



# Transparency Report 2018

KPMG Switzerland

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

# Transparency Report 2018

2	<b>1 Message from our Senior Partner</b>
3	<b>2 Who we are</b>
4	2.1 Our business
4	2.2 Our strategy
5	<b>3 Our structure and governance</b>
6	3.1 Legal structure
6	3.2 Name, ownership and legal relationships
7	3.3 Governance structure
8	<b>4 System of quality control</b>
10	4.1 Tone at the top
13	4.2 Leadership responsibilities for quality and risk management
15	4.3 Association with the right clients
16	4.4 Clear standards and robust audit tools
23	4.5 Recruitment, development and assignment of appropriately qualified personnel
26	4.6 Commitment to technical excellence and quality service delivery
28	4.7 Performance of effective and efficient audits
30	4.8 Commitment to continuous improvement
35	<b>5 Financial information</b>
37	<b>6 Partner remuneration</b>
38	<b>7 Network arrangements</b>
39	7.1 Legal structure
39	7.2 Responsibilities and obligations of member firms
39	7.3 Professional indemnity insurance
39	7.4 Governance structure
40	7.5 Area Quality & Risk Management Leaders
41	<b>8 Statement by the Executive Board of Directors of KPMG AG on the effectiveness of quality controls and independence</b>
42	<b>Appendices</b>
43	1 Key legal entities and areas of operation
44	2 Details of those charged with governance at KPMG Switzerland
46	3 Public Interest Entities

# Message from our Senior Partner



WE ARE HIGHLY COMMITTED  
TO CONTINUOUSLY  
INVESTING IN OUR SYSTEM  
OF QUALITY CONTROL  
IN ORDER TO LIVE UP TO  
THE EXPECTATIONS  
OF ALL OUR STAKEHOLDERS.

I am very pleased to provide you with our tenth Transparency Report, covering our financial year ended 30 September 2018. This report describes our structure and governance, our culture and values, as well as the key processes and controls we employ to safeguard the integrity and reliability of our services. It demonstrates our unwavering commitment to quality, and underlines the importance we place on meeting our responsibilities to clients, capital markets, regulators and the wider public.

Responsibility for quality starts at the top. It requires us to drive and reinforce accountability through the complete chain of command in all our audit teams and practices so that every action helps us meet our rigorous quality objectives. Audit quality is a strategic focus of our firm. To demonstrate our commitment to continually advancing audit quality across our firm, we have appointed an Audit Quality Leader and started a number of additional quality initiatives along our Audit Quality Framework, which will further enhance the consistency and robustness of our audits. Some of these initiatives, including significant investments in technology, are rolled out in coordination with our global firm, some are targeted efforts undertaken by the Swiss Firm.

Our profession has been facing significant criticism in the recent past. Public expectations on what an audit should be able to achieve are rising. It is a crucial role we play to make the economy work and we need public trust to succeed. We are highly committed to continuously investing in our system of quality control in order to live up to the expectations of all our stakeholders. In doing so, we work closely with regulators, audit committees, investors and businesses to ensure that we continue to play our part in protecting the public interest.

A blue ink handwritten signature, appearing to read 'Stefan Pfister', written over a horizontal line.

**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 2'000 people (FTEs as of 30 September 2018) 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 (identical to the Executive Board of KPMG AG) 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 2018 there was an average of 133 equity and non-equity partners (2017: 131 partners).

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

## 2.2 Our strategy

Our strategy is set by the Board of Directors of KPMG Holding AG in cooperation with the Executive Committee. 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 behavior, 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 & 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 2018 [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 the Section ‘Governance and leadership’ of the [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 2018 there was an average of 72 equity partners (2017: 66).

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.

As of 30 September 2018, the Board of Directors of KPMG Holding AG 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 areas as defined by Swiss law. Members of the Board of Directors of KPMG Holding AG are elected for terms of 3 years.

Swiss audit regulations require a majority of our Executive Board (Board of Directors of KPMG AG) to be licensed with the Federal Audit Oversight Authority (FAOA). As of 30 September 2018 and as of the date of this report, 4 out of the 7 members of our Executive Board held such a license.

#### The Senior Partner

The Senior Partner is responsible for leading the Executive Committee, 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, was appointed in 2016 and has been re-elected by the Board of Directors of KPMG Holding AG with effect from 1 October 2018 for an additional 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, for its implementation as well as the operational management of the Swiss Firm through the functions (Audit, Financial Services, Tax & Legal and Advisory), the 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 and Financial Services.

As of and during the year ended 30 September 2018 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, Financial Services, Tax & Legal and Advisory.

The Executive Committee met 19 times in the year ended 30 September 2018, 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 2018, 2 meetings were held with the Swiss partners.

Full details of those charged with governance for KPMG Switzerland are set out in Appendix 2.

# System of quality control

## Section 4

Audit quality is fundamental to maintaining public trust and is the key measure for our professional reputation.



KPMG'S COMMITMENT  
 TO INTEGRITY AND QUALITY  
 IS ENSHRINED IN THE  
 KPMG VALUES THAT LIE  
 AT THE HEART OF  
 THE WAY WE DO THINGS

A robust and consistent system of quality control is fundamental to 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 KPMG 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 is required to implement KPMG International policies and procedures and also 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 other applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG Switzerland 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 all 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 our system of quality control in our audit practice.

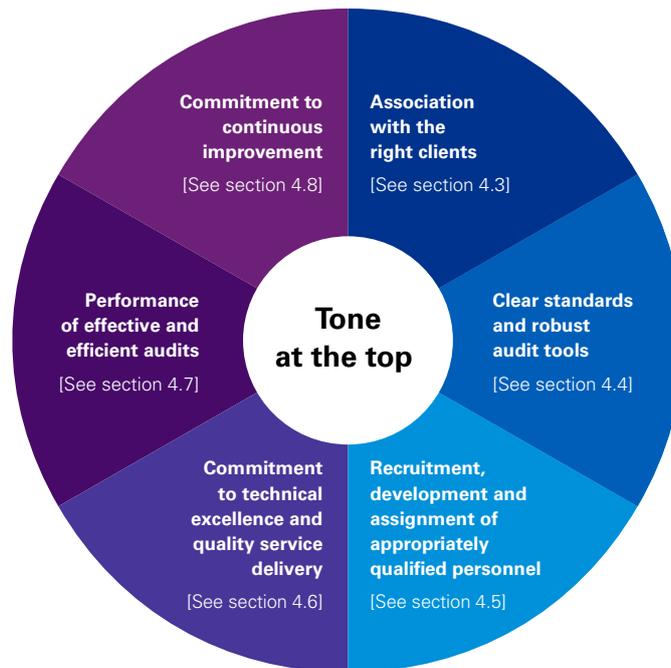
**Audit quality framework**

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 has developed the Audit Quality Framework to help all audit professionals concentrate on the fundamental skills and behaviors 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 behaviors permeate across our entire KPMG network. All of the other drivers create 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.

