



# Transparency Report 2017

**KPMG Switzerland**

[kpmg.ch](http://kpmg.ch)

# Transparency Report 2017

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# Message from our Senior Partner

WE APPRECIATE THE CRITICAL ROLE WE HAVE IN BUILDING TRUST WITH THE PUBLIC AND STRIVE TO LIVE UP TO THE EXPECTATIONS OF ALL OUR STAKEHOLDERS.



I am very pleased to provide you with our ninth Transparency Report, covering our financial year ended 30 September 2017. This report demonstrates our unwavering commitment to quality and integrity, and underlines the importance we place on meeting our responsibilities to clients, capital markets, regulators and the wider public.

A key initiative of the year under review was the launch of the “KPMG Story,” which transports to all partners and staff a clear and consistent articulation of our values, our vision, our strategy and our underlying culture. Our culture is based on a strong set of core values and fosters an open and honest communication across the organization. It enables us to deliver top quality and service excellence in every project, bringing our best to clients across geographies and sectors.

Each KPMG person has a part to play in delivering quality to clients, and appreciates the critical role we have in building trust with the public. The Swiss KPMG member firm, in line with KPMG’s global policies and processes, provides the framework under which we strive to live up to the expectations of all our stakeholders.

In this Transparency Report we take the opportunity to provide you with a concise description of our system of quality control. While it applies to all our services, it places a strong focus on audit quality and our related processes, controls and quality initiatives. It explains 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;



- **Ensuring that our people are extraordinary** by finding and developing talent, creating high-performing teams and deploying talented, well-trained personnel to help deliver insights and innovative ideas;



- **Supporting a relentless focus on quality and excellence** in client engagements, and providing valued insights, so that clients see a difference in us; and



- **Driving continuous improvement** through robust quality monitoring, with an increased focus on getting to the root cause of quality issues and effective remediation.



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

**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 nearly 1'900 people (FTEs as of 30 September 2017) 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 2017 there was an average of 131 equity and non-equity partners (2016: 124 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).

Effective 1 October 2017, KPMG AG acquired Terria AG, a software developer specializing in mobile solutions and products. The acquisition gives KPMG AG additional, digital technology design and implementation capabilities and enables the firm to provide further digital solutions. New products and services will include enhanced digitalization, increased efficiency, B2B and governance applications. The acquisition also includes the management platform "LaunchBase", which supports the mobile use of corporate IT systems and business processes, as well as the management and governance of individual apps and entire app portfolios. Terria does not provide any audit services.

**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 2017 [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
- Terria AG, Basel

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 of this report and in Appendix 1 to the 2017 [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, is wholly owned by the Equity Partner Pool. During the year ended 30 September 2017 there was an average of 66 equity partners (2016: 63).

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

Each member firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values (see section 4.1).

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.

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



### 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 current Board of Directors of KPMG Holding AG was elected in November 2017 for a term of 3 years. As of 30 September 2017, 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 2017 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 functions (Audit Corporates, Financial Services\*, Tax and Advisory), market dimensions 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 2017 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 2017, 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 2017, 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.

\* This function was named Audit Financial Services until 30 September 2017.

# 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 THAT OPINION IS REACHED

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 assist our Firm in complying with relevant professional standards, regulatory and legal requirements, helping our personnel act with integrity and objectivity and perform their work with diligence 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 member 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 regulatory 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. The system of quality control applies to KPMG personnel wherever they are based.

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.

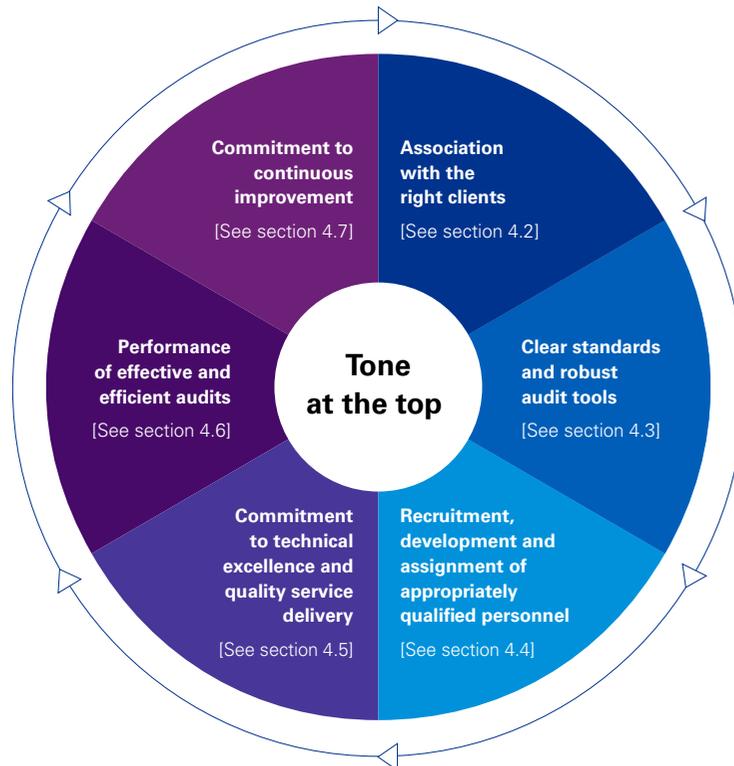
### **Audit quality framework**

At KPMG Switzerland audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought and integrity behind the auditor's report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and legal and regulatory requirements.

