



Transparency Report 2023

January 2024

audit.kpmg.us/auditquality/transparency.html

Focus on quality through values

We are in the era of “compound volatility,” the combination of more frequent disruptive events and powerful longer-term structural changes in our economy.

For business leaders, mastering compound volatility requires planning for and investing in the future while becoming more agile and nimble to confront present-day risks. That means investing differently in your talent pipeline to better compete in a tight labor market while quickly reimagining your supply chain in the wake of global disruption. It’s charting your decarbonization path to lead the energy transition while rethinking your digital transformation strategy in the wake of generative AI.

Our [2023 CEO Outlook](#) underscored this challenge. Executives are prioritizing strategic investments in artificial intelligence (AI), environmental, social and governance (ESG), and transformational M&A opportunities against headwinds posed by rising geopolitical, supply chain, cyber and regulatory risks, among many others.

Moreover, underlying the challenges posed by compound volatility is declining trust. This includes trust in our society’s institutions, information reported, and our collective ability to solve big, complex problems.

These twin challenges do not just confront business leaders. They raise new questions for investors, employees, regulators and all those invested in our capital markets.

At KPMG, we are focused on navigating compound volatility while enhancing trust in our capital markets. In our 2023 Audit Quality and Transparency Reports, we detail how our continuous improvement mindset is enhancing our audit approach, quality management system and use of technology in the audit. Through these efforts, we are continuing to empower our people to plan for disruption, more deeply identify and understand risks to audit quality, and accelerate innovation to meet rising expectations from stakeholders on environmental, social and governance reporting, as well as technology attestations and assurance.

We define “audit quality” as the outcome when audits are executed consistently, in line with regulatory requirements and intent of applicable professional standards, within a strong and responsive quality management system. All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics, and integrity.

Across our firm, we are investing \$2B+ in AI and cloud solutions, partnering with leading technology companies, and empowering our people to innovate to stay ahead of the market. The rapid rise in the use of AI will disrupt business models, creating new opportunities and challenges for business leaders, as well as novel financial reporting risks. Likewise, AI will transform how and what we audit.

Throughout all our efforts, our Values guide our actions. A strong culture grounded in ethics and independence makes us more agile and resilient, laying the foundation for sustaining quality. We are focused on fostering that culture of Integrity through learning and development, leadership accountability, and delivery of an exceptional experience for our people and the companies we audit.

Throughout both our Audit Quality and Transparency Reports, we cover a wide range of topics. Along the way, you will find spotlights on how our people Make the Difference to enhance trust in our capital markets.

We encourage you to engage with us throughout the year. Audit quality is an ongoing commitment, and we will continue to share updates on our audit journey as well as insights on trending topics. You can find those updates on our [website](#) and in the [KPMG Financial Reporting View](#).



Paul Knopp
KPMG US Chair and CEO



Scott Flynn
KPMG US Vice Chair – Audit

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Throughout this document, references to “firm,” “KPMG firm,” “member firm,” and “KPMG member firm” refer to firms which are either: members of KPMG International Limited; sublicensee firms of KPMG International Limited; or entities that are wholly or dominantly owned and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International Limited is provided in the ‘Governance and leadership’ section of the KPMG International Transparency Report.

1 Our system of quality control¹ is foundational for audit quality

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

Across the global organization, KPMG firms have strengthened the consistency and robustness of their system of quality control (SoQC) to meet the requirements of the International Standard on Quality Management (ISQM) 1, issued by the International Auditing and Assurance Standards Board (IAASB). Foundational for quality control, our globally consistent approach to ISQM 1 drives compliance with the requirements of the standard and our efforts to strengthen trust and transparency with the capital markets, the public we serve, and the companies we audit.

KPMG International's global approach to SoQC and ISQM 1:

- Sets policies and procedures to support effective SoQC within KPMG firms in accordance with ISQM 1 issued by the IAASB;
- Establishes globally consistent quality objectives, risks and controls for each SoQC component;
- Provides KPMG firms with a risk assessment framework to use in identifying incremental KPMG firm specific quality objectives, risks, and controls;
- Supports KPMG firms with guidance, tools, and training to drive consistent and effective firm SoQC operation; and

¹While international quality control standards and those of the American Institute of CPAs (AICPA's) Auditing Standards Board have shifted terminology from a "system of quality control" to a "system of quality management," the standard of the Public Company Accounting Oversight Board (PCAOB) continues to refer to a system of quality control. The PCAOB has stated that firms would be free to refer to either quality control or quality management. We have used "quality control" for purposes of describing our processes.

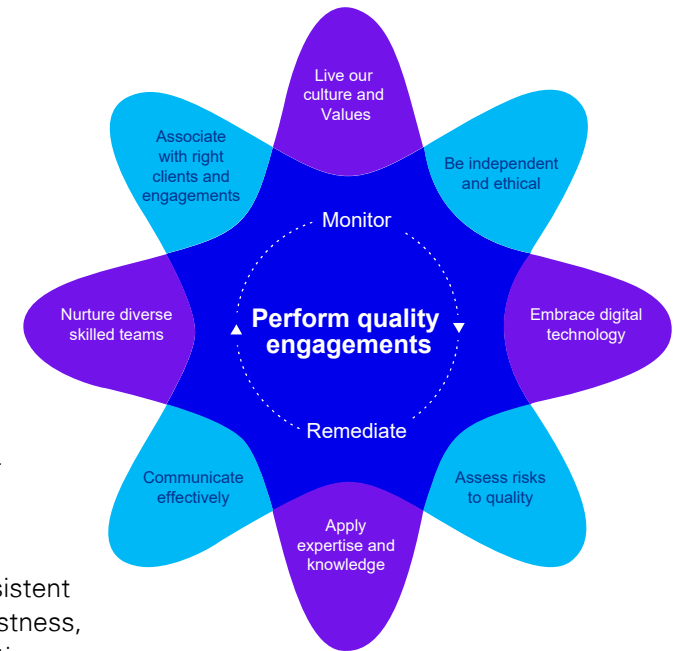
- Includes monitoring activities over KPMG firms' SoQC to drive global consistency

The objective of KPMG's globally consistent approach is to drive consistency, robustness, and accountability across the organization.

To provide more transparency in what drives KPMG audit quality, this report is structured around the KPMG Global Quality Framework. For KPMG, the Global Quality Framework outlines how we deliver quality and how every professional contributes to its delivery.

The drivers outlined in the framework are the ten components of our KPMG SoQC. In line with ISQM 1, our SoQC aligns with the requirements of 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 firms that perform audits of financial statements.

Sections 2-11 of the Transparency Report describe how we effectively operate each SoQC component. Combined with our firm's SoQC Statement of Effectiveness ([see section 12](#)), this Transparency Report summarizes how our SoQC effectively supports the consistent performance of quality engagements. This report may also be useful for stakeholders interested in KPMG firms' Tax and Advisory services, as certain aspects of our firm's SoQC are cross-functional and apply equally as the foundation of quality for all services offered.



2 Live our culture and values

Foster the right culture, starting with tone at the top

Tone at the top

KPMG 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 is essential in an organization that carries out audits and other professional services on which stakeholders rely.

At KPMG, our values lie at the heart of the way we do things. To do the right thing, the right way. They form the foundation of a resilient culture ready to meet challenge with integrity, so we never lose sight of our principal responsibility to serve the public interest. And they propel us forward—through our work and the example we set—as we inspire confidence and empower change throughout the world.

We are committed to the highest standards of personal and professional behavior in everything we do. Ethics and integrity are core to who we are and why everyone at KPMG is held to this promise of excellence.

It's not just what we 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. They are the foundation of our unique culture.

The KPMG multidisciplinary model

Today's organizations face complex problems that require the best, most integrated thinking. We firmly believe that our multidisciplinary model is the best way to serve our clients and is essential to delivering the highest levels of quality on the largest and most complex audit engagements. It allows us to be agile and resilient from a business perspective and means we can more easily respond to market conditions. And, it makes KPMG a more interesting and exciting place to work.

Our business, structure, ownership and strategy

Our business, structure, and ownership

KPMG LLP (KPMG or the firm) is part of the KPMG global organization² of professional services firms providing audit, tax, and advisory services to a broad range of public and private sector entities. Our firm operates from more than 90 offices across the U.S. with more than 40,000 employees and partners.

KPMG operates as a Delaware limited liability partnership, and we are wholly owned by our more than 2,200 partners and principals (referred to collectively as partners).³ Full details about the services we offer can be found at [Capabilities and Services](#).

² More information about KPMG International, including the U.S. firm's relationship with it for the financial year ended September 30, 2023, is set out in the [KPMG International Transparency Report](#) and the [Transparency Report – Supplement: Additional Information Required by Article 13 of EU Regulation 537/2014](#).

³ Partners and principals have essentially the same rights under the firm's partnership agreement except that principals are not licensed as certified public accountants under the laws of any of the various states or territories of the United States.

Our strategy

Our strategy is set by our Board and executive management, and demonstrates a commitment to quality and trust.

Defined accountabilities, roles, and responsibilities related to quality and risk management

Leadership responsibilities for quality and risk management

Our leadership team is committed to building a culture based on integrity, quality, objectivity, independence and ethics, demonstrated through their actions.

