



Transparency Report 2023

Our relentless focus on quality

KPMG in Taiwan

kpmg.com/tw



Contents

About this report	3
KPMG Values	6
1 Living our culture and values	8
2 Applying expertise and knowledge	14
3 Embracing digital technology	18
4 Nurturing diverse skilled teams	21
5 Associating with the right clients and engagements	26
6 Being independent and ethical	29
7 Assessing risks to quality	35
8 Communicating effectively	36
9 Performing quality engagements	38
10 Monitoring and remediation	42

Appendix	47
Appendix A Our structure and governance	48
Appendix B Public held audit clients	55
Appendix C Audit and Non-audit service information	56

About this report

This KPMG in Taiwan's 2023 Transparency Report is prepared in accordance with our "Global KPMG Quality Framework" and the "Principles for Preparation of Transparency Reports by Audit Firms" issued by the FSC in 2021, and the period of information disclosed is from January 1, 2022 to December 31, 2022. This framework describes how our commitment to KPMG Values (Integrity) and Audit Quality lie at the heart of the firm's professional conduct and service results. It provides information about our Firm's governance structure, organizational culture, oversight mechanisms for audit quality and risk management, and all of our actions related to continuous and ongoing improvement of audit quality issues.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Together. For better.

Driving quality across all we do

Public trust in the Firm's professional competence has always been closely related to the quality of the services we provide to our clients. Through constant review and continuous improvement, KPMG has accumulated bits of auditing experience, insisted on the goal of having its professional competence recognized by the outside world and the quality of its high-standard services, and created the "KPMG story" that has a history of more than 150 years, which has established KPMG's unique culture and vision, and has always acted as a provider of professional services to the society. COVID-19 is shaping the operation and business model of the emerging global economy and making the management of all enterprises challenging. In an environment of constant change and uncertainty, the stability of the Firm's quality of professional services remains a major concern. However, we are confident that we have a wealth of audit experience to fall back on.

We are ready to embrace the more complex business environment and challenges that change brings. Because change creates new ideas and opportunities; it makes us aware of the need to diversify the skills required to develop the attributes of a "good auditor" with a high level of IT knowledge and competence. Change has encouraged us to adapt to the current audit environment in which our clients operate in a highly information-based business model; it has also made auditing an exciting and perceived more rewarding profession, which in turn makes a valuable contribution to the wider environment and the future of society.

In the face of the dynamic environment, we have responded by investing heavily in the systems, tools and skills required to contribute to the efficient professional services and standards of our audit teams. These investments include KPMG International's ongoing development of an audit digitization platform (KPMG Clara) that meets global standards; KPMG International's Global Talent Development Program, which recruits multinational and multidisciplinary talent from both home and abroad; and the planning of a systematic curriculum that enhances training, coaching, and on-the-job learning to equip staff with solid digital auditing skills. Of course, we also strive to create a high-quality working and continuing education environment, as well as a healthy work-life balance to enhance the well-being of our employees.

For professionals, practicing professional services with the behavior and attitude of Integrity, a core value of KPMG's culture, is just as important as ensuring compliance with the Firm's Code of Conduct and regulations, which is essential to gain the public trust. This year, we have taken an active role in promoting awareness, starting with the governance tone at the senior level and taking the lead, so that staff can fully feel and emphasize the spirit of KPMG's Code of Conduct and establish values, in the hope that all professional services are spontaneously based on the foundation of integrity and ethics.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

The rise and emphasis on green awareness has prompted market demand for third-party independent ESG assurance services. The Firm has also invested substantial resources in the research and development of its knowledge base, the development of audit technology for assurance services, and the recruitment of diversified assurance services personnel, in order to proactively prepare our assurance services personnel to possess the skills and abilities in various advanced multidisciplinary areas, to fully integrate and apply the complex professional standards of assurance services, and to maintain an all-rounded professional standard of ESG assurance services. Besides the active development of professional assurance services, for KPMG in Taiwan's own sustainable practices, we invite you to read the "[KPMG in Taiwan 2022 ESG Report](#)" and the "[2022 Our Impact Plan](#)".

In anticipation of the new International Standard for Quality Management (ISQM 1), which has been fully implemented by the end of 2022, this year we continued to improve our overall compliance with KPMG International's System of Quality Management (SoQM) standards and strengthened our refreshed Quality Framework to be implemented in all details of our audit activities. With the strict compliance requirements based on the professional standards of SoQM, we are confident in harnessing and moving towards a higher level of audit quality to meet the diverse audit service needs of today's clients.

To continuously enhance the agility and flexibility of the Firm's operations and management to cope with major external challenges, and to ensure that the audit quality and audit results continue to meet the needs of the public, is the Firm's unchanging business mission. We expect to remain a leader in audit quality. Through the 2023 Transparency Report, all stakeholders can see that KPMG in Taiwan's relentless focus on quality.

Lin Wu
CEO



Jeff Chen
Chairman

KPMG Values

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors, both professionally and personally.

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 others, including our colleagues, clients, companies that we audit, and all our stakeholders.



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 find strength in our differences.



For Better

We do what matters.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Audit Quality

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 management.

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



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Living our culture and values

It's not just what we¹ do at KPMG that matters, we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.

¹ Throughout this document, "We", "us", "Our/our", "Firm" and "our Firm" refers to KPMG in Taiwan of the member firm of KPMG International unless stated otherwise.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



1.1 Fostering the right culture, starting with tone at the top

As a member of a global organization, we recognize that strong and clear leadership from KPMG International is critical to set the tone at the top. It provides the blueprint for accountability to all KPMG firms.

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 integrity, accountability, quality, objectivity, independence, and ethics under the tone at the top, is essential in an organization that carries out audits and other services on which stakeholders and investors rely.

At KPMG in Taiwan, we promote a culture in which consultation is strongly encouraged and recognized. We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

Our Values lie at the heart of the way we do things. To do the right thing, the right way, at the right time, always. They form the foundation of a resilient culture ready to meet challenges 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 well as inspiring our belief in professionalism and continuous change throughout the world.

KPMG is committed to quality and service excellence in all that we do, helping to deliver our best service to clients and earning the public's trust through our actions and behaviors, both professionally and personally.

Our Values 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 of our stakeholders.

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

Everyone at KPMG is held accountable for their behavior consistent with the Code. All KPMG personnel are required to take annual training covering the Code. We are committed to hold ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up when they encounter something that makes them uncomfortable or is not in compliance with the Code.

Everyone at KPMG 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 principle of holding each other accountable compliance with the Code, we are required to establish clear channels of communication to allow everyone at KPMG and third parties to make inquiries, raise concerns, provide feedback, and notify the Firm regarding incidents without fear of reprisal, in accordance with applicable laws or regulations.

KPMG in Taiwan maintains an Ethics and Compliance Hotline that allows individuals to make reports to an independent third party. Our Firm encourages use of the hotline when KPMG partners and employees feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels, or when they think doing so would be impractical or ineffective.

We maintain our reporting channels in two ways:

By calling the KPMG in Taiwan ethics hotline, 02 - 8758 9742, or internal extension number, 09000.

By accessing a web-based reporting system at: [TW-FM Ethics & Independence Dedicated mailbox](#)

Reports filed through these channels are directed to KPMG in Taiwan Ethics and Independence Partner for review and, if necessary, appropriate Firm resources will be assigned to assist in the investigation and resolution. Reports are handled confidentially and anonymously to the extent allowable by law.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

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

The KPMG International hotline is also operated by Clear View Connects and can report your concerns in three ways:

- By calling a [toll-free number](#) (open 24 hours a day, 7 days a week)
- By accessing a web-based reporting system at www.clearviewconnects.com (select KPMG International)
- Via mail to the following address:

ClearView Connects
P.O. Box 11017
Toronto, Ontario M1E 1N0
Canada

We take reports received by the KPMG International and KPMG in Taiwan hotlines seriously, responding to each report individually, and take appropriate action.