KPMG International developed the Audit Quality Framework to help all audit professionals concentrate on the fundamental skills and behaviours required to deliver a quality audit. This Framework uses a common language that is adopted by all KPMG member firms, including KPMG Switzerland, to describe what KPMG believes drives audit quality, and to highlight how every audit professional at each KPMG member firm contributes to the delivery of audit quality.

Tone at the top sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right 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 KPMG 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. At KPMG Switzerland 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 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 the working practices and values-based compliance culture at KPMG Switzerland. Our values form the foundation of our culture and set the tone at the top. They also form the foundation of our approach to audit and shape how we work together.



**KPMG’s global values**

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.

We communicate our values clearly to our people and embed them into our people processes – induction, performance development and reward.





#### 4.1.1 Code of Conduct

The KPMG Values form the basis for the KPMG International Global Code of Conduct. Member firms, including KPMG Switzerland are required to adopt, as a minimum, the Global Code of Conduct.

The KPMG Switzerland's Code of Conduct incorporates the KPMG 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. The Code of Conduct includes provisions that require KPMG personnel 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 KPMG policies
- uphold the highest levels of client confidentiality
- not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary)

All KPMG Switzerland personnel are required to:

- confirm their understanding of, and compliance with, the Code of Conduct upon joining the firm, and annually thereafter; and
- complete training on the Code of Conduct upon joining the firm and on a regular basis thereafter.

Our personnel are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities and required to do so when they see breaches of KPMG policies, laws and regulations, and professional standards.

We have procedures and established channels of communication so that our personnel can report ethical and quality issues and individuals who report in good faith will not suffer any adverse impact regardless of whether the concern is ultimately substantiated. In addition the [KPMG International hotline](#) is a mechanism for KPMG partners, employees, clients and other external parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, KPMG member firms or the senior leadership or employees of a KPMG member firm.

We also operate a [Swiss whistle-blowing hotline](#), which is available to KPMG 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 2017 there were two issues reported (2016: 1) via the Swiss whistle-blowing hotline.

In addition, we regularly monitor the extent to which our people feel we live our values through the Global People Survey (refer to section 4.4.6 for further details).

#### 4.1.2 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 - demonstrating an unwavering commitment to the highest standards of professional excellence and supporting major initiatives.

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

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 Functional and National Quality & Risk Management. The national Function Heads and the 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. Further, the NQRMP consults with the appointed Area Quality and Risk Management Leaders. 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.

### **Ethics and Independence Partner (EIP)**

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures of the Swiss Firm and reports on ethics and independence issues to the NQRMP.

### **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.

## **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 Client and engagement evaluation process**

#### **Client evaluation**

KPMG Switzerland undertakes an evaluation of every 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 as well as obtaining and analyzing 'know your client information'. A key focus is on the integrity of management at a prospective client and the evaluation includes breaches of laws and regulations, anti-bribery and corruption and ethical business practices, including 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 NQRMP or experienced delegate is involved in approving the evaluation.

#### **Engagement 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 factors specific to the type of engagement. For audit services, these



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

include the competence of the client's financial management team and the skills and experience of personnel to be assigned to the engagement. 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 business or personal relationships. Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

We follow specific procedures (detailed further in section 4.3.2.4) 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 required to be documented and resolved prior to acceptance.

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

**4.2.3 Continuance process**

KPMG Switzerland undertakes an annual re-evaluation of all its audit clients and audit engagements.

The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit). Recurring or long running non-audit engagements are also subject to re-evaluation. In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile.

**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 necessary 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 KPMG Switzerland professionals are expected to adhere to KPMG International and 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. The global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of International Standards on Auditing (ISAs). The global audit 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. The global 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.

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 global audit 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 International policy requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality & Risk Management Manual that is applicable to all KPMG member firms, functions and personnel and is tailored by KPMG Switzerland for any local policies and procedures

#### Data & Analytics (D&A) and Clara

Technology and innovation are changing the way we execute our audit engagements, empowering our people to deliver greater quality and value. Making data and analytics (D&A) a core part of the KPMG audit is critical to our mission of driving audit quality.

KPMG Clara, the KPMG smart audit platform, was launched by KPMG International in mid-2017. It puts technology and D&A right at the heart of our approach, bringing advanced capabilities and knowledge together in one environment. KPMG Switzerland is currently deploying Clara on a number of pilot engagements.

KPMG Clara will integrate KPMG's advanced capabilities and knowledge, and empower our people to work in smarter ways, unlocking the power of innovation to help deliver a robust and leading-edge audit. It is our gateway to continued audit innovation, and incremental additions will be made over time.

Further details on innovation in audit tools and technology are set out in the [KPMG International Annual Review](#).

### 4.3.2 Independence, integrity, ethics and objectivity

#### 4.3.2.1 Overview

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

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.

#### 4.3.2.2 Personal financial independence

KPMG International policies require that 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. The policies also extend the IESBA Code of Ethics restrictions on ownership of audit client securities to every KPMG member firm partner in respect of any audit client of any member firm.

KPMG Switzerland 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 KPMG member firms, we use a web-based independence tracking system (KICS) to assist our professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments.

Partners and client-facing personnel who are manager grade or above are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in KICS, which automatically notifies them if their investments subsequently become restricted and they must dispose of that investment within five 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 2017, 73 (2016: 65) 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 KPMG Switzerland are prohibited from joining an audit client in certain roles unless they have disassociated from KPMG Switzerland financially and have ceased participating in its 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, KPMG Switzerland records 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 its business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

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

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

Compliance with these policies and procedures is monitored as part of the Risk Compliance Program (see Section 4.7.1).