We define and document the key roles and responsibilities of leadership associated with each of the elements on the quality control standards of the PCAOB, AICPA, and IAASB.⁴ Leadership is evaluated annually on their achievement of the following responsibilities under the standards:

- Ultimate responsibility and accountability for the system of quality control to the firm's Chief Executive Officer (CEO)
- Operational responsibility for the system of quality control or its specific aspects, including compliance with independence requirements and the monitoring and remediation process.

Over the course of this fiscal year, we have spent significant time enhancing and restructuring our leadership roles in order to manage our practice in a more streamlined way. The new structure, effective October 1, 2023, reinforces our audit quality agenda and closely aligns our leadership with our audit quality foundation.

- **Our Chair and CEO** (in collaboration with the firm's executive leadership and oversight by the Board of Directors), establishes the firm's strategies and direction, including our commitment to audit quality, an ethical culture, and our promise of professionalism to investors and other participants in the capital markets, regulators, clients, and our partners and employees.

- **Our Vice Chair – Audit**, who reports to the Chair and CEO and Deputy Chair and Chief Operating Officer (COO) as a member of the [Management Committee](#), has responsibility for our Audit practice, including driving certain aspects of our system of quality control.
- **Our National Managing Partner – Audit Quality and Professional Practice (AQPP)**, who reports to the Vice Chair – Audit, leads our Department of Professional Practice (DPP) and business unit professional practice network and is also responsible for driving and supporting certain monitoring activities within our system of quality control.
- **Our National Managing Partner – Audit Operations and Execution**, who reports to the Vice Chair – Audit, has operational responsibility for the implementation of the Audit practice strategy and financial plan, which are aligned with the firm's audit quality initiatives. This includes responsibility for implementing quality control initiatives that facilitate engagement performance, resource management, talent development, growth, and financial strategies that support the firm's system of quality control.

Our nationally managed Audit practice is supported by an Audit Professional Practice Partner and Audit Practice Leader for Operations. The Audit Professional Practice Partner and Audit Practice Leader for Operations report to the National Managing Partner – AQPP and the National Managing Partner – Audit Operations and Execution, respectively. The Audit Professional Practice Partner provides professional practice and audit quality leadership and directs adherence to firm policies, procedures, and professional standards.

We are organized in 10 geographic business units, each led by a Business Unit Partner in Charge (BUPIC), who reports to the Audit Practice Leader for Operations and a Business Unit Professional Practice Partner (BUPPP), who reports to the Audit Professional Practice Partner. For each business unit, the BUPPP is responsible for audit quality and risk management for core Audit professionals, while the BUPIC is responsible for people management, operations, and quality growth and shares responsibility with the BUPPP in supporting audit quality. In addition, the BUPIC and the BUPPP are both responsible for professionalism and integrity in each business unit.

⁴PCAOB QC Section 20, "System of Quality Control for a CPA Firm's Accounting and Auditing Practice," AICPA QC Section 10, "A Firm's System of Quality Control (Redrafted)", and IAASB ISQC 1 (International Standard on Quality Control No. 1) and ISQM 1

⁵ Also discussed in "Our governance" section further below

Professional Practice Partners

Together with the review and oversight of the Audit Professional Practice Partner, KPMG professional practice partners:

- Support and advise partners, managing directors,⁶ and engagement teams on entity-specific technical accounting, audit, risk management, and independence matters
- Assimilate and disseminate information pertaining to professional practice and risk management
- Monitor compliance with firm policies, our system of quality control, and professional standards
- Review policies and processes to continuously improve audit quality
- Provide performance feedback related to audit quality for partners and managing directors in the business unit
- Assign the partner or managing director to lead (engagement leader) and the engagement quality control reviewer to review each engagement as well as evaluate the ongoing capacity of partners, managing directors, and managers to serve the client portfolio
- Evaluate new clients and new audit and attestation (collectively, audit) engagements along with the respective engagement leader to address audit risks and association with the entity

Department of Professional Practice (DPP)

DPP comprises a broad network of partners, managing directors, senior managers, directors, and other professionals who support our people in meeting their professional responsibilities in accordance with firm policies and the requirements of the PCAOB, the U.S. Securities and Exchange Commission (SEC), the AICPA, and other regulatory oversight organizations.

The Partner in Charge – Audit DPP (DPP-PIC), who reports to the National Managing Partner – AQPP, maintains operational responsibility and accountability for the day-to-day operations of DPP. The DPP-PIC oversees timely and effective support to engagement teams through the development of practice guidance and consultation on professional practice matters and sets and promotes a strong tone and culture supporting audit quality and a commitment to objectivity, professional skepticism, ethics, and integrity throughout DPP.

Additionally, the DPP-PIC oversees root cause analyses, consulting activities, and audit-specific training, in addition to the Audit Quality Support Network (AQSN) program and the nomination and annual accreditation process of partners designated as SEC Reviewing Partners (SECRPs). The AQSN program is further discussed below under “[Direction, supervision, review, and support for the engagement team](#),” and more information about the firm’s SECRPs and quality control reviews are included under the “[Appropriate involvement of the quality control reviewer](#)” section of this report.

Defined accountabilities, roles, and responsibilities related to quality and risk management

KPMG has two principal governing documents: a Partnership Agreement and Partnership By-laws. Together, these documents establish the structure and principal procedures of governance for the firm.

The KPMG governing body is its Board of Directors (the Board), and it may have between 13 and 18 Member Directors and up to three Independent Directors. KPMG has built safeguards into its governance structure to maintain the independence of the Board from the operational management of the firm.

⁶ A managing director is not allowed to sign an audit opinion on engagements of SEC issuers, although they may assist a lead Audit partner on such an engagement in the role of an other Audit partner. A managing director may serve in the capacity as a lead Audit partner on engagements of certain private entities, employee benefit plans that file with the SEC on Form 11-K, and broker-dealers who claim exemption from the customer protection requirements of SEC Rule 15c3-3 (i.e., non-clearing/carrying broker-dealers).

Firm governing body: The Board

The Board oversees the business, property, and affairs of the firm. Board responsibilities include setting firm policies, overseeing firm management, including the election of the Chair and Deputy Chair, and approving appointments to the Management Committee. Board members, excluding the Chair and Deputy Chair, serve a five-year term and are eligible for reelection after they have been off the Board for two years.

KPMG requires that a majority of the Board members be certified public accountants and prohibits members of the Management Committee, except for the Chair and the Deputy Chair, from serving on the Board.

Selection process of Member Directors

A Nominating Committee of the Board selects nominees for the Board from the firm's partners to serve as Member Directors. Partners also have the option to directly nominate candidates through established procedures. The Nominating Committee must include at least one-half of partners who are not directors. Management Committee members are ineligible for Nominating Committee membership, and the Chair and Deputy Chair are not involved in selecting the Board's nominees.

The member nominees are voted on by the firm's partners in an election supervised and tabulated by outside counsel.

Independent Directors

The inclusion of Independent Directors on the Board reinforces the firm's commitment to quality and a values-driven culture. Independent Directors must meet the criteria set by the New York Stock Exchange Listing Standards Requirements for Independent Directors at Listed Entities and comply with the relevant independence rules of the SEC and AICPA.

The Independent Directors Nominating Committee, comprising the Chair, Deputy Chair, Lead Director, and two Member Directors, is responsible for nominating Independent Director candidates to the Board. Independent Directors are elected by a two-thirds majority vote of the Board. For a list of the firm's current Board members, please refer to the Appendix. As of September 30, 2023, the firm has three Independent Directors who have no material relationship with the firm. They are active and prominent members of the firm's governance structure and are contributing members of the Board. Independent

Directors are responsible for setting policies, overseeing management, and participating in succession planning for the Chair and the Deputy Chair, among other duties. Their presence brings diverse perspectives and valuable insights as they collaborate with the firm's leadership team.

Lead Director

A Lead Director is elected annually by fellow Board members. The Chair and the Deputy Chair are not involved in the selection process and are ineligible to serve as the Lead Director. The Lead Director assumes several responsibilities, including recommending Board committee appointments, assisting the Chair in agenda development, and serving as a liaison between the Chair, Deputy Chair, and other directors regarding matters raised during executive sessions of the Board, from which the Chair and Deputy Chair are excused.

Governance Committee

The Governance Committee, chaired by the Lead Director, recommends governance processes and guidelines designed to foster the active and accountable performance of Board duties. It also develops and implements annual Board and director evaluation processes. The results of these evaluations are reported to the full Board for discussion at the conclusion of each fiscal year.

Risk, Regulatory and Compliance Committee

The Risk, Regulatory and Compliance Committee supports the Board in fulfilling its oversight responsibilities in two key areas: (1) professional practice, legal and regulatory compliance, and ethics and compliance programs of the firm; and (2) internal audit function related to the aforementioned areas. The committee is also responsible for overseeing that the firm conducts its business with the highest standards of ethics, honesty, and integrity adhering to the firm's Code of Conduct, policies, procedures, and applicable laws, regulations, and professional standards. It also oversees the consistent promotion and application of ethics and compliance programs and policies throughout the firm, with the Board providing oversight. Additionally, the committee ensures that management takes appropriate action in response to misconduct or noncompliance with the firm's Code of Conduct, policies, procedures, and applicable laws, regulations, and professional standards.