Our global leadership, working with regional and member firm leaderships, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence. A culture based on quality, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders and investors rely.

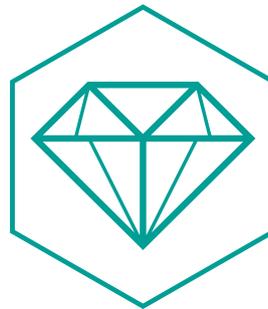
At KPMG Switzerland we promote a culture in which consultation is encouraged and recognized as a strength.

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 and rigorously maintaining our independence.

KPMG people work together to deliver value to clients. We strongly believe in a common set of shared values which guide our behavior when dealing with both clients and each other. KPMG’s global 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. The KPMG values form the foundation of our culture and set the tone at the top. They also form the foundation of the KPMG approach to audit and shape how we work together.



**KPMG's global values**

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 Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.

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



#### 4.1.1 KPMG Global Code of Conduct

KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personal and professional conduct. The KPMG values emphasize that, above all, KPMG personnel act with integrity, uphold the highest professional standards and provide sound advice while rigorously maintaining independence and complying with laws, regulations, and professional standards.

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

#### 4.1.2 KPMG Switzerland Code of Conduct

The KPMG Switzerland Code of Conduct lays out our expectations of ethical behavior for all partners and employees at KPMG Switzerland. It is built on the foundation of KPMG's global values, the shared set of beliefs and principles at KPMG.

The KPMG Switzerland 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 KPMG Switzerland Code of Conduct sets out our commitments and includes provisions that require KPMG Switzerland personnel to:

- comply with all applicable laws, regulations, professional standards and KPMG Switzerland policies
- work with the right clients and third parties
- focus on quality
- maintain our objectivity and independence
- not tolerate any illegal or unethical acts, committed within KPMG Switzerland, by clients or suppliers, or public officials with whom we deal
- protect information
- compete fairly
- help our people to be extraordinary
- be responsible corporate citizens
- build public trust

All KPMG Switzerland personnel are required to:

- comply with both the Global and the KPMG Switzerland Code of Conduct and confirm their compliance with the Code of Conduct upon joining the firm, and annually thereafter; and
- complete training covering the Code of Conduct upon joining the firm and on a regular basis thereafter.

Individuals are encouraged to speak up when they see something that makes them uncomfortable or that is inconsistent with the KPMG values. Moreover, everyone at KPMG is responsible for reporting any activity that could potentially be illegal or in violation of KPMG values, KPMG policies, applicable laws, regulations, or professional standards.

We have procedures and established channels of communication so that our personnel can report ethical and quality issues. Retaliation is prohibited against individuals who 'raise their hand' and speak up in good faith. In addition the KPMG International hotline is a mechanism for all 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 organization. Our people can raise matters anonymously and without fear of retaliation.

KPMG Switzerland takes any complaints about the quality of its services or the behavior 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 2018 there was one issue reported (2017: 2) via the Swiss whistle-blowing hotline.

In addition, we regularly monitor the extent to which our people feel we live the KPMG values through the Global People Survey (refer to Section 4.5.6 for further details).



## 4.2 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 and dealings with partners and staff – written and video communications, townhall meetings, 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, Financial Services, Tax & Legal 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 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 KPMG Switzerland. He is a member of the Executive Committee and reports to the Senior

Partner. Further, the NQRMP consults with the appointed Area Quality & Risk Management Leader. 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. He further oversees the Office of the General Counsel (OGC) and the Department of Professional Practice (DPP).

### 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 to the NQRMP.

### Heads of Audit, Financial Services, Tax & Legal 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.

KPMG Switzerland's Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. This includes:

- setting the right 'tone at the top' by demonstrating an unwavering commitment to the highest standards of professional excellence, including skepticism, objectivity, and independence
- developing and implementing strategies to monitor and maintain knowledge and skills required of partners and employees to fulfil their professional responsibilities
- working with the NQRMP to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality



# What is audit quality?

Audit quality is fundamental to maintaining public trust and is the key measure for our professional reputation. We define **'audit quality'** as being the outcome when:

- audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality controls; and
- all of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

## **Audit Quality Leader**

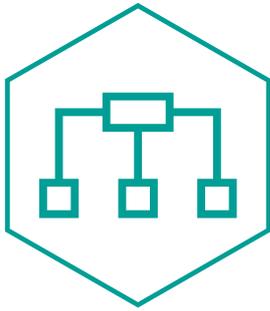
KPMG Switzerland is strengthening its system of quality management in the Audit function by establishing an Audit Quality Unit under the direction of an Audit Quality Leader. The Audit Quality Leader will report to the Head of Audit and ensure risk and quality matters are a priority for audit leadership. The role of KPMG Switzerland's Audit Quality Leader is to consider matters relating to maintaining and improving audit quality including monitoring detailed findings (and related actions) from external regulatory reviews, the internal Quality Performance Review program and other quality control programs and sources on a range of issues designed to allow us to challenge ourselves in various aspects of audit quality and improvement.

Specifically the Audit Quality Leader's responsibilities include:

- Ensuring audit quality end-to-end (especially in audit workflows and support processes)
- Establishing a system of quality management including monitoring controls
- Implementing and monitoring work streams aligned with global audit quality initiatives
- Performing root cause analyses of findings from internal and external quality reviews and defining remediation actions
- Communicating important quality topics to audit professionals

## **Investing in continuous improvement**

At a global level, KPMG International has introduced a number of changes as the KPMG network continues to invest in continuous improvement. These include the creation of the Global Audit Quality Committee of the Global Board, comprised of Senior Partners from the largest firms in the KPMG network, and the appointment of a dedicated Global Head of Audit Quality who reports to the committee.