#### 4.3.2.6 Business acquisitions, admissions and investments

If KPMG Switzerland is in the process of considering the acquisition of, or investment in a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultation requirements are applied to enable independence and other issues to be addressed when integrating the business into KPMG Switzerland and the wider KPMG network.

#### 4.3.2.7 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"), must be completed prior to accepting an audit engagement for these entities and are facilitated by KPMG International's proprietary Independence Checkpoint™ system, which automates and standardizes the workflows that comprise the independence clearance process.

#### 4.3.2.8 Independence training and confirmations

KPMG Switzerland 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 or becoming a member of the chain of command for, any audit client, including any of its related entities 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.

In addition, certain relevant non-client-facing personnel who are at the manager level and above, are also required to undertake the independence and/or anti-bribery training.

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 covered by the confirmation as well as their understanding of, and compliance with, the Firm's Code of Conduct. This confirmation is used to evidence the individual's compliance with, and understanding of, KPMG's independence policies.

#### 4.3.2.9 Non-audit services

We have policies that 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 KPMG Switzerland or adopted from another member firm. KPMG Switzerland's EIP is involved in the review of potential independence issues and the Global

Independence Group is involved in the case of services developed that are intended to be delivered to audit or assurance clients in more than one jurisdiction.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with these policies. Certain information on all prospective engagements including 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 those 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.

#### 4.3.2.10 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 member 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 respective audit client; and
- A Senior Partner from another KPMG member firm would be appointed as the Engagement Quality Control (EQC) reviewer

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

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

### 4.3.2.11 Conflicts of interest

Conflicts of interest can arise in situations where KPMG personnel have a personal connection with a 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.

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

KPMG Switzerland has risk management resources ('Resolvers') who are responsible for reviewing an identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which must be documented. 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.

### 4.3.2.12 Breaches of independence policy

All KPMG Switzerland 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 our promotion and compensation decisions and, in the case of partners and directors, are reflected in their individual quality and risk metrics.

### 4.3.2.13 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, we have zero tolerance of bribery and corruption.

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

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

#### 4.3.2.14 Partner and firm rotation

##### **Partner rotation**

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require all member firms 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 currently not directly 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 our professionals have the appropriate skills and experience, passion and purpose to deliver the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. KPMG's global behaviors, which are linked to the KPMG Values, are designed to articulate what is required for success – both individually and collectively. One of KPMG's global behaviors is 'Delivering Quality'.

##### **4.4.1 Recruitment**

KPMG Switzerland strives to be an employer of choice by creating an environment where our people can fulfill their potential and feel proud and motivated to give their best.

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

KPMG Switzerland also recruits significant numbers at an experienced hire and partner level.

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

Where individuals are recruited at partner level, the EIP or a delegate conducts a formal independence discussion before they enter the Firm. KPMG Switzerland does not accept any confidential information belonging to the candidate's former firm/employer.

The partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for partner hires are consistent with our 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.

##### **4.4.2 Personal development**

It is important that all professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see Section 4.5).

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 Switzerland professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.



#### 4.4.3 Inclusion and diversity programs

KPMG Switzerland fosters an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives. The Global Inclusion & Diversity strategy established by KPMG International provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Switzerland and across the KPMG network.

#### 4.4.4 Performance & reward Evaluation process including quality and compliance metrics

KPMG Switzerland professionals, including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of the KPMG Switzerland Grade Requirements, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues as well as peers. Feedback gathered forms an integral part of performance reviews.

Going beyond performance reviews and compensation, the KPMG Switzerland Grade Requirements are designed to extend across all our people processes, including recruitment methodologies, recognition approaches and development planning. The behaviors are a constant reference point, articulating to our people what is required for success individually and collectively.

KPMG Switzerland's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

### Quality and Risk Metrics

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, the NQRMP, and/or the EIP on the issue arising, and/or a reduction in the overall compensation paid to the partner/director concerned. The 2017 results indicate a good level of quality and risk compliance across our Firm.

#### Reward

We have compensation and promotion policies that are clear, simple, and linked to the performance review process, which for engagement leaders and EOC reviewers includes the 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.

Reward decisions are based on consideration of both individual and organizational performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to section 4.4.6).

#### Promotion

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

#### Partner admissions

The KPMG Switzerland 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.



#### 4.4.5 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 taking into account 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, training 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), the Functional Quality & Risk Management Partner performs an annual review of the portfolio of all of our 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.

#### 4.4.6 Insights from our people – Global People Survey (GPS)

KPMG Switzerland invites all its people to participate in an annual independent Global People Survey (GPS), which measures their overall level of engagement with the Firm. The GPS provides an overall Employee Engagement Index (EEI) and Performance Excellence Index (PEI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analyzed by functional or geographic area, grade, role or gender to provide additional insight.

The survey also specifically provides leadership with information on employee/partner attitudes to quality, leadership and tone at the top.

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

- audit quality and tone at the top referred to in the GPS as 'leadership behavior'
- employee engagement through the EEI
- employee performance through the PEI

The results of the GPS are also aggregated for the KPMG network and presented to the Global Board each year, and appropriate follow-up actions are agreed.