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.

1.2 Clearly articulated strategy focused on quality, consistency, trust and growth

Our business

KPMG in Taiwan is a professional firm that delivers Audit, Tax and Advisory services. We operate out of 5 offices across the country and had an average of 2,488 partners and employees with a total of 144 partners and 2,344 employees as of December 31, 2022 (2021: total of 2,477 partners and employees with 131 partners and 2,346 employees).

Our audit services are delivered through KPMG in Taiwan. Full details of the services offered by KPMG in Taiwan can be found on our website.

Information about our structure and governance is included in Appendix A of this report.

Our strategy

Our strategy is set by the KPMG in Taiwan Board and executed by Executive Committee (Ex-Com) and demonstrates a commitment to quality and trust. Our focus is to invest significantly in the priorities that form part of the global strategy execution.

System of quality management

Audit quality is foundational to instilling confidence and public trust in the capital markets, and it remains our highest priority.

Tone at the top, leadership, and a clear set of Values and conduct are essential to set the framework for quality. The quality of each audit rests on the foundation of the quality management system.

Across our global organization we have strengthened the consistency and robustness of our system of quality management that enables compliance with the International Standard on Quality Management 1 (ISQM 1), issued by the International Auditing and Assurance Standards Board (IAASB), which takes effect on 15 December 2022. We consider this a transformational and fundamental change for KPMG firms.

Our globally consistent approach to ISQM 1 drives the robustness of our responses to the risks of achieving the quality objectives set out in the standard. For each component in the standard, KPMG International has established minimum required quality objectives, quality risks and responses for all KPMG firms.

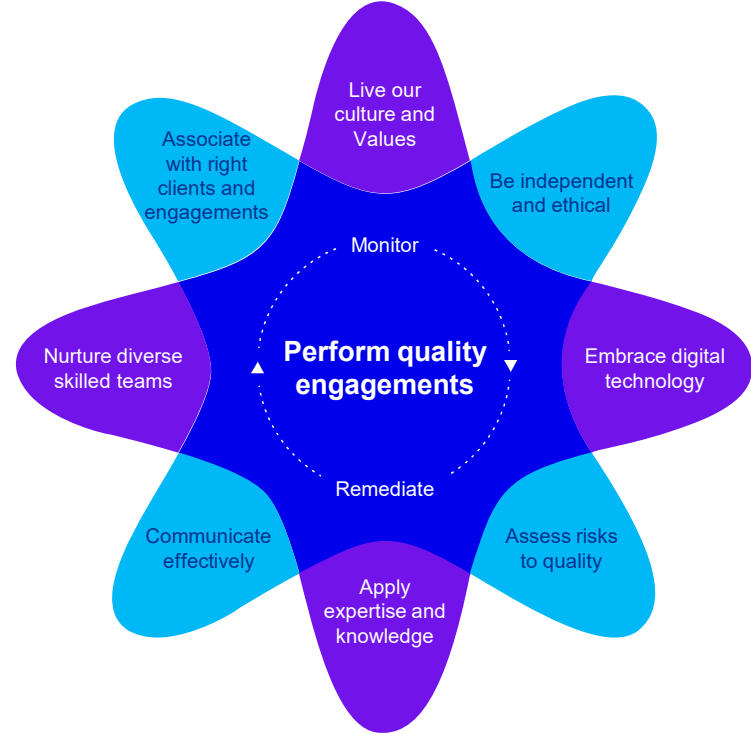
KPMG International has established a risk assessment process required to be used by KPMG firms in identifying additional firm-specific quality objectives,



quality risks, and responses and requirements for testing and evaluating of their system of quality management, and providing guidance, tools and templates to support the consistent implementation of ISQM1 across KPMG firms.

The new requirements apply to all KPMG firms within our global organization. The objective of this centralized approach is to drive the consistency, robustness, and accountability of the processes that KPMG firms implement to comply with ISQM1.

In compliance with ISQM 1, we adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how everyone at KPMG is accountable for the work they deliver. The principle of ‘Perform quality engagements’ sits at the core along with our commitment to continually monitor and remediate our processes as necessary.



THE KPMG QUALITY FRAMEWORK²

The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the IAASB and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services for the audit of financial statements.

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.

1.3 Defined accountabilities, roles and responsibilities, including for leadership

KPMG in Taiwan demonstrates commitment to integrity, quality, objectivity, independence, and ethics, 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.

We are required to seek input from the chair of the relevant KPMG Global Steering Group on the performance of certain leaders within our firm. Input is sought as part of the annual performance process and is based on an assessment of the leader’s performance, which includes matters of public interest, audit quality and risk management activities.

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



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Governance structure

Strong and clear governance structure is the critical role in implementing our commitment to quality throughout our Firm. It sets the formal framework for establishing, managing and monitoring audit quality. Our Board is the principal governance and oversight body of KPMG in Taiwan³, led by the Chairman. The Board's key responsibilities include setting and overseeing strategy implementation and performance, protecting and enhancing the KPMG brand and overseeing the management of our Firm.

The governance structure includes committees that have risk management and quality responsibilities to oversee and influence our Firm's risk management and quality-related agenda. Risk management and quality control are not simply the jurisdiction of one group or leadership role. We view risk management and quality control as the responsibility of every one of our people.

Leadership responsibilities for quality within our Firm

Both the Chairman and CEO have overall responsibility for our system of quality management which is in accordance with the principles of the International Standard of Quality Management (ISQM 1) and the performance of our Firm.

Setting the right tone is the key responsibility of our senior leadership team, which is committed to build a culture based on quality, integrity and ethics, demonstrated through their actions, written documents and video communications, as well as presentations to teams and one-to-one discussions. Such consistent communication of key message is important to reinforce our commitment to audit quality.

On every audit the assigned partner is responsible for the management and achievement of quality outcomes.

In our Firm, the Audit Quality Partners (AQPs) and Head of Audit (HoA), together with Firm Risk Management Partner (RMP) and dedicated group and functional RMPs, provide support and oversight to the performance of audits. Within the audit department, HoA and the group and functional RMPs are responsible for setting the framework for the performance of high-quality audits, including

expected attitudes and behaviors. Firm RMP, one of the most senior positions in our Firm, retains the overall operational responsibility for our system of quality and risk management.

Risk Management Partner (RMP)

The Risk Management Partner (RMP) is responsible for the direction and execution of the risk, compliance, and quality management for KPMG in Taiwan. The RMP is a member of KPMG in Taiwan's Executive Committee (EX-Com), has a direct reporting line to our Senior Partner, and consults, as appropriate, with the Senior Partner, the Regional Risk Management Partner, Global Quality & Risk Management resources, and General Counsel.

The seniority of the RMP position and the reporting lines are indicative of the importance that the firm places on risk management and quality. The RMP is supported by a team of partners and professionals in each of the functions.

Ethics and Independence Partner (EIP)

The Ethics and Independence Partner (EIP) has primary responsibility for the monitoring, direction and execution of ethics and independence policies and procedures in KPMG in Taiwan, and reports to the RMP.

Functional Managing Partners

The Managing Partners of KPMG in Taiwan's three client service functions (Audit, Tax and Advisory) are each accountable to the Senior Partner 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 RMP. These procedures make it clear that, at the engagement level, risk management and quality control are ultimately the responsibility of all professionals in the firm.