### 4.3 Association with the right clients

#### 4.3.1 Acceptance and continuance of clients and engagements

One of the keys to managing audit quality is to understand the nature of our clients and the issues they face and build a robust audit response to the identified risks. We understand that the business behavior and reputation of our clients are linked to the quality of our work and our reputation.

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG's reputation, support the KPMG 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.

#### 4.3.2 Client and engagement evaluation process

##### Client evaluation

KPMG Switzerland undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes completion of a questionnaire to assess the client's risk profile and obtaining background information on the client, its key management, directors and owners. In addition we obtain information required to satisfy our local legal and regulatory requirements. A second professional,

as well as the evaluating partner, approve each prospective client evaluation. Where the client is considered to be 'high risk' the NQRMP or a sufficiently skilled and experienced delegate is involved in approving the evaluation.

#### Engagement evaluation

The prospective engagement leader evaluates each prospective engagement to identify potential risks (in practice this may be completed at the same time as the client evaluation). In particular with respect to audit appointments, this is done in consultation with other senior KPMG Switzerland personnel and includes review by quality and risk management leadership 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), intended purpose and use of engagement deliverables, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of personnel to be assigned to the engagement.

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 4.4.3.7) 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.

WE UNDERSTAND THAT  
 THE BUSINESS BEHAVIOR  
 AND REPUTATION  
 OF OUR CLIENTS  
 ARE LINKED TO  
 THE QUALITY OF OUR WORK  
 AND OUR REPUTATION

#### 4.3.3 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.

#### 4.3.4 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, professional and regulatory responsibilities. We also communicate, as necessary, with those charged with governance and any other appropriate authority.

#### 4.3.5 Client portfolio management

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

We review each audit partner's client portfolio at least annually in individual discussions with the audit partner. The reviews consider the industry, nature and risk of the client portfolio as a whole along with the competence, capabilities and capacity of the partner to deliver a quality audit for every client.

## 4.4 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 this expectation. 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.

### 4.4.1 Our approach to audit

KPMG has been investing significantly in evolving the network's audit capabilities and will continue to do so in the coming years including a new global electronic audit workflow delivered through the KPMG Clara platform – KPMG's smart, modular audit platform – capable of continually integrating new and emerging technologies, with advanced capabilities embedded that leverage data, automation, and visualization. Data & Analytics (D&A) is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

KPMG's high-quality audit process will continue to include:

- timely partner and manager involvement throughout the engagement
- access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise
- critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment
- ongoing mentoring, supervision and review of the engagement team
- managing and documenting the audit

#### 4.4.2 Consistent audit methodology and tools

Significant resources are dedicated to keeping KPMG’s standards and tools complete and up to date. The KPMG audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of International Standards on Auditing (ISAs). The KPMG audit methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs, which KPMG International believes enhance the quality of our audits. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence. Enhancements to the audit methodology, guidance and tools are made regularly to be in compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key topics include risk assessment, internal control, accounting estimates, audit sampling, revenue recognition, and group audits. The Swiss Firm also adds local requirements and/or guidance related to KAM to comply with additional local professional, legal or regulatory requirements.

KAM contains examples and guidance for, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. The KPMG 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.

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.

The KPMG audit workflow is enabled through eAudit, an activity-based workflow and electronic audit file. eAudit is KPMG’s audit documentation workflow that allows 75,000+ professionals to complete high quality and consistent audits. eAudit integrates KPMG’s audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed.

eAudit can be “scaled” to present the relevant requirements and guidance, depending on the nature of the entity to be audited and in accordance with professional standards and applicable legal and regulatory requirements. It provides direct access to our audit guidance, professional standards and documentation templates.

#### **KPMG Clara, KPMG Clara Workflow and Audit Data & Analytics (D&A)**

KPMG International is making significant investments to improve audit quality, drive consistency in execution of audits and strengthen the monitoring of engagements.

#### **KPMG Clara**

In 2017, KPMG International commenced the global launch of KPMG Clara – KPMG’s smart audit platform, bringing together KPMG’s Audit Data & Analytics (D&A) capabilities, innovative new technologies, collaboration capabilities and audit workflow.

This represents KPMG’s ambition to:

- transform audit execution for our people and clients through new, modern technology-enabled interfaces and collaboration functionality;
- integrate the required capability to digitize the audit and deliver new D&A routines;
- enable an enhanced and re-designed workflow;
- incorporate the development of monitoring capabilities at the engagement-level and across engagement portfolios for use by engagement teams and member firms;
- support global leadership’s monitoring of the effectiveness of member firm systems of quality control; and
- develop an extendable audit platform to enable member firm customization and scale, as well as future capabilities.

KPMG Clara also encompasses the tracking of selected engagement-level indicators by engagement teams for an individual engagement and across an engagement portfolio. This provides a summary and visualization of these indicators to:

- measure audit engagement progress and ensure timely issue resolution;
- facilitate audit execution by providing key indicators for prioritizing tasks; and
- highlight unexpected results/relationships that may require further investigation.

## AUDITOR INDEPENDENCE IS A CORNERSTONE OF INTERNATIONAL PROFESSIONAL STANDARDS AND REGULATORY REQUIREMENTS

KPMG Clara will be enriched over time as emerging technologies continue to transform the audit, with areas like cognitive and predictive technology being channeled through KPMG Clara to deliver ever greater capabilities. Through alliances with some of the world's most advanced technology companies such as Microsoft, KPMG is building the future of audit, aligning with technology leaders to bring new insights faster and, with growing capabilities, deliver even more value through KPMG member firm audits. KPMG International's investment strategy also includes innovation, working with universities on important applied audit research and working with member firms as they develop advanced technologies.

### **KPMG Clara Workflow**

Building on the launch of KPMG Clara in 2017, KPMG International is creating a new workflow tool that will be used by KPMG audit teams to execute and document KPMG audits. It will be intuitive, user-friendly and modern. The new system will genuinely be a workflow – guiding audit teams through a series of steps in a logical sequence, with clearer display of information and visuals, knowledge and guidance available at the moment of need, and with embedded advanced D&A capabilities. The workflow and methodology will also be scalable – adjusting the requirements to the size and complexity of the audit engagement. This globally-driven project will significantly overhaul and redesign the execution of an audit by KPMG professionals and drive improvements in audit quality.