## 4.5 Commitment to technical excellence and quality service delivery

We provide all KPMG Switzerland professionals with the technical training and support they need. This includes access to specialists and our Department of Professional Practice (DPP), 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. Where the right resource is not available within KPMG Switzerland, access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

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

### 4.5.1 Lifetime learning strategy

In addition to personal development discussed in the section above, our lifetime learning strategy is underpinned by policies requiring all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

#### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at the global, regional and where applicable, KPMG Switzerland. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job. Audit Learning and Development teams work with subject matter experts and leaders from the Global Service Centre (GSC), the International Standards Group (ISG) and KPMG Switzerland's Department of Professional Practice (DPP), 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.

#### Mentoring and on the job training

Learning is not confined to the classroom – rich learning experiences are available when needed through coaching and just in time learning, 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 Licencing and mandatory requirements for IFRS and U.S. GAAP engagements

All KPMG Switzerland professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the applicable jurisdiction. Policies and procedures are designed to facilitate compliance with licence requirements.

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

#### Mandatory requirements – IFRS and U.S. GAAP engagements

In addition, we have specific training requirements for partners and managers working on IFRS engagements. Specific training and collective experience 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

KPMG Switzerland 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. Specialists who are members of an audit team and have overall responsibility for specialist involvement on an audit engagement have the competencies, capabilities and objectivity to appropriately fulfill their role. Training on audit concepts is provided to these specialists.

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

### 4.5.4 Consultation

KPMG Switzerland promotes 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. In addition, our QRMM-G includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

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.

Auditing and technical accounting support is also available to our Firm and its professionals at international level through the International Standards Group (ISG) as well as the US Capital Markets Group for work on foreign SEC 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.

#### 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 and auditing requirements 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 [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. KPMG Switzerland expects its people to demonstrate certain key behaviours and to follow certain policies and procedures 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 the KPMG audit methodology, guidance and industry knowledge and the tools needed to manage audits consistently. The KPMG 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 direction, supervision and performance of the engagement and therefore responsible for the overall quality of the audit engagement. Involvement and leadership from the engagement partner during the planning 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

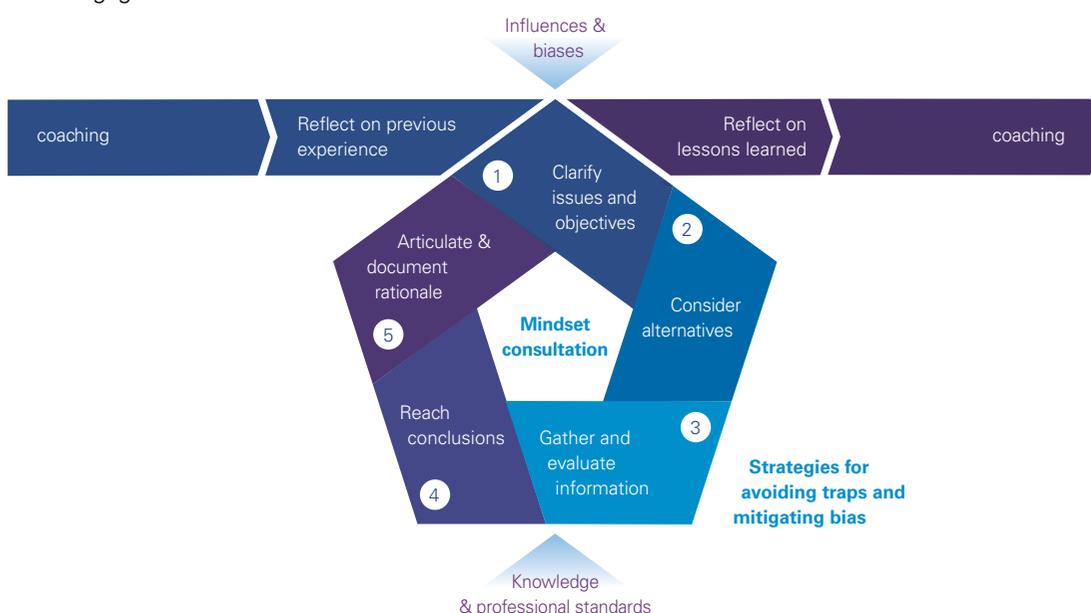
We consider all audit evidence obtained during the course of the audit, including consideration of contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. For 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.

The KPMG 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.

The engagement partner, supported by the engagement manager, is responsible for driving a culture of coaching and continuous learning throughout the audit process and setting an example in the performance of the audit to drive a culture of continuous audit quality improvement.

Ongoing mentoring, 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 each audit engagement. Our policies require review of documentation by more experienced engagement team members.

KPMG recognizes 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. Engagement 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 when preparing audit documentation 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
- other 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 the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

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

- 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 complete.

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

Effective for December 2016 year-ends onwards, based on the FAOA's circular 1/2015 and in compliance with the new IAASB requirements, we have enhanced auditors' reporting for listed entities. The revised auditors' reporting incorporates 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.

At KPMG Switzerland 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 Switzerland have complied with relevant independence requirements, describes all relationships and other matters between KPMG Switzerland 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.



### **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 more than 40 other KPMG countries across the globe, providing Audit Committee members with authoritative guidance (such as the ACI Audit Committee Handbook) on matters of interest to Audit Committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and 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**

The KPMG audit methodology 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, irrespective of whether 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 audit 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 KPMG 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. Since November 2016, KPMG's Information Security Management System (ISMS) has been certified according to the international Security standard ISO27001. To maintain this high standard with regard to existing security controls, annual audits and trainings are carried out periodically with the aim of continuous improvement of the established ISMS.



## 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 at least every three years 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.

