



Transparency Report 2016

KPMG Switzerland

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Transparency Report 2016

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Message from our Senior Partner

AUDIT QUALITY IS AT THE HEART OF OUR CULTURE OF INTEGRITY, SERVING THE PUBLIC INTEREST AND OUR DRIVE FOR CONTINUOUS IMPROVEMENT



This is our eighth Transparency Report, covering the financial year ended 30 September 2016. It provides you with insights of what we do to continuously advance quality of our services, manage risk and maintain our independence. In this report, we take the opportunity to describe and explain how we are building public trust and inspiring confidence in capital markets:

- by bringing to life our commitment to quality, ethics and integrity through our culture and values
- by recruiting, developing and assigning the best people to help deliver insights and innovative ideas
- by driving a relentless focus on quality in all our engagements

While we aim to be the clear choice for all the services we offer to our clients, audit quality is at the heart of our culture of integrity, serving the public interest and our drive for continuous improvement. A quality audit means the delivery of an appropriate opinion that is supported by audit procedures conducted in compliance with the applicable auditing standards, laws and professional requirements. This requires knowledge and discipline, but also integrity and independence, both in mind and in appearance. The key elements that we believe are critical to our achievement of audit quality are the following:

- **Our culture** is based on a strong set of core values and fosters an open and honest communication across the organization. Our commitment to quality is driven from the top, i.e., the firm's leadership, but it is ultimately the responsibility of all our partners and staff.



- **Our people** are required to approach all matters in an audit with objectivity and professional skepticism, to offer relevant, valued insight and impartial views through candid communications. We want to increase our added value by demonstrating the skills, behaviors and innovations clients and stakeholders expect. We aim to build and support a dynamic career path for our people.



- **Our approach** to audit quality includes having globally consistent methodologies and policies, enabled by innovative tools. The expanding role of innovation and technology in audit continues to evolve providing greater clarity and generating deeper and richer insights. Innovation in audit is an area where KPMG continues to invest.



- **Our monitoring** programs are fundamental to sustaining quality and to building on our success. We have a number of programs and initiatives primarily aimed at identifying opportunities for continuous improvement and relevant remedial actions.



We remain committed to working closely with regulators, audit committees, investors and businesses to enhance quality and ensure that we meet the expectations of all our stakeholders.

Stefan Pfister
CEO

Who we are

Section 2

KPMG is one of the leading audit and advisory firms in Switzerland and around the world.

Our strategy is based on our global firm's vision to be the clear choice for our clients, our people and the community.

QUALITY AND INTEGRITY ARE
 OF FUNDAMENTAL IMPORTANCE
 TO ACHIEVE OUR STRATEGY
 AND SAFEGUARD PUBLIC TRUST



2.1 Our business

KPMG Holding AG together with its wholly owned subsidiaries is referred to throughout this report as 'KPMG Switzerland' or the 'Swiss Firm'. We employ over 1'800 people (FTEs as of 30 September 2016) and operate out of 10 offices in Switzerland and one office in Liechtenstein, offering audit, tax and advisory services in a multidisciplinary business model.

Our business is organized on a partnership basis. The responsibility for leadership is borne by an Executive Committee that creates the framework conditions for the successful activities of all partners and employees, geared toward clients and markets.

During the year ended 30 September 2016 there was an average of 124 equity and non-equity partners (2015: 120 partners).

Audit services in Switzerland and Liechtenstein are delivered through KPMG AG, Ostschweizerische Treuhand-Gesellschaft and KPMG (Liechtenstein) AG. Full details of the services offered by KPMG Switzerland can be found on our [website: www.kpmg.ch](http://www.kpmg.ch).

2.2 Our strategy

Our strategy is set by the Board of Directors of KPMG Holding AG in cooperation with the Executive Board of KPMG AG. It is based on our global firm's vision to be the clear choice for our clients, our people and the community. The leadership of KPMG Switzerland has determined that quality and integrity are of fundamental importance to achieve our strategy and safeguard public trust. Our strategy focuses on the following cornerstones:

Clients

We differentiate ourselves by acting in an entrepreneurial manner and offering multidisciplinary value propositions across regions, functions and sectors. We exceed our clients' expectations because we believe in proactively sharing cutting edge insights and creating value. Outstanding quality in delivery is one of our top priorities.

People

We recruit and retain the best talents, providing long-term development opportunities and attractive compensation. We foster client-centric behaviour, focusing on performance that consistently exceeds expectations. Our partners and employees are collaborative and share an enduring pride in our firm.

Knowledge

We leverage the breadth and depth of our knowledge, backed up by credentials spanning different functions, sectors and countries. We deploy the best resources and technology to enhance our effectiveness. Our commitment to operational excellence goes without saying – we manage our project portfolio to maximize quality while minimizing risk.

Financials

We aim to achieve healthy, above-market growth. Combining our strengths across Audit, Tax (incl. Legal) and Advisory makes us more resilient and supports sustainable profitability with compensation that reflects our people's performance.

Further information about KPMG Switzerland is provided in the [2016 KPMG Switzerland Annual Report](#).

Our structure and governance

Section 3

KPMG's structure is designed to support consistency of service quality and adherence to agreed values and policies wherever the member firms operate.



3.1 Legal structure

KPMG Holding AG is domiciled in Zurich, Switzerland and the parent company of the following, directly or indirectly wholly owned subsidiaries:

- KPMG AG, Zurich
- KPMG (Liechtenstein) AG, Schaan
- Ostschweizerische Treuhand-Gesellschaft, St. Gallen
- Fides Revision AG, Zurich

Further details regarding these entities, including their legal form, regulatory status, the nature of their business and area of operation are set out in Appendix 1.

KPMG Holding AG is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated.

KPMG is a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. KPMG’s structure is designed to support consistency of service quality and adherence to agreed values and policies wherever the member firms operate. Details about the KPMG network and KPMG International and its business, including our relationship with it, are set out in Section 7 and the [supplement to the 2016 KPMG International Transparency Report](#).

3.2 Name, ownership and legal relationships

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

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

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

KPMG Holding AG, being the parent company of the Swiss Firm since 1 October 2014, is wholly owned by the Equity Partner Pool. During the year ended 30 September 2016 there was an average of 63 equity partners (2015: 62).



3.3 Governance structure

The Board

The main governing bodies of KPMG Switzerland are the Board of Directors of KPMG Holding AG and the Executive Committee of KPMG Switzerland, the latter also acting as the Board of Directors (“Executive Board”) of KPMG AG, our key operating firm.

The Board of Directors of KPMG Holding AG was elected in August 2014 for a term of 3 years. As of 30 September 2016, the Board of Directors comprised the Chairman and two additional members. The Board of Directors is responsible for the strategic direction of the Swiss Firm within the framework provided by KPMG International, overseeing the activities and performance of the Executive Committee and other responsibilities as defined by Swiss law.

Swiss audit regulations require a majority of our Executive Board to be licensed with the Federal Audit Oversight Authority (FAOA). As of 30 September 2016 and as of the date of this report, 4 out of the 7 members of our Executive Committee held such a license.

The Senior Partner

The Senior Partner is responsible for leading the Executive Committee and ensuring that Board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members. The current Senior Partner, Stefan Pfister, has been appointed by the Board of Directors of KPMG Holding AG with effect from 1 October 2014 for a term of 4 years after consultations with the Swiss partnership. The other members of the Executive Committee are proposed by the Senior Partner and also appointed by the Board of Directors of KPMG Holding AG.

The Executive Committee

The Executive Committee is responsible for developing the overall strategy for approval by the Board of Directors, together with its implementation as well as the operational management of the Swiss Firm through the market dimensions, functions (Audit Corporates, Financial Services, Tax, Advisory) and central services. The ultimate responsibility for decisions regarding the quality of our audits and our audit opinions lies with the Heads of Audit Corporates and Financial Services.

As of and during the year ended 30 September 2016 the Executive Committee was comprised of the Senior Partner (CEO) and six additional officers, being the Chief Operating Officer (COO), the National Quality & Risk Management Partner (NQRMP) and the Heads of Audit Corporates, Financial Services, Tax and Advisory.

The Executive Committee met 16 times in the year to 30 September 2016, including two retreats that focused on strategic topics. The Senior Partner of KPMG Switzerland communicates regularly and through various means with the Swiss partners and staff. During the year ended 30 September 2016, 2 meetings were held with the Swiss partners.

Full details of those charged with governance for KPMG Switzerland, including their biographies and their terms of office are set out in Appendix 2.

LEADERSHIP PLAYS
 A CRITICAL ROLE
 IN SETTING
 THE RIGHT TONE AND
 LEADING BY EXAMPLE



3.4 Leadership responsibilities for quality and risk management

KPMG Switzerland demonstrates its commitment to quality, ethics and integrity, and communicates its focus on quality to clients, stakeholders and society. Leadership plays a critical role in setting the right tone and leading by example.

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

While we emphasize that all professionals are responsible for quality and risk management, the following individuals have leadership responsibilities.

Senior Partner

In accordance with the principles in ISQC 1, our Senior Partner has assumed ultimate responsibility for KPMG Switzerland’s system of quality control. He has in turn allocated responsibility for quality to the national Function Heads (Audit Corporates, Financial Services, Tax and Advisory) and the National Quality & Risk Management Partner. Individual engagement quality and performance are controlled primarily at the level of the engagement team and the respective function, with an appropriate oversight by National Quality & Risk Management. The national Function Heads and the Functional and National Quality & Risk Management Partner report to the Senior Partner.

National Quality & Risk Management Partner (NQRMP)

Operational responsibility for the system of quality control, risk management and compliance in KPMG Switzerland has been delegated to the NQRMP, Philipp Hallauer, who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the Swiss Firm. He is a member of the Executive Committee and has a direct reporting line to the Senior Partner. The fact that the role is an Executive Committee position with a direct reporting line to the Senior Partner underlines the importance that the Swiss Firm places on risk and quality issues. The NQRMP is supported by a team of partners and professionals at the center and in each of the functions.

Heads of Audit Corporates, Financial Services, Tax and Advisory

The heads of the client service functions are accountable to KPMG’s Executive Committee for the quality of service delivered in their respective functions. They determine the operation of risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the NQRMP. These procedures all make it clear that at engagement level, risk management and quality control is ultimately the responsibility of all professionals.

