



Transparency Report 2019

KPMG Switzerland

[kpmg.ch](https://www.kpmg.ch)

Transparency Report 2019

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Message from our Senior Partner

IT IS A CRUCIAL ROLE
WE PLAY TO MAKE THE
ECONOMY WORK AND
WE NEED PUBLIC TRUST
TO SUCCEED



I am very pleased to provide you with our eleventh Transparency Report, covering our financial year ended 30 September 2019. 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.

Audit is the cornerstone of our business and the basis on which KPMG was founded. That is why audit quality is absolutely paramount to us. We have an unwavering commitment to audit quality, knowing that our standards must be of the very highest level in order to build and maintain public trust. Responsibility for quality starts at the top and means driving and reinforcing accountability through the chain of command and within all our audit engagement teams so that every action helps us meet our rigorous quality objectives.

Audit quality is a strategic focus of our firm. We have appointed an Audit Quality Leader and are currently working on a number of important quality initiatives along our Audit Quality Framework. Going forward, the new audit quality standard ISQM 1, which is currently an exposure draft, will be the standard for an audit firm's system of quality management; we expect the final standard to be issued in

mid 2020 and are already working on its implementation. In addition, we are about to roll out our new audit workflow, KPMG Clara. We have also launched a program that aims to provide direct, real-time support and coaching to selected engagement teams with the goal of assessing the audit work against the relevant professional standards, before audit opinions are signed. These, as well as other initiatives currently under way, will further enhance the consistency and robustness of our audits.

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. As you can see from the above initiatives, 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.

Stefan Pfister
CEO

Who we are

Section 2

KPMG is one of the leading audit, tax 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”, the “Swiss Firm”, “the Firm” or “our Firm”. We employ nearly 2’000 partners and employees (FTEs as of 30 September 2019) 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 2019 there was an average of 139 equity and non-equity partners (2018: 133 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.

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 our Audit, Financial Services, Tax & Legal and Advisory functions 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 2019 [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 is the parent company of the following, directly or indirectly wholly owned subsidiaries:

- KPMG AG, Zurich
- KPMG (Liechtenstein) AG, Schaan
- Ostschweizerische Treuhand-Gesellschaft AG, 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 organizational 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 “Governance and leadership” section 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 2019 there was an average of 78 equity partners (2018: 72).

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International’s policies, procedures 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 a levy paid to it 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, procedures 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 2019, 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 2019, four out of the six 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 2014 and 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 30 September 2019 the Executive Committee was comprised of the Senior Partner (CEO) and five additional officers, being the National Quality & Risk Management Partner (NQRMP) and the Heads of Audit, Financial Services, Tax & Legal and Advisory.

The Executive Committee met 17 times in the year ended 30 September 2019, 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 2019, two 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

Tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. However, these must be backed up by a system of quality that ensures our performance meets the highest professional standards.

To help all audit professionals concentrate on the fundamental skills and behaviors required to deliver a quality audit, KPMG has developed the Audit Quality Framework, based on the International Standard on Quality Control 1 (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB), and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

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 applies to all KPMG partners and employees. KPMG Switzerland is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls. The Swiss Firm adds local requirements and/or guidance to comply with additional local professional, legal or regulatory requirements to a consolidated KPMG Switzerland Quality & Risk Management Manual (QRMM-CH).

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 partners and employees. 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 partners and employees wherever they are based.

While this Transparency Report summarizes KPMG's approach to audit quality, it may also be useful for stakeholders interested in the Swiss Firm's tax and advisory services, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered.