KPMG Clara Workflow will incorporate the development of monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. The KPMG Clara Workflow was piloted in 2018, with plans for limited deployment globally in 2019 and full deployment beginning in 2020. The predecessor audit workflow tool, eAudit, is expected to be decommissioned in the 2021 fiscal year.

### **Audit Data & Analytics (D&A)**

KPMG's audit, powered by D&A:

- enhances audit quality; by providing a deeper understanding of data populations, giving focus to higher risk transactions
- is secure; by restricting access to data both in transit and within KPMG's IT environments
- is transparent; by facilitating detailed analysis to uncover the reasons behind, and root causes of, outliers and anomalies and providing increased visibility into higher risk transactions and process areas

D&A tools and routines are built on principles and professional standards underlying an audit and do not relieve auditors of their responsibilities.

### **4.4.3 Independence, integrity, ethics and objectivity**

#### **4.4.3.1 Overview**

Auditor independence is a cornerstone of international professional standards and regulatory requirements. KPMG International has detailed independence policies and procedures in place, 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.

KPMG International has a Partner-in-Charge of the Global Independence Group, who is supported by a core team of specialists to help ensure that robust and consistent independence policies and procedures are in place at KPMG member firms, and that tools are available to help them and their personnel comply with these requirements.

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. Consultations may also be required with the Global Independence Group, depending upon the facts and circumstances.

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 4.8.1.

#### 4.4.3.2 Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals must be free from prohibited financial interests in, and prohibited relationships with, KPMG member firm 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 KPMG 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 all manager grade and above client-facing personnel 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 any investment subsequently becomes restricted. Newly restricted investments must be disposed of 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 2018, 96 (2017: 73) compliance audits were conducted by the Swiss Firm.

#### 4.4.3.3 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 disengaged from all significant connections to KPMG Switzerland, including payments which are not fixed and determined and/or would be material to KPMG Switzerland, and 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.



#### 4.4.3.4 Firm financial independence

KPMG member firms must also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and significant owners.

In common with other KPMG member firms, KPMG Switzerland uses KICS (see Section 4.4.3.2) to record the Swiss Firm's investments in SEC entities and affiliates (including funds), other listed companies and funds, including direct and material indirect investments held by the Swiss 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 4.8.1).

#### 4.4.3.5 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 4.8.1).

#### 4.4.3.6 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.

#### 4.4.3.7 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. The related process, referred to as the Independence Clearance Process ("ICP"), must be completed prior to accepting an audit engagement for these entities and is facilitated by KPMG International's proprietary Independence Checkpoint™ system, which automates and standardizes the workflows that comprise the ICP.

#### 4.4.3.8 Independence training and confirmations

All partners and client service professionals as well as certain other individuals, must complete independence training appropriate to their grade and function upon joining KPMG and on an annual basis thereafter. New personnel who are required to complete this training must do so by the earlier of (a) seven days after joining the firm and (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 partners and client service professionals with training on the Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations and professional standards, including data privacy, 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 KPMG Switzerland.

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

In addition, certain relevant non-client-facing personnel who are at the manager level and above, are also required to undertake independence and/or other firm training as deemed appropriate.

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 Swiss Firm's Code of Conduct. This confirmation is used to evidence the individual's compliance with, and understanding of, KPMG's independence policies.

### 4.4.3.9 Non-audit services

We have policies that are consistent with IESBA principles and applicable laws and regulations, related to 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. Lead audit engagement partners are required to maintain group structures for public interest entities and certain other audit clients as well as their affiliates in Sentinel™ and are also responsible for identifying

and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. 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.

### 4.4.3.10 Fee dependency

KPMG International's policies recognize 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

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

### 4.4.3.11 Avoiding conflicts of interest

Conflicts of interest can arise in situations where KPMG Switzerland 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.

#### 4.4.3.12 Breaches of independence policy

All KPMG Switzerland personnel are required to report an independence breach as soon as they become aware of it to the EIP. 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 but at a minimum on an annual basis.

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 compliance metrics.

#### 4.4.3.13 Compliance with laws, regulations and anti-bribery and corruption

Compliance with laws, regulations and professional 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 policies can be found on the [anti-bribery and corruption site](#).

#### 4.4.3.14 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 local 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.

## 4.5 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. The KPMG performance development approach, linked to the KPMG values, is designed to articulate what is required for success – both individually and collectively. Ensuring audit quality is an essential element of the training, planning and development underway to support the KPMG Clara Workflow roll-out and the associated updated KPMG audit methodology, with processes embedded in all KPMG learning programs.

### 4.5.1 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 Swiss 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.

### 4.5.2 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 4.6).

KPMG is launching a new Performance Development process which will apply to all member firms called 'Everyone a Leader', where stretching goals should be set and reviewed regularly throughout the year. Leadership competencies will include 'driving quality', 'advancing an ethical environment' and 'making sound decisions'. A goals library is available for colleagues to gain inspiration around what goals they want to set, with one category of goals focused specifically around quality.

We encourage a culture of continuous improvement to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers. In our performance development approach, feedback can be sought and received through informal and formal processes. Informal feedback should be regular and owned by the individual for their own development and growth. Formal feedback can be provided through an engagement review form, which is used as input into the annual performance evaluation process.

Partners and Directors are also required to be evaluated on key quality and compliance metrics. KPMG Switzerland monitors quality incidents and maintains quality and compliance metrics for the purpose of engagement assignments and also for the purposes of performance evaluation, promotion and remuneration.

In relation to audit, opportunities are provided to professionals to develop the skills, behaviors 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.



#### **4.5.3 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.

#### **4.5.4 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, leadership competencies, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback – both formal and informal, from junior and senior colleagues as well as peers. Feedback gathered forms an integral part of performance reviews.

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 compliance metrics**

All partners and directors within the Swiss Firm are issued with standardized quality and compliance metrics which are fed into their annual counselling process. The quality and compliance 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. These evaluations are conducted by the NQRMP in cooperation with the Function Heads. 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 2018 results indicate a good level of quality and 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 EQC reviewers includes the achievement of 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 4.5.6).