Details of some of the measures that the Executive Committee of KPMG Switzerland has taken to ensure that a culture of quality prevails within our Firm are set out in Section 4.

System of quality control

Section 4

A robust and consistent system of quality control is an essential requirement in performing high quality services.



AT KPMG AUDIT QUALITY IS NOT JUST ABOUT REACHING THE RIGHT OPINION, BUT HOW WE REACH THAT OPINION

A robust and consistent system of quality control is an essential requirement in performing high quality services.

Accordingly, KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (QRMM-G), which is available to all personnel. Amendments to risk and quality policies, including ethics and independence policies, are communicated from KPMG International. Member firms are required to implement the changes specified in these communications and compliance is ensured through regular internal monitoring.

These policies and associated procedures are designed to guide our Firm in complying with relevant professional standards, regulatory and legal requirements, helping our personnel act with integrity and objectivity and in issuing reports that are appropriate in the circumstances.

The policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of these are relevant to firms that perform statutory audits and other assurance and related services engagements.

KPMG Switzerland implements KPMG International policies and procedures and adopts additional policies and procedures that are designed to ensure compliance with Swiss law and address the rules and guidelines issued by EXPERTsuisse, the FAOA, the Financial Market Supervisory Authority (FINMA) and other relevant regulators, such as the US Public Company Accounting Oversight Board (US PCAOB), as well as applicable legal and other requirements.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to member firm policies and associated procedures in carrying out their day-to-day activities.

While many KPMG quality control processes are cross-functional, and apply equally to tax and advisory work, the remainder of this section focuses on what we do to enable the delivery of quality audits. In this section we therefore focus on our system of quality control in the audit functions.

Audit quality framework

At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report. We view the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the applicable auditing standards. This means, above all, being independent, objective and compliant with relevant legal and professional requirements.

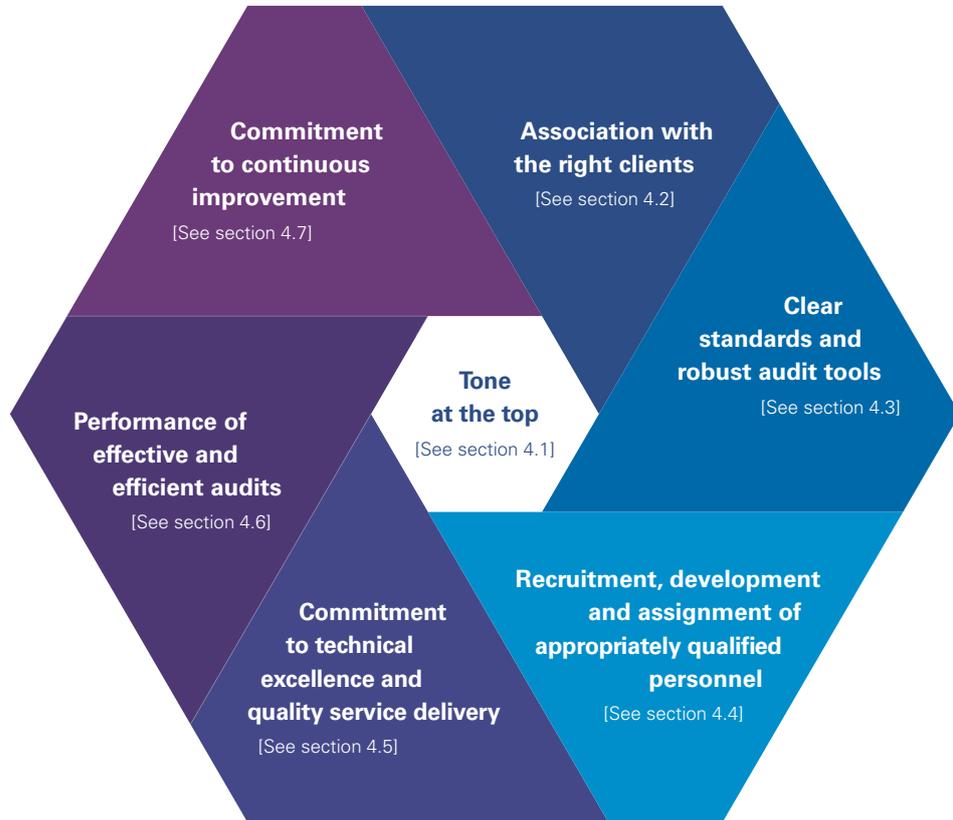
To help all audit professionals concentrate on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, KPMG International utilizes the Audit Quality Framework. This Framework employs a common language that is used by all KPMG member firms to describe what we believe drives audit quality, and to highlight how every audit professional at KPMG contributes to the delivery of audit quality.

Our Audit Quality Framework identifies seven key drivers of audit quality:

1. Culture and tone at the top
2. Association with the right clients
3. Clear standards and robust audit tools
4. Recruitment, development and assignment of appropriately qualified personnel
5. Commitment to technical excellence and quality service delivery
6. Performance of effective and efficient audits
7. Commitment to continuous improvement

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality. This helps ensure that the right behaviours permeate across our entire KPMG network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

Audit Quality Framework



4.1 Tone at the top

The culture of KPMG International and the member firms is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviors to permeate throughout the KPMG network, starting from the very top. We promote a culture in which consultation is encouraged and recognized as a strength.

Tone at the top means that KPMG Switzerland leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders and society at large.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG core

value – “Above all, we act with integrity”. Integrity means constantly striving to uphold the highest professional standards, providing sound good-quality advice to our clients and rigorously maintaining independence.

Our values, which have been explicitly codified for a number of years, are embedded into working practices and values-based compliance culture at KPMG Switzerland. Individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities. Our values are considered in the performance appraisal process that our people follow and adherence to these values is also reviewed when our people are considered for more senior promotions, including to Partner. Our values are set out in Appendix 4.



4.1.1 Code of Conduct

KPMG International's Code of Conduct incorporates our values, and defines the standards of ethical conduct that is required from all KPMG people.

It sets out our ethical principles, and helps partners and employees at KPMG Switzerland to understand and uphold those principles. In addition, the Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. It has provisions that require our people to:

- comply with all applicable laws, regulations and KPMG Switzerland policies
- report any illegal acts, whether committed by firm personnel, clients or other third parties
- report breaches of risk management policies
- uphold the highest levels of client confidentiality
- not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary)

In addition the [KPMG International hotline](#) is a vehicle for KPMG partners, employees, clients and other parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, its employees or the senior leadership of a KPMG member firm.

We also operate a [Swiss whistle-blowing hotline](#), which is available to our personnel, clients and other parties to confidentially report concerns (via telephone, secure internet line or in writing) to a third-party organisation. Our people can raise matters anonymously and without fear of retaliation.

KPMG Switzerland takes any complaints about the quality of its services or the behaviour of its people very seriously. We undertake to investigate them promptly and take appropriate action to address the concerns raised. Matters reported to the hotline are investigated under the supervision of an independent ombudsman. During the year ended 30 September 2016 there was one issue reported (2015: 0) via the Swiss whistle-blowing hotline.

4.2 Association with the right clients

4.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG's reputation, support our brand and are an important part to our ability to provide high-quality professional services.

Accordingly, KPMG International has established policies and procedures which all member firms have implemented in order to decide whether to accept or continue a client relationship, and whether to perform a specific engagement for that client.

4.2.2 Prospective client and engagement evaluation process

Before accepting a client, KPMG Switzerland undertakes an evaluation of the prospective client.

This involves an assessment of the prospective client's principles, its business and other service-related matters. This may also involve background checks on the prospective client, its key management and significant beneficial owners. A key focus is on the integrity of management at a prospective client and the evaluation includes breaches of law and regulation, anti-bribery and corruption and human rights among the factors to consider. A second professional, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be 'high risk' the National Quality & Risk Management Partner (NQRMP) or a delegate is involved in approving the evaluation.

The prospective engagement leader evaluates each prospective engagement (in practice this may be completed at the same time as the client evaluation), particularly in respect of audit appointments in consultation with other senior personnel and Functional and/or National Quality & Risk Management as required. The evaluation identifies potential risks in relation to the engagement. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system) as well as a factors specific to the type of engagement, including for audit services, the competence of the client's financial management team and the skills and experience of personnel to be assigned to the engagement.

BEFORE ACCEPTING A CLIENT,
 WE CONSIDER THE
 INTEGRITY OF MANAGEMENT
 INCLUDING BREACHES OF LAW
 AND REGULATION,
 ANTI-BRIBERY AND CORRUPTION
 AND HUMAN RIGHTS



The evaluation is made in consultation with other senior KPMG Switzerland personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures including a review of any non-audit services provided to the client and of other relevant relationships. Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client. We follow specific procedures (detailed further in section 4.3.2.6 Independence clearance process) to identify and evaluate threats to independence for prospective audit clients that are public interest entities. Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are documented and resolved prior to acceptance.

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

The Non-audit services and Conflicts of interest sections (4.3.2.8 and 4.3.2.10, respectively) provide more information on our independence and conflict checking policies.

4.2.3 Continuance process

An annual re-evaluation of all audit clients and audit engagements is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a significant change in their risk profile. Recurring or long-running engagements are also subject to re-evaluation.

This re-evaluation serves two purposes. Firstly, the Swiss Firm will decline to continue to act for any client we consider it would not be appropriate to continue to be associated with. Secondly, and more commonly, we use the re-evaluation process to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this may include the assignment of additional professionals such as an EQC reviewer or the need to involve additional specialists on the audit).

4.2.4 Withdrawal

Where we obtain information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal and regulatory steps. We also communicate as required with those charged with governance and any other appropriate authority.

4.2.5 Client portfolio management

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

Our audit partner's client portfolio is regularly reviewed to ensure that they have sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.



ALL OUR PROFESSIONALS
 ARE EXPECTED TO ADHERE
 TO OUR POLICIES AND
 PROCEDURES AND ARE
 PROVIDED WITH
 A RANGE OF TOOLS TO
 SUPPORT THEM IN
 MEETING THESE EXPECTATIONS

4.3 Clear standards and robust audit tools

All our professionals are expected to adhere to KPMG Switzerland policies and procedures (including independence policies), and are provided with a range of tools to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethics and quality control standards, and other relevant laws and regulations.