Audit and Finance Committee

The Audit and Finance Committee supports the Board in overseeing the internal audit function of the firm, particularly in relation to financial matters and all aspects of internal control, audit, or reporting of the firm's financial affairs. The committee's responsibilities include reviewing annual and interim financial reporting to the partnership, overseeing the firm's capital structure, monitoring internal controls related to significant financial and accounting processes, and monitoring capital and other investments that support strategic initiatives and infrastructure needs as well as the annual operating budgets.

Operations and Technology Committee

The Operations and Technology Committee supports the Board in overseeing the firm's operations, including technology and information protection, disaster recovery and business continuity planning, and alignment and effectiveness of local, regional, and global operations.

Compensation and Pension Committee

The Compensation and Pension Committee assists the Board in providing guidance on compensation policies for partners and overseeing their implementation. It also oversees the firm's retirement and pension plans, as well as other benefit plans, programs, and policies available to partners. The committee reviews compensation of Management Committee members as recommended by the Chair and Deputy Chair, and recommends the compensation of the Chair and Deputy Chair to the full Board for approval. Additionally, the committee oversees the investment of funds deposited in the firm's savings and pension plans and selects third-party advisers for the investment of such funds.

Human Capital and Culture Committee

The Human Capital and Culture Committee supports the Board in overseeing people management, culture, and the process for partner admission and withdrawal. A subcommittee, known as the Partner Rights Committee, reviews partner grievances related to management decisions. The Chair and the Deputy Chair are not eligible for membership in either the Human Capital and Culture Committee or the Partner Rights Committee.

Senior management

The firm's Chair of the Board also holds the position of CEO. With guidance from the Board, the CEO is responsible for managing the firm's business affairs and carrying out the firm's policies and may act on all matters on behalf of the firm. The firm's Deputy Chair, who reports to the Chair, holds the position of Vice Chair of the Board and also serves as the Chief Operating Officer. Both the Chair and the Deputy Chair are initially elected for a five-year term and may be reelected for an additional three-year term. Their election requires a majority vote of the Board, followed by a ratification vote of the firm's partners.

Management Committee

The firm's Chair and Deputy Chair are supported by senior management members who form the firm's Management Committee. The Management Committee is responsible for executing firm policies established by the Board, developing strategies and operational plans to support such policies, and ensuring the firm operates soundly and profitably. The current Management Committee comprises the Chair, Deputy Chair, and Vice Chairs of Audit, Tax, Advisory, Operations, Growth & Strategy, Risk Management, Talent & Culture, AI & Digital Innovation and Legal, Regulatory & Compliance (who also serves as the General Counsel).

Ethics and integrity

Ethics, integrity, independence, and objectivity are the pillars of our firm and of the profession, and our environment is built on the principle that every individual must take personal responsibility for the ethical culture of the firm.

The firm's Code of Conduct (the Code) is a cornerstone of our ethics and compliance program. It helps us articulate our standards of professionalism and integrity expected of all KPMG partners and employees. The Code sets forth our values, shared responsibilities, channels of communication, key policies and protocols, and ethical decision-making framework, and provides a roadmap to guide how our individual and collective commitments to professionalism and integrity should be manifested and maintained. The Code supports and positively impacts how we achieve our strategic priorities, as we look to grow our business by working with companies that share our values and by recruiting and retaining professionals who take pride in the positive contributions they make to our ethical culture.

Individuals are expected to speak up if they see something that is not in compliance with the Code. Everyone at KPMG is held accountable for reporting—and is required to report—any activity that could potentially be illegal or in violation of our values, KPMG policies, applicable laws, regulations, or professional standards.

When they join the firm, and each year thereafter as part of an annual confirmation process, every one of our people is asked to confirm that they have read the Code, understand it, and agree to comply with it, which includes adhering to our values, shared responsibilities, and commitments. In addition, we require our professionals to complete twelve hours of ethics and integrity training every year.

Ethics and Compliance Hotline

KPMG maintains an Ethics and Compliance Hotline that allows both phone and web reports to be made through an independent third-party provider by calling the toll-free number, 1-877-576-4033, or submitting a report at www.kpmgethics.com. We encourage use of the hotline when KPMG personnel wish to remain anonymous or feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels.

The hotline is available to external parties as well, including personnel at entities we serve, vendors, and professionals from other KPMG member firms. Reports filed through the hotline are directed to our Ethics and Compliance Group - Investigation Division for review and, if necessary, for assignment of appropriate firm resources for investigation and resolution. Reports that involve the audit of an SEC client may be directed to the Ombudsman for review. KPMG's Ombudsman works on behalf of the firm as an additional channel of communication for reports of potential issues involving SEC audit clients and their foreign operations. On these matters, the Ombudsman reports directly to the Chair. All reports are handled confidentially (to the extent allowable by law and consistent with the needs of a thorough investigation).

In addition, the KPMG International hotline serves as another mechanism for KPMG personnel, clients, and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG member firms, or KPMG personnel.

Retaliation for good-faith reporting or for otherwise participating in an investigation is a serious violation of the Code, and the U.S. firm has a monitoring process designed to protect individuals who disclose their identities when raising their concerns and witnesses who participate in an investigation. The Ombudsman also operates under the firm's principles of confidentiality and non-retaliation.

3 Apply expertise and knowledge

Audit methodology

Bringing consistency through our audit methodology

Our audit methodology is based on the requirements of the PCAOB and AICPA and enables a consistent approach to planning, performing, and documenting audit procedures over key accounting processes. The methodology includes our interpretation of how to apply auditing standards to drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and mandates compliance with relevant ethical requirements, including independence. Our methodology is required to be used and is documented and made available to all professionals supporting the audit.

To deliver audits in a manner consistent with our methodology, our engagement teams use our proprietary KPMG Clara workflow. Our workflow includes a robust risk assessment that enables our professionals to understand the entity and its processes, and financial reporting risks and then tailor our audit response to drive quality. The methodology and workflow are designed to build quality into the process and allow us to enhance our monitoring of the audit prior to issuance of the audit report.

Enhancements to the audit methodology, guidance, and tools are made regularly to maintain compliance with applicable standards and address emerging areas of focus and quality results.

We are committed to continuing to build on our technical expertise and knowledge, recognizing its fundamental role in delivering quality audits.

Access to specialist networks

The use of specialists is an increasingly important part of the modern audit and is a key feature of our multidisciplinary model. Engagement teams have access to a network of highly skilled KPMG specialists in the U.S. In addition to their education and experience, these specialists receive the training they need to maintain the competencies, capabilities, and objectivity to appropriately fulfill their role on our audits. The need for and assignment of specialists is considered throughout each audit engagement, including at acceptance and continuance. Engagement leaders are responsible for confirming that their engagement teams have the appropriate resources and competencies.

Responding to significant external events and conditions

Significant external events and conditions, such as climate change, geopolitical events, volatile interest rates and elevated levels of inflation, may have significant financial statement implications. These events introduce increased complexity, subjectivity, and uncertainty in matters such as management's going concern assessment, asset impairments, and asset valuations.

The firm issues guidance to assist teams in addressing the various accounting, financial reporting, and audit-related matters arising from the impacts of significant external events. Our guidance is updated as significant auditing, accounting, and reporting issues are identified.

4 Embrace digital technology

KPMG Clara

An intelligent audit technology platform, KPMG Clara, integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization. It brings new insights by helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts.

A fully digital audit approach is integral to how we perform quality audits and interact with our 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.

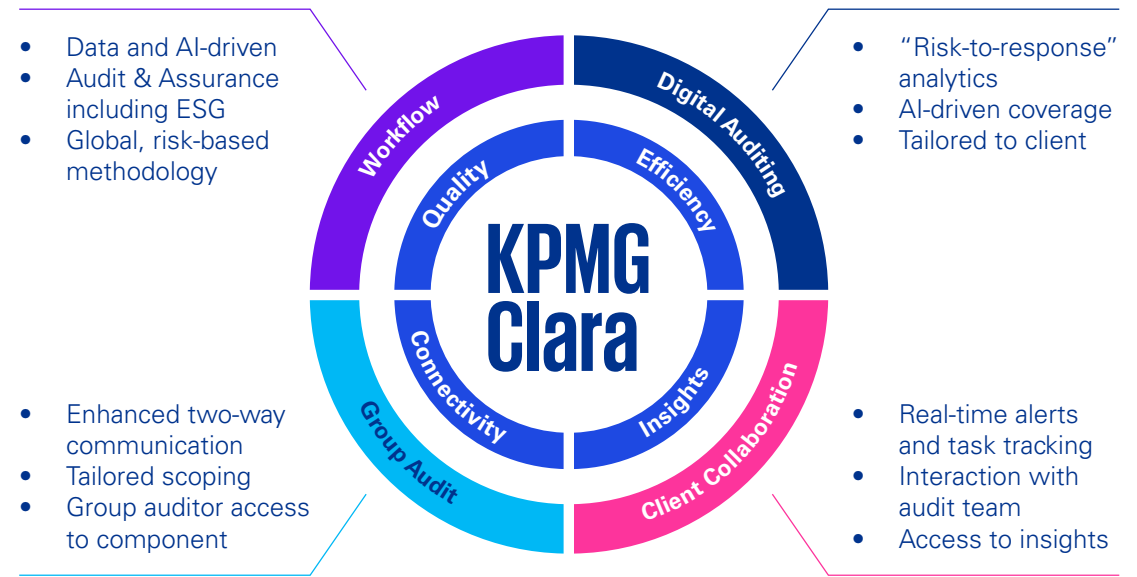
Our vision of the future

KPMG Clara was developed to be a foundational technology platform to deliver audit quality. It evolves with technologies such as artificial intelligence (AI), data and analytics, and cognitive capabilities transforming how audits are delivered.