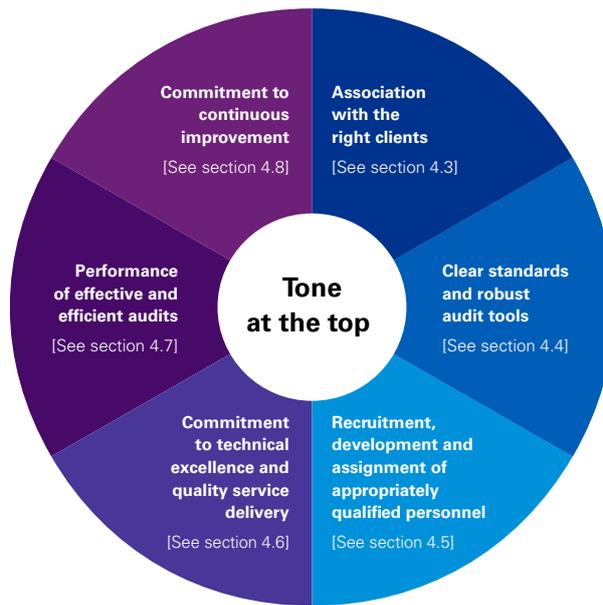
Audit quality framework

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. KPMG's audit quality framework introduces a common language that is used by all KPMG member firms to describe what drives audit quality and to help highlight to their audit professionals how they contribute to its delivery.

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 all KPMG member firms. 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

KPMG global leadership, working with regional and member firm leadership, 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 to earn public trust.

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.

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.

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, emphasizing that, above all, KPMG personnel act with integrity. We communicate the KPMG values clearly to our people and embed them into our people processes – induction, performance development and reward.

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

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 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 partners and employees 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 partners and employees are required to:

- comply with both the Global and the KPMG Switzerland Code of Conduct and confirm their compliance with the Code of Conduct on an annual basis; and
- complete training covering the Code.

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 people 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 third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, activities of 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 2019 there was one issue reported (2018: 1) via the [Swiss whistle-blowing hotline](#). In addition, the Ombudsman received three notifications from employees during the year ended 30 September 2019 (2018: none). All issues were properly investigated and are considered closed.

In addition, we regularly monitor the extent to which our people feel that the Firm lives 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 Quality & Risk Management Partner, the national Function Heads (Audit, Financial Services, and Tax & Legal), and the department heads within Advisory (as the Senior Partner assumes overall responsibility for Advisory at the Executive Committee level effective 1 October 2019). Individual engagement quality and performance are controlled primarily at the level of the engagement team and the respective function/department, with appropriate oversight by Functional and National Quality & Risk Management. The national Function Heads, department heads within Advisory 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 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 Area Quality & Risk Management Leader (ARL) appointed by KPMG International. The fact that

the NQRMP 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), the Department of Professional Practice (DPP) and the National Security Office.

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 areas. They determine the operation of risk management, quality assurance and monitoring procedures within the framework set by the NQRMP. These procedures make it clear that, at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the Firm.

KPMG Switzerland's Head of Audit is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG partners and employees. 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 has strengthened 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 reports to the Head of Audit and ensures 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 (QPR) program and other quality control programs and sources. The Audit Quality Unit considers a range of issues in a manner designed to allow us to challenge ourselves in various aspects of audit quality and improvement.

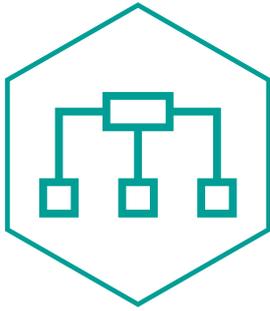
Specifically the Audit Quality Leader’s responsibilities include:

- Ensuring audit quality end-to-end (both in the core audit workflow 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

KPMG continues to invest significantly in audit quality across its global network. We are building on our sound audit quality foundations, both in terms of how we manage our firms and our audit engagements.

This means significant ongoing investment in our system of quality management, global monitoring of audit quality, and enhanced support, technology and tools for engagement teams. Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.



4.3 Association with the right clients

4.3.1 Acceptance and continuance of clients and engagements

Rigorous global client acceptance and continuance policies are vital to our ability to provide high-quality professional services.

KPMG has established policies and procedures, and operates respective systems and processes, that make sure we work for the right clients and provide the right services. In circumstances where the acceptance or continuance of a client relationship or an engagement poses significant risks, additional risk management approvals are required.

4.3.2 Prospective 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.

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, public perception, 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 partners and employees 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.