##### **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.



#### 4.5.5 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 specialized 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 (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.

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

KPMG Switzerland invites all its people to participate in regular an independent Global People Surveys (GPS), to share their perception about their experience working for KPMG. The GPS provides an overall measure of our people's engagement through an Employee Engagement Index (EEI) 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 KPMG Switzerland leadership and KPMG global leadership with results related to audit quality, upholding the KPMG values, as well as employee and partner attitudes towards 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 and employee engagement through the EEI.

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.

## 4.6 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.

Our audit policies require professionals to have the appropriate knowledge and experience for their assigned engagements.

### 4.6.1 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 & Development steering groups at the global and regional level and where applicable, KPMG Switzerland. Training is delivered using a blend of classroom training, virtual classroom sessions, and digital learning to assist auditors on the job. Audit Learning & 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 or based on a selection by DPP through in-flight coaching programs.

### 4.6.2 Licensing 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 license 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

We have specific training requirements for partners, managers and EOC reviewers 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 Swiss Firm has implemented appropriate safeguards to address any shortfalls.

### 4.6.3 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.

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.

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

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

### 4.6.4 Culture of consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. 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, the KPMG 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 (DPP) and quality & risk management (NQRM) resources. DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution.

Technical auditing and accounting support is also available to our firm and its professionals at international level through the Global Services Centre (GSC) and International Standards Group (ISG) as well as the US Capital Markets Group for work on foreign SEC registrants.

### Global Services Centre (GSC)

The GSC's mission is to drive success for KPMG's global network of audit practices through collaboration, innovation and technology. The GSC develops, maintains and deploys KPMG's audit methodology and technology-based tools used by KPMG audit professionals to facilitate effective and efficient audits. With three global locations, one in each region, the GSC audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG's audit capabilities.

### International Standards Group (ISG)

The ISG 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. The ISG is also available to member firms for consultation when required.

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

### Member firm professional practice guidelines

KPMG International policies include minimum requirements for member firm DPPs.

### 4.6.5 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 through the KPMG audit workflow. 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 the KPMG audit workflow.

## 4.7 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 behaviors and to follow certain policies and procedures in the performance of effective and efficient audits.

### 4.7.1 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.

### Shared Service Centers

We continue to improve the quality and efficiency of our audits by leveraging our Shared Service Centers (SSC) to perform standardized audit and administrative procedures, which allows engagement teams to focus on the more complex and judgmental aspects of the audit. SSC staff receive relevant training and are subject to independence policies. Interaction with SSC staff is based on an agreed, formalized and secure process. Supervision and review of work papers prepared by SSC staff are comparable to supervision and review of work performed by members of our Swiss engagement teams, which ensures consistency and quality.

#### 4.7.1.1 Timely Engagement Quality Control (EQC) reviews

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 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 auditor's 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 the KPMG audit workflow 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

#### 4.7.1.2 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.

#### 4.7.1.3 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, the [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 relevant guidance (such as the ACI Audit Committee Handbook) on matters of interest to audit committees, addressing emerging issues like changes in laws and regulations or developments in areas such as corporate governance, corporate reporting or risk management & compliance; and offering members the opportunity to network with their peers during technical updates and awareness seminars.

#### **IFRS Institute**

KPMG's Global IFRS Institute provides information and resources to help board and audit committee members, executives, management, stakeholders and government representatives gain insight and access to thought leadership about the evolving global financial reporting framework.

#### 4.7.2 Client confidentiality, information security and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Global and KPMG Switzerland 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 program 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 with the aim of continuously improving the established ISMS.

#### 4.8 Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG 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 KPMG'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 all 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.

##### 4.8.1 Monitoring

###### 4.8.1.1 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 & Legal 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.

**Quality Performance Reviews (QPRs)**

The QPR program assesses engagement level performance in the Audit, Financial Services, Tax & Legal 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.

**Reviewer selection, preparation and process**

There are robust criteria for selection of reviewers. Member firm QPRs in each function are overseen by a senior experienced lead reviewer 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.

**Audit QPR evaluation**

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 2018 and 2017 the number of engagements reviewed for KPMG Switzerland was as follows:

<b>Number of engagements reviewed</b>	<b>2018</b>	<b>2017</b>
Audit	33	33
Tax & Legal	45	24
Advisory	20	19

**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 Group (GAQMG)**

The GAQMG 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 GAQMG reviewers attends the Global QPR training delivered for their respective member firm. The GAQMG team is responsible for performing selected QP reviews of LRE audit engagements.

**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 Swiss Firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements

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



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

**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 team performing the reviews is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. GCRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms. The GCR provides an independent assessment of:

- a member firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment
- a member firm's compliance with key KPMGI policies and procedures
- the robustness with which the member firm performs its own compliance program (RCP)

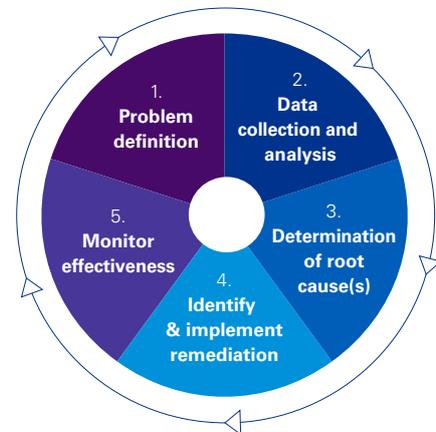
We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the Global GCR Central Team. Results are reported to the Global Quality & Risk Management Steering Group (GQ&RMSG), and where necessary to appropriate KPMG International and regional leadership, to ensure timely remedial actions taken by the member firm. The most recent GCR related to the Swiss Firm took place in December 2018.

**Root Cause Analysis (RCA)**

KPMG's worldwide Root Cause Analysis Reporting Tool (RCART) is 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 by way of additional templates, tools, training and / or controls as part of our continuous improvements efforts. In 2018, RCA training based on our Global 5-Step Approach was attended by those individuals at KPMG Switzerland who are 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 Audit Quality Leader based on the results of the individual internal and external monitoring/ inspection programs and overall based 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 the NQRMP.