AI plays an increasingly significant role in delivering audits; for example, our alliance with [Mindbridge](#) is helping to better identify high-risk transactions, allowing us to obtain audit evidence and insights into the entity's data.

At KPMG, we are anticipating the technologies that will shape our near future, and we are driving an ambitious innovation agenda. We have transformed the audit experience for our professionals and clients. The alliances and leading technologies used across the KPMG global organization are enhancing audit quality by increasing our ability to focus on the issues that matter.

The KPMG organization's procurement and global alliance relationships with Microsoft were recently renewed and expanded. The multi-year agreement further integrates data, automation, and AI enablement into KPMG Clara to develop deeper, increasingly relevant insights, freeing up KPMG teams to focus on higher-risk areas of audit.



Confidentiality, information security, and data privacy

KPMG has policies and processes that treat confidential information in accordance with applicable laws, contractual obligations, and professional standards. All KPMG personnel are trained and required to confirm their understanding of the firm's confidentiality, information security, and data privacy policies when they join the firm and at least annually thereafter, and they are expected to consistently adhere to those policies at all times.

KPMG has dedicated information security and privacy teams and programs; employs a combination of physical, technical, and administrative controls; and conducts assessments of applicable internal systems and third parties.



5 Nurture diverse, skilled teams

Recruitment and onboarding

Recruit appropriately qualified and skilled people, with diversity of specialist skills, perspective, and experience

One of the key drivers of quality is that our professionals have the appropriate skills and experience, integrity, motivation, and purpose to deliver a high-quality audit. This requires appropriate recruitment, development, training, reward, promotion, retention, and assignment of professionals.

Our recruitment strategy focuses on attracting talent from diverse sources, including established universities, professional organizations, and leadership societies to build relationships with a diversified talent pool at all stages of their career. During the interview process, we regularly update job descriptions and involve technical experts to assess applicants' skill sets and knowledge relevant for their role.

Experienced applicants are provided with our independence guidelines and confirm their understanding of these requirements early in the recruiting process. Campus hires receive this information upon receiving their offer. To ensure compliance, all individuals who accept an offer must complete an authorization for release of information, allowing the firm to conduct a background investigation through independent sources. Any situations involving independence or conflicts of interest are resolved before the individual commences employment.

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.

Inclusion, diversity and equity programs

At KPMG, we are committed to building a diverse and equitable firm that is inclusive to all. Inclusion, diversity and equity (IDE) underpins our values and is vital to our purpose.

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.

For more about inclusion and diversity at KPMG read [here](#).

Assemble an appropriately qualified team

We have policies, procedures, and controls in place to assign engagement leaders and other professionals to specific engagements based on their skill sets, relevant professional and industry experience, the nature of the assignment or engagement, and available capacity. Engagement leaders' and quality control reviewers' assignments are approved by business unit leadership and may also be subject to national leadership approval, including Risk Management, based on the individual characteristics of the specific engagement.

The engagement leader considers the collective competencies and capabilities of the engagement team to perform the audit engagement in accordance with our audit methodology, professional standards, applicable legal and regulatory requirements, and firm policies. This consideration may result in the engagement leader's involving specialists from our firm, other KPMG member firms or external experts.

The engagement team’s knowledge, skill, experience, and ability encompasses various factors that may include an understanding of, and practical experience with, audit engagements of a similar nature and complexity, an understanding of professional standards and regulations, appropriate technical skills (including IT, tax, actuarial, and valuation), knowledge of relevant industries, consideration of Quality Performance Review (QPR) and regulatory inspection results, and the ability to allocate sufficient time to fulfill the audit responsibilities.

Focus learning and development on technical expertise, professional acumen, and leadership skills

Professional development

In support of audit quality, we are committed to the growth and development of our professionals. We continuously evaluate and improve upon our methods of identifying the developmental needs of our professionals by assessing results gathered through monitoring our audits, course evaluations, focus groups, testing, and follow-up surveys. Additionally, our professionals are required to maintain their technical competence and to comply with applicable regulatory and professional requirements regarding continuing professional education (CPE).

As the firm continues its transformation journey and the career paths of our professionals become more agile, the upskilling needs of our professionals are evolving rapidly.

In 2023, we began a multi-year journey to move away from a one-size level-based learning curriculum to an agile role-based curriculum with learning pathways that address the modernized service delivery model, personalized to learner needs, including:

- Modularizing current learning solutions by skill and proficiency level so that learning assets can be packaged together and delivered at the right time to meet the needs of various audiences.

- Reimagining contextualized guidance to provide bite-sized learning directly within the systems and tools where our professionals work.
- Implementing skills-based badging and recognition tools.
- Redesigning our new hire learning program to add engaging practice and simulated audit experiences and incorporate our new ways of working, including an emphasis on the use of data and technology.

Degreed, our externally developed, industry-leading Learning Experience Platform, serves as a single point of access to a large catalog of internal and external learning solutions and makes it easier for professionals to drive their own development, support the development of their teams, and engage more actively in their learning.

Client service professionals who hold or are eligible to hold a CPA license⁷ must be licensed to practice in the state where their principal place of business is located and meet CPA licensing or reciprocity requirements in any other state in which they practice public accounting, where applicable. The firm monitors licensure, including expiration and renewal, for our professionals using firm records and a database, which generates a notification to professionals before license expiration. Professionals who are deficient in meeting our CPE and CPA licensing requirements may be subject to disciplinary action.

Our Ethics and Compliance Group tests and monitors compliance with firm policies related to CPE and CPA licensing.

⁷ Professionals are “eligible to hold a CPA license” if they have passed the CPA exam and meet applicable state educational and experience requirements but have not yet applied for a CPA license.

Performance measurement, advancement, and compensation

All partners and employees participate in annual expectation setting and performance evaluations, which provide a consistent framework for discussions on goals, objectives, and career development aspirations. These evaluations consider adherence to firm values, as well as skills and behaviors related to quality, compliance with professional standards and firm policies, technical competencies, engagement execution, leadership and development, and continuous learning. Additionally, professionals are also assessed on their contribution to their practice and the firm, including the achievement of individual business objectives, and key metrics where applicable. The outcomes of these evaluations directly impact compensation, advancement and continued association with our firm.

KPMG's compensation and promotion policies are informed by market data and linked to the performance review process, which enables clarity regarding expectations and rewards. Reward decisions are made by assessing relative performance within peer groups, considering individual performance, firm performance, and market factors.

Our partnership and managing director admission process is rigorous, involving due diligence procedures that include background checks, independence reviews, ethics and compliance reviews, and consultation with the Office of General Counsel as needed. Interviews are conducted by firm leaders, including a professional practice or Risk Management partner, and for direct-entry candidates, a member of the Board. Internal candidates also undergo extensive reviews by various departments, including Risk Management. Admission to the partnership or managing director roles is approved by our Management Committee or Board.⁸

Audit partner compensation is determined annually by Audit leadership and approved by the Management Committee and Board. Professional practice partners play a significant role in evaluating Audit partner performance, and consider audit quality indicators in compensation recommendations. Similarly, the compensation of Tax and Advisory partners involved in audit engagements is influenced by their performance in relation to audit quality.

Our compensation policies prohibit Audit partners (and certain other partners meeting the definition of an Audit partner) from receiving compensation for procuring non-audit service engagements with entities they audit. Partner compensation is derived from the firm's profits and is not directly tied to the performance of a specific business line or function. Individual partner compensation considers tenure, responsibilities, and the demonstration of firm values, quality, and performance.



⁸ Recommendations for admission to the partnership are approved by the Board while recommendations for admission as managing director are approved by the Management Committee.

6 Associate with the right entities and engagements

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

Rigorous entity and engagement acceptance and continuance policies are important to our ability to provide reasonable assurance that our firm has:

- An understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
- An understanding of professional standards and legal and regulatory requirements
- Appropriate technical skills, including those related to relevant IT, tax, actuarial, and valuation services

Our Risk Management team develops risk management policies for the Audit practice, including those relating to client and engagement acceptance and continuance.

Risk Management also oversees relevant risk management systems and processes, including the steps enabled through the Client/Engagement Acceptance and Setup (CLEAS) system and the Partner Rotation System, which enables the firm to monitor compliance with the SEC independence rules and the firm's policies on partner rotation. To maintain objectivity, Risk Management reports outside of the Audit practice to the Vice Chair – Risk Management, who in turn reports to the Chair and CEO.

KPMG has established policies and procedures for evaluating new and continuing professional relationships and whether to perform specific services for a particular entity. The CLEAS system is used to manage and control the firm's acceptance processes, and the Client Engagement Acceptance and Continuance tool is used to document the results of the firm's acceptance and continuance processes. Our policies and procedures are

designed to prohibit engagement teams from accepting or beginning work on an engagement until potential risks or independence conflicts are evaluated, applicable safeguards are put in place, and approval is obtained from appropriate leaders.