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks. Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

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

4.3.3 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 in the audit). Recurring or long running non-audit engagements are also subject to periodic 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, and as part of the continuous independence evaluation process, engagement

RIGOROUS CLIENT ACCEPTANCE AND CONTINUANCE POLICIES ARE VITAL TO OUR ABILITY TO PROVIDE HIGH-QUALITY PROFESSIONAL SERVICES

teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

4.3.4 Withdrawal process

Where KPMG Switzerland obtains 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

KPMG Switzerland's 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 KPMG Switzerland 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 global 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) further enhance KPMG member firms' ability to 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

The KPMG audit methodology, developed by the KPMG Global Solutions Group (KGSG) (formally referred to as the Global Service Centre (GSC)), is based on the requirements of International Standards on Auditing (ISAs) as well as the auditing standards of the PCAOB and AICPA, when applicable. 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 identification, assessment and response, accounting estimates, audit sampling, 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.

eAudit

The current KPMG audit workflow is enabled through eAudit, an activity-based workflow and electronic audit file. eAudit is KPMG’s audit documentation workflow that allows 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 International is making significant investments to revise and enhance the KPMG audit methodology at a global level, with the objective of improving audit quality, driving consistency in the execution of audits and strengthening the monitoring of engagements. The global launch of KPMG Clara created a smart audit platform that brings together KPMG’s Audit Data & Analytics (D&A) capabilities, innovative new technologies, collaboration capabilities and audit workflow.

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 member firm 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 aligned to the standards with clear 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.

The KPMG Clara Workflow was piloted in 2018, with 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 is designed to:

- **enhance audit quality;** by providing a deeper understanding of data populations, giving focus to higher risk transactions
- **be secure;** by restricting access to data both in transit and within KPMG’s IT environments
- **be 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 Global Quality & Risk Management Manual (QRMM-G), which applies to all KPMG member firms. Automated tools, which must be used for every prospective engagement to identify potential independence and conflict of interest issues, 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.





The Partner-in-Charge of the Global Independence Group 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 the firms and their personnel to 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 Swiss EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The Swiss EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the Firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials,
- monitoring compliance with policies;
- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

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

annual training and confirmation programs. KPMG Switzerland’s personnel are required to consult with the EIP on certain matters as defined in the QRMM-CH. The EIP may also be required to consult 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 financial relationships with, KPMG member firm assurance and audit clients (by definition, “audit client” includes its related entities or affiliates), their management, directors and, where required, significant owners. All KPMG partners – irrespective of their member firm and function – are generally prohibited from owning securities of any audit client of any KPMG member firm.

KPMG member firms 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 and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

All 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 publicly traded entities 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. The Global Independence Group provides guidance and suggested procedures relating to the audit and inspection by KPMG member firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually. In 2019, 99 (2018: 98) compliance audits were conducted by the Swiss Firm.

4.4.3.3 Employment relationships

Any KPMG Switzerland 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 predetermined 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, where required, 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 direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held by the Swiss Firm's pension funds.

Additionally, KPMG Switzerland records in KICS all borrowing and capital financing relationships, as well as 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 with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the U.S. Securities and Exchange Commission (SEC).

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 consultations with the Global Independence Group and Global Quality & Risk Management are required 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 partners and client service professionals who are required to complete this training are generally required to 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 (by definition, “audit client” includes its related entities or its affiliates).

We also provide all partners and client service professionals with biennial training on the Code of Conduct and ethical behavior, including KPMG’s anti-bribery policies, compliance with laws, regulations and professional standards and reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG policies. New partners and employees are generally required to complete this training within seven days of joining KPMG Switzerland.

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.

All KPMG partners and employees are required to sign, upon joining KPMG Switzerland and thereafter, on an annual basis, a confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.

4.4.3.9 Non-audit services

All KPMG member firms are required, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations, related to the scope of services that can be provided to audit clients.

KPMG Switzerland is 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.

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. When the engagement is for an audit client, an evaluation of potential threats and safeguards is also required to be included in the Sentinel™ submission. Lead audit engagement partners are required to maintain group structures for public interest entities and certain other audit clients as well as their related entities or 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.

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 normally 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. These policies require KPMG member firms to consult with their ARL where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. 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, these policies further require that:

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

- 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 Identifying and resolving conflicts of interest

Conflicts of interest can arise in situations where KPMG Switzerland partners or employees 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.

KPMG International policies are also in place to prohibit KPMG partners and staff from accepting gifts and hospitality from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to have been offered with the intent to improperly influence the behavior of the audit team member or the member firm. KPMG partners and staff are also precluded from offering inducements, including gifts and entertainment, which are made or may be perceived to be made with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the member firm's integrity, independence, objectivity or judgment.