#### 4.8.1.2 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.

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 KPMG network.

#### 4.8.1.3 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. Since 2013, KPMG AG has been subject to a joint inspection between the FAOA and the US Public Company Accounting Oversight Board (PCAOB). The last joint inspection took place in 2016. 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 was issued on 31 July 2018. The next joint inspection between the FAOA and the PCAOB of KPMG AG is planned in 2019.

The FAOA's 2018 inspection of KPMG AG was conducted in May and June 2018 and the inspection report was issued on 19 December 2018. The FAOA further conducted an ad-hoc file review related to PostBus Switzerland AG and issued an inspection report dated 3 December 2018 (refer to [KPMG media release dated 4 December 2018](#) for further information). In fall 2018, the Liechtenstein 'Finanzmarktaufsicht' (FMA) conducted an inspection of KPMG AG and OTG as well as KPMG (Liechtenstein) AG. The FMA's 2018 inspection reports for these entities have not yet been issued as of the date of this Transparency Report.

KPMG Switzerland takes the findings of our regulators very seriously. We consider comments received, perform root cause analyses of related findings, and agree and implement actions to remediate those findings.

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 Markets Authority (ESMA). The FAOA does not participate at the 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 Patent and Registration Office (PRH)
- 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 Inspectorate of Auditors (SIA)
- UK Financial Reporting Council (FRC)
- US Public Company Accounting Oversight Board (PCAOB)

KPMG SWITZERLAND TAKES ANY COMMENTS ABOUT THE QUALITY OF OUR SERVICES OR THE BEHAVIOR OF OUR PEOPLE VERY SERIOUSLY



#### 4.8.2 Client feedback

In addition to internal and external monitoring of quality, we operate a program 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 our clients' needs and expectations.

#### 4.8.3 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 behavior 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 use our [whistle-blowing hotline](#)

# Financial information

## Section 5

KPMG Switzerland achieved the following revenues for the year ended 30 September 2018:

<b>Gross revenues</b>	2018 in CHF million	2017 in CHF million	Change in %	
<b>Total gross revenues</b> <sup>1</sup>	<b>602.6</b>	<b>555.0</b>	<b>+8.6</b>	
<b>Net revenues</b>	2018 in CHF million	2017 in CHF million	Change in %	Share of revenues in %
Audit	225.9	212.1	+6.5	50.4
Tax & Legal	123.6	120.6	+2.5	27.5
Advisory	99.0	90.8	+9.0	22.1
<b>Total net revenues</b> <sup>2</sup>	<b>448.5</b>	<b>423.5</b>	<b>+5.9</b>	<b>100.0</b>
<b>People</b>	2018	2017	Change in %	
<b>Total employees</b> as of 30 September 2018 <sup>3</sup>	<b>2'103</b>	<b>2'021</b>	<b>+4.1</b>	
<b>Total FTE</b> as of 30 September 2018	<b>1'980</b>	<b>1'895</b>	<b>+4.5</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.

<sup>3</sup> 2017 total employees restated to be consistent with 2018 revised calculation

# Financial information, continued

## Section 5

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

**Net revenues** as of 30.09.2018

Source of fee income	Amounts in CHF million
<b>Net revenues of KPMG Switzerland</b>	<b>448.5</b>
Audit fees of Swiss Public Interest Entities with a listing in the EU (primary listing in Switzerland)	15.2
All other fees	433.3

### **Total turnover achieved by EU/EEA KPMG 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 2.8 billion during the year ended 30 September 2018.

The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2018.

<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

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 chairmen 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 chairmen of each of the regions and currently three other senior partners of member firms. The list of Global Board members, as at 1 October 2018, is available in the [KPMG Global 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.

The Global Board is supported in its oversight and governance responsibilities by several committees.

#### **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 2018, is available in the [KPMG Global 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 section ‘Governance and leadership’ of the 2018 [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 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 section ‘Governance and leadership’ of the 2018 [International Transparency Report](#).

### **7.5 Area Quality & Risk Management Leaders**

The Global Head of Quality, Risk & Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness of a member firm’s efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand. Significant activities of the ARL, including member firm issues identified and related member firm response/remediation, are reported to GO&RM leadership.

The objectives of the ARL role are to:

- assist GO&RM leadership in the monitoring of member firms’ quality and risk management activities
- work with GO&RM leadership and the International Office of General Counsel (IOGC) when significant brand and legal risk issues occur to assist in ensuring that matters are properly handled
- monitor the effectiveness of member firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents

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

## Section 8

The measures and procedures that serve as the basis for the system of quality controls 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 4.8.1 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 2018.

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 2018.

# Appendices



# Key legal entities and areas of operation

## Appendix 1

As of 30 September 2018:

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 & Legal and Advisory Services	Switzerland and Liechtenstein
KPMG (Liechtenstein) AG	Liechtenstein corporation/ company limited by shares	Liechtenstein Registered Audit Firm	Audit, Tax & Legal and Advisory Services	Liechtenstein
Ostschweizerische Treuhand-Gesellschaft AG	Swiss corporation/ company limited by shares	Swiss Licensed Audit Expert and Liechtenstein Registered Audit Firm	Audit, Tax & Legal 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 Holding AG)

As of 30 September 2018



From left to right

- Lukas Marty**, Head of Audit
- Philipp Hallauer**, Head of National Quality & Risk Management
- Stefan Pfister**, CEO
- Peter Uebelhart**, Head of Tax & Legal
- Anne van Heerden**, Head of Advisory
- Jörg Walker**, COO/CFO
- 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 2018



From left to right

**Roger Neining**, Chairman of the Board of Directors

**Hélène Béguin**, Member of the Board of Directors

**Stuart Robertson**, Member of the Board of Directors (until 30 September 2018)



**Tobias Valk**, Elected to Board of Directors (effective 30 November 2018)

# 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 2018 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"), as well as 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