3 Refer to Appendix A for details on the Board



Our Head of Audit is responsible for the effective management and control of the Audit Function. This includes:

- setting a strong tone and culture supporting audit quality through communication, engagement support and commitment to the highest standards of professional excellence, including skepticism, objectivity, ethics and integrity;
- developing and implementing an audit strategy which is aligned with KPMG in Taiwan’s audit quality requirements; and
- working with the RMP to monitor and address audit quality and risk matters related to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

Committee structure

Our Firm consists of numbers of dedicated committees to provide sufficient oversight and resources to influence the audit quality and risk management. Descriptions below are the most relevant groups dedicated to achieving this objective. Further details about Firm’s governance bodies are contained in Appendix A.

Applying expertise and knowledge

We are committed to continue to build on our technical expertise and knowledge, knowing that it is a fundamental element in delivering high quality audits.

Sandra Chou
Head of Audit



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

2.1 Bringing consistency through our methodology

Our audit and assurance 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 of KPMG 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 and assurance professionals and required to be used, where necessary;
- Applied even where local auditing standards may be less demanding than the ISAs; and
- Based on the requirements of the International Standard on Assurance Engagements (ISAE) and aligned to assurance products in response to the growth of Environmental, Social and Governance (ESG) reporting. (Full details of the services offered by KPMG in Taiwan can be found on our website and Global website).

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAuditIT) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality. The methodology emphasizes the use of appropriate professional skepticism in performing the audit process, as well as compliance with relevant ethical standards, including independence requirements.

The KPMG Assurance Manuals provide the requirements and guidance for a consistent approach to performing assurance engagements, in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The audit and assurance methodologies emphasize applying appropriate professional skepticism in the execution of audit procedures and require compliance with relevant ethical requirements, including independence.

Enhancements to the audit and assurance methodology, guidance and tools are made regularly to maintain compliance with the most up-to-date standards, and address emerging auditing and assurance issues, and audit quality results (internal and external). For example, the current focus on ESG assurance is driving updates to our assurance methodologies, tools and guidance.

We have also added further local guidance to the globally prescribed minimum requirements in the KPMG Audit Manual, the KPMG Audit Execution Guide and the KPMG Assurance Manuals to comply with additional local professional, legal, regulatory requirements.

2.2 Deep technical expertise and knowledge

Department of Professional Practice

The Department of Professional Practice (DPP) consists of Knowledge Center (KC) and Audit Training Coordinating Unit (ATCU). KC is the center of technical excellence responsible for conducting technical research, interacting with local and global professional standard-setters and regulators, as well as providing technical accounting and auditing guidance and support to our people in the field, consisting mainly of Audit, Accounting, and Regulatory support. On the other hand, ATCU is responsible for planning, proceeding and monitoring of the training program of audit professionals.

DPP is manned by partners and senior staff primarily from the audit group. They are our technical experts, with deep understanding of Taiwan standards on accounting and auditing regulations. They take leadership positions in technical matters, and are the Firm's authorities on audit matters.

Several of our partners also hold key positions in the professional standard-setting bodies and are involved in the discussion of accounting and auditing related issues.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



KPMG Clara workflow Deployment Group

The KPMG Clara workflow (KCw) taskforce was established in 2020 and was comprised of 34 audit partners and 90 audit managers in 2022, focusing on seven categories, namely risk assessment, walkthrough and control response, substantive response, information and sampling, estimate and group audit and engagement setup. The taskforce delivers the KCw example files, KCw activity flowchart and the checklist, etc., and trains all audit professional on the new methodology.

All the engagements to be audited have been migrated to KCw starting from in 2022; hence, KCw implementation partners have been assigned to direct the deployment plan and coordinate with the different departments, such as the training department, IT department, D&A teams and audit quality monitoring department, until full deployment in 2022 has been achieved.

Our embedded networks

KPMG uses embedded networks within each of the audit groups and offices to maintain our focus on audit quality.

Audit Quality Partners (AQPs)

Audit Quality Partners (AQPs) are responsible for supporting and disseminating guidance and information to audit teams relating to our interpretations of auditing standards and national initiatives to enhance quality, identifying improvement opportunities and leading our Audit Quality Managers (AQMs).

Audit Quality Managers (AQMs)

Audit Quality Managers (AQMs) facilitate local workshops on topical matters, communicate new audit methodology guidance and key audit quality messages, and provide input into the development of audit quality initiatives.

Communication with audit partners and managers included meetings with Audit Quality Committee (comprised of HoA, Firm RMP, Head of DPP, and AQPs from

each audit group) and Manager Management platform (comprised of Audit Quality Lead Partner (AQLP), DPP, QRM, and Audit Quality managers).

Participating partners and managers in this committee/platform act as communication channels responsible for cascading the Firm's policies to their respective audit groups.

Second Line of Defense (2LoD) Reviewers

2LoD reviewers are assigned to provide direct real-time support and coaching to those selected engagement teams throughout their audit processes, including risk assessment, audit approaches during planning stage, and execution of procedures in the year-end fieldwork. All 2LoD reviewers are appointed by our Audit Quality Partners (AQPs) or partners with specific industry experience. These reviewers are required to review journal entries testing, some mandatory key focused areas such as revenue, and areas involving significant estimates. The goal of 2LoD is to improve audit quality and support those specific teams to assess their audit work against relevant professional standards before audit opinions are issued. In addition, AQ Task Force has monitored the use and effectiveness of the actions taken through review.

Access to specialist networks

Specialist expertise is an increasingly important part of the modern audit. KPMG in Taiwan engagement teams have access to a network of KPMG specialists – either within our firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competence, capabilities, and objectivity to appropriately fulfil their role on our audits.

The need for specialists to be assigned to an audit engagement in areas such as information technology, tax, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

KPMG's commitment to audit quality during significant external events

Significant external events such as the conflict in Ukraine, the COVID-19 pandemic and the emerging impacts of climate change have contributed to rising inflation and interest rates, supply chain disruption, which have increased global economic uncertainty.

Matters such as going concern, asset impairments and valuations will likely require careful judgment as organizations deal with elevated uncertainty and market volatility. Our role as auditors is to evaluate these judgements.

We maintain an online financial reporting resource center to assist financial statement preparers and other stakeholders to understand the potential accounting and disclosure implications of significant external events.

KPMG International issues extensive guidance to assist engagement teams in addressing the financial reporting, auditing and reporting related matters arising from the impacts of these external events, including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence, and communications with those charged with governance.

KPMG's guidance is continually updated as new significant accounting, auditing and reporting issues emerge.

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance and audit platforms and tools available electronically, which enable our engagement teams to effectively operate in office and remote working environments.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Embracing digital technology

At KPMG, we are committed to serve the public interest and create value through continuous innovation. We are transforming the audit experience for our professionals and clients by leveraging the data and insights of leading technologies and enhancing audit quality by increasing our ability to focus on the issues that matter.

Celia Chen

Head of Department of Professional Practice



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

3.1 Intelligent, standards-driven audit workflow

All KPMG in Taiwan professionals are expected to adhere to KPMG International and KPMG in Taiwan’s policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations.