4.3.1 Audit methodology and tools

Significant resources are dedicated to keeping our standards and tools complete and up to date. KPMG International's global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of International Standards on Auditing (ISAs). The methodology is set out in KPMG International's KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, and which KPMG believes enhance the quality of our audits. The Swiss Firm also adds local requirements and/or guidance related to KAM to comply with additional local professional, legal or regulatory requirements. Our audit methodology is supported by eAudit, KPMG's electronic audit tool, which provides KPMG auditors worldwide with the methodology, guidance and industry knowledge needed to perform high-quality audits.

eAudit's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing effectiveness and efficiency and delivering value to stakeholders. The key activities within the eAudit workflow are:

Engagement set-up

- perform engagement acceptance and scoping
- determine team selection and timetable

Risk assessment

- understand the entity
- plan for involvement of KPMG specialists and external experts, internal audit, service organisations and other auditors as required
- evaluate design and implementation of relevant controls
- conduct risk assessment and planning discussion
- determine audit strategy and planned audit approach

Testing

- test operating effectiveness of selected controls
- plan and perform substantive procedures

Completion

- update risk assessment
- perform completion procedures, including overall review of financial statements
- perform overall evaluation, including evaluation of significant findings and issues
- communicate with those charged with governance (e.g. the Audit Committee)
- form the audit opinion

KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. The KPMG methodology encourages engagement teams to exercise professional scepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate and also requires the use of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary.

KAM includes the implementation of quality control procedures at the engagement level that provide us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory, and KPMG requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the QRMM-G that is applicable to all KPMG member firms, functions and personnel.

4.3.2 Independence, integrity, ethics and objectivity

4.3.2.1 Overview

KPMG International have detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's QRMM-G. Automated tools facilitate compliance with these requirements. The Swiss Firm and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics together with those of other applicable regulatory bodies (which may include those of a foreign jurisdiction where those requirements apply extraterritorially). These policies are supplemented by additional policies and procedures to ensure compliance with Swiss law and the rules and guidelines issued by EXPERTsuisse, the FAOA and FINMA.

These policies and processes cover areas such as personal independence, firm financial independence, business relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services. To help ensure ethical conduct, including integrity and independence, KPMG International requires that our Firm and its personnel must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors and significant owners. The Swiss Firm has a designated Ethics & Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures. The EIP is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures across our Firm are in line with the requirements of KPMG International. Ethics and independence policies are set out on our intranet hosted Quality & Risk Management Manual – Switzerland (QRMM-CH), which is based on the policies of KPMG's QRMM-G and incorporates additional local policies. These policies are reinforced through an annual training program.

Amendments to the ethics and independence policies in the course of the year are communicated through our intranet and/or by e-mail alerts and are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts of KPMG International, and this is checked through the internal monitoring programs described in Section 4.7.1.

KPMG Switzerland's personnel are required to consult with the EIP on certain matters as defined in the QRMM-CH.

In the event of failure to comply with relevant independence policies, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of partners and directors, are reflected in their individual quality and risk metrics (see Section 4.4.4). The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations.

4.3.2.2 Personal financial independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

Each member firm and its professionals must be free from prohibited financial interests in, and prohibited relationships with, KPMG's audit clients, their management, directors and significant owners.

Our professionals are responsible for making appropriate inquiries and taking other appropriate actions on an on-going basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a web-based independence tracking system (KICS) to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products.

Partners and client-facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted and they must dispose of that investment within 5 business days of the notification. The Swiss Firm monitors partner and manager compliance with this requirement as part of a program of independence compliance audits of a sample of professionals. In 2016, 65 (2015: 61) compliance audits were conducted by the Swiss Firm.

4.3.2.3 Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our EIP if he/she intends to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG member firm that is a public interest entity.

Former members of the audit team or former partners of a member firm are prohibited from joining an audit client in certain roles unless they have disassociated from the member firm financially and have ceased participating in KPMG Switzerland's business or professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to a two-year time restriction (referred to as 'cooling-off' period) in accordance with the Swiss Auditor Oversight Act (Art. 11 para. 2) that precludes them from joining that client in certain roles until the cooling-off period has passed.

We communicate requirements in relation to employment of the Swiss Firm's professionals by audit clients.

4.3.2.4 Firm financial independence

KPMG Switzerland uses KICS (see Section 4.3.2.2) to record the Firm's investments in SEC entities and affiliates (including funds), other listed companies and funds, including direct and material indirect investments held by the Firm's pension funds.

Additionally, we record in the system all borrowing and capital financing relationships, and custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG Switzerland confirms compliance with independence requirements as part of the Risk Compliance Program (see Section 4.7.1).

4.3.2.5 Business relationships/suppliers

KPMG Switzerland has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements. Compliance with these policies and procedures is monitored as part of the Risk Compliance Program (see Section 4.7.1).

4.3.2.6 Independence clearance process

KPMG Switzerland follows specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities. These procedures, also referred to as the independence clearance process ("ICP") are facilitated by KPMG International's proprietary Independence Checkpoint™ system.

4.3.2.7 Independence training and confirmations

The Swiss Firm provides all relevant personnel (including all partners and client service professionals) with annual independence training appropriate to their grade and function. New personnel who are required to complete this training must do so by the earlier of (a) seven days after joining the firm or (b) before providing any services to an SEC registered audit client or its affiliates.

We also provide all personnel with training on the Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and reporting suspected or actual non-compliance with laws, regulations, professional standards, and related KPMG policies on a bi-annual basis. New personnel are generally required to complete this training within seven days of joining the firm.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

In addition, all KPMG personnel are required to confirm their understanding of, and compliance with, the applicable Code of Conduct upon joining their member firm and on an annual basis thereafter. This confirmation is used to evidence the individual's compliance with and understanding of our independence policies.



4.3.2.8 Non-audit services

We have policies, which are consistent with IESBA principles and applicable laws and regulations, which address the scope of services that can be provided to audit clients.

We are also required to establish and maintain a process to review and approve all new and modified services that are developed by the Swiss Firm or adopted from another member firm. The EIP is involved in the review of potential independence issues and the Global Independence Group is involved in the case of services developed for global adoption.

In addition to identifying potential conflicts of interest, KPMG International's proprietary system, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements that includes service descriptions and fees must be entered into Sentinel™ as part of the engagement acceptance process. Using Sentinel™ lead audit engagement partners are required to: maintain group structures for public interest entity and certain other audit clients as well as their affiliates, and identify and evaluate any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners for entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

In Switzerland, the FAOA requires reporting on a bi-annual basis of any public interest entity audit client where the ratio of non-audit to audit fees exceeds 1 to 1, as evidenced in the annual report of the respective client. Accordingly, the Swiss Firm monitors the fees earned on such audit engagements and ensures that the appropriate documentation of our independence considerations is in place where such ratio is exceeded.

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

4.3.2.9 Fee dependency

KPMG International's policies recognise that self-interest or intimidation threats may arise if the total fees from an audit client represent a large proportion of the total fees of the operating firm

expressing the audit opinion. In particular, these policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years:

- This would be disclosed to those charged with governance at the audit entity
- A Senior Partner from another KPMG member firm would be appointed as the Engagement Quality Control (EQC) reviewer

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

4.3.2.10 Conflicts of interest

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

All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived by a fully informed, reasonable observer, to have an impact on a member firm or its personnel in their ability to be objective or otherwise act without bias.

Sentinel™ is the tool all KPMG member firms use for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise or be perceived to arise so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients and making arrangements to monitor the operation of such dividers.

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

COMPLIANCE WITH LAWS, REGULATIONS AND STANDARDS IS A KEY ASPECT FOR ALL OF KPMG SWITZERLAND'S PERSONNEL

4.3.2.11 Breaches of independence policy

All KPMG personnel are required to report an independence breach as soon as they become aware of it. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy.

KPMG Switzerland has a documented disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them.

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

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

Compliance with laws, regulations and standards is a key aspect for all of KPMG Switzerland's personnel. In particular, KPMG has zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by our clients, suppliers or public officials.

Accordingly, training covering compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards and the KPMG Code of Conduct is required to be completed by client-facing professionals at a minimum of once every two years, with new hires generally completing such training within seven days of joining the Swiss Firm. In addition, certain other personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are also required to participate in such training.

4.3.2.13 Partner and firm rotation

Partner rotation

KPMG International rotation policies are consistent with the IESBA Code of Ethics and require our firm to comply with any stricter applicable rotation requirements.

KPMG Switzerland's partners and other engagement leaders are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations and independence rules and KPMG International policy. These requirements place limits on the number of years that partners in certain roles may provide statutory audit services to an audit client, followed by a "time-out" period during which these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit. The Swiss Firm monitors the rotation of audit engagement leaders (and any other key roles, such as Key Audit Partners including EQC reviewers, where there is a rotation requirement) and develops transition plans to enable allocation of engagement leaders with the necessary competence and capability to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

Firm rotation

Entities domiciled in Switzerland and Liechtenstein are not currently subject to mandatory audit firm rotation requirements.

4.4 Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring that KPMG professionals have the skills and experience to deliver on our vision. This requires appropriate recruitment, promotion and retention and robust capacity and resource management processes. KPMG's global behaviors, which are linked to our values, are designed to help articulate what is required for success – both individually and collectively. One of KPMG's global behaviors is 'Delivering Quality'.

4.4.1 Recruitment

All candidates for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews, ability testing and qualification/reference checks.

Our recruiting strategies are focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools.

4.4.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see Section 4.5.1).

In relation to audit, opportunities are provided for professionals to develop the skills, behaviours, and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills. KPMG professionals are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

4.4.3 Inclusion and diversity programs

Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives. Leadership and management teams also need to reflect the diversity of our organization and the diversity of KPMG Switzerland's clients. Our established Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusive leadership across the KPMG network.

4.4.4 Evaluation, compensation and promotion

All professionals, including partners, undergo annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of the KPMG global behaviours, technical capabilities and market knowledge. These evaluations are conducted by performance managers or partners who are in a position to assess their performance and propose a performance rating.