### Audit 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

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements. KPMG Switzerland conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Switzerland level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

### Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the 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 Audit QPR

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

In 2017 the number of engagements reviewed for KPMG Switzerland was as follows:

Number of engagements reviewed	2017	2016
Audit	33	31
Tax	24	47
Advisory	19	20

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 (defined as 'Performance Improvement Needed' or 'Unsatisfactory') 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.

**Global Audit Quality Monitoring Program (GAQMP)**

To further enhance the quality, rigor and consistency of the QPR program, the Global Audit Quality Monitoring Program was launched by KPMG International in 2016. The GAQMP is comprised of a team of partners, directors and senior managers experienced in performing QPR program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application controls. Each of the GAQMP reviewers attends the Global QPR training delivered for their respective member firm. The GAQMP team is responsible for performing selected QP reviews of LRE audit engagements as determined by Global Quality & Risk Management or proposed by the local member firm.

**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 KPMG Switzerland'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 KPMG Switzerland 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 KPMG International's 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.

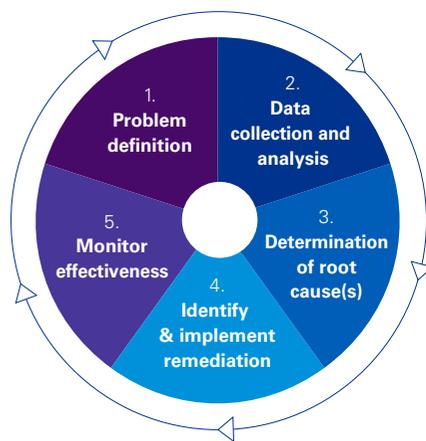
We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the Global GCR Central Team. Results are reported to the Global Quality & Risk Management Steering Group (GQRMSG), and where necessary to appropriate KPMG International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

**Root Cause Analysis (RCA)**

KPMG's worldwide Root Cause Analysis Reporting Tool (RCART) was introduced in September 2017. It used to assist member firms in tracking their own Root Cause Analysis (RCA) activity. RCART is also analyzed and used by KPMG International in the identification of network-wide issues and the development of cohesive network responses as well as providing support for communications with regulatory bodies, including discussions with IFIAR (International Forum of Independent Audit Regulators).

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 2017 RCA training based on our Global 5-Step Principles 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:**



It is the responsibility of member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified. At KPMG Switzerland RCA is performed under the supervision of the NQRM based 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 reviews the results of the quality monitoring programs, analyzes member firm root causes and action plans and develops 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.

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

**4.7.1.3 External feedback and dialogue Regulators**

In Switzerland, the FAOA has been carrying out annual independent inspections of KPMG AG for a number of years. The FAOA inspections consist of a firm level review and a selection of both financial statement and regulatory audit engagement file reviews.

In 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 (Financial Audit) of KPMG AG has not been issued as of the date of this Transparency Report.

In fall 2016, the Liechtenstein 'Finanzmarktaufsicht' (FMA) conducted an inspection of KPMG AG and OTG as well as KPMG (Liechtenstein) AG. The FMA's 2016 inspection reports for these entities were issued on 30 October 2017. The FAOA's 2017 inspection of KPMG AG was conducted in November and December 2017 and the inspection report has not been issued as of the date of this Transparency Report.

KPMG Switzerland considers comments received and implement actions to continue to strengthen our policies and procedures as appropriate.

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



KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) and the Committee of European Auditing Oversight Bodies (CEAOB) to discuss audit quality findings and actions taken to address such issues at a network level. The CEOB is made up of senior representatives from the responsible EU/EEA member state authorities and the European Securities and Marketing Authority (ESMA). Swiss FAOA does not participate at level of the CEOB, but is an observer of its "inspection subgroup", which shares inspection practices/findings and facilitates discussions on topics related to audit inspections with third parties, such as standard setters and the audit profession.

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)
- UK Financial Reporting Council (FRC)
- US Public Company Accounting Oversight Board (PCAOB)

**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. We endeavor to take this feedback and make changes at both the engagement level and firm level to meet clients' needs.

**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 2017:

<b>Gross revenues</b>	2017 in CHF million	2016 in CHF million	Change in %	
<b>Total gross revenues <sup>1</sup></b>	<b>555,0</b>	<b>549.0</b>	<b>+ 1.1</b>	

<b>Net revenues</b>	2017 in CHF million	2016 in CHF million	Change in %	Share of revenues in %
Audit	212,1	202.0	+5,0	50,1
Tax	120,6	115.9	+4,0	28,5
Advisory	90,8	85.9	+5,7	21,4
<b>Total net revenues <sup>2</sup></b>	<b>423,5</b>	<b>403.8</b>	<b>+4,9</b>	<b>100,0</b>

<b>People</b>	2017	2016	Change in %
<b>Total Employees</b> as of 30 September 2017	<b>2,150</b>	<b>2,047</b>	<b>+5.0</b>
<b>Total FTE</b> as of 30 September 2017	<b>1,895</b>	<b>1,815</b>	<b>+4.4</b>

<sup>1</sup> Gross revenues include out-of-pocket expenses and services charged through KPMG Switzerland.

<sup>2</sup> Net revenues refer to services rendered by KPMG Switzerland.

# Financial Information

## Section 5

### Additional financial disclosure as per Article 13 of the EU Regulation 537/2014

**Net revenues** as of 30.09.2017

Source of Fee Income	Amounts in CHF million
<b>Net revenues of KPMG Switzerland</b>	<b>423.5</b>
Audit fees of Swiss Public Interest Entities with a listing in the EU (primary listing in Switzerland)	11.4
All other fees	412.1

### **Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements<sup>1</sup>**

Aggregated revenues generated by KPMG audit firms from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.7 billion during the year ended 30 September 2017.