Evolving our audit workflows

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

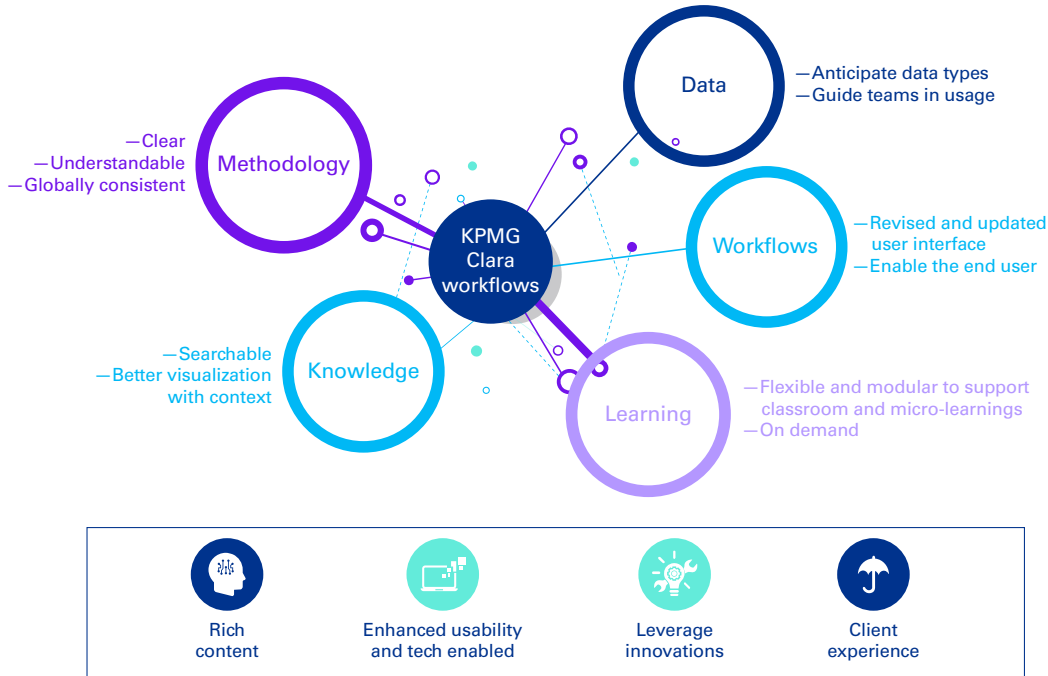
The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

3.2 KPMG Clara

KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution. As a fully integrated, scalable platform, it enables the enhanced audit methodology through a data-enabled workflow.

The digital audit is increasingly integral to how KPMG member firms perform quality audits and interact with clients. Policies and guidance are in place to establish and maintain appropriate processes and controls regarding the development, evaluation, and testing, deployment and support of technology in our audits.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessments, tracing transactions through a complex revenue process, or simply adding up the accounts. It delivers this by being the base technology delivering new capabilities in a globally consistent way, enabling the audit workflows and a fully digital experience for our audit professionals.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Our previous platform, eAudIT is being embedded with our revised audit methodology and enabled by the KPMG Clara smart audit platform. With the exception of very small and less complex audits, phased full deployment of KPMG Clara workflow commenced globally in 2020 with planned completion of full global transition for the 2022 year-end audits.

The web-enabled KPMG Clara workflows guides 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, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable - adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and drives audit quality and global consistency.

Using data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow also facilitate monitoring of audit execution at the engagement level.

We continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, further integrate existing audit applications into a single platform, and develop new capabilities to digitize additional audit processes.

Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms, including the KPMG Global Code of Conduct.

We have policies on information security, confidentiality, personal information and data privacy. Additionally, we have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with applicable laws, regulations and professional standards.

We provide training on confidentiality, information protection and data-privacy to all KPMG in Taiwan personnel annually, and we continue to communicate the latest developments in this area and the laws and regulations.

Nurturing diverse skilled teams

Our people make the real difference and are instrumental in shaping the future of audit at KPMG. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address complex problems.

Stella Huang

Head of People, Performance & Culture



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

4.1 Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience

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

Recruitment

KPMG in Taiwan is committed to build an extraordinary people experience for all current and prospective partners and employees. We also strive to be an employer of choice by creating an environment where our people can fulfill their potential and feel proud and motivated to give their best.

Our talent attraction strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age.

We also recruit significant numbers as an experienced hire and partner level.

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

When individuals are recruited for senior level positions, a formal independence discussion is conducted by the Ethics and Independence Partner or a delegate. KPMG in Taiwan does not accept any confidential information belonging to the candidate's former firm or employer.

Inclusion, Diversity & Equity programs (IDE)

KPMG in Taiwan is committed to build a diverse and equitable firm that is inclusive to all.

Inclusion, diversity and equity (IDE) is core to our very existence – helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our Values, and do what is right.

We recognize that KPMG member firms' global position working with clients around the world affords us a privileged place. With that comes an opportunity and responsibility to achieve more and push for a fairer, more equitable society.

Our KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity and equity at KPMG in Taiwan and across all KPMG member firms.

Reward and promotion

KPMG in Taiwan has compensation and promotion policies that are informed by market data, clear, simple, fair and linked to the performance review process. This helps our people know what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved through calibration meetings where relative performance across a peer group is discussed and used to inform reward decisions.

Reward decisions are based on the consideration of both individual and performance. The extent to which our people feel their performance has been reflected in their reward is measured through the annual Global People Survey, with action plans developed accordingly.

There are two elements to partner remuneration:

- A proportion of KPMG in Taiwan's budgeted profits are allocated to partners as base component; this is effectively partner salary. The amount of base component reflects the role and seniority of each partner; and



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

- Profit-related performance component - rewards performance in the year by each partner against individual objectives previously agreed and the overall profits of their part of KPMG in Taiwan as a whole.

Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the KPMG Values. Audit partners are not permitted to have objectives related to, or receive any remuneration from, selling non-audit services to their audit clients. In addition, a part of their performance-related component is based on an assessment of their ability to deliver audit quality.

4.2 Assigning an appropriately qualified team

Composition of the audit team

KPMG in Taiwan has procedures in place to assign 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 teams generally comprise an audit partner, a manager, an in-charge senior accountant, and junior team members. Larger engagements often have more than one audit partner to support the signing partner. With multinational audits, appropriately capable audit partners and staff are assigned from the relevant KPMG member firms.

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 within KPMG in Taiwan or other KPMG member firms.

AQ Task Force monitors the partner and senior manager assignment process of each business unit to ensure appropriate factors are taken into consideration, including:

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity;
- 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 in Taiwan's quality control policies and procedures;
- Quality Performance Review (QPR) results and results of regulatory inspections.

4.3 Investing in data centric skills – including data mining, analysis and visualization

KPMG in Taiwan is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in visual analysis, data science and software who can bring leading technology capabilities to our smart audit platform. We not only integrate KPMG Global's audit innovation tools, but also develop new tools applicable to KPMG in Taiwan through technology to improve audit execution efficiency. We provide our professionals with training on a wide range of technologies to ensure that our field professionals not only meet the highest professional standards but are also upskilled in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audit.

4.4 Focused learning and development on technical expertise, professional acumen and leadership skills

Development of skills and personal qualities

We continually review and assess our people's capabilities and competence to perform engagements in accordance with professional standards, legal and regulatory requirements.

We invest significantly in upskilling our people and cultivate a continuous learning environment and coaching culture.

On-the-job development and training usually include participating in interstate and overseas assignments, secondments and volunteering opportunities. The COVID-19 environment in prior years, however, limited some of these opportunities in 2021, these were gradually re-launched during year 2022.

Learning programs

Our learning curriculum offers training programs to hone technical expertise, industry and sector knowledge, innovation and emerging technologies. Our Learning & Development groups develop global, regional and local learning to ensure both global consistency and local applicability.

Leadership and behavioral skills are also honed via our 'Everyone a Leader' framework. In addition, we offer transition pathways to support employees as they progress through career milestones.

Commitment to technical excellence and quality service delivery

All KPMG professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the Department of Professional Practice for consultation.

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

Lifetime learning strategy

Annual training priorities for development and delivery are identified by the audit learning and development groups at the global, regional and, where applicable, by KPMG firm level.

Mandatory learning requirements for audit professionals across the KPMG organization are established annually.