All partners and directors within the Swiss Firm are issued with standardised quality and risk metrics which are fed into their annual counselling process. The quality and risk metrics include a number of parameters, such as the results of external regulatory reviews, timely completion of training and the outcome of internal monitoring programs. As part of these metrics, an overall red, amber or green grading is awarded. The action which is taken in respect of any partner/director with amber and red metrics will be dependent upon what drove the adverse metric initially. The range of actions that will be taken include remediation of the initial deficiency giving rise to the adverse metric, remedial training, one-to-one counselling with functional leadership and/or the NQRMP or EIP on the issue arising, and/or a reduction in the overall compensation paid to the partner/director concerned. The 2016 results indicate a good level of quality and risk compliance across our Firm.

The Swiss Firm has compensation and promotion policies that are linked to the performance evaluation process, which for partners includes achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return.

Our policies prohibit audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

4.4.5 Partner admissions

Our process for admission to the partnership is rigorous and thorough, involving appropriate members of our leadership. Our criteria for admission to the partnership are consistent with a commitment to professionalism and integrity, quality and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

4.4.6 Assignment of professionals

The Swiss Firm has procedures in place to assign both the engagement partners and professionals to a specific engagement on the basis of his or her skill set, relevant industry experience and the nature of the assignment or engagement.

Function heads are responsible for the partner assignment process. Key considerations include partner experience, accreditation and capacity, based on an annual partner portfolio review, to perform the engagement in view of the size, the complexity and risk profile of the engagement and the type of support to be provided (i.e., the engagement team composition and specialist involvement).

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities, including time to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving specialists from the Swiss Firm or other KPMG member firms.

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

- an understanding of, and practical experience with, audit engagements of a similar nature and complexity
- an understanding of applicable professional standards and legal and regulatory requirements
- appropriate technical skills, including those related to relevant information technology and specialised areas of accounting or auditing
- knowledge of relevant industries in which the client operates
- ability to apply professional judgement
- an understanding of KPMG's quality control policies and procedures
- QPR results and results of regulatory inspections

As an additional control in Audit Corporates (where the services are of more of a recurring nature than across much of the rest of our business, and there is a large number of such recurring engagements), our Head of Audit Corporates together with the Functional Quality & Risk Management Partner performs an annual review of the portfolio of all of our Audit Corporates engagement partners. The purpose of this portfolio review is to look at the complexity and risk profile of individual client portfolios and then to consider whether or not, taken as a whole, the specific engagement partner has the appropriate time, suitable experience and the right level of support to enable him or her to perform high-quality audits.

4.4.7 Employee engagement

KPMG Switzerland invites all our people to participate in an annual independent Global People Survey (GPS), which measures our people's attitudes and provides an overall Employee Engagement Index (EEI) and Performance Excellence Index (PEI). The GPS also provides insights about what drives engagement across different demographic groups and how we are faring in selected categories.

The results of GPS provide leadership with information about employee/partner perceptions about audit quality, tone at the top and employee engagement and motivation helping track progress against strategic priorities as well as providing warning indicators if there are areas of concern.

The Swiss Firm participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey.

This includes monitoring GPS results against agreed targets relevant to:

- audit quality and tone at the top referred to in the GPS as 'leadership behavior'
- employee engagement through the Employee Engagement Index (EEI)
- employee performance through the Performance Excellence Index (PEI)

The results of the GPS are presented to the Global Board each year and appropriate follow-up actions agreed.





4.5 Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need. This includes access to networks of specialists and department of professional practice (DPP) or equivalent, which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation.

At the same time we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements.

4.5.1 Professional training

In addition to personal development discussed at 4.4.2, our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Formal training

Audit Learning and Development steering groups at the global, regional and local levels identify annual technical training priorities for development and delivery using a blend of classroom, e-learning and virtual classroom methods. Audit Learning and Development teams work with subject matter experts and leaders from the Global Service Centre (GSC), the International Standards Group (ISG) and national DPPs, as appropriate, to ensure the training is of the highest quality, is relevant to the performance on the job and is delivered on a timely basis. Audit training is mandatory and completion is monitored through a Learning Management System. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development requirements and with KPMG's mandatory training and accreditation requirements (see 4.5.2).

Mentoring and on the job training

Learning is not confined to the classroom – rich learning experiences are available at the moment of need through coaching and just in time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths. All classroom courses are reinforced with appropriate performance support to assist auditors on the job.

4.5.2 Accreditation and licensing

All KPMG professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. Policies and procedures are designed to ensure that those individuals that require a license to undertake their work are appropriately licensed.

The Swiss Firm is responsible for ensuring that Audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the predominant financial reporting framework.

In addition, we have specific training requirements for partners and managers working on IFRS engagements. Specific accreditation requirements apply to US Generally Accepted Accounting Principles (US GAAP), US Generally Accepted Auditing Standards (US GAAS), and the Standards of the Public Company Accounting Oversight Board (PCAOB) for SEC and Internal Control Over Financial Reporting (ICOFR) engagements performed in Switzerland; they require that the partners, managers and Engagement Quality Control reviewers have completed relevant training and that the engagement team, collectively, has sufficient experience to perform a respective engagement, or the Firm has implemented appropriate safeguards to address any shortfalls.

4.5.3 Access to specialist networks

Our engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g. Information Technology, Tax, Treasury, Actuarial, Forensic, Valuation) to be assigned to a specific audit engagement is initially considered as part of the audit engagement acceptance and continuance process.

HOW AN AUDIT IS CONDUCTED IS AS IMPORTANT AS THE FINAL RESULT

4.5.4 Consultation

We promote a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters. To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues.

The Swiss Firm provides appropriate consultation support to audit engagement professionals through professional practice resources that include a DPP and a US Accounting & Reporting Group.

Technical accounting and auditing support is also available to our Firm at International level through the International Standards Group (ISG) as well as the US Capital Markets Group for work on SEC foreign registrants.

Global Services Centre (GSC)

The GSC develops, maintains and deploys KPMG's global audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. It also provides auditing support, with emphasis on global quality and consistency.

International Standards Group (ISG)

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

Further details about the GSC and ISG and its activities are available in the [supplement to the KPMG International Transparency Report](#).

4.5.5 Developing business understanding and industry knowledge

A key part of engagement quality is having a detailed understanding of the client's business and industry.

For significant industries, global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals within eAuditIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available which provide general and business information in respect of particular industries as well as a summary of the industry knowledge provided in eAuditIT.

4.6 Performance of effective and efficient audits

How an audit is conducted is as important as the final result. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. These behaviours are discussed below.

4.6.1 KPMG Audit Process

Our audit workflow is enabled through eAuditIT, KPMG International's activity based workflow and electronic audit file. eAuditIT integrates our audit methodology, guidance and industry knowledge, and the tools needed to manage audits consistently. Our high quality audit process includes:

- timely engagement leader and manager involvement
- timely access to the right knowledge – specialists, accredited individuals and relevant industry expertise
- critical assessment of audit evidence
- exercise of professional judgment and professional skepticism
- ongoing mentoring and on-the-job coaching, supervision and review
- appropriately supported and documented conclusions
- robust challenge and review, including EQC review, where appropriate

4.6.1.1 Timely engagement leader and manager involvement

To help identify and respond to the significant audit risks applicable to each audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates.

The engagement leader is responsible for the overall quality of the audit engagement and therefore for the direction, supervision and performance of the engagement.

Involvement and leadership from the engagement partner during the planning process and early in the audit process helps set the appropriate scope and tone for the audit and helps the engagement team obtain maximum benefit from the partner's experience and skills. Timely involvement of the engagement partner at other stages of the engagement allows him or her to identify and appropriately address matters significant to the engagement, including critical areas of judgement and significant risks.

The engagement partner is responsible for the final audit opinion and reviews key audit documentation – in particular, documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the engagement partner in meeting these responsibilities and in the day-to-day liaison with the client and team, building deep business understanding that helps the partner and team deliver valued insights.

4.6.1.2 Critical assessment of audit evidence with emphasis on professional skepticism

We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. For the purpose of obtaining sufficient appropriate audit evidence each team member is required to exercise professional judgment and

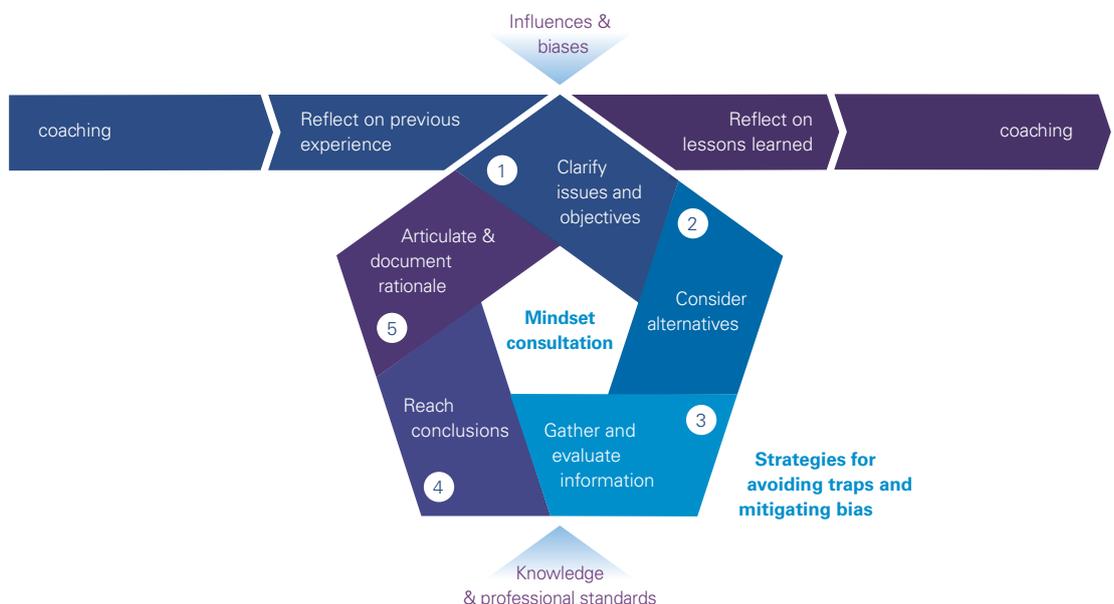
maintain professional skepticism throughout the audit engagement.