Prospective entity and engagement evaluation processes

Before accepting an Audit engagement with a new entity, we require an evaluation of the entity, its owners/ management, and its business. This typically includes a background investigation of the entity and select members of senior management and adverse media searches relating to individuals who are ultimate beneficial owners, as well as an evaluation of independence in both fact and appearance.

Factors considered during the acceptance process include, but are not limited to:

- **Client-related circumstances** (reputation, character, and integrity of the management and owners of the prospective client, as well as internal controls considerations and accounting policy and reporting matters)
- **Business-related matters** (risk of litigation, whether association with the prospective client may harm the firm's professional reputation)
- **Service-related matters** (whether the engagement team possesses adequate knowledge, skills, capacity and experience to respond to the engagement risks, fulfill our professional obligations, and provide appropriate professional services).

Evaluating independence and resolving conflicts of interests

We accept only those engagements (audit and/or non audit) we can perform in a manner consistent with our high-quality standards and where we have addressed actual or potential conflicts of interest. Conflicts of interest are circumstances or situations that have, or may be perceived to have, an impact on the ability of the firm and/or its personnel to be objective or otherwise act without bias. Firm personnel are trained to be alert to conflicts of interest between the firm and our clients or among our clients and to identify and evaluate actual and potential conflicts of interest to resolve, manage, or avoid such conflicts in a timely manner.

With the assistance of the national Independence Group, engagement teams proposing to perform a new Audit engagement conduct a review of relationships that the firm or certain individual professionals may have with the prospective client and its affiliates. The review also includes consideration of any non-audit services we may provide or have provided. We use our proprietary tool Sentinel™ to identify potential independence issues and other conflicts of interest within and across member firms in the KPMG International network. If a potential independence issue or conflict cannot be resolved satisfactorily, in accordance with professional and firm standards, then it will preclude the firm from accepting the prospective Audit engagement.

We are committed to maintaining our objectivity and avoiding undue influence. KPMG policies are 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.

Continuance and reevaluation process

Engagement leaders are required to review and evaluate their existing Audit engagements with their professional practice partner at least annually. An engagement continuance evaluation is a process of formal approvals by various parties, generally including the professional practice partner and, in certain situations, the Audit Professional Practice Partner and Risk Management. The objective of these reviews is to identify those engagements where the firm should consider implementing additional safeguards to address new or changing client and/or engagement risks or those instances where the

firm should discontinue its professional association with the entity. In addition, certain factors that may alter the risk profile of the client or engagement, such as a significant change in the nature, size, structure, ownership, or management of an entity's business, lead to timely reevaluation procedures applicable to the situation, such as additional independence procedures and/or background checks, to be conducted before the completion of the Audit engagement and issuance of the report.

Withdrawal process

When we obtain information that indicates we should withdraw from an engagement or from a 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 bodies or authorities, as required.



7 Be independent and ethical

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

Independence policies

Our independence policies require that our firm and professionals be free from prohibited financial interests in and relationships with the entities we audit, their affiliates, individuals in financial reporting oversight roles, and significant owners. We remain committed to demonstrating independence, both in fact and appearance, and as such, require adherence to applicable independence requirements and ethical standards, which meet or exceed the standards promulgated by the SEC, PCAOB, AICPA, Government Accountability Office (GAO), and other applicable regulatory bodies.

Our national Independence Group, which is a dedicated group of experienced partners and employees led by the National Partner in Charge, Independence and reporting to the National Partner in Charge, Risk Management – Audit and Independence, is responsible for our independence policies, processes, and controls in the areas outlined below. To promote the objectivity of the Independence Group, it is part of Risk Management led by the Vice Chair – Risk Management, who reports directly to the Chair and CEO and has no operational responsibilities for Audit or any other service function.

Personal independence

Each professional has ultimate responsibility for maintaining personal independence. We are focused on such maintenance and have strengthened our comprehensive program over the past several years to support our professionals in the fulfillment of their responsibility to maintain their personal independence.

In addition to policies prohibiting any partner or employee from trading on inside information, our partners, members of the management group, and those providing professional services to an entity we audit or its affiliates (collectively, restricted entities) may not have direct or material indirect investments in those restricted entities.

The KPMG Independence Compliance System (KICS) contains an inventory of SEC registrants and other entities from which we must be independent, along with the securities issued by those entities. These entities and securities are marked as “restricted” in KICS. Before purchasing a security, securing a loan, or initiating other financial relationships, all partners, members of the management group, and any professional providing professional services to an entity we audit or its affiliates are required to use KICS to determine whether the entity is restricted. Additionally, acquisitions and disposals of investments and loans must be reported in KICS, which automatically notifies professionals if a previously permissible investment or loan becomes restricted. The firm also employs other compliance monitoring processes, such as audits of individuals’ compliance with personal independence policies, to identify and remediate instances of noncompliance with the firm’s independence policies. For most types

of investment accounts, all partners and members of the management group are required to use brokers that automatically update our professionals' KICS accounts, enabling timely reporting of investments and identification and disposal of prohibited investments.

Certain professionals also may be subject to limitations related to other financial relationships (e.g., credit cards, insurance products, and bank accounts) with restricted entities. In addition, certain firm professionals are not permitted to have a close family member in an accounting or financial reporting oversight role with an Audit client or, in certain cases, its affiliates.

Over the past several years, we have incorporated several activities designed to increase compliance with reporting requirements of financial interests by our management group. With the incorporation of these activities into our on-going operations, as well as with our continued evaluation and enhancement of actions associated with improving compliance with financial interest reporting requirements, we have transformed our program related to personal independence compliance.

Employment relationships

KPMG professionals are required to report promptly to the firm any discussions or contacts regarding possible employment that they may have with an Audit client or its affiliates.

If an Audit engagement team member intends to engage in possible employment discussions or negotiations with an Audit client, they are immediately removed from the engagement. Their work is reviewed to assess whether the professional exercised appropriate skepticism and, when appropriate, the work may be reperformed.

For SEC issuer entities we audit, a former member of the Audit engagement team may not accept employment in a financial reporting oversight role at such entity until the required cooling-off period, which in most cases is more than 12 months, has expired.

If any former KPMG professional accepts employment with an Audit client or with certain affiliates, then the engagement team considers the appropriateness or necessity of modifying the audit procedures to adjust for the risk that the former professional's prior knowledge of the audit plan could reduce audit effectiveness.

All retired and former partners are required to obtain approval from the Chair of the firm before negotiating with or accepting a position with any entity for at least two years after separation from the firm or as long as the retired or former partner retains any financial interest in the firm. When a former or retired partners seeks permission to join an Audit client or an affiliate of an Audit client, such requests are reviewed to ensure all actions needed to comply with all relevant independence requirements, are performed. In addition, audit engagement teams are required to perform procedures to confirm compliance with applicable independence requirements if a retired or former partner joins an Audit client in an accounting role or financial reporting oversight role (including any position on the Board of Directors).

The firm has unilaterally adopted a policy of not soliciting Audit client personnel to join the firm as a partner or employee. However, if an individual who was previously employed or associated with an Audit client does join the firm, our policies prohibit the individual from participating in or being in a position to influence an Audit engagement that covers any period of time during which the individual was employed by that Audit client.

Rotation of Audit partners

To comply with the Sarbanes-Oxley Act of 2002 and SEC independence rules, lead Audit engagement partners and certain other partners and managing directors are subject to specific rotation requirements that limit the number of consecutive years certain individuals may provide services to an SEC-registered entity that we audit.

The firm's policies also limit the number of years certain individuals may provide services to Audit clients not subject to SEC independence rules. To facilitate compliance with these requirements, the firm uses its Partner Rotation System, which assists in tracking assignments of certain personnel and initiating personnel changes on entities we audit. Additionally, Risk Management must approve any proposed change of a lead Audit engagement partner of an SEC registrant if the change is for any reason other than required partner rotation or normal partner retirement. Our monitoring system also aids in the development of timely transition plans that help the firm deliver consistent quality of service to the entities we audit. The process of overseeing and tracking service periods and rotations is subject to compliance testing as part of various monitoring functions.

Firm financial independence

Our Independence Group reviews all potential new firm financial relationships, including direct investments in firm pension and employee benefit plans, for potential independence issues and conducts monthly reviews of firm investments and loans to confirm that there are no investments in, or loans from, restricted entities. We test ownership threshold levels to safeguard that any indirect financial interest in an entity we audit is not material.

KPMG also uses KICS to record the firm's direct investments, including those held in pensions and employee benefit plans. Additionally, we record in KICS all firm borrowing and capital financing relationships, as well as custodial, trust, and brokerage accounts that hold member firm assets.

On an annual basis, the firm evaluates compliance with independence requirements as part of the KPMG Quality & Compliance Evaluation Program, which is described in section 10 of this report.

Pursuits of Audit engagements

A prospective client may request that the firm and other bidders respond to a Request for Proposal (RFP) through a competitive selection process before awarding work. During such a process, we do not allow our professionals to receive material information from a prospective client that would not be made available to other participants (e.g., other firms/bidders), as that could provide the firm with an unfair competitive advantage.

When there is a competitive RFP pursuit of an Audit engagement, we require our professionals on the pursuit team to confirm that during the pursuit process, they were in compliance with firm policies and professional standards regarding objectivity, integrity, and independence.