Ongoing mentoring and on-the-job coaching

Learning is not confined to a single approach – rich learning experiences are available when needed through, coaching and just-in-time learning, 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 judgement, technical excellence, and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and provide courses to enhance personal effectiveness and develop leadership and business skills. Our partners and employees are further developed for high performance through mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

Continuing professional development (CPD)

We require all our audit client service partners and staffs to invest in continuing professional development (CPD). They must obtain a minimum of 20 CPD hours annually and at least 120 CPD hours over a three-year period.

Compliance with CPD requirements is tested as part of Firm's annual monitoring programs.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



The CPA assistance program

The Certificated Public Accountants (CPA) qualification represents a fundamental level of professionalism and ethics for accounting and auditing professionals. It forms the foundation of our partners' and staffs' knowledge of the audit profession, business and ethics, and is a solid testament to the professional standards recognized by the business community, regulators and the public.

To help staffs obtain this professional qualification, KPMG in Taiwan requires professional staffs at the senior manager level who provide audit professional services to have the CPA license. Our CPA Assistance Program is designed to prepare and assist auditing professionals who wish to take the relevant courses to pass the CPA Exam.

We engaged local professional institutes to run tailored in-house ROC CPA Pre-Exam training sessions as well as mock exams for audit staffs in June every year. In response the COVID-19 pandemic, we switched from in-house classroom sessions to online cloud-based courses since 2020. We will continue to provide staffs with the necessary support and resources to help them obtain their licenses.

Mandatory requirements –US GAAP engagements

KPMG has specific assignment requirements for engagements where the financial statements or financial information is 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 (ICFR).

These require that at a minimum, all Audit and IT Audit partners, managers, engagement in-charges and Engagement Quality Control (EQC) reviewers assigned to such engagements 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.

Recognizing quality

KPMG's approach to performance development, 'Open Performance Development', is built around the 'Everyone a Leader' performance principles, and includes:

- global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a goal library (including audit quality content); and
- standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to KPMG Values and designed to articulate what is required for success – both individually and collectively. We know that by being clear and consistent about the behaviors we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

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 in Taiwan considers quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotions and remuneration of partners and staff.

These evaluations are conducted by performance managers and partners who are able to assess performance.

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Associating with the right clients and engagements

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

Victor Wang
Risk Management Partner



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



5.1 Following the client and engagement acceptance and continuance policies

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

We 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.

5.2 Accepting appropriate clients and engagements

Client evaluation

KPMG in Taiwan undertakes an evaluation of every prospective client to make informed decisions about the acceptability of the client's risk profile.

This client evaluation, comprising Know Your Client (KYC) procedures, 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 an assessment of the client's risk profile and obtaining background information on the client, its key management, directors and owners. If necessary, we obtain additional information required to satisfy local legal or regulatory requirements.

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 SentinelTM, KPMG's conflicts and independence checking systems), intended purpose and use of engagement deliverables, public perception, and whether the services would be unethical or inconsistent with our Values, 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 KPMG professionals assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG in Taiwan partners 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

We undertake an annual re-evaluation of all 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 to the risk profile, and as part of the continuous independence evaluation process, engagement teams are required to

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

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 we come 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.

5.3 Managed portfolio of clients

KPMG in Taiwan’s business unit leaders appoint engagement partners who have the appropriate competence, capabilities, time, and authority to perform their role for each engagement.

Each audit partner’s client portfolio is reviewed at least annually through individual discussions with business unit leaders. The review considers 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.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Being independent and ethical

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

Steven Huang

Ethics and Independence Partner



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

6.1 Acting with integrity and living our Values

KPMG International has detailed independence policies and procedures, which incorporate the IESBA Code of Ethics requirements. These are set out in KPMG's Global Quality & Risk Management Manual (GQ&RM 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, facilitate compliance with these requirements.

These policies are supplemented by other policies and processes to ensure compliance with Taiwan professional standards and regulations as well as the requirements of the United States Securities and Exchange Commission and the Public Company Accounting Oversight Board (PCAOB), as applicable. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

The Head 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 guidance and tools are available to help our Firm and their personnel to comply with these requirements.

KPMG in Taiwan has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence (E&I) policies and procedures locally. The EIP is responsible for communicating and implementing KPMG International's policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than KPMG International's requirements.

The EIP fulfils this responsibility through:

- Implementing/monitoring the ethics and independence quality control process and structure within our Firm;

- Overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- Participating the development and delivery of training materials;
- 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 are included in regular quality and risk communications with KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through our internal monitoring programs.

Our partners and employees are required to consult with the EIP on certain specific independence matters as defined in the GQ&RM Manual. The EIP may also be required to consult with the Global Independence Group depending upon the facts and circumstances.

6.2 Maintaining an objective, independent and ethical mindset, in line with our Code of Conduct and policies

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, 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.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

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 manager-grade or above client-facing employees are required to use the KICS system prior to enter 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 available funds and securities registered on recognized or regulated exchanges 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. We monitor 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 in Taiwan professional providing services to an audit client irrespective of function is required to notify our 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 assurance team or former partners of KPMG in Taiwan are prohibited from joining an audit or assurance client in certain roles unless they have disengaged from all significant connections to our Firm, including payments which are not fixed and predetermined and/or would be material to our Firm, and have ceased participating in our Firm's 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.

An assurance team member is also required to notify the EIP when they enter into employment negotiations with the assurance client during the course of the engagement. Former assurance team members or former partners of our Firm who join an assurance client in certain roles cannot continue to participate in our Firm's business or professional activities.

We communicate and monitor requirements in relation to employment of our professionals by audit and assurance clients.

Firm financial independence

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

In common with other KPMG firms, we use 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.

Additionally, KPMG in Taiwan is required to record in KICS any borrowing and capital financing relationships, as well as custodial, trust and brokerage account that hold firm assets.

Business relationships/suppliers

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



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

These include establishing and maintaining a process to evaluate potential third-party arrangements with regard to whether they have a bearing on auditor independence.

All prospective business relationships with audit clients are evaluated to identify potential auditor independence and conflicts of interest issues. A relationship involving a third-party service provider – that KPMG in Taiwan may use to assist with client engagements or other purposes – is also required to be evaluated to determine whether the third party has the competence to provide the relevant services. The individuals providing the services are required to confirm they understand and will comply with applicable ethics and independence requirements, and they are also required to complete ethics training. Third parties providing services to audit or assurance clients are required to complete independence training.

Independence clearance process

In addition to the standard acceptance evaluation performed for every engagement, which includes an evaluation of independence, KPMG in Taiwan 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’ are 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.

Independence training and confirmations

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

All our partners and employees are required to sign, upon joining KPMG in Taiwan, and thereafter, an annual confirmation stating that they have remained in compliance with applicable E&I and other key policies.

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.

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-valuated for permissibility; otherwise, the services are required to be exited.

KPMG in Taiwan is required to establish and maintain a process to review and approve all new and significantly modified services that may be developed by KPMG in Taiwan, including consideration of potential independence issues related to these new or modified services by our EIP.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

KPMG global independence policies prohibit KPMG 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 Reginal Risk Management Partner 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 addition, if 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 in Taiwan over the last two years (2021 and 2022).

Resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG 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 our RMP or EIP is required in these situations.

KPMG policies are also in place to prohibit KPMG personnel 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 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 KPMG 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 in Taiwan has risk management resources who are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which is 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 in Taiwan personnel are required to report an independence breach to the EIP as soon as they become aware of it. 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 in Taiwan has documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. KPMG in Taiwan's Disciplinary Committee oversees policies and procedures in relation to ethical matters and breaches of requirement.