Professional skepticism involves a questioning mind and alertness to contradictions or inconsistencies in audit evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. The KPMG Audit Quality Framework emphasises the importance of maintaining an attitude of professional skepticism throughout the audit.

KPMG's professional judgment process facilitates good judgment by introducing a structured approach to auditing areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasizes the importance of having the right mindset – the need to apply professional skepticism. Our professional judgment process recognizes the need to be aware of and alert to biases which may pose threats to good judgment. The structured approach to auditing areas that require significant judgment involves:

- considering alternatives
- critically assessing audit evidence by challenging management's assumptions and following up contradictory or inconsistent information
- documenting the rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness

The use of the professional judgment process and the application of professional skepticism is reinforced through coaching and training, acknowledging that judgment is a skill developed over time and with different experiences.



4.6.1.3 Ongoing mentoring, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Ongoing mentoring and on-the-job coaching and supervision during an audit involves:

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

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

4.6.1.4 Appropriately supported and documented conclusions

KPMG Switzerland uses the KAM (see Section 4.3.1) and KPMG International's electronic audit tool, eAudIT, to provide guidance, mechanisms for and documentation of, the supervision and control of the audit engagement. Audit documentation records the audit procedures performed, evidence obtained and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

Our methodology recognises that documentation prepared on a timely basis helps to enhance the quality of the audit and facilitates the effective

review and evaluation of the audit evidence obtained and conclusions reached before our report is finalized. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is ordinarily not more than 60 calendar days from the date of the audit report but may be more restrictive under certain applicable regulations.

The key principle that engagement team members are required to consider is whether an experienced auditor, having no previous connection with the engagement, will understand:

- the nature, timing, and extent of audit procedures performed to comply with the ISAs and KAM
- applicable legal and regulatory requirements
- the results of the procedures performed, and the audit evidence obtained
- significant findings and issues arising during the audit and actions taken to address them (including additional audit evidence obtained)
- the basis for the conclusions reached and significant professional judgments made in reaching those conclusions

The Swiss Firm has a formal document retention policy in accordance with the applicable laws and regulations that governs the period we retain audit documentation and other client-specific records.

4.6.1.5 Appropriate involvement of the Engagement Quality Control (EQC) reviewer

EQC reviewers are independent of the engagement team and have appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

An EQC reviewer is required to be appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, engagements identified as high risk and other engagements as designated by the NQMRP, Functional Quality & Risk Management Partner or Heads of Audit. The EQC review takes place before the date of the auditor's report and includes, among other matters:

TWO-WAY COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE IS KEY TO AUDIT QUALITY AND A KEY ASPECT OF REPORTING AND SERVICE DELIVERY

- review of selected audit documentation relating to significant judgments the engagement team made and the conclusions it reached
- review of the financial statements and proposed auditor's report
- evaluation of the conclusions reached in formulating the auditors' report and consideration of whether the proposed report is appropriate

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered to be completed.

We are continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control. In recent years we have taken a number of actions to reinforce this, including:

- issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers
- incorporating specific procedures into eAuditIT to facilitate effective reviews
- implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement

4.6.1.6 Reporting

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

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

Effective for December 2016 year-ends onwards in compliance with the new IAASB requirements, we are enhancing auditor reporting for listed entities. The revised auditors' reporting will incorporate key audit matters to give users more insight into the audit and improve transparency.

4.6.1.7 Insightful, open and honest two-way communication

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

We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing informal discussions with members of the audit committee.

Communications with audit committees include:

- an overview of the planned scope and timing of the audit, which includes communicating significant risks identified
- significant findings from the audit which may include control deficiencies and audit misstatements
- an annual written communication that states the engagement team and KPMG has complied with relevant independence requirements, describes all relationships and other matters between KPMG and the audit client that, in our professional judgment, may reasonably be thought to bear on independence, and states related safeguards we have applied to eliminate (or reduce to an acceptable level) identified threats to independence

We ensure such communications meet the requirements of professional standards.

THE AUDIT COMMITTEE INSTITUTE'S OFFERINGS COVER THE ARRAY OF CHALLENGES FACING AUDIT COMMITTEES AND BUSINESSES TODAY

Audit Committee Institute

In recognition of the demanding and important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, KPMG's Audit Committee Institute ('ACI') aims to help Audit Committee members enhance their awareness, commitment and ability to implement effective Audit Committee processes. The ACI operates in Switzerland as well as in 35 other KPMG countries across the globe, providing Audit Committee members with authoritative guidance on matters of interest to Audit Committees as well as the opportunity to network with their peers during an extensive programme of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing Audit Committees and businesses today, from corporate governance to risk management & compliance and corporate reporting.

4.6.1.8 Focus on effectiveness of group audits

Our audit methodology, KAM, covers the conduct of group audits in detail. We stress the importance of effective two-way communication between the group audit engagement team and the component auditors, which is a key to audit quality. The group audit engagement partner is required to evaluate the competence of component auditors, whether or not they are KPMG member firms, as part of the engagement acceptance process.

Consistent methodology and tools are used across the KPMG network. We provide lead audit engagement partners with information on component auditors within the KPMG network to help them evaluate their competence and capabilities. In addition, for PCAOB engagements, the results of relevant inspections related to the KPMG component member firms are made available to the lead audit engagement partner.

Lead audit engagement partners may review component auditor engagement documentation in person or obtain electronic access.

4.6.2 Client confidentiality, information security and data privacy

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

KPMG Switzerland is required to meet the security requirements set out in the Global Information Security Policies and Standards issued by KPMG International. As part of these global requirements, the Swiss Firm appointed a National Security Officer (NSO), who also acts as National IT Security Officer (NITSO), with the necessary authority, skills and experience to lead the information security function. The NSO/NITSO is in charge of the Swiss Firm's information security programme and works closely with our IT Services, National Quality & Risk Management and Marketing & Communications. The NSO/NITSO reports to the Swiss Firm's COO and also to the Global IT Security Officer and Global Head of Information Protection.

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

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information, and associated practices are communicated to all personnel and, as appropriate, reinforced through guidance, awareness messages and training.

KPMG Switzerland has an Acceptable Use Policy that applies to all KPMG personnel. The policy encourages effective and appropriate use of KPMG information technology resources, and highlights the protection requirements of all employee, KPMG client confidential and client personal information. In November 2016 we obtained an ISO 27001 certification concerning the protection of digital customer data in relation to the provision of professional services.

4.7 Commitment to continuous improvement

We commit to continually improve the quality, consistency and efficiency of our audits. Integrated quality monitoring and compliance programs enable us to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans both in respect of individual audit engagements and the Firm's system of quality control. KPMG International's integrated quality and monitoring programs include the Quality Performance Review (QPR) program, the Risk Compliance Program (RCP) and the Global Compliance Review (GCR) program.

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

4.7.1 Monitoring

4.7.1.1 Internal monitoring and compliance programs
 Our monitoring programs evaluate both:

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

The results and lessons from the integrated monitoring programs are communicated internally, and the overall results and lessons from the programs are considered and appropriate action taken at local, regional and global levels. Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. Two monitoring programs are conducted annually by KPMG Switzerland across the Audit, Financial Services, Tax and Advisory functions: the Quality Performance Review (QPR) program and the Risk Compliance program (RCP). Additionally all KPMG member firms are covered by cross-functional Global Compliance Reviews (GCRs). These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network.

Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance in the Audit, Financial Services, Tax and Advisory functions and identifies opportunities to improve engagement quality.

Risk-based approach

All engagement leaders are generally subject to selection for review at least once in a 3-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, overseen by a senior experienced Lead Reviewer independent from the member firm, and are monitored regionally and globally. The reviews are performed at the Swiss firm level and are monitored regionally and globally. KPMG Switzerland conducts the annual QPR program in accordance with global QPR instructions.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review. Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Evaluations from QPR

Consistent criteria are used to determine engagement ratings and member firm Audit Practice evaluations. Audit engagements selected for review are rated as Satisfactory, Performance Improvement Needed or Unsatisfactory.

In 2016 the number of engagements reviewed for KPMG Switzerland was as follows:

Number of engagements reviewed	2016	2015
Audit	31	32
Tax ¹	47	0
Advisory	20	16

¹ Tax opted out of QPR in 2015, based on a satisfactory track record in prior years.

INTEGRATED QUALITY MONITORING
 AND COMPLIANCE PROGRAMS
 ENABLE US TO IDENTIFY
 QUALITY DEFICIENCIES, TO
 PERFORM ROOT CAUSE ANALYSIS
 AND DEVELOP AND IMPLEMENT
 APPROPRIATE REMEDIAL ACTIONS

Reporting

Findings from the QPR program are disseminated to our Firm’s professionals through written communications, internal trainings, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

In Audit, lead audit engagement partners are notified of less than satisfactory engagement ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the Audit QPR.

Risk Compliance Program (RCP)

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

- monitor, document and assess the extent of compliance of our Firm’s system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services
- provide the basis for our Firm to evaluate that the Firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements

Where deficiencies are identified, we are required to develop appropriate action plans.

Global Compliance Reviews (GCRs)

Each member firm is subject to a GCR conducted by the global GCR team, independent of the member firm, at least once in a 3-year cycle. The GCR provides independent oversight of our assessment of our system of quality control, including:

- our commitment to quality and risk management (tone at the top) and the extent to which the overall structure, governance and financing support and reinforce this commitment
- the completeness and robustness of our RCP

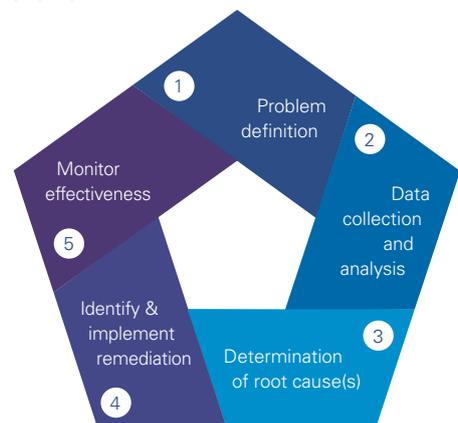
The GCR team performing the reviews is independent of KPMG Switzerland, objective and knowledgeable of Global Quality and Risk Management policies.