Approval of audit and nonaudit services

Our policies and procedures, including the Sentinel system, help us prevent the provision of prohibited non-audit services to Audit clients, facilitate audit committee preapproval of permitted services, and allow us to identify and manage potential conflicts of interest.

Engagement leaders are required to reflect the legal and ownership structures of Audit clients and their affiliates in Sentinel. Additionally, KPMG member firms must enter every proposed engagement (and the client for which it relates) into Sentinel before starting work. Sentinel identifies whether the proposed service is for an Audit client or an affiliate of an Audit client. When the engagement is for an Audit client or affiliate, an evaluation of the permissibility of the service, including potential threats and safeguards, is required to be included in Sentinel. Sentinel notifies the engagement leader of all services proposed for their Audit client and its affiliates. For all services proposed for SEC-registered entities and certain nonpublic entities we audit, the engagement leader reviews the service for permissibility and obtains preapproval of permitted services from the audit committee before approving the Sentinel request. 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 conclude or be reevaluated for permissibility; otherwise, the services are required to be exited.

For engagements subject to GAO standards, the lead Audit engagement partner or managing director must approve non-audit services before they begin.

Further, when an Audit client plans to engage in a merger, acquisition, or other transaction that will result in a new entity becoming an affiliate of the Audit client, Sentinel allows the firm to identify services and other relationships that may exist between the firm or a KPMG member firm and the potential new affiliate. The firm evaluates the need to exit or otherwise resolve any services, relationships, or conflicts that may be impermissible under the independence rules should the entity become an Audit client affiliate.

Business relationships, suppliers, and financial relationships

Firm policies and procedures require that our business, supplier, and financial relationships with Audit clients are identified, assessed, and maintained in accordance with applicable independence standards. The Independence Group monitors compliance with these policies and procedures.

Further, as part of the business relationship evaluation process, and before entering into a business relationship with a non-Audit client, the firm considers the need for an exit strategy should the firm be required to terminate the relationship due to independence requirements (e.g., if the entity were to become an affiliate of an Audit client).

Business acquisitions and investments

When KPMG is in the process of considering the acquisition of, or investment in, a business, we perform due diligence procedures on the prospective target to identify and address any potential independence and risk management issues before closing the transaction.

Training and confirmations

KPMG has established processes to communicate independence policies and procedures to our personnel. We require all professionals to complete annual independence training and affirm their independence when they join the firm and at least annually thereafter. On a quarterly basis, partners and members of the management group are required to check their KICS account and confirm that their investments and loans (and those of their immediate family members) are properly reported in accordance with firm policies.

Independence monitoring

We monitor compliance with our independence policies related to personal financial interests through KICS as well as a personal independence compliance audit process. All partners are subject to independence compliance audits every five years, and leadership⁹ is subject to independence compliance audits every three years. Client service employees are subject to independence compliance audits on a sample basis.

Annually, the firm conducts over 1,000 independence compliance audits of its partners and employees in addition to performing other monitoring activities. We conduct detailed procedures before new partners and Audit managing directors join the firm or are promoted into such roles to identify financial interests and relationships that would become impermissible in those roles. This allows the financial interest or relationship to be terminated or modified to prevent a violation prior to their joining the firm or the effective date of their promotion.

Through participation in the Audit Quality Review Programs, the Independence Group evaluates a sample of Audit engagements to determine compliance with independence requirements and related firm policies, including, but not limited to, those pertaining to partner rotation; unpaid professional fees; maintenance of group legal, affiliate, and ownership structures in Sentinel; audit committee preapproval of services; required independence communications; and procedures related to employment, familial, and personal relationships. A sample of non-audit services provided by Advisory and Tax to SEC-registered Audit clients also is reviewed to determine compliance with engagement setup and contracting requirements and to confirm permissibility under the SEC and PCAOB independence rules, including audit committee preapproval requirements.

Sanctions for independence violations

All professionals are required to report a potential independence violation as soon as it comes to their attention. Any violations of applicable auditor independence regulations or professional standards are reported to the audit committee or those charged with governance at the Audit client.

KPMG has an established and documented disciplinary policy in relation to independence violations, with multiple sanction levels (including financial penalties). Failure to comply with our independence policies, whether self-reported or identified through a personal independence compliance audit or other compliance monitoring process, is subject to discipline.

A panel of firm leaders is charged with overseeing the imposition of sanctions for independence violations.

Zero tolerance of bribery and corruption

We have zero tolerance for bribery and corruption.

All KPMG professionals 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 noncompliance.

⁹ Members of the Board of Directors and Management Committee

8 Perform quality audits

The KPMG audit is, where applicable, an integrated audit model, which incorporates both the audit of the financial statements and the audit of internal control over financial reporting. Our integrated audit is enhanced through timely communications with audit committees and company management throughout the audit process.

We use our knowledge and experience to identify and assess risks to determine the nature, timing, and extent of audit procedures. As the risk increases, we obtain more persuasive audit evidence.

The KPMG integrated audit addresses the entity's manual and automated controls. We integrate our Tax and other professionals into the core Audit engagement team, when appropriate, and incorporate procedures to identify and respond to fraud risks.

The KPMG audit also guides the conduct of audits of financial statements consisting of two or more components (group audits) and clearly delineates responsibilities relative to managing group audits and the involvement of the group Audit engagement team in the work performed by the component auditor. We have policies and guidance related to matters that merit special consideration in group audits, including:

- Performing the group risk assessment, including obtaining an understanding of the group, its components, and their environments
- Evaluating groupwide controls
- Communicating with component auditors and being involved in their work to facilitate supervision and review

Everyone at KPMG is expected to demonstrate behaviors consistent with our values and follow all policies and procedures in the performance of effective and efficient audits.

- Determining the independence of the component auditor in accordance with applicable requirements
- Evaluating the adequacy of the component auditors' work to determine whether sufficient appropriate audit evidence has been obtained

Professional judgment framework

Critically assess audit evidence using professional judgment and skepticism

On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. Each team member needs to exercise professional judgment and maintain professional skepticism throughout the Audit engagement.

Professional skepticism involves a questioning mind and critical assessment of audit evidence, including remaining alert to contradictions or inconsistencies. Professional skepticism features prominently throughout the auditing standards and our methodology—the KPMG audit emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to sound judgments. Our professional judgment framework includes a number of components, such as mindset, seeking advice, knowledge and professional standards, influences and biases, reflection, and coaching. In addition, our professionals undergo training on using our Ethical Decision-Making tool, our standardized framework for making ethical choices. We reinforce the application of the professional judgment framework and professional skepticism through continuous coaching and training, acknowledging that judgment is a skill honed through diverse experiences over time.

Using the framework enables us to enhance our professional judgement and skepticism, exercise consistent and appropriate judgments, enhance audit documentation, and effectively coach and mentor team members in the application of professional judgment.

Consult when appropriate

Encouraging a culture of consultation

We have established protocols for consultation regarding significant accounting, reporting, and auditing matters, including procedures to resolve differences of opinion on Audit engagement issues. Consultation within the firm is encouraged and, in certain circumstances, required in accordance with firm policy. Technical support for each engagement team comes from DPP, our Professional Practice Partners, and a network of professionals with experience in topics such as tax, valuation, fraud, technology, and other business areas.

We also do not issue the auditors' report until differences of opinion are documented and the final conclusion is implemented and documented.

Global resources

The global KPMG PCAOB Standards Group (PSG) promotes consistency in the interpretation of such standards in the audit work performed by KPMG member firms with respect to non-U.S. components of U.S. SEC issuers and for foreign private issuers. The PSG also provides input into the development of training for auditors outside the U.S. firm who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

Direct, coach, supervise, and review

Engagement leader and manager involvement

The engagement leader is responsible for the direction, supervision, and performance of the engagement, and the overall quality of the Audit engagement. The engagement leader is responsible for the audit opinion and reviews key audit documentation, including documentation relating to significant matters arising during the audit and conclusions reached. In preparing the auditors' report, engagement leaders have access to reporting guidance and technical support from DPP. The engagement manager assists the engagement leader in meeting these responsibilities, the day-to-day liaising with company management and the team, and building a deep business understanding that helps the engagement leader and team deliver a quality audit.



Direction, supervision, review, and support for the engagement team

The firm promotes a coaching culture as part of enabling our professionals to achieve their full potential. We support a continuous learning environment where every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences while directing, supervising and reviewing their work. Ongoing direction, coaching, supervision, and support during an audit involves:

- Participation of the engagement leader in planning discussions and execution of the audit
- Tracking the progress of the Audit engagement
- Considering the competence and capabilities of the engagement team, including whether members have sufficient time to carry out their work
- Helping the engagement team members understand their instructions and confirming that 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 to review and discuss with more experienced team members during the engagement
- Reviewing work timely so that significant matters are promptly identified, discussed, and addressed
- Monitoring procedures of public company integrated audits prior to the issuance of the report (preissuance review).

Our AQSN program encompasses select Audit partners and managing directors who have recently completed a rotation in DPP and returned to a local office. Each AQSN member goes through an annual accreditation process and works closely with local and national Audit leaders to provide direct audit quality coaching and support to engagement teams in areas that will have the most significant effect on audit quality.