ABB Ltd <sup>1</sup>	Feintool International Holding AG	PLAZZA AG
Aduno Holding AG	Forbo Holding AG	PLAZZA IMMOBILIEN AG
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	GAM Holding AG	Private Equity Holding AG
Alpine Select AG	GAM Investment Management (Switzerland) AG	Restoshop SA
Arbonia AG	Gornergrat Bahn AG	Roche Holding AG <sup>1</sup>
Athris AG	Groupe Baumgartner Holding SA	Roche Kapitalmarkt AG
Autoneum Holding AG	GZO AG	Schlatter Industries AG
Axpo Holding AG	Helvetia Holding AG	Schweizerische Nationalbank
Axpo Power AG	Helvetia Schweizerische Lebensversicherungsgesellschaft AG	See-Spital
Axpo Solutions AG (fka. Axpo Trading AG)	Helvetia Schweizerische Versicherungsgesellschaft AG	Sensirion AG
Bank Cler AG	INFICON HOLDING AG	Sensirion Holding AG
Bank Julius Bär & Co. AG	Julius Bär Gruppe AG	SPS Immobilien AG
Banque Cantonale Vaudoise	Jungfrauahn AG	Sulzer AG
Barry Callebaut AG	JUNGFRAUBAHN HOLDING AG	Swiss Auto Lease 2015-1 GmbH
Basler Kantonalbank	Kernkraftwerk Leibstadt AG	Swiss Auto Lease 2016-1 GmbH
BELIMO Automation AG	Kraftwerke Linth-Limmern AG	Swiss Credit Card Issuance 2015-1 AG
BELIMO Holding AG	Logitech Europe S.A.	Swiss Credit Card Issuance 2015-2 AG
Burkhalter Holding AG	Logitech international S.A.	Swiss Credit Card Issuance 2016-1 AG
Burkhalter Technics AG	Lonza AG	Swiss Credit Card Issuance 2018-1 AG
BVZ Holding AG	Lonza Group AG	Swiss Prime Site AG
cashgate AG	Lonza Sales AG	Swisscom (Schweiz) AG
Cembra Money Bank AG	Lonza Swiss Finanz AG	Swisscom AG
Centralschweizerische Kraftwerke AG	Matterhorn Gotthard Verkehrs AG	Swissgrid AG
Cicor Technologies Ltd.	MCH Group AG	Swisstronics Contract Manufacturing AG
Conzzeta AG	MCH Messe Schweiz (Basel) AG	Syngenta Finance AG
Credit Suisse (Schweiz) AG	Mobimo AG	u-blox AG
Credit Suisse AG <sup>1</sup>	Mobimo Holding AG	u-blox Holding AG
Credit Suisse Group AG	Molecular Partners AG	Varia US Properties AG
Datacolor AG	MSC Cruises SA	VAT Group AG
Datacolor AG Europe	Nestlé S.A.	Vat Vakuumventile AG
Datacolor Holding AG	New Venturetec AG	VAUDOISE ASSURANCES HOLDING SA
Dätwyler Holding AG	Oriflame Holding AG <sup>1</sup>	VAUDOISE GENERALE, Compagnie d'Assurances SA
DOTTIKON ES HOLDING AG	Partners Group AG	VAUDOISE VIE, Compagnie d'Assurances SA
DOTTIKON EXCLUSIVE SYNTHESIS AG	Partners Group Holding AG	Villars Holding S.A.
Emmi AG	Parvico SA	Warteck Invest AG
Emmi Finanz AG	Perrot Duval Holding SA	Wengernalpbahn AG
Emmi Schweiz AG	Phoenix Mecano AG	Zehnder Group AG
ENAG Energiefinanzierungs AG	Piguet Galland & Cie SA	
Energiedienst Holding AG		