We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by a Global GCR Central Team. Results are reported to the Global Quality & Risk Management Steering Group (GQRMSG), and where necessary to appropriate KPMG International and regional leadership, to ensure timely remedial actions.

Root Cause Analysis (RCA) of issues affecting audit quality

KPMG Switzerland performs RCA to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2016 Global RCA training based on our 5-Step Approach was attended by those individuals at KPMG Switzerland who will be performing RCA or directing those performing RCA. The training provided a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Approach is as follows:



RCA is performed under the supervision of National Quality & Risk Management (NQRM) on the results of the various internal and external monitoring/ inspection programs and overall on common issues emerging from those programs and other sources. We subsequently develop appropriate remediation plans for the audit quality issues identified. DPP monitors their implementation and reports to NQRM.

4.7.1.2 Recommendations for improvements

At a global level, KPMG International review the results of the quality monitoring programs, analyze member firm root causes and action plans and develop additional global actions as required. Network-wide issues arising from internal quality control reviews and external inspections are considered at that level, progress being made in addressing audit quality issues is monitored and recommendations to further enhance audit quality are made to the Global Audit Steering Group. Global remediation plans to date include holistic actions aimed at culture and behavior and at driving consistent engagement team performance. The global actions also include training, tools and guidance to drive consistency, ensure we have the fundamentals right and that best practice is shared across the network.

4.7.1.3 External feedback and dialogue

In Switzerland, the FAOA has been carrying out annual independent inspections of KPMG AG for a number of years. In 2015, the FAOA also assumed responsibility for oversight of regulatory audits related to the financial services sector. Accordingly, FAOA inspections consist of a firm level review and a selection of both financial statement and regulatory audit engagement file reviews.

The FAOA's 2015 inspection of KPMG AG was conducted in September and October 2015 and the inspection report was issued on 10 April 2016. We considered each of the findings and implemented actions to continue to strengthen our policies and procedures as appropriate.

In May and June 2016, KPMG AG was subject to a joint inspection between the FAOA and the US Public Company Accounting Oversight Board (PCAOB). The FAOA inspection reports were issued on 12 December 2016 (Financial Audit) and 23 December 2016 (Regulatory Audit). The PCAOB's report on their 2016 inspection of KPMG AG has not been issued as of the date of this Transparency Report.

At a global level, KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) and the European Audit Inspection Group (EAIG) to discuss audit quality findings and actions taken to address such issues at a network level. The FAOA is a member of IFIAR and the EAIG. With respect to KPMG in Europe an EAIG forum referred to as the "College of Regulators" has been established to increase mutual understanding on key areas of focus.

KPMG AG is registered with the following foreign audit regulators:

- Canadian Public Accountability Board (CPAB)
- Finnish Auditing Board of the Central Chamber of Commerce (AB3C)
- French 'Haut Conseil du Commissariat aux Comptes' (H3C)
- Irish Auditing & Accounting Supervisory Authority (IAASA)
- Italian 'Commissione Nazionale per le Società e la Borsa' (CONSOB)
- Japanese Financial Services Authority (JFSA)
- Liechtenstein 'Finanzmarktaufsicht' (FMA)
- Luxembourg 'Commission de Surveillance du Secteur Financier' (CSSF)
- Swedish Supervisory Board of Public Accountants (RN)

KPMG SWITZERLAND TAKES ANY COMPLAINTS ABOUT THE QUALITY OF ITS SERVICES OR THE BEHAVIOUR OF ITS PEOPLE VERY SERIOUSLY



4.7.2 Client feedback

In addition to internal and external monitoring of quality, we operate a programme across the Swiss Firm where we actively solicit feedback from management and those charged with governance at our clients on the quality of specific services that we have provided to them. The feedback that we receive from this program is formally considered centrally and by the individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

4.7.3 Monitoring of complaints

We have robust procedures in place for handling complaints received from clients relating to the quality of our work. These procedures are detailed on our [website](#).

KPMG Switzerland takes any complaints about the quality of its services or the behaviour of its people very seriously. We undertake to investigate them and address the concerns raised promptly. If a client has a complaint or is not satisfied with any aspect of their dealings with KPMG Switzerland they are invited to raise their concerns with a partner or a senior member of staff who is known to them. If they are not able to reach a satisfactory resolution in this way, they may follow one of the following courses of action:

- if the complaint concerns KPMG's professional services they may contact the NQRMP
- if they wish to report possible illegal, unethical or improper conduct involving KPMG Switzerland or any of its people and do not wish to follow any of the previous courses of action, they may make use of our [whistle-blowing hotline](#)

Financial Information

Section 5

KPMG Switzerland achieved the following revenues for the year ended 30 September 2016:

Gross revenues		2016 in CHF million	2015 in CHF million	Change in %
Total gross revenues ²		549.0	541.0	+1.5
Total gross revenues ³		686.0.0		

Net revenues ¹	Share of revenues in %	2016 in CHF million	2015 in CHF million	Change in %
Audit	50.0	202.0	200.0	+1.0
Tax	28.7	115.9	116.0	-0.1
Advisory	21.3	85.9	85.9	+0.0
Total net revenues ¹	100,0	403.8	401.9	+0.5

People	2016 FTE	2015 FTE	Change in %
Total FTE as of 30 September 2016	1,815	1,746	+4.0

¹ Net revenues refer to services rendered by KPMG Switzerland.

² Gross revenues include out-of-pocket expenses and services charged through KPMG Switzerland.

³ Total gross revenues taking into consideration services billed to companies with Swiss headquarters.

Partner remuneration

Section 6

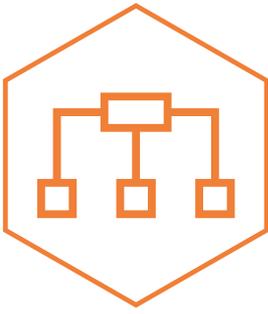
Partner remuneration comprises a base salary and associated benefits (including employer contributions to the Swiss Firm's pension fund) and additionally a bonus. In Switzerland and Liechtenstein, partners are members of a pension fund operated for all employees; both employer (the Swiss Firm) and employee (partners and staff) are required to contribute to this scheme. In addition, partner bonuses are covered by a separate pension scheme.

The allocation of bonuses and hence overall remuneration of partners of the Swiss Firm is determined by the Executive Committee after assessing the Swiss Firm's overall financial performance and each function's and each respective partner's contribution to that performance for the year. Our policies for this variable element of partner remuneration take into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living our values. Audit partners are explicitly not remunerated for non-audit services sold to their audit clients. The Board of Directors of KPMG Holding AG reviews the proposed total partner compensation for plausibility, making recommendations to the Executive Committee for additional consideration. The Board of Directors is further responsible for determining the total compensation of the Senior Partner and approving the total compensation proposed by the Senior Partner for the other members of the Executive Committee.

Network arrangements

Section 7

All member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they effectively provide services to clients.



7.1 Legal structure

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries out business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by its member firms.

One of the main purposes of KPMG International is to facilitate the provision by member firms of high-quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes, and facilitates the implementation and maintenance of, uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

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

7.2 Responsibilities and obligations of member firms

Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a structure that ensures continuity and stability and being able to

adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk and deploy global methodologies and tools.

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

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

7.3 Professional indemnity insurance

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

7.4 Governance structure

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

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit KPMG International has no share capital and, therefore, only has members, not shareholders).

Among other things, the Global Council elects the chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 58 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International and approving policies and regulations. It also admits member firms and ratifies the Global Chairman's appointment of the Global Deputy Chairman.

The Global Board includes the Global Chairman, the Global Deputy Chairman, the Chairman of each of the 3 regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and a number of senior partners of member firms. It is led by the Global Chairman who is supported by the Executive Committee, consisting of the Global Chairman, the Global Deputy Chairman, the Chairman of each of the regions and currently four other senior partners of member firms. The list of Global Board members, as at 1 October 2016, is available in the [International Annual Review](#).

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

Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments. It is led by the Global Deputy Chairman, and includes the Global Chairman, the Global Chief Operations Officer, global function and infrastructure heads and the General Counsel. The list of Global Management Team members, as at 1 October 2016, is available in the [International Annual Review](#).

Global Steering Groups

The Global Steering Groups work closely with regional and member firm leadership to:

- establish and communicate appropriate audit and quality/risk management policies
- enable effective and efficient risk processes to promote audit quality
- proactively identify and mitigate critical risks to the network

The Global Steering Groups act under the oversight of the Global Management Team. The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in the [2016 International Transparency Report](#).

Each member firm is part of one of 3 regions (the Americas, ASPAC and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating or executive officer, representation from any sub-regions and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

Further details about KPMG International including the governance arrangements, can be found in its [2016 International Transparency Report](#).

7.5 Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders who:

- assess the effectiveness of a member firm's quality and risk management efforts to identify and mitigate significant risks to the member firm and network and actively monitor alignment with global quality and risk management strategies and priorities
- share leading best practices in quality and risk management
- report to the Global Head of Quality, Risk and Regulatory

Statement by the Executive Board of Directors on the effectiveness of quality controls and independence

Section 8

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

The Executive Board of Directors of KPMG AG (and Executive Committee of KPMG Switzerland) have considered:

- the design and operation of the quality control system as described in this report
- the findings from the various compliance programs operated by the Swiss Firm (including the KPMG International review programs as described in Section 4.7.1 and our local compliance monitoring programs)
- findings from regulatory inspections and subsequent follow up and/or remedial actions

Taking all of this evidence together, the Board of KPMG AG confirms with a reasonable level of assurance that the system of quality controls within the Swiss Firm has operated effectively in the year ended 30 September 2016.

Further, the Executive Board of Directors confirms that an internal review of independence compliance within the Swiss Firm has been conducted in the year ended 30 September 2016.

