



KPMG Australia's Commitment to Governance, Accountability and Culture

A continuous improvement journey

UPDATED July 2024

Our Commitment to Governance, Accountability and Culture

At KPMG, we have been on a journey to enhance our Governance, Accountability and Culture. We are proud of our achievements and look forward to building on these for the benefit of our clients, our people and the community.

In recent times our profession has been under the spotlight in unprecedented ways, heightening community awareness and expectations on integrity, confidentiality and trust. We have also witnessed the transformation and growth of our firm over the last 5-10 years. This expanded reach brings greater responsibility and demands a commitment to ethical practices and rigorous governance.

It is crucial that we remain vigilant in regularly reviewing our operations to ensure they are aligned with the standards expected by the Australian community. Australia needs strong capital markets, and a trusted professional services sector is an important part of that system.

Over the last decade we have been on a journey with a focus on ensuring we have an industry leading governance model. An important part of this included a comprehensive third-party ethical culture review in 2020 and we have been focused on embedding the recommendations and have taken significant steps forward in improving our accountability and transparency.

In 2024 we marked six years of independent directors being a part of our Board governance structure. Over this time we have seen the value independent board members bring to discussions and deliberations, imparting contemporary external perspectives and challenge, both key to meeting external stakeholder expectations. In recognition of the value we place on our independent directors we have recently increased their membership on our Board from two to three.

We are the first Australian partnership to commit to publishing executive partner remuneration on an annual basis and have publicly released our Partnership Agreement.

An external assurance provider carried out an independent readiness assessment for selected people metrics in our FY23 Impact Plan. For FY24 we have engaged an external provider to carry out a limited assurance process over four key people metrics, as well as our firmwide revenue and taxes paid. For Our Impact Plan 2024, we plan to report 'in accordance' with the Global Reporting Initiative (GRI) standard, increasing the depth of disclosures we provide.

KPMG will continue to reflect on our own operations and challenge ourselves to do more to meet standards expected of us and strengthen trust. That is why a forward-looking action plan is critical.

We look forward to working co-operatively with the parliamentary inquiries and with government to support practical enhancements to regulation to strengthen governance of our sector with benefits for capital markets, the Australian economy and society more broadly.



Martin Sheppard
National Chairman
KPMG Australia



Andrew Yates
Chief Executive Officer
KPMG Australia



Our Approach

✓ Existing Commitment

NEW commitment

We remain vigilant in regularly reviewing our operations to ensure they are aligned with the standards expected of the community. Over the following pages, we outline some of our key commitments to governance, accountability & culture.

Governance



*Risk,
governance
and
compliance
frameworks*

- ✓ **CEO and Senior Executive appointment:** The National Board has authority to appoint and remove the CEO and approves the appointments of members of our National Executive Committee, holding the CEO and senior leaders accountable. This has been an important and unique feature compared to our competitors.
- ✓ **Independent Board members:** In 2024 we marked six years of having independent directors on our local Board.
- NEW **Increase in Independent Board members:** Our National Board now includes three independent Board members. Jane Hemstrich AO joined in February 2024 and Mike Baird AO in August 2024. Patty Akopiantz joined the Board in 2021.
- ✓ **Biennial Board review:** A National Board performance review is conducted biennially. Typically, reviews are conducted by relevant internal governance experts and draw on standards, best practice and include external benchmarking. The Governance, Regulation & Compliance Committee considers the approach and extent of any review including whether such review is conducted by an external party or a suitably qualified KPMG expert.
- NEW **National Board Committee re-design:** We have completed a refresh of our Board Committees including the establishment of a Governance, Regulation & Compliance Committee to cover all matters related to firm governance, oversight and monitoring of all non-financial related regulation and stakeholder engagement. It is our intention in the future for this to be Chaired by an independent director.
- NEW **Refresh of our board skills assessment:** The KPMG Board Skills Matrix is periodically reviewed. We have a thorough Board Induction process in place and all Board members are encouraged to adopt a proactive approach to personal development and ongoing education to stay informed of the latest developments.
- ✓ **Review of confidentiality obligations:** Last year we commissioned a third-party review of our policies and training materials relating to the firm's confidentiality obligations. While the review found that our frameworks were comprehensive it made a number of recommendations in the areas of training and guidance for our people, which we have implemented.