Appropriate involvement of the quality control reviewer

KPMG continually seeks to strengthen and improve the role that the quality control reviewer plays in audits, as this is a fundamental part of our system of quality control. Every KPMG audit involves either an engagement quality control review or a limited-scope quality control review (collectively, a quality control review). The type of quality control review depends on the type of audit.

An engagement quality control review is performed for audits of financial statements of public entities, including those going through the IPO process, and audits of internal control over financial reporting as well as other designated engagements. Such a review includes consideration of the appropriateness of the financial statements and related disclosures, review of the auditors' report(s) to be issued, review of select audit documentation, and an evaluation of any significant judgments and related conclusions as part of the overall conclusion on the engagement. A limited-scope quality control review is performed for audits that do not meet our criteria for an engagement quality control review. These reviews provide reasonable assurance that, among other things, the entity's financial statements comply with applicable accounting and reporting standards and relevant regulatory requirements and that the auditors' report(s) is appropriate. All quality control reviewers must be independent of the entity and maintain integrity and objectivity.

Reviewers meet certain qualifications, training, and experience criteria to perform a quality control review for a particular engagement. SECRPs are select Audit partners who perform engagement quality control reviews of public company audits. They receive additional internal training and are knowledgeable and experienced in SEC accounting and reporting matters and PCAOB standards, including PCAOB Auditing Standard No. 1220, *Engagement Quality Review*. These partners are also supported by professionals who assist them in reviewing the engagement team's audit documentation. For 2023 year-end and later audits of public companies, all SECRPs are assisted by members of the centralized group that is led by our DPP, further driving quality and consistency in execution.

KPMG requires a quality control review before the release date of the reports for financial statement audits, integrated audits, financial statement reviews, reviews of interim financial information, audits or reviews by component auditors (with certain exceptions), and other attest reports (except compilation reports) that may be used by more than one KPMG member firm or relied upon by other parties.



Engagement documentation

Our firm's audit documentation is completed and assembled in accordance with firm policy and applicable auditing standards, and we have implemented safeguards to help protect the confidentiality and integrity of client and firm information.

KPMG policy requires engagement teams to complete all procedures and address matters raised through the supervision of engagement team members before the report date and close the audit workpaper file within two business days of the report release date. We also require engagement teams to complete the workpaper assembly and record retention process within five business days after the release of the report.¹⁰ To make it easier for engagement teams to file and retain documentation, we have automated the archiving and file closeout process. Our new Audit professionals are trained on the documentation assembly and record retention process in connection with this policy, process, and technology.

In accordance with the relevant SEC and PCAOB rules, as well as other applicable standards, laws, and contractual requirements, the firm's document retention policies set forth the retention period for documentation related to Audit, Advisory, and Tax engagements as well as other firm documentation.

¹⁰ PCAOB auditing standards require that a complete and final set of audit documentation be assembled for retention within 45 days after the report is released.

9 Assess risks to quality

Identifying risks to quality and implementing effective responses

The quality of a KPMG audit rests on the foundational SoQC and our approach to ISQM 1 emphasizes consistency and robustness of controls within our processes

KPMG International performs an annual iterative risk assessment process to determine the baseline expected quality objectives, quality risks, process risk points and controls (responses to those risks) that all KPMG firms agree to adopt.

In our firm, we also perform our own iterative risk assessment process annually to identify any additional quality objectives, quality risks, or controls specific to our firm's facts and circumstances.

The consistent global approach:

- Sets the minimum controls to be implemented within all KPMG firms' SoQC processes in response to globally identified risks to meeting SoQC quality objectives
- Defines the SoQC methodology used by KPMG firms in their annual evaluation of SoQC to demonstrate the SoQC controls are implemented and operating effectively.



10 Monitor and Remediate

Identifying risks to quality and implementing effective responses.

Rigorously monitor and measure quality

Monitoring quality and continuous improvement

KPMG is committed to continually improving the quality, consistency, and efficiency of our audits. Our quality monitoring, compliance, and root-cause programs enable us to identify deficiencies in quality, perform root-cause analysis, and develop, implement, and report remedial action plans, both for individual Audit engagements and our system of quality control.

Internal monitoring and compliance programs

The firm's monitoring programs are created by KPMG International and applied across KPMG member firms. The programs evaluate firm and engagement compliance with applicable professional standards, applicable laws and regulations, and KPMG International key policies and procedures. In addition, the firm is evaluated on the relevance, adequacy, and effective operation of its key quality control policies and procedures.

Our internal monitoring and compliance programs also contribute to the evaluation of our SoQC operating effectiveness. These programs include an engagement-level Audit Quality Performance Review (QPR) as well as the Global Quality & Compliance Review (GQCR) and the global KPMG Quality & Compliance Evaluation (KQCE). The results and lessons learned from the monitoring and compliance programs are communicated and appropriate action is taken at local, regional, and global levels.

Inspections Group

We reinforce our commitment to audit quality through our Inspections Group, which is led by the National Partner in Charge, Risk Management – Inspections and comprises highly skilled professionals whose function is to monitor the quality of our Audit engagements and interact with external inspectors and peer reviewers. The Inspections Group executes our annual internal inspection program of the Audit practice by performing pre-issuance inspections for in-process audits and post-issuance inspections of completed audits. The group also coordinates and acts as the principal interface for external audit quality reviews, including the annual PCAOB inspection of the firm and the triennial AICPA peer review program.

To further enhance the objectivity of those who conduct internal inspections and interact with external inspectors and peer reviewers, our Inspections Group is part of Risk Management, which is led by the Vice Chair – Risk Management and organizationally separate from the Audit practice. This enables the group's internal inspections of the firm's audits to be objective and free from any potential influence or perceived pressures from engagement leaders or Audit leadership.

Audit Quality Performance Review (QPR) program

The Audit QPR program assesses engagement-level performance and identifies opportunities to improve engagement quality. We conduct the annual QPR program in accordance with KPMG International QPR instructions, which promote consistency across the KPMG organization. The reviews are performed at the firm level and are monitored regionally and globally. Each engagement leader is reviewed at least once in a four-year cycle, and a risk-

based approach is used to select engagements. Across the global organization, consistent criteria are used to determine engagement ratings and KPMG firm Audit practice evaluations. Audit engagements selected for review are rated as “Compliant,” “Compliant – Improvement Needed,” or “Not Compliant.”

KPMG Quality & Compliance Evaluation (KQCE) program

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms. These policies and processes and their related procedures include the requirements of the Global Quality & Risk Management Manual and ISQM 1.

Our statement on the effectiveness of our SoQC as of September 30, 2023 is provided in Section 12 of this document.

Global Quality & Compliance Review (GQCR) program

Each KPMG member firm is subject to a GQCR conducted by KPMG International’s GQCR team, independent of the member firm, at various intervals based on identified risk criteria. GQCRs assess compliance with selected KPMG International policies and procedures and share leading practices among member firms.

Perform root cause analysis

In our firm, our SoQC provides the foundation for consistent delivery of quality engagements, and our Root Cause Analysis (RCA) program is an integral element of the monitoring and remediation component of the SoQC, driving enhancements to audit quality.

Leveraging inputs from other monitoring programs, we use a 5-step methodology designed by KPMG International to complete an RCA. Professionals within DPP are trained using this methodology, which provides a common platform for advancing the practices and skills associated with resourcing, planning, and conducting an RCA.

Their role is to respond to engagement and firm-level audit quality control matters raised through internal and external inspections or through other channels by:

- Gathering information associated with audit quality matters, identifying the root causes of those deficiencies, and supporting the development of remedial action plans designed to enhance Audit engagement performance or quality controls
- Enhancing the firm’s overall processes to build audit quality considerations into operational and business initiatives through ongoing collaboration with other Audit practice groups

Upon completion of an RCA we design and implement remedial actions selected by the Audit leadership team in conjunction with other Audit practice groups and Audit professionals to respond to the underlying cause of the audit quality issues and subsequently monitor the effectiveness of such actions. Remedial action plans and monitoring results are reported to firm leadership.



Obtain, evaluate and act on stakeholder feedback

Regulator

The PCAOB oversees auditors of U.S. public companies to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The PCAOB conducts periodic inspections of registered public accounting firms, and we are subject to annual inspection. The PCAOB plays an important role in improving audit quality, and the results of its inspection process provide areas of focus to enhance our engagement performance and strengthen our system of quality control.

In each PCAOB inspection cycle, certain of our public company audit engagements are selected for review and certain procedures relating to the activities and responsibilities of our executive and national offices are performed.

As initially published, the PCAOB's inspection reports include a public portion (Part I), which describes the PCAOB's observations related to the audits inspected, and a nonpublic portion (Part II) that includes the PCAOB's criticisms of, or potential defects in, the firm's system of quality control. The quality control observations remain nonpublic if the firm demonstrates to the PCAOB's satisfaction that it has made substantial, good-faith progress toward remediating the quality control observations in the report within the 12 months following the initial publication of the report. The status of the five most recent PCAOB inspections are presented in the table on the right.

Peer review

To comply with licensing requirements of state boards of accountancy, the GAO, and membership requirements of the AICPA, we undergo external peer review every three years. Firms can receive a rating of pass, pass with deficiency(ies), or fail. The firm's most recent peer review report on our system of quality control applicable to engagements not subject to permanent PCAOB inspection (nonpublic entity accounting and auditing practice) for the year ended March 31, 2023, was issued with a pass rating by Grant Thornton LLP in December 2023.