Appendices



Key legal entities and areas of operation

Appendix 1

As of 30 September 2016:

Name of entity	Legal form	Regulatory status	Nature of business	Area of operation
KPMG Holding AG ¹	Swiss corporation/ company limited by shares	N/A	Holding Company	Switzerland
KPMG AG	Swiss corporation/ company limited by shares	Swiss Licensed Audit Firm under State Oversight and Liechtenstein Registered Audit Firm	Audit, Tax and Advisory Services	Switzerland and Liechtenstein
KPMG (Liechtenstein) AG	Liechtenstein corporation/ company limited by shares	Liechtenstein Registered Audit Firm	Audit, Tax and Advisory Services	Liechtenstein
Ostschweizerische Treuhand-Gesellschaft	Swiss corporation/ company limited by shares	Swiss Licensed Audit Expert and Liechtenstein Registered Audit Firm	Audit, Tax and Advisory Services	Switzerland and Liechtenstein
Fides Revision AG	Swiss corporation/ company limited by shares	N/A	Entity Used for internal purposes only	Switzerland

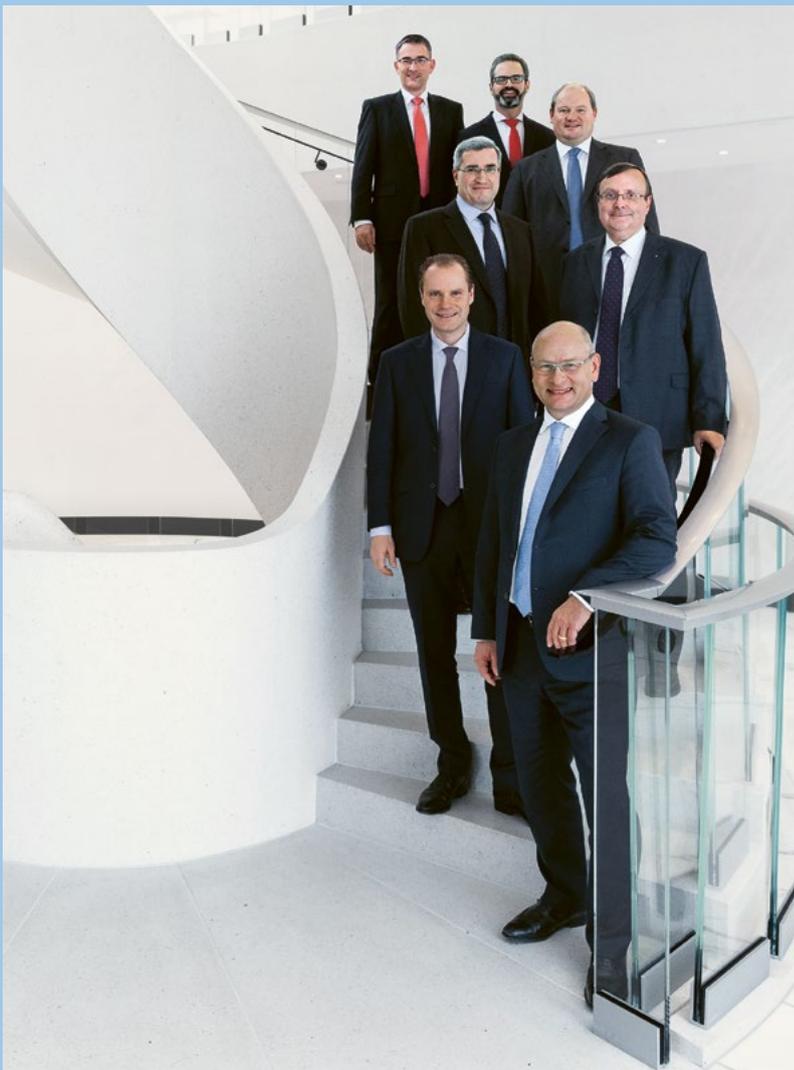
¹ Previously known as KPMG Partners AG, this entity absorbed the former KPMG Holding AG by legal merger and was renamed from KPMG Partners AG to KPMG Holding AG in December 2015.

Details of those charged with governance at KPMG Switzerland

Appendix 2

Executive Board (KPMG AG)

As of 30 September 2016



From top to bottom

Lukas Marty *Head of Audit*

- lic. oec. HSG
- Swiss Certified Accountant
- Board member of the association IFZ

Peter Uebelhart *Head of Tax*

- lic. oec. HSG
- Swiss Certified Tax Expert
- Member of the Tax Commission of EXPERTsuisse
- Member of the Tax Chapter Swiss American Chamber of Commerce

Anne van Heerden *Head of Advisory*

- Swiss Certified Audit Expert
- Registered Accountant (RA) in the Netherlands
- Postgraduate Accountancy, University of Amsterdam
- Certified Fraud Examiner (CFE)
- Member of the Global Advisory Steering Group
- Member of the EMA Advisory Leadership Team

Philipp Hallauer *Head of National Quality & Risk Management*

- lic. oec. HSG
- Swiss Certified Accountant
- Head of KPMG's Audit Committee Institute

Jörg Walker *COO/CFO*

- lic. iur. HSG
- Swiss Certified Tax Expert
- Member of the Finance and Tax Commission of economiesuisse

Stefan Pfister *CEO*

- lic. oec. HSG
- Postgraduate Diploma in Corporate Real Estate Management, European Business School (EBS)
- Accredited valuation expert FINMA
- KPMG Global Board
- KPMG Global Council
- KPMG EMA Regional Board
- Member of the Royal Institution of Chartered Surveyors (MRICS)
- Member of the European Public Real Estate Association (EPRA)
- Board member of economiesuisse
- Board member of EXPERTsuisse

Philipp Rickert *Head of Financial Services*

- Lic. oec. and lic. iur. HSG
- Swiss Certified Accountant
- Accredited Lead Bank Auditor (Swiss Financial Market Supervisory FINMA)
- Board member of EXPERTsuisse

Details of those charged with governance at KPMG Switzerland

Appendix 2

Board of Directors (KPMG Holding AG)

As of 30 September 2016

From left to right

Roger Neininger

Chairman of the Board of Directors

- Swiss Certified Accountant
- Chairman of the KPMG Foundation board

Hélène Béguin

Member of the Board of Directors

- Master's degree in Business Administration
- Swiss Certified Accountant
- Member of the Advisory Board of the Swiss National Bank for the Cantons of Vaud and Valais
- Delegate of Vaudoise Chamber of Commerce and Industry

Stuart Robertson

Member of the Board of Directors

- Master's degree (Hons) in Modern Languages, University of St. Andrews
- Diploma in Accounting, Heriot-Watt University
- Member of the Institute of Chartered Accountants of Scotland
- Swiss Certified Audit Expert
- Member of EXPERTsuisse



Public interest entities

Appendix 3

The list of the public interest entity audit clients for which KPMG Switzerland has signed an audit opinion in the year ended 30 September 2016 is presented below. The definition of 'Public Interest Entity' for this purpose is that given under the provisions of Article 2, para. c of the Swiss Auditor Oversight Act (AOA) issued by the Swiss Federal Audit Oversight Authority (FAOA). This definition includes Swiss entities with publicly listed shares or bonds and Swiss entities that contribute at least 20% of assets or revenues to the consolidated financial statements of Swiss publicly listed entities (collectively "public companies"), and supervised persons and entities within the meaning of Art. 3 of the Financial Market Supervision Act (FINMASA), excluding those which are not required to be notified to the FAOA:

Swiss Public Companies

Aduno Holding AG	GAM Investment Management (Switzerland) AG	Pax Anlage AG
agta record ag	Gazprombank (Schweiz) AG	Pax Wohnbauten AG
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	Gornergrat Bahn AG	Perrot Duval Holding SA
Alpine Select AG	Groupe Baumgartner Holding SA (Baumgartner Gruppe Holding AG)	Phoenix Mecano AG
Altin AG	GZO AG	Piguet Galland & Cie SA
Autoneum Holding AG	Helvetia Holding AG	PLAZZA AG
Axp0 Holding AG	Helvetia Schweizerische Lebensversicherungsgesellschaft AG	PLAZZA IMMOBILIEN AG
Axp0 Power AG	Helvetia Schweizerische Versicherungsgesellschaft AG	Private Equity Holding AG
Axp0 Trading AG	INFICON HOLDING AG	Restoshop SA
Bank Julius Bär & Co. AG	Julius Bär Gruppe AG	Roche Holding AG
Banque Cantonale Vaudoise	Jungfraubahn AG	Roche Kapitalmarkt AG
Banque Cramer & Cie SA	JUNGFRAUBAHN HOLDING AG	Schlatter Industries AG
Barry Callebaut AG	Kernkraftwerk Leibstadt AG	Schweizerische Nationalbank
BELIMO Automation AG	Kraftwerke Linth-Limmern AG (KLL)	SPS Immobilien AG
BELIMO Holding AG	Kuoni Reisen Holding AG	Sulzer AG
Burkhalter Holding AG	LO Immeubles S.A.	Swiss Credit Card Issuance 2015-1 AG
Burkhalter Technics AG	Logitech Europe S.A.	Swiss Credit Card Issuance 2015-2 AG
BVZ Holding AG	Logitech international S.A.	Swiss Credit Card Issuance 2016-1 AG
Cembra Money Bank AG	Lonza AG	Swiss Prime Site AG
Centralschweizerische Kraftwerke AG	Lonza Group AG	Swisscom (Schweiz) AG
Cicor Technologies Ltd.	Lonza Sales AG	Swisscom AG
Cicorel S.A.	Lonza Swiss Finanz AG	Swissgrid AG
Conzzeta AG	Looser Holding AG	Swisstronics Contract Manufacturing AG
Credit Suisse AG	Matterhorn Gotthard Verkehrs AG	Syngenta AG
Credit Suisse Group AG	MCH Group AG	Syngenta Finance AG
Datacolor AG	MCH Messe Schweiz (Basel) AG	TCP International Holdings Ltd.
Datacolor AG Europe	Micronas Semiconductor Holding AG	u-blox AG
Datacolor Holding AG	Mobimo AG	u-blox Holding AG
Emmi AG	Mobimo Holding AG	VAT Group AG
Emmi Finanz AG	Molecular Partners AG	Vat Vakuumventile AG
Emmi Schweiz AG	Nestlé S.A.	VAUDOISE ASSURANCES HOLDING SA
EMS-CHEMIE AG	New Venturetec AG	VAUDOISE GENERALE, Compagnie d'Assurances SA
EMS-CHEMIE HOLDING AG	NORINVEST HOLDING SA	VAUDOISE VIE, Compagnie d'Assurances SA
ENAG Energiefinanzierungs AG	Oriflame Holding AG	Villars Holding S.A.
Energiedienst Holding AG	Panalpina Welttransport (Holding) AG	Warteck Invest AG
Feintool International Holding AG	Partners Group AG	Wengernalpbahn AG
Flughafen Zürich AG (Unique Zurich Airport)	Partners Group Holding AG	Zehnder Group AG
Forbo Holding AG	Parvico SA	
GAM Holding AG		