The EU/EEA aggregated statutory audit revenue figures are presented to the best extent calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2017.

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

# Partner remuneration

## Section 6

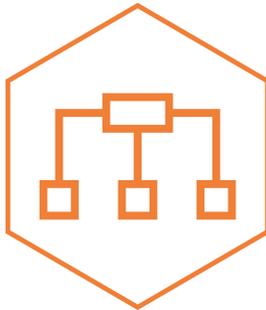
Partner remuneration comprises a base salary and associated benefits (including employer contributions to the Swiss Firm's pension fund) and additionally a bonus. In Switzerland and Liechtenstein, partners are members of a pension fund operated for all employees; both employer (the Swiss Firm) and employee (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.

The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available [here](#)

### 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.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA) and a number of senior partners of member firms. It is led by the Global Chairman who is supported by the Executive Committee, consisting of the Global 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 2017, 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 (“non-executive” members). A key role of the lead director is to act as liaison between the Global Chairman and the “non-executive” Global Board members.

### **Global Management Team**

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing 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 Chairman and includes the Global Chief Operations Officer, Global Chief Administrative Officer, global function and infrastructure heads and the General Counsel. The list of Global Management Team members, as at 1 October 2017, 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 Appendix 1 to the 2017 International Transparency Report.

Each member firm is part of one of three regions (the Americas, ASPAC and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating 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 Appendix 1 to the 2017 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 2017.

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 2017.

# Appendices



# Key legal entities and areas of operation

## Appendix 1

As of 30 September 2017:

Name of entity	Legal form	Regulatory status	Nature of business	Area of operation
KPMG Holding AG	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
Terria AG	Swiss corporation / company limited by shares	N/A	Advisory Services	Switzerland

# Details of those charged with governance at KPMG Switzerland

## Appendix 2

### Executive Board (KPMG AG)

As of 30 September 2017

From top to bottom



**Lukas Marty**

Head of Audit

**Peter Uebelhart**

Head of Tax

**Anne van Heerden**

Head of Advisory

**Philipp Hallauer**

Head of National Quality & Risk Management

**Jörg Walker**

COO/CFO

**Stefan Pfister**

CEO

**Philipp Rickert**

Head of Financial Services

# Details of those charged with governance at KPMG Switzerland

## Appendix 2

### Board of Directors (KPMG Holding AG)

As of 30 September 2017

From left to right

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From left to right

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#### **Roger Neining**

Chairperson of the Board of Directors

#### **Hélène Béguin**

Member of the Board of Directors

#### **Stuart Robertson**

Member of the Board of Directors

# 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 2017 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). 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 Swiss Federal Audit Oversight Authority:

## Swiss Public Companies

<a href="#">Aduno Holding AG</a>	<a href="#">Forbo Holding AG</a>	<a href="#">Piguet Galland &amp; Cie SA</a>
<a href="#">AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern</a>	<a href="#">GAM Holding AG (fka. Julius Bär Holding AG)</a>	<a href="#">PLAZZA AG</a>
<a href="#">Alpine Select AG</a>	<a href="#">GAM Investment Management (Switzerland) AG (fka. Swiss &amp; Global Asset Management AG)</a>	<a href="#">PLAZZA IMMOBILIEN AG</a>
<a href="#">Altin AG</a>	<a href="#">Gornergrat Bahn AG</a>	<a href="#">Private Equity Holding AG</a>
<a href="#">Arbonia AG</a>	<a href="#">Groupe Baumgartner Holding SA (Baumgartner Gruppe Holding AG)</a>	<a href="#">Restoshop SA</a>
<a href="#">Autoneum Holding AG</a>	<a href="#">GZO AG</a>	<a href="#">Roche Holding AG</a>
<a href="#">Axpo Holding AG</a>	<a href="#">Helvetia Holding AG</a>	<a href="#">Roche Kapitalmarkt AG</a>
<a href="#">Axpo Power AG (fka. Axpo AG)</a>	<a href="#">Helvetia Schweizerische Lebensversicherungsgesellschaft AG</a>	<a href="#">Schlatter Industries AG (fka. Schlatter Holding AG)</a>
<a href="#">Axpo Trading AG (fka. EGL AG, fka. Elektrizitäts-Gesellschaft Laufenburg AG (EGL))</a>	<a href="#">INFICON HOLDING AG</a>	<a href="#">Schweizerische Nationalbank</a>
<a href="#">Bank Julius Bär &amp; Co. AG</a>	<a href="#">Julius Bär Gruppe AG</a>	<a href="#">SPS Immobilien AG (fka. Jelmoli Immobilien AG)</a>
<a href="#">Banque Cantonale Vaudoise</a>	<a href="#">Jungfrauabahn AG</a>	<a href="#">Sulzer AG</a>
<a href="#">Barry Callebaut AG</a>	<a href="#">JUNGFRAUBAHN HOLDING AG</a>	<a href="#">Swiss Credit Card Issuance 2015-1 AG</a>
<a href="#">BELIMO Automation AG</a>	<a href="#">Kernkraftwerk Leibstadt AG</a>	<a href="#">Swiss Credit Card Issuance 2015-2 AG</a>
<a href="#">BELIMO Holding AG</a>	<a href="#">Kraftwerke Linth-Limmern AG (KLL)</a>	<a href="#">Swiss Credit Card Issuance 2016-1 AG</a>
<a href="#">Burkhalter Holding AG</a>	<a href="#">Logitech Europe S.A.</a>	<a href="#">Swiss Prime Site AG</a>
<a href="#">Burkhalter Technics AG</a>	<a href="#">Logitech international S.A.</a>	<a href="#">Swisscom (Schweiz) AG (fka. Swisscom Fixnet AG)</a>
<a href="#">BVZ Holding AG</a>	<a href="#">Lonza AG</a>	<a href="#">Swisscom AG</a>
<a href="#">Cembra Money Bank AG</a>	<a href="#">Lonza Group AG</a>	<a href="#">Swissgrid AG</a>
<a href="#">Centralschweizerische Kraftwerke AG (CKW)</a>	<a href="#">Lonza Sales AG</a>	<a href="#">Swisstronics Contract Manufacturing AG</a>
<a href="#">Cicor Technologies Ltd.</a>	<a href="#">Lonza Swiss Finanz AG</a>	<a href="#">Syngenta AG</a>
<a href="#">Conzzeta AG (fka. Conzzeta Holding)</a>	<a href="#">Matterhorn Gotthard Verkehrs AG</a>	<a href="#">Syngenta Finance AG</a>
<a href="#">Credit Suisse (Schweiz) AG</a>	<a href="#">MCH Group AG</a>	<a href="#">u-blox AG</a>
<a href="#">Credit Suisse AG</a>	<a href="#">MCH Messe Schweiz (Basel) AG</a>	<a href="#">u-blox Holding AG</a>
<a href="#">Credit Suisse Group AG (CSG)</a>	<a href="#">Mobimo AG</a>	<a href="#">Varia US Properties AG</a>
<a href="#">Datacolor AG</a>	<a href="#">Mobimo Holding AG</a>	<a href="#">VAT Group AG</a>
<a href="#">Datacolor AG Europe (fka. Datacolor AG)</a>	<a href="#">Molecular Partners AG</a>	<a href="#">Vat Vakuumventile AG</a>
<a href="#">Datacolor Holding AG</a>	<a href="#">MSC Cruises SA</a>	<a href="#">VAUDOISE ASSURANCES HOLDING SA (aka Vaudoise Versicherungen Holding AG )</a>
<a href="#">DOTTIKON ES HOLDING AG</a>	<a href="#">Nestlé S.A.</a>	<a href="#">VAUDOISE GENERALE, Compagnie d'Assurances SA</a>
<a href="#">DOTTIKON EXCLUSIVE SYNTHESIS AG</a>	<a href="#">New Venturetec AG</a>	<a href="#">VAUDOISE VIE, Compagnie d'Assurances SA</a>
<a href="#">Emmi AG</a>	<a href="#">Oriflame Holding AG</a>	<a href="#">Villars Holding S.A.</a>
<a href="#">Emmi Finanz AG</a>	<a href="#">Partners Group AG</a>	<a href="#">Warteck Invest AG</a>
<a href="#">Emmi Schweiz AG</a>	<a href="#">Partners Group Holding AG</a>	<a href="#">Wengernalpbahn AG</a>
<a href="#">ENAG Energiefinanzierungs AG</a>	<a href="#">Parvico SA</a>	<a href="#">Zehnder Group AG</a>
<a href="#">Energiedienst Holding AG</a>	<a href="#">Perrot Duval Holding SA</a>	
<a href="#">Feintool International Holding AG</a>	<a href="#">Phoenix Mecano AG</a>	
<a href="#">Flughafen Zürich AG (Unique Zurich Airport)</a>		