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

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require compliance with any stricter local applicable rotation requirements.

Our 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 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 other professional service delivered to the client;
- Oversee the relationship of the KPMG firm with the client;
- Have any other significant or frequent interaction with senior management or those charged with governance at the client.

We monitor the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, where there is a rotation requirement) and develop related transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

Zero tolerance of bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at KPMG in Taiwan. 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 KPMG firm clients, suppliers or public officials. Our Firm is required to have appropriate internal controls to mitigate the risk of involvement in bribery by our Firm and its partners and employees.

All KPMG firm partners and employees are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

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



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Assessing risks to quality

KPMG International reviews the results of the quality monitoring programs and develops additional global remediation actions as required.

Global remediation actions developed by KPMG International are aimed at changing behavior and driving quality and consistency across the global organization. Remediation actions may be implemented through the development of global policies, procedures, training, tools and guidance.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Communicating effectively

We recognize that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

8.1 Provide insights, and maintain 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 an important aspect of our reporting and service delivery.

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

We share insights on the audit, our client's business practices, the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgments, matters where we may disagree with management's view, and any audit differences or errors identified. We ensure these reports meet the requirements of auditing standards.

The role of audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

IFRS Standards Institute

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

8.2 Listening to our people – Global People Survey (GPS)

Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations.

Annually KPMG in Taiwan personnel are invited to participate in Global People Survey (GPS) to share their perception about their experience working for KPMG. The GPS provides a measure of our people's engagement and insights into areas driving engagement. Results can be analyzed by several factors, for example, functional or geographic area, grade, role, gender to provide additional focus for action.

Through the GPS, KPMG in Taiwan gains additional insight on how we are faring on categories known to impact 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 an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

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

KPMG in Taiwan 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.

Audit specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the Head of Audit and Audit Committee on an annual basis for consideration of appropriate remedial action, if needed.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Performing quality engagements

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



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

9.1 Consulting when necessary

Encouraging a culture of consultation

KPMG in Taiwan encourages a culture of consultation that supports engagement teams throughout their decision-making processes and is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength, and that encourages all our professionals to consult on difficult or contentious matters.

To help with this, firms are required to have established protocols for consultation and documentations of significant accounting and auditing matters, including procedures to facilitate resolution of difference of opinion on engagement issues. KPMG's audit, assurance and reporting manuals and the GQRMM include mandatory consultation requirements on wide range of matters.

Technical consultation and global resources

Technical accounting and auditing support are available to KPMG firms through the Global Audit Methodology Group (GAMG), the KPMG Global Solutions Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG), all of which report directly to the Global Head of Audit.

Global Audit Methodology Group (GAMG)

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

KPMG Global Solutions Group (KGSG)

The KGSG is responsible for the envisioning, development, and deployment of global audit tools, including new technology and automation innovations.

KGSG and GAMG work collaboratively to support KPMG through collaboration, innovation and technology. We have made significant investment in our audit

methodology and tools with the core focus of improving audit quality, global consistency and standardization.

With locations in each of the three KPMG regions (Americas; Europe, the Middle East and Africa (EMA); and Asia Pacific (ASPAC)), the KGSG and GAMG teams comprise professionals with background 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 work with Global IFRS Standards topic teams, with geographic representation from around the world, and the IFRS Standards Panel and ISA Panel and Methodology Advisory Group (MAG) to promote consistency of interpretation of IFRS Standards and auditing requirements between member firms, identify emerging issues, and develop global guidance on a timely basis. The ISG recently has expanded its remit to encompass the activities of the International Sustainability Standards Board (ISSB), including providing global thought leadership and guidance as the ISSB issues standards.

PCAOB Standards Group (PSG)

The PCAOB Standards Group (PSG) comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards in KPMG firms' audits of non-US components of US companies and of 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.

Professional practice resource

We provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). This resource also assists engagement teams where there are differences of opinion either within teams or



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG's ISG and PSG are also available for consultation support when required.

9.2 Critically assessing audit evidence, using professional judgement and skepticism

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit including contradictory or inconsistent audit evidence. Each team member is required to exercise professional judgement and maintain professional skepticism throughout the audit engagements. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgement encompasses the need to be aware of and alert to biases that may pose threats to good judgements.

9.3 Direct, coach, supervise and review

Embedding ongoing mentoring, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG in Taiwan 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 engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions;
- Considering whether the engagement team understands their instructions and 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.

The timely review of the work performed so that significant matters are promptly identified, discussed and addressed is also used as a coaching opportunity.

Engagement quality control (EQC) reviewers

The Engagement Quality Control (EQC) review is an important part of KPMG's framework to 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 high risk or a high public profile, and other engagements, including certain assurance engagements as designated by our RMP.

An EQC review is an objective evaluation of significant judgments made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer's evaluation of significant judgements includes an evaluation of the engagement team's assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate. The EQC review is completed only after the EQC reviewer is satisfied that all significant matters they raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

EQC reviewers are required to meet training, knowledge and experience criteria to perform the EQC review for a particular engagement. Reviewers must be objective, can not be members of the engagement team and must be independent of the audit client.

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

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

We continually seeking to strengthen and improve the role that the EQC review plays in audits and has taken a number of actions to reinforce this, including issuing best practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers and ensuring that sufficient time has been allocated to the role within the partner’s workload forecast as part of the annual portfolio review.

9.4 Appropriately support and document conclusions

Reporting

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 and evidence obtained.

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

KPMG in Taiwan audit documentation is completed and assembled according to the timeline established by KPMG International policy, which is shorter than that required by relevant auditing standards. We have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Monitoring and remediation

Integrated quality monitoring and compliance programs enable KPMG 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 management.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

10.1 Rigorously monitor and measure quality at the local and global level

Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. The quality monitoring and compliance programs are globally consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG in Taiwan compares the results of its internal monitoring programs with the results of those of any external inspection programs and takes appropriate action.

Internal monitoring and compliance programs

KPMG in Taiwan's monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

- engagement performance in compliance with the applicable professional standards, applicable laws and regulations and KPMG International key policies and procedures; and
- KPMG in Taiwan'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 programs also contribute to the assessment of whether our system of quality management has been appropriately designed, effectively implemented, and operates effectively. These include Quality Performance Reviews (QPR) and the KPMG Quality & Compliance Evaluation program (KQCE) and the Global Quality & Compliance Review (GQ&CR) program.

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 Audit QPR program assess engagement level performance and identifies opportunities to improve engagement quality.

• Risk-based approach

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

KPMG in Taiwan conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at local level and are monitored regionally and globally.

• 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 engagement 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.

• Evaluation 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 'Compliant', 'Compliant-Improvement Needed' or 'Not Compliant'.

• 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.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Lead audit engagement partners (LAEPs) are notified of not compliant rating on their respective cross-border engagements. Additionally, LAEPs 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 program.

KPMG Quality & Compliance Evaluation (KQCE) program (formerly known as 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 the GQ&RM Manual, ISQC1, and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE program are to:

- Document, assess and evidence KPMG in Taiwan's implementation of ISQM 1, extent of compliance of their system of quality management with the Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements; and
- Provide the basis for KPMG in Taiwan to evaluate that the Firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

Where exceptions are identified, we are required to develop appropriate action plans and then monitor the status of each action item.

Global Quality & Compliance Review (GQ&CR) program

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

The GQ&CR team performing the review is independent of our Firm and is objective and knowledgeable of GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best

practices among member firms. The GQ&CR 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 quality and compliance program (former RCP and, current, KQCE program).

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

External regulatory reviews

We invest in continuous improvement and rectify any identified deficiencies in audit quality capable of eroding public trust. We also believe that the regulator has an important role to play in enhancing public confidence in the audit process.