Our most recent peer review report and the AICPA's acceptance letter are public documents that are accessible through our [website](#).

Inspection Year	Release Date of PCAOB	Report Date of Firm's Response*
2022	Not yet released	N/A
2021	December 2022	November 2023
2020	November 2021	September 2022
2019	February 2021	December 2021
2018	June 2020	March 2021

*To nonpublic portion of the report

The public portions of the PCAOB inspection reports are available on our [website](#).

While KPMG does not disclose nonpublic portions of PCAOB inspection reports, we would be pleased to discuss with our clients the range of activities we have undertaken to enhance audit performance.

Client feedback

We proactively seek feedback from clients through in-person discussions and third-party surveys to monitor their satisfaction with the services delivered.

Monitoring of complaints

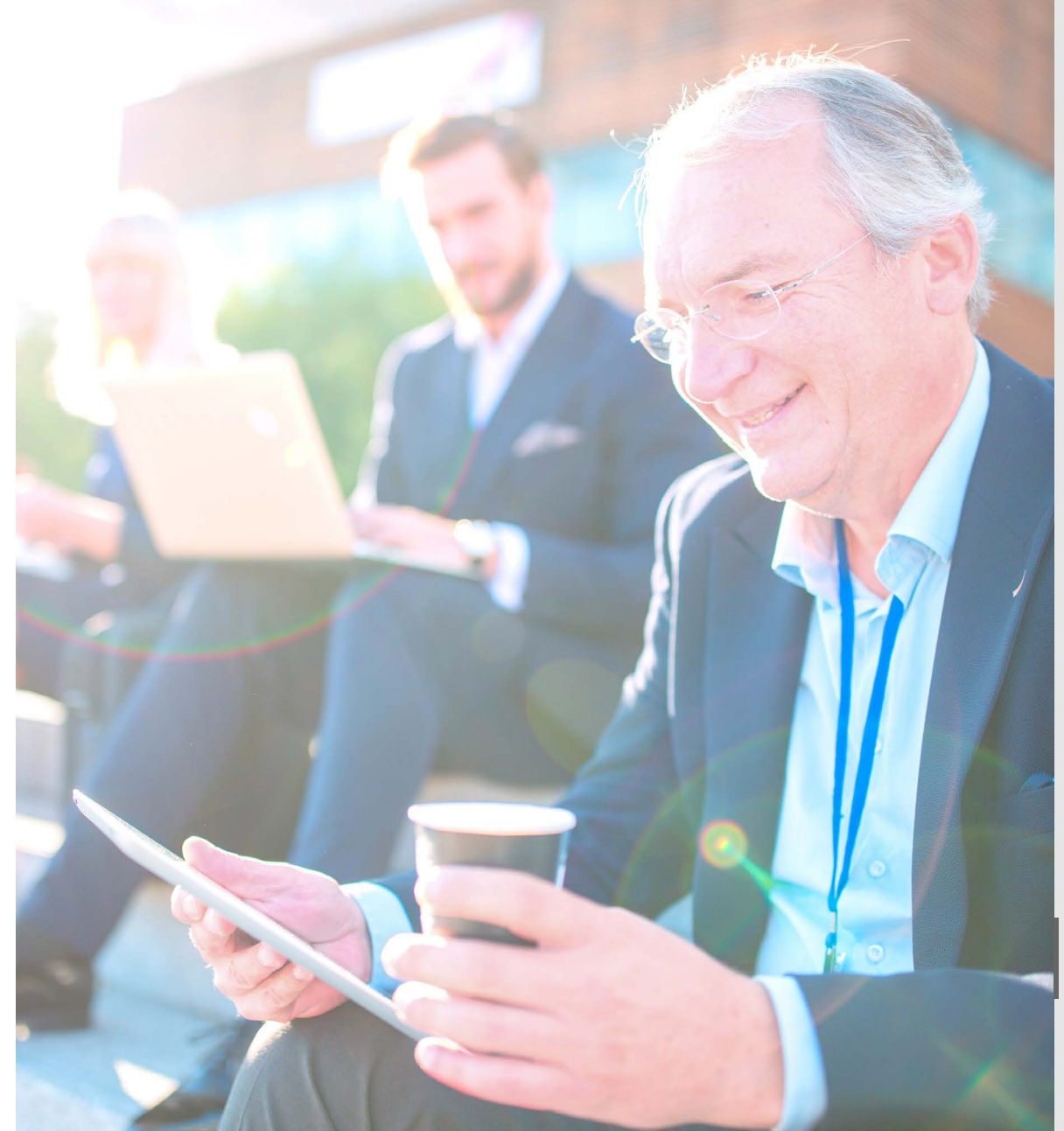
We have procedures in place for monitoring and addressing complaints received relating to the quality of our work.

We promptly investigate, document, and deal appropriately with:

- Complaints and allegations that work performed by us fails to comply with professional and ethical standards or regulatory or legal requirements
- Allegations of non-compliance with our quality and risk management architecture
- Deficiencies in the design or operation of our quality control policies or procedures or non-compliance with our quality and risk management architecture, as identified during investigations into complaints and allegations.

Our process for reviewing such matters is set forth in the firm's investigation protocols, under the supervision of our Chief Ethics and Compliance Officer. Investigations and reports are handled in a confidential manner, consistent with applicable law and the need to investigate and take corrective action.

In response to a substantiated report, we take appropriate disciplinary action against the offender, including termination of employment, separation from the partnership, or other measures.



11 Communicate effectively

Provide insights, and maintain open and honest two-way communication

Effective two-way communication between the auditor and the audit committee and management is key to audit quality and is a key aspect of reporting and service delivery.

We stress the importance of keeping the audit committee and management informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, guidance and support resources, attendance at audit committee (and, as appropriate, board) meetings, and ongoing discussions.

The firm provides engagement teams with a robust and consistent reporting format to facilitate the relevance, timeliness, and quality of the communications with the audit committee in a manner consistent with the requirements of the relevant rules, regulations, and standards.

We recognize that another important contributor to upholding audit quality is obtaining and promptly acting upon feedback from key stakeholders.

KPMG Board Leadership Center and Audit Committee Institute

Recognizing the demanding and important role that audit committees play for the capital markets and the increasing complexity and scope of their oversight responsibilities, the KPMG Board Leadership Center (BLC)¹¹, which includes the Audit Committee Institute (ACI), aims to help audit committee members continually enhance their effectiveness. ACI provides insights, programs, and resources—such as the [KPMG Audit Committee Guide](#)—on matters of interest to audit committees and boards.

These matters include financial reporting developments and technical updates, oversight of risk and the internal control environment, cybersecurity, AI, data privacy, corporate culture and compliance, and oversight of auditors. We also provide peer exchange opportunities for audit committee members and directors to dialogue on common challenges, emerging governance practices, and the evolving expectations of investors and other stakeholders for ever-greater transparency and a focus on long-term value creation.

¹¹ KPMG BLC serves as an educational resource for corporate board members and closely collaborates with other leading director organizations to promote continuous education and improvement of public and private company governance

IFRS Institute

KPMG's International Financial Reporting Standards (IFRS) Institute provides information and resources to help users of IFRS, including board and audit committee members, executives, management, stakeholders, and government representatives gain insight and access thought leadership about the evolving IFRS global financial framework. In addition, KPMG has specific education and experience requirements for professionals working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework, which the IFRS Institute supports.

Partner and employee surveys

Throughout the year, partners and employees are invited to participate in independent surveys that measure their overall level of engagement with the firm and cover areas of focus that are directly relevant to audit quality. The results provide leadership with information about drivers of business performance, employee engagement and motivation, audit quality, risk behaviors, upholding of KPMG values, and attitudes toward quality, leadership, and tone at the top. The findings also enable leadership to see how the firm is progressing in strategic priorities and provide metrics that identify potential areas that may require leadership attention.



12 Statement of effectiveness of the system of quality control

Statement on the effectiveness of the System of Quality Control of KPMG LLP as of September 30, 2023

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1) and KPMG International Limited Policy, KPMG LLP (the "Firm") has responsibility to design, implement and operate a System of Quality Control for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm. The objectives of the System of Quality Controls are to provide the Firm with reasonable assurance that:

- The Firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

Integrated quality monitoring and compliance programs enables the Firm to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Control.

If deficiencies are identified when the Firm performs its annual evaluation of the System of Quality Control, the Firm evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Control, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Control as of September 30, 2023, the System of Quality Control provides the Firm with reasonable assurance that the objectives of the System of Quality Control are being achieved.

Appendix (Board of Directors)

The members of the Board of Directors of KPMG LLP as of September 30, 2023 are:

Chair – Paul Knopp

Deputy Chair – Laura Newinski

Member directors:

Jarrold Bassman	Jeanne Johnson	Melissa Taylor
Dean Bell	Tracy Kenny	Greg Williams (Lead Director)
Ed Chanda	Deon Minnaar	Tim Zuber
Rishi Chugh	Charlie Ritter	
Per Edin	Mark Shrekgast	

Independent directors:

Linda Addison	Roel Campos	Janet Wolfenbarger
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kpmg.com

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