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

<u>1875 Finance SA</u>	<u>Bondpartners S.A.</u>	<u>Cronos Finance SA</u>
<u>ACE &amp; COMPANY SA</u>	<u>Brevan Howard Investment</u>	<u>DAS Rechtsschutz-Versicherungs-AG</u>
<u>Adingest SA</u>	<u>Products Limited, Saint-Héli�er (Jersey),</u>	<u>Deutsche Asset Management</u>
<u>Allianz Suisse Lebensversicherungs-</u>	<u>succursale de Gen�ve</u>	<u>Schweiz AG</u>
<u>Gesellschaft AG</u>	<u>Bupa Insurance Limited, London,</u>	<u>Deutsche Bank (Suisse) SA</u>
<u>Allianz Suisse Versicherungs-</u>	<u>Switzerland Branch Zurich</u>	<u>Deutsche Bank Aktiengesellschaft,</u>
<u>Gesellschaft AG</u>	<u>CACEIS (Switzerland) SA</u>	<u>Frankfurt a.M., Zweigniederlassung</u>
<u>Alpha Associates AG</u>	<u>(fka. CACEIS Fastnet (Suisse) SA)</u>	<u>Z�rich</u>
<u>AP ANLAGE &amp; PRIVATBANK AG</u>	<u>CACEIS Bank, Paris, succursale de</u>	<u>Deutsche Fiduciary Services</u>
<u>ASPEN INSURANCE UK LIMITED,</u>	<u>Nyon/Suisse</u>	<u>(Suisse) SA</u>
<u>London, Zurich Branch</u>	<u>(fka. CACEIS Bank Luxembourg,</u>	<u>DEUTSCHE TRANSNATIONAL</u>
<u>ASPEN INSURANCE UK LIMITED,</u>	<u>Luxembourg, succursale de Nyon)</u>	<u>TRUSTEE CORPORATION INC.,</u>
<u>London, Zurich Insurance Branch</u>	<u>CAP, Rechtsschutz-</u>	<u>Charlottetown (Canada), succursale</u>
<u>Assista Protection Juridique SA</u>	<u>Versicherungsgesellschaft AG</u>	<u>de Gen�ve</u>
<u>Aventicum Capital Management</u>	<u>Carnegie Fund Services SA</u>	<u>Dreyfus S�hne &amp; Cie.</u>
<u>(Suisse) SA</u>	<u>CBH Compagnie Bancaire</u>	<u>Aktiengesellschaft, Banquiers</u>
<u>AWP P&amp;C S.A., Saint-Ouen (Paris),</u>	<u>Helv�tique SA</u>	<u>Dukascopy Bank SA</u>
<u>succursale de Wallisellen (Suisse)</u>	<u>Cembra Money Bank AG*</u>	<u>Edmond de Rothschild Real Estate</u>
<u>(fka. AGA INTERNATIONAL S.A.,</u>	<u>Centrum Beratungs- und</u>	<u>SICAV</u>
<u>Paris, succursale de Wallisellen</u>	<u>Beteiligungen AG</u>	<u>Entris Banking AG</u>
<u>(Suisse))</u>	<u>CG CAR-GARANTIE</u>	<u>EPONA soci�t� coop�rative mutuelle</u>
<u>BANCA CREDINVEST SA</u>	<u>Versicherungs-Aktiengesellschaft,</u>	<u>d'assurance g�n�rale des animaux</u>
<u>Bank CIC (Schweiz) AG</u>	<u>Freiburg i. Br., Zweigniederlassung</u>	<u>Equitas SA, Soci�t� de Gestion et</u>
<u>Bank Hapoalim (Schweiz) AG</u>	<u>Therwil</u>	<u>d'Investissements</u>
<u>Bank Julius B�r &amp; Co. AG*</u>	<u>Citibank (Switzerland) Limited</u>	<u>ERGO Versicherung</u>
<u>Bank-now AG</u>	<u>Citibank, N.A., Sioux Falls,</u>	<u>Aktiengesellschaft, D�sseldorf,</u>
<u>Banque Alg�rienne du Commerce</u>	<u>succursale de Gen�ve</u>	<u>Zweigniederlassung Z�rich</u>
<u>Ext�rieur SA</u>	<u>Citibank, N.A., Sioux Falls, Zurich</u>	<u>ETHENEA Independent Investors</u>
<u>Banque Cantonale Vaudoise*</u>	<u>Branch</u>	<u>(Schweiz) AG</u>
<u>Banque Cramer &amp; Cie SA</u>	<u>CITIGROUP GLOBAL MARKETS</u>	<u>Euler Hermes Reinsurance AG</u>
<u>Banque de Commerce et de</u>	<u>LIMITED, London,</u>	<u>Euler Hermes SA, Br�ssel,</u>
<u>Placements SA</u>	<u>Zweigniederlassung Z�rich</u>	<u>Zweigniederlassung Wallisellen</u>
<u>Banque Degroof Petercam (Suisse)</u>	<u>Cititrust (Switzerland) Limited</u>	<u>Eurex Z�rich AG</u>
<u>SA</u>	<u>Cititrust Private Trust Zurich GmbH</u>	<u>Europ�ische Reiseversicherungs AG</u>
<u>Banque Eric Sturdza SA</u>	<u>Clariden Leu Trust (Schweiz) AG</u>	<u>F&amp;P Services SA</u>
<u>(fka. Banque Baring Brothers</u>	<u>Coface Re SA</u>	<u>Fides Partner AG</u>
<u>Sturdza SA)</u>	<u>Coges Corraterie Gestion SA</u>	<u>FidFund Management SA</u>
<u>Banque Internationale de Commerce</u>	<u>Compagnie Priv�e de Conseils et</u>	<u>Fundana SA</u>
<u>– BRED (Suisse) SA</u>	<u>d'Investissements SA</u>	<u>G + FS Capital Invest AG</u>
<u>Banque P�ris Bertrand Sturdza SA</u>	<u>Comunus SICAV</u>	<u>GAM Capital Management</u>
<u>BANQUE PRIVEE BCP (SUISSE) SA</u>	<u>Credit Suisse (Schweiz) AG*</u>	<u>(Switzerland) AG (fka. GAM</u>
<u>Bantleon Bank AG</u>	<u>Credit Suisse AG*</u>	<u>Anlagefonds AG)</u>
<u>Barclays Bank (Suisse) SA</u>	<u>Credit Suisse Asset Management</u>	<u>GAM Investment Management</u>
<u>Barclays Capital, Zurich Branch</u>	<u>(Schweiz) AG</u>	<u>(Switzerland) AG (fka. Swiss &amp; Global</u>
<u>of Barclays Bank PLC, London</u>	<u>Credit Suisse Funds AG</u>	<u>Asset Management AG)*</u>
<u>BBGI GROUP SA</u>	<u>Credit Suisse Insurance Linked</u>	<u>Garda Capital Partners S�rl</u>
<u>BBVA (Suiza) SA</u>	<u>Strategies Ltd</u>	
<u>Belv�d�re Asset Management AG</u>	<u>Credit Suisse Solution Partners AG</u>	
<u>Bezirks-Sparkasse Dielsdorf</u>	<u>Credit Suisse Stiftung f�r</u>	
<u>Genossenschaft</u>	<u>Mitarbeiter-Beteiligungsmodelle</u>	
	<u>Credit Suisse Trust AG</u>	

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\* Also included as a Swiss Public Company

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

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

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\* Also included as a Swiss Public Company

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