Our Firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

Financial Supervisory Commission R.O.C (Taiwan) (FSC)

Based on the Article 19 of Certified Public Accountant Act, the FSC has the right to inspect our Firm's business and financial position, including our internal quality performance review program and proposing the relevant improvement suggestions. To promote efficiency, FSC and Public Company Accounting Oversight Board (PCAOB) implement triennial joint inspection. The most recent general inspection was conducted in 2020, with the FSC and PCAOB issuing inspection results reports in March 2021 and March 2022, respectively.

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Public Company Accounting Oversight Board (PCAOB)

Considering audit clients of our Firm including several SEC registrants, we are also registered with Public Company Accounting Oversight Board (PCAOB) in the United- States. The PCAOB performs inspections of registered public accounting firms and conducts investigations and disciplinary proceedings. KPMG in Taiwan is subject to the inspection processes of the PCAOB. As a SEC Registered audit firm with less than 100 SEC listed audit clients, KPMG in Taiwan was subject to triennial inspection by PCAOB.

The PCAOB's reports are presented in two parts. Part I is a public document containing observations relating to specific engagements reviewed by the PCAOB. Part II is a private document containing the PCAOB's observations regarding our quality control systems related to audit performance and firm-wide functions. This part of the report will be made public only to the extent that any of the PCAOB's comments and observations have not been adequately addressed with 12 months of the date of the report.

We are committed to respond to all reports on a timely basis. The inspection reports for KPMG in Taiwan are available on PCAOB's website at: Firm Inspection Reports | PCAOB (pcaobus.org)

The National Federation of Certified Public Accountants Association (CPA Associations)

KPMG in Taiwan undergoes an external scheduled peer reviews that is conducted by the National Federation of Certified Public Accountants Association once every five years. This review is conducted in response to the request⁴ of the Securities and Futures Bureau (SFB)(organized by FSC (Financial Supervisory Commission R.O.C. (Taiwan))) of Taiwan to conduct a quality review program. If the year of joint inspected by FSC and Public Company Accounting Oversight Board (PCAOB) and the scheduled inspection year of CPA Association are encountered, we will apply CPA Associations inspection postponed for two years. Both firm wide and engagements quality issues are inspected respectively.

Client feedback

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

Perform root cause analysis

KPMG in Taiwan conducts Root Cause Analysis (RCA) in respect of audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2022, RCA training based on our Global RCA Five Step Principles was attended by those individuals at KPMG in Taiwan 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 Five 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.

Our HoA is responsible for audit quality, including the remediation of audit quality issues. Our Firm's RMP monitors the remediation plan(s) implementation.



⁴ Regulations Governing Approval of Certified Public Accountants to Audit and Attest to the Financial Reports of Public- Companies, Article B

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Statement on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality management for KPMG in Taiwan 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 control is not intended to provide absolute assurance that non-compliance with relevant laws- and regulations would be prevented or detected.

The Board of KPMG in Taiwan 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 section 10.1 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, the Board of KPMG in Taiwan confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2022.

Further, the Board of KPMG in Taiwan confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2022.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Appendices

Appendix A Our structure and governance

Appendix B Public held audit clients

Appendix C Audit and Non-audit services information



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Appendix A

Our structure and governance

Legal structure and relationship with KPMG International

KPMG in Taiwan and all other KPMG firms are party to membership and associated document, the key impact of which is that all KPMG member firms in the KPMG global organization are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited has been 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.

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 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.

Further detail on the revised legal and governance arrangements for the KPMG global organization can be found in section 'Governance and leadership' of the 2022 KPMG International Transparency Report.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Our History

When the industrial revolution of the late eighteenth and nineteenth century helped transform accounting into a profession, KPMG's founding fathers were center stage, pioneering the industry. Further details are available on our official website.

1891

William Barclay Peat (the P in KPMG) started his career in accountancy at just 17, working for Robert Fletcher & Co. He quickly rose through the ranks, and in 1891, Peat assumed leadership of the firm, and renamed it William Barclay Peat & Co.

1897

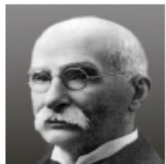
In 1897, the US firm Marwick, Mitchell & Company got its start in New York City. The company was formed by **James Marwick (the M in KPMG)** and Roger Mitchell – both Scottish immigrants. It wasn't easy establishing a firm in the city – many thought there was no place or need for accountants, but the two soon built a strong reputation.

1917

Meanwhile, in 1917 **Piet Klynveld (the K in KPMG)** opened small accounting firm in Amsterdam. Jaap Kraayenhof joined and firm became Klynveld Kraayenhof & Company (KKC). By the time Klynveld passed away in 1946, he left behind the largest accounting firm in the Netherlands.

1953

The last of our founding fathers, **Reinhard Goerdeler (the G in KPMG)** came into the story almost half a century later in 1953, when he joined Deutsche Treuhand-Gesellschaft (DTG).



KPMG operates worldwide. To search for the nearest member firm office near you, phone and address of global member firm offices are available on the office locations of KPMG Global website.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



KPMG in Taiwan 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. The locations of our offices are as follows:

1952	Founded by Mr. Andrew Chang.
1971	Associated with Peat Marwick Mitchell & Co., making it one of the oldest international accounting firms in Taiwan.
1987	Became a member firm of KPMG after the worldwide merger of PMI and KMG.
1999	Merged with Coopers & Lybrand Taiwan member firm.
2005	KPMG Financial Advisory Services Co., Ltd. was established to provide professional financial advisory services.
2013	KPMG Sustainability Consulting Co., Ltd. was established to provide enterprises growing sustainability.
2014	Strategic alliance with KPMG law firm, combined strengths and proven ability to provide Tax & Legal services.
2015	KPMG Cybersecurity Co. and KPMG Deal Advisory Limited were established to provide a wide range of business services and solutions.
2017	KPMG Pharmaceutical and Life Science Consulting Co. Limited was established.
2022	KPMG Carbon Resource Assurance and Advisory Services Co., Ltd.

Offices location



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



KPMG LLP and a list of affiliated entities as at 2022/12/31.

No.	Name of entities
1	KPMG in Taiwan
2	KPMG Advisory Services Co., Ltd.
3	KPMG Ltd.
4	KPMG Assurance Services Co., Ltd.
5	KPMG IT Advisory Services Co., Ltd.
6	KPMG Cybersecurity Co., Ltd.
7	KPMG Sustainability Consulting Co., Ltd.
8	KPMG Deal Advisory Ltd.
9	KPMG Pharmaceutical and Life Science Consulting Co., Ltd.
10	KPMG Carbon Resource Assurance and Advisory Services Co., Ltd.

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), serve multinational 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.

KPMG International’s activities are funded by amounts paid by member firms. The basis for calculating such amounts is approved by the KPMG International 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.

Governance structure

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

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

EX-Com is composed of the CEO and the executive members within the management structure of KPMG in Taiwan. The management structure of our Firm is planned by the CEO and submitted to the Board for approval. The EX-Com was established to be responsible for business development and planning, and the CEO is responsible for the implementation. In the event of any risk management and audit quality-related issues, the Risk & Independence Committee will report to the EX-Com.