Persons and entities under financial market supervision as per Art. 3 of FINMASA

“Garant”	Brink’s Schweiz AG	Deutsche Bank Aktiengesellschaft, Frankfurt a.M., Zweigniederlassung Zürich
Versicherungs-Aktiengesellschaft, Vienne, succursale de Genève	CACEIS (Switzerland) SA (vormals CACEIS Fastnet (Suisse) SA)	Deutsche Fiduciary Services (Suisse) SA
1875 Finance SA	CACEIS Bank Luxembourg, Luxembourg, succursale de Nyon	DEUTSCHE TRANSNATIONAL TRUSTEE CORPORATION INC., Charlottetown (Canada), succursale de Genève
ACE & COMPANY SA	CAP, Rechtsschutz-Versicherungsgesellschaft AG	Diapason Commodities Management SA
Adingest SA	Carnegie Fund Services SA	Dreyfus Söhne & Cie. Aktiengesellschaft, Banquiers
Allianz Risk Transfer AG	Catalina Rückversicherung (Schweiz) AG	Dukascopy Bank SA
Allianz Suisse Lebensversicherungs-Gesellschaft AG	CBH Compagnie Bancaire Helvétique SA	Edmond de Rothschild Real Estate SICAV
Allianz Suisse Versicherungs-Gesellschaft AG	Cembra Money Bank AG*	Entris Banking AG
Alpha Associates AG	Centrum Beratungs- und Beteiligungen AG	EPONA société coopérative mutuelle d’assurance générale des animaux
AP ANLAGE & PRIVATBANK AG	CG CAR-GARANTIE Versicherungs-Aktiengesellschaft, Freiburg i. Br., Zweigniederlassung Therwil	Equitas SA, Société de Gestion et d’Investissements
ASPEN INSURANCE UK LIMITED, London, Zurich Branch	Citibank (Switzerland) Limited	ERGO Versicherung Aktiengesellschaft, Düsseldorf, Zweigniederlassung Zürich
ASPEN INSURANCE UK LIMITED, London, Zurich Insurance Branch	Citibank, N.A., Sioux Falls, succursale de Genève	ETHENEA Independent Investors (Schweiz) AG
Aventicum Capital Management (Suisse) SA	Citibank, N.A., Sioux Falls, Zurich Branch	Euler Hermes Reinsurance AG
AWP P&C S.A., Saint-Ouen (Paris), succursale de Wallisellen (Suisse)	CITIGROUP GLOBAL MARKETS LIMITED, London, Zweigniederlassung Zürich	Euler Hermes SA, Brüssel, Zweigniederlassung Wallisellen
BANCA CREDINVEST SA	Cititrust (Switzerland) Limited	Eurex Zürich AG
Banca Popolare di Sondrio (Suisse) SA	Cititrust Private Trust Zurich GmbH	Europäische Reiseversicherungs AG
Bank Hapoalim (Schweiz) AG	Clariden Leu Trust (Schweiz) AG	F&P Services SA
Bank Julius Bär & Co. AG*	Coface Re SA	Fides Partner AG
Bank-now AG	Coges Corratierie Gestion SA	FidFund Management SA
Banque Algérienne du Commerce Extérieur SA	Compagnie Privée de Conseils et d’Investissements SA	Financial Assurance Company Limited, London, Zweigniederlassung Zürich
Banque Cantonale Vaudoise*	Comunus SICAV	Financial Insurance Company Limited, London, Zweigniederlassung Zürich
Banque Cramer & Cie SA*	Credit Europe Bank (Suisse) SA	Fundana SA
Banque de Commerce et de Placements SA	Credit Suisse AG*	G + FS Capital Invest AG
Banque Degroof Petercam (Suisse) SA	Credit Suisse Funds AG	GAM Capital Management (Switzerland) AG
Banque Eric Sturdza SA	Credit Suisse Insurance Linked Strategies Ltd	
Banque Internationale de Commerce – BRED (Suisse) SA	Credit Suisse Solution Partners AG	
Banque Pâris Bertrand Sturdza SA	Credit Suisse Stiftung für Mitarbeiter-Beteiligungsmodelle	
BANQUE PRIVEE BCP (SUISSE) SA	Credit Suisse Trust AG	
Bantleon Bank AG	Cronos Finance SA	
BBGI GROUP SA	DAS Rechtsschutz-Versicherungs-AG	
Belvédère Asset Management AG	Deutsche Bank (Suisse) SA	
Bondpartners S.A.		
Brevan Howard Investment Products Limited, Saint-Héliier (Jersey), succursale de Genève		

* Also included as a Swiss Public Company

Persons and entities under financial market supervision as per Art. 3 of FINMASA

GAM Investment Management (Switzerland) AG*	MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED, London, Switzerland Branch Kusunacht	SIF Investment Company Ltd.
Gazprombank (Schweiz) AG*	Metsä Board Re Insurance AG	Skandia Leben AG
GERIFONDS SA	Montalin AG	SmartLink SA
Glacier Reinsurance AG	MS Amlin AG	Socatram S.A. pour le Commerce des Marchandises
GLOBALE Rückversicherungs-AG	Neue Aargauer Bank AG	Société pour la gestion de placements collectifs GEP SA
Great Lakes Reinsurance (UK) PLC, London, Zweigniederlassung Baar	New Reinsurance Company Ltd.	ST BERNARD ASSURE LIMITED, à Gibraltar, succursale de Martigny
GVB Privatversicherungen AG	Nextech III Oncology Kommanditgesellschaft für kollektive Kapitalanlagen	Standard Chartered Bank (Switzerland) SA, en liquidation
Habib Bank AG Zurich	NN Investment Partners Schweiz AG	SUVA
Hardcastle Trading AG	Notenstein Real Estate Investments SICAV	SVC-AG für KMU Risikokapital
Harper Versicherungs AG	OMNIUM REINSURANCE COMPANY SA	SVM Pro Performance SA
HBK Investments Advisory SA	Pagus AG	Swan Asset Management SA
HDI Global SE, Hannover, Niederlassung Zürich/Schweiz	Partners Group AG*	Swisscard AECS GmbH
Helvetia Schweizerische Lebensversicherungsgesellschaft AG*	Patrimonium Asset Management AG PAX, Schweizerische Lebensversicherungs-Gesellschaft AG	Sydbank (Schweiz) AG in Liquidation
Helvetia Schweizerische Versicherungsgesellschaft AG*	Pegaso Capital Partners SA	Symbiotics SA
Hibiscus AG	PG3 AG	Takeda Re Insurance AG
IDB (Swiss) Bank Ltd	Piguet Galland & Cie SA*	THALIA SA
ING Belgique, Bruxelles, succursale de Genève	PostFinance AG	THE L.T. FUNDS SA
Inreska Limited, Guernsey, Swiss Branch	Privatbank Von Graffenried AG	Tower Alternative SICAV, à risque particulier
Intercona Re AG	Protakta Rechtsschutz-Versicherung AG	Tower Swiss Funds SICAV en liquidation
INTESA SANPAOLO PRIVATE BANK (SUISSE) SA	QSAM Ltd.	Trinel Ltd
Intracap Insurance Ltd	QUAERO CAPITAL SA	TWINT AG
Investas AG	Quiltrust Limited	Unilever Reinsurance AG
Invision Private Equity AG	Quilvest (Switzerland) Ltd.	VAUDOISE GENERALE, Compagnie d'Assurances SA*
ISP Securities AG	Remaco Wealth Management AG	VAUDOISE VIE, Compagnie d'Assurances SA*
JL Securities SA	Rigidal AG	Veraison Capital AG
Julius Bär Family Office & Trust AG	RobecoSAM AG	Viseca Card Services SA
Julius Bär Wealth Management AG	Rothschild Bank AG	von Graffenried & Partner AG Vermögensverwaltung AG Brig
Kepler Capital Markets SA	Rothschild Trust (Schweiz) AG	von Graffenried, von Burg, Kaufmann, Winzeler Vermögensverwaltung
LBBW (Schweiz) AG	RTS Geneva SA	WMPartners Vermögensverwaltungs AG
Limmat Versicherungs-Gesellschaft AG	Schweizerische Mobiliar Asset Management AG	Woodman Asset Management AG
Loyal Finance AG	Schweizerische Mobiliar Holding AG	
MainFirst Affiliated Fund Managers (Switzerland) AG	Schweizerische Mobiliar Lebensversicherungs-Gesellschaft AG	
Mannheimer Versicherung Aktiengesellschaft, Mannheim, Zweigniederlassung Schweiz, Zürich	Schweizerische Mobiliar Versicherungsgesellschaft AG	
	Sedifo SA	

* Also included as a Swiss Public Company

KPMG's global values

Appendix 4

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behaviour when dealing with both clients and each other:

We lead by example.	At all levels we act in a way that exemplifies what we expect of each other and our clients.
We work together.	We bring out the best in each other and create strong and successful working relationships.
We respect the individual.	We respect people for who they are and for their knowledge, skills, and experience as individuals and team members.
We seek the facts and provide insight.	By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.
We are open and honest in our communication.	We share information, insight, and advice frequently and constructively and manage tough situations with courage and candor.
We are committed to our communities.	We act as responsible corporate citizens by broadening our skills, experience, and perspectives through work in our communities and protecting the environment.
Above all, we act with integrity.	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

KPMG's core values are at the heart of our Swiss Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.

For further information on the

Transparency Report

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