Our Approach (cont.)

✓ Existing Commitment
NEW NEW commitment

Governance



Risk,
governance
and
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frameworks



Review of our personal appointment and outside role policies: We have reviewed our firmwide policies for approving external personal appointments, outside emergency and defence service roles and career break policies with a view to strengthen against any perceived conflict of interest. Subsequently we have implemented a range of improvements that strengthen approval processes and improve data collection.



Contract management: We are implementing a new contract management system and job management system to support changes to Commonwealth procurement.



Centre of Excellence for government related risk and legal matters: We have established a new dedicated Risk and OGC unit, bringing together a highly experienced team to advise and provide support on risk, legal and contracting matters bespoke to our government commercial arrangements.



Firm-wide commercial conflict resolution: Our Commercial Conflicts Resolution Committee (CCRC) is responsible for making decisions relating, but not limited to, commercial conflicts, that may arise from proposed engagements. Our policies include assessing existing or potential conflicts of interest and risks through our client and engagement processes and systems.



Centralised risk function: KPMG has a centralised risk function and partners with risk responsibilities report to the Chief Risk Officer. KPMG's Chief Risk Officer reports to the CEO, is a member of the National Executive Committee and has responsibility for firmwide enterprise risk management matters.



Elevating the role of the Office of General Counsel: Elevating and expanding the role of the Office of General Counsel (OGC) & Regulation by adding the position to the National Executive Committee.

Accountability



Executive remuneration: KPMG is the first Australian partnership to make public executive partner remuneration in our annual Impact Report.



Partnership Agreement Transparency: We are the first 'big 4' firm to have publicly released our Partnership Agreement. KPMG Partnership Agreement [Leadership – Board / Executive / Industry Leads - KPMG Australia](#)

Our Approach (cont.)

✓ Existing Commitment

NEW commitment

Accountability



- ✓ **Independent assurance:** An external assurance provider carried out an independent readiness assessment for selected people metrics in our FY23 Impact Plan. For FY24 we have engaged an external provider to carry out a limited assurance process over four key people metrics, as well as our firmwide revenue and taxes paid.
- NEW **Commitment to uphold the Commonwealth Supplier Code of Conduct and Australian Public Service Values:** As a large contractor to Government, we are committed to upholding the highest standards of integrity by acting honestly, responsibly, transparently and consistently.
- ✓ **Reporting in line with global standards:** We publish an annual Impact Report which presents our voluntary disclosures and progress against commitments made on governance, people, planet and prosperity. For Our Impact Plan 2024, we plan to report 'in accordance' with the Global Reporting Initiative (GRI) standard, increasing the depth of disclosures we provide.

Culture



- ✓ **Ethical culture:** Our Board and NEC are deeply involved in the delivery of our firm's ethical culture program, commitments, and associated metrics. Areas of key focus have been upskilling our people in ethical decision making and strengthening our speak up culture. We continue to measure the impact of our ethical culture initiatives to understand what's working well and what we may need to do more of. We commenced the implementation of an Ethics Champions Network and we also implemented a Retaliation Monitoring System to protect people who speak up.
- ✓ **Ethical training:** Everyone at KPMG is required to undertake the firm's '*We do what is right: Integrity at KPMG*' training covering our Code of Conduct. This training was recently refreshed to further strengthen our ethical culture.
- ✓ **Review of our ethical culture:** We conducted a comprehensive third-party ethical culture review in 2020 and have implemented or in the process of implementing all recommendation, including embedding a "speak up" culture across the firm.
- ✓ **Accountability of Purpose:** KPMG has a Chief Purpose Officer to help embed focus on purpose and values and they play a critical role in decisions made by the Commercial Conflicts Resolution Committee.

Looking forward

We will continue to reflect on our own operations and challenge ourselves to do more to meet standards expected of us and strengthen trust. That is why a forward-looking action plan is critical in maintaining our commitment to Governance, Accountability and Culture.





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