförsäkring AB
Häradssparbanken Mönsterås
ICA Banken AB
ICA Försäkring AB
Idun Liv Försäkring AB
IF Livförsäkring AB
If Skadeförsäkring AB (publ)
Kommungaranti Skandinavien Försäkrings AB
Kommuninvest i Sverige AB
Kyrkans Försäkring AB (publ)
Landstingens Ömsesidiga Försäkringsbolag
LMG Försäkrings AB
Livförsäkringsbolaget Skandia, ömsesidigt
LKAB Försäkring AB
Länsförsäkringar Bank Aktiebolag (publ)
Länsförsäkringar Bergslagen ömsesidigt
Länsförsäkringar Fondliv Försäkringsaktiebolag (publ)
Länsförsäkringar Gotland
Länsförsäkringar Grupplivförsäkringsaktiebolag
Länsförsäkringar Gävleborg
Länsförsäkringar Hypotek AB (publ)

Länsförsäkringar Jönköping
Länsförsäkringar Liv Försäkringsaktiebolag (publ)
Länsförsäkringar Sak Försäkringsaktiebolag (publ)
Länsförsäkringar Skaraborg – ömsesidigt
Länsförsäkringar Skåne – ömsesidigt
Länsförsäkringar Uppsala
Länsförsäkringar Värmland
Länsförsäkringar Älvsborg
Länsförsäkringar Östgöta
OK-Q8 Bank AB
Peab Försäkrings AB
Preem Försäkrings AB
Qliro AB
Sappis Försäkrings AB
Skandiabanken Aktiebolag (publ)
Sparbanken Boken
Sparbanken Tanum
Stockholmsregionens Försäkring AB
Stockholms Stads Brandförsäkringskontor
Svenska Kommun Försäkrings AB
Södra Hestra Sparbank
Sörmlands Sparbank
Wasa Kredit AB
Westra Wermlands Sparbank
Volvofinans Bank AB
Åse Viste Sparbank



Appendix 2

List of KPMG audit firms located in EU & EEA

This is a list of KPMG audit firms as defined in Article 2 (3) of EU Directive 2006/43/EC which are located in EU/EEA countries. It has been prepared solely for the purpose of compliance by KPMG member firms with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing

Commission Decision 2005/909/EC. It is prepared on behalf of KPMG International Limited, a company limited by guarantee incorporated in England and Wales, which provides no professional services to clients. To the best of our knowledge, the list is accurate as of 1 October 2020. However, we cannot and do not warrant its accuracy at any given time.

Location	Firm name
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Linz)
Austria	KPMG Niederösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Belgium	KPMG Bedrijfsrevisoren / KPMG Réviseurs d'Entreprises
Bulgaria	KPMG Audit OOD
Croatia	KPMG Croatia d.o.o. za reviziju
Cyprus	KPMG
Cyprus	KPMG Limited
Czech Republic	KPMG Česká republika Audit, s.r.o.
Denmark	KPMG P/S
Estonia	KPMG Baltics OÜ
Finland	KPMG Oy Ab
Finland	KPMG Julkistarkastus Oy
France	KPMG Associés S.A.
France	KPMG Audit Est S.A.S.
France	KPMG Audit FS I S.A.S.
France	KPMG Audit ID S.A.S.
France	KPMG Audit IS S.A.S.
France	KPMG Audit Nord S.A.S.
France	KPMG Audit Ouest S.A.S.
France	KPMG Audit Paris et Centre S.A.S.
France	KPMG Audit Rhône Alpes Auvergne S.A.S.
France	KPMG Audit Sud-Est S.A.S.
France	KPMG Audit Sud-Ouest S.A.S.



Location	Firm name
France	KPMG Fiduciaire de France
France	KPMG SA
France	SALUSTRO REYDEL S.A.
Germany	KPMG AG Wirtschaftsprüfungsgesellschaft
Germany	KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Gibraltar	KPMG Limited
Greece	KPMG Certified Auditors A.E.
Greece	KPMG Auditing A.E.
Hungary	KPMG Hungária Kft./KPMG Hungary Ltd.
Iceland	KPMG ehf.
Ireland	KPMG
Italy	KPMG S.p.A.
Italy	KPMG Audit S.p.A.
Latvia	KPMG Baltics AS
Liechtenstein	KPMG (Liechtenstein) AG
Lithuania	'KPMG Baltics' UAB
Luxembourg	KPMG Luxembourg
Malta	KPMG
Netherlands	KPMG Accountants N.V.
Norway	KPMG Holding AS
Norway	KPMG AS
Poland	KPMG Audyt Services Sp z o.o.
Poland	KPMG Audyt Sp. Z ograniczona odpowiedzialnoacia
Poland	KPMG Audyt Sp. Z ograniczona odpowiedzialnoacia Spółka Komandytowa
Portugal	KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
Romania	KPMG Audit SRL
Slovakia	KPMG Slovensko spol. s r.o.
Slovenia	KPMG Slovenija, podjetje za revidiranje, d.o.o.
Spain	KPMG Auditores, S.L.
Sweden	KPMG AB
United Kingdom	KPMG LLP
United Kingdom	KPMG Audit Holdings Limited
United Kingdom	KPMG Audit Plc
United Kingdom	KPMG Holdings Limited
United Kingdom	KPMG Overseas Services Limited

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