<sup>1</sup> Public interest audit client listed on an EU regulated market

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

1875 Finance SA	Bupa Insurance Limited, London, Switzerland	Dukascopy Bank SA
—	Branch Zurich	—
ABB Reinsurance AG	—	Edmond de Rothschild Real Estate SICAV
—	CACEIS (Switzerland) SA	—
ACE & COMPANY SA	—	Entris Banking AG
—	CACEIS Bank, Paris, succursale de Nyon/Suisse	—
Adingest SA	—	EPONA société coopérative mutuelle
—	Carnegie Fund Services SA	d'assurance générale des animaux
Alpha Associates AG	—	—
—	Catalina Worthing Insurance Limited, Worthing,	Equitas SA, Société de Gestion et
AP ANLAGE & PRIVATBANK AG	Zweigniederlassung Präfikon/Freienbach	d'Investissements
—	—	—
ASPEN INSURANCE UK LIMITED,	CBH Compagnie Bancaire Helvétique SA	ERGO Versicherung Aktiengesellschaft,
London, Zurich Branch	—	Düsseldorf, Zweigniederlassung Zürich
—	Cembra Money Bank AG <sup>2</sup>	—
ASPEN INSURANCE UK LIMITED,	—	ETHENEA Independent Investors (Schweiz) AG
London, Zurich Insurance Branch	Centrum Beratungs- und Beteiligungen AG	—
—	—	Europäische Reiseversicherungs AG
Assista Protection Juridique SA	CG CAR-GARANTIE	F&P Services SA
—	Versicherungs-Aktiengesellschaft, Freiburg i. Br.,	—
Aventicum Capital Management (Suisse) SA	Zweigniederlassung Therwil	FAB Private Bank (Suisse) SA
—	—	(fka: NBAD Private Bank (Suisse) SA)
BANCA CREDINVEST SA	Citibank (Switzerland) AG	FidFund Management SA
—	—	—
Bank CIC (Schweiz) AG	Citibank, N.A., Sioux Falls, succursale de Genève	—
—	—	Fundana SA
Bank Cler <sup>1</sup>	—	—
—	Citibank, N.A., Sioux Falls, Zurich Branch	G + FS Capital Invest AG
Bank Hapoalim (Schweiz) AG	—	—
—	CITIGROUP GLOBAL MARKETS LIMITED,	GAM Capital Management (Switzerland) AG
Bank Julius Bär & Co. AG <sup>2</sup>	London, Zweigniederlassung Zürich	—
—	—	GAM Investment Management
Bank-now AG	Cititrust (Switzerland) Limited	(Switzerland) AG <sup>2</sup>
—	—	—
Banque Algérienne du Commerce Extérieur SA	Cititrust Private Trust Zurich GmbH	Garda Capital Partners Sàrl
—	—	—
Banque Cantonale Vaudoise <sup>2</sup>	Clariden Leu Trust (Schweiz) AG	Gazprombank (Schweiz) AG
—	—	—
Banque Cramer & Cie SA	Coface Re SA	GERIFONDS SA
—	—	—
Banque de Commerce et de Placements SA	Coges Corratierie Gestion SA	Glacier Reinsurance AG
—	—	—
Banque Degroof Petercam (Suisse) SA	Compagnie Privée de Conseils et	Great Lakes Insurance SE, München,
—	d'Investissements SA	Zweigniederlassung Baar
Banque Eric Sturdza SA	—	—
—	Comunus SICAV	GVB Privatversicherungen AG
Banque Internationale de Commerce –	—	—
BRED (Suisse) SA	Credit Suisse (Schweiz) AG <sup>2</sup>	Habib Bank AG Zurich
—	—	—
BANQUE MORVAL SA	Credit Suisse AG <sup>1 2</sup>	Hardcastle Trading AG
—	—	—
Banque Pâris Bertrand Sturdza SA	Credit Suisse Asset Management (Schweiz) AG	Harper Versicherungs AG
—	—	—
BANQUE PRIVEE BCP (SUISSE) SA	Credit Suisse Funds AG	HBK Investments Advisory SA
—	—	—
Bantleon Bank AG	Credit Suisse Insurance Linked Strategies Ltd	Helvetia Schweizerische
—	—	Lebensversicherungsgesellschaft AG <sup>2</sup>
Barclays Bank (Suisse) SA	Credit Suisse Solution Partners AG	—
—	—	Helvetia Schweizerische
Barclays Capital, Zurich Branch of Barclays	Credit Suisse Stiftung für	Versicherungsgesellschaft AG <sup>2</sup>
Bank PLC, London	Mitarbeiter-Beteiligungsmodelle	—
—	—	Industrial and Commercial Bank of China
Basler Kantonalbank <sup>2</sup>	Credit Suisse Trust AG	Limited, Peking, Zweigniederlassung Zürich
—	—	—
BBGI GROUP SA	Cronos Finance SA	ING Belgique, Bruxelles, succursale de Genève
—	—	—
BBVA (Suiza) SA	Deutsche Bank (Suisse) SA	Inreska Limited, Guernsey, Swiss Branch
—	—	—
Belvédère Asset Management AG	Deutsche Bank Aktiengesellschaft,	—
—	Frankfurt a.M., Zweigniederlassung Zürich	Intercona Re AG
Bezirks-Sparkasse Dielsdorf Genossenschaft	—	—
—	DWS CH AG	—
Bondpartners S.A.	(fka. Deutsche Asset Management Schweiz AG)	INTESA SANPAOLO PRIVATE BANK
—	—	(SUISSE) SA
Brevan Howard Investment Products Limited,	Dreyfus Söhne & Cie. Aktiengesellschaft,	—
Saint-Héliier (Jersey), succursale de Genève	Banquiers	Intracap Insurance Ltd
—	—	—

<sup>1</sup> Public interest audit client listed on an EU regulated market

<sup>2</sup> Also included as a Swiss Public Company

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

Investas AG	Pegaso Capital Partners SA	Socatram S.A. pour le Commerce des Marchandises
Invision AG	PENSADOR Partner AG	—
ISP Securities AG	PG3 AG	Société pour la gestion de placements collectifs GEP SA
ITERAM Capital SA	Piguet Galland & Cie SA <sup>2</sup>	—
JL Securities SA	PostFinance AG	Standard Chartered Bank (Switzerland) SA, en liquidation
Julius Bär Family Office & Trust AG	Primapen KGK	Sumus Capital SA
Julius Bär Wealth Management AG	Privatbank Von Graffenried AG	Suva
Kepler Capital Markets SA	Protekta Rechtsschutz-Versicherung AG	SVC-AG für KMU Risikokapital
Kot Insurance Company AG	QNB (Suisse) SA	Swisscard AECS GmbH
Landolt Investment SICAV	QSAM Ltd.	Sydbank (Schweiz) AG in Liquidation
Limmat Versicherungs-Gesellschaft AG	QUAERO CAPITAL SA	Symbiotics SA
Loyal Finance AG	Quiltrust Limited	Syngenta Rückversicherung AG
MainFirst Affiliated Fund Managers (Switzerland) AG	Quilvest (Switzerland) Ltd.	Takeda Re Insurance AG
Mannheimer Versicherung Aktiengesellschaft, Mannheim, Zweigniederlassung Schweiz, Zürich	Remaco Wealth Management AG	TCS Assurances SA
MARKEL INTERNATIONAL INSURANCE COMPANY LIMITED, London, Switzerland Branch Kusnacht	Robeco Switzerland AG	THE L.T. FUNDS SA
MoneyPark AG	RobecoSAM AG	Trinel Ltd
MS Amlin AG	Rothschild Bank AG	TWINT AG
Neue Aargauer Bank AG	Rothschild Trust (Schweiz) AG	Unilever Reinsurance AG
New Reinsurance Company Ltd.	RTS Geneva SA	VAUDOISE GENERALE, Compagnie d'Assurances SA <sup>2</sup>
Nextech III Oncology Kommanditgesellschaft für kollektive Kapitalanlagen	SC, SwissCaution SA	VAUDOISE VIE, Compagnie d'Assurances SA <sup>2</sup>
NN Investment Partners Schweiz AG	Schweizerische Mobilier Asset Management AG	Veraison Capital AG
OMNIUM REINSURANCE COMPANY SA	Schweizerische Mobilier Holding AG	Viseca Card Services SA
Partners Group AG <sup>1</sup>	Schweizerische Mobilier Lebensversicherungs-Gesellschaft AG	Volksbank AG
Patrimonium Asset Management AG	Schweizerische Mobilier Versicherungsgesellschaft AG	von Graffenried & Partner AG Vermögensverwaltung AG Brig
PAX, Schweizerische Lebensversicherungs-Gesellschaft AG	Sedifo SA	Vontobel Real Estate Investments SICAV
—	SIF Investment Company Ltd.	Woodman Asset Management AG
—	Skandia Leben AG	—

<sup>1</sup> Public interest audit client listed on an EU regulated market

<sup>2</sup> Also included as a Swiss Public Company

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