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

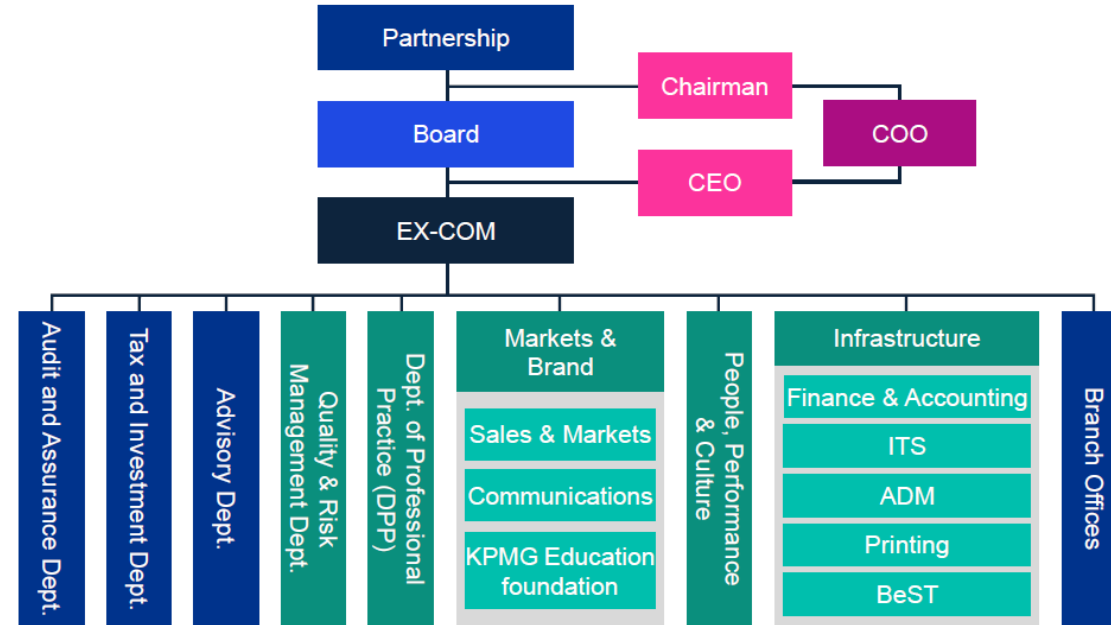
Performing quality engagements

Monitoring and remediation

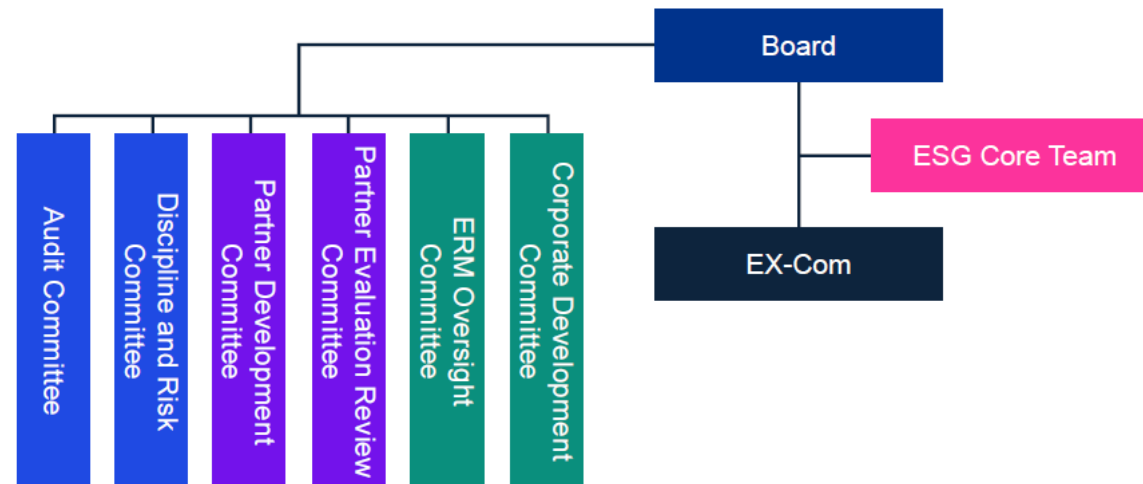
Appendix



The CEO shall be discharged automatically on the expiration date of each term of the Board, which means every EX-Com's term shall not be longer than the term of the current CEO.



For the part of the governance structure, our firm has established some committees to report to the Board. The Audit Committee and the Discipline and Risk Committee are the parts related to risk management and audit quality issues.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Board members and EX-Com members

The Board shall be composed of the Chairman and eight Directors elected by the Partners Meetings. The board members shall perform their duties faithfully and exercise due diligence as a goodwill manager. 14 meetings (9 general meetings and 5 informal meetings) were convened as of December 31, 2022. (TW 2022)



Jeff Chen
Chairman



Maggie Chang



Vincent Chang



Fion Chen



Pearl Chen



Sandra Chou



Daisy Kuo



Steven Shih



Rita Yu

Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



The members of the EX-Com as of December 31, 2022, are:



Lin Wu
CEO



Sherry Chang
Deputy CEO &
Spokesperson



Steven Shih
Deputy CEO



Sandra Chou
Head of Audit



Hazel Chen
Head of Tax



Jason Hsieh
Head of
Advisory



Victor Wang
RMP



Stella Huang
Head of PPC



Celia Chen
Head of DPP



Johnny Chang
Head of Branch
Office



Leo Chi
Head of
Markets



Daisy Kuo
Head of
Communication



Lillian Lien
COO



Sandra Lin
CFO

Introduction and Foreword

Living our culture and values

Applying expertise and
knowledge

Embracing digital technology

Nurturing diverse skilled
teams

Associating with the right
clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality
engagements

Monitoring and remediation

Appendix

Appendix B

Public held audit clients

The members of the EX-Com as of December 31, 2022, are:

The lists of public held audit clients for KPMG in Taiwan has carried out statutory audits in the year ended December 31, 2022 is given below.

Capital marketplaces	Entities
Taiwan Stock Exchange (TWSE)	217
GreTai Securities Market (GTSM)	161
Emerging Stock Market	69
Public Entities	61
US SEC listed entities	1

KPMG LOBs & Sectors Taxonomy	Entities
Technology Media and Telecommunications (TMT)	253
Infrastructure, Government and Healthcare (IGH)	102
Industrial Markets (IM)	52
Financial Service (FS)	28
Consumer & Retail (C&R)	29
Miscellaneous	44



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix

Appendix C

Audit and Non-audit service information

As of December 31, 2022, the Firm’s audit and non-audit service information as a percentage of total operating revenues, broken down by categories of public and non-public companies, is presented below:

Company category	Audit service revenue (%)	Non-audit service revenue (%)
Public	28.9%	18.3%
Non-public	13.4%	39.4%
Total	42.3%	57.7%

Note:

*Audit service revenue includes financial statement audit service.

*Non-audit service revenue includes tax compliance, assurance, consultation and other services.

* Entities involving revenue incomes of KPMG in Taiwan include: KPMG in Taiwan; KPMG Assurance Services Co., Ltd.; KMG Advisory Services Co., Ltd.;

KPMG Deal Advisory Ltd.; KPMG Cybersecurity Co., Ltd.; KPMG Sustainability Consulting Co., Ltd.; KPMG Ltd., KPMG Pharmaceutical and Life Science Consulting Co., Ltd.; KPMG Carbon Resource Assurance and Advisory Services Co., Ltd.



Introduction and Foreword

Living our culture and values

Applying expertise and knowledge

Embracing digital technology

Nurturing diverse skilled teams

Associating with the right clients and engagements

Being independent and ethical

Assessing risks to quality

Communicating effectively

Performing quality engagements

Monitoring and remediation

Appendix



Contact us

KPMG in Taiwan

Taipei 101 Tower, 68F, No.7, Sec. 5, Xinyi Road, Taipei 110615, Taiwan (R.O.C)

Tel : +886 2 8101 6666

Fax : +886 2 8101 6667



kpmg.com/tw

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

© 2024 KPMG, a Taiwan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.