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 to have an impact on a member firm and/or its partners or employees 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.

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 Independence breaches

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. All breaches of independence rules must be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed with those charged with governance.

KPMG Switzerland has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions, including financial penalties, reflecting the seriousness of any violations.

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 everyone at KPMG Switzerland. 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's anti-bribery and corruption policies can be found on KPMG's [anti-bribery and corruption site](#).

4.4.3.14 Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with or exceed the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter locally 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 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;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the Firm with the client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

The Swiss Firm monitors the rotation of audit engagement leaders (and any other key roles, such as Key Audit Partners including Engagement Quality Control 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.

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 all KPMG professionals have the appropriate skills and experience, passion and purpose to deliver the highest quality in audit. This requires the right recruitment, development, reward,

promotion, retention and assignment of professionals.

4.5.1 Recruitment

KPMG Switzerland is committed to building an extraordinary experience for all KPMG partners and employees and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools.

KPMG Switzerland also recruits a significant number of individuals 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. These leverage fair and job-related criteria to ensure that candidates possess the appropriate characteristics to perform competently, are suitable and best placed for their roles.

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.

4.5.2 Personal development

KPMG Switzerland will shortly be launching a new approach to performance development built around the *Everyone a Leader* performance principles, using Open Performance Development, which includes global role profiles, a goal library and standardized review forms.

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success, both individually and collectively. We know that being clear and consistent about the behavior we are looking for and rewarding those who are role models with respect to these behaviors, will enhance our ability to achieve quality and we have articulated this through our performance principles of seeking growth, inspiring trust and making an impact.

At the same time, we are driving a shift in our performance-driven culture, supported by and



enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward, as well as drive consistency across the Firm.

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 is sought and received through informal and formal processes. Informal feedback is owned by the individual for their own development and growth. Formal feedback is provided through an engagement review form, which is available for providing 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 and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners and directors.

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 provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Switzerland and across all KPMG member firms.

4.5.4 Reward and promotion

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 performance evaluation. 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 2019 results indicate a good level of quality and compliance across our Firm.

Reward

KPMG has compensation and promotion policies that are supported by market data, clear, simple, and linked to the performance review process. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. For larger peer groups, the connection between performance and reward is achieved through calibration meetings where relative performance across a peer group is discussed and used to inform reward decisions.

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.

Promotion

The results of performance evaluations directly affect the promotion and remuneration of partners and employees 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.

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 their 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 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 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 and 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 Engagement Index (EI) 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 focus for action.

The survey also specifically provides KPMG Switzerland leadership and KPMG global leadership with results related to quality and risk behaviors, 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.

The results of the GPS are also aggregated for the global firm 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 to perform their roles. This includes access to internal specialists and our Department of Professional Practice (DPP), 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 all KPMG audit professionals to have the appropriate knowledge and experience for their assigned engagements.

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



4.6.1 Lifetime learning strategy

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.

Mentoring and on the job training

Learning is not confined to the classroom – rich learning experiences are available on request as well as 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. KPMG International and KPMG Switzerland 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

KPMG has specific training requirements for partners, managers and EQC reviewers working on IFRS engagements. Specific training and collective experience requirements apply to engagements involving US Generally Accepted Accounting Principles (US GAAP), US Generally Accepted Auditing Standards (US GAAS), or 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 at a minimum, all partners, managers, engagement in-charges and Engagement Quality Control reviewers assigned to the engagement 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 specialists

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.

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 all KPMG professionals 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 (QRM) resources. DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are escalated to the Executive Board of Directors of KPMG AG for final resolution.

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

KPMG Global Solutions Group (KGSG)

The KGSG’s mission is to drive success for KPMG’s global network of audit practices through collaboration, innovation and technology. The KGSG 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 KGSG 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 ISA 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.

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 partners and employees are expected 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.

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.

The EQC is an important part of KPMG's framework for quality. 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.

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.

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.

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.

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, our Board Leadership Center aims to help board and especially audit committee members enhance their awareness, commitment and ability to implement effective oversight processes. The Board Leadership Center of KPMG Switzerland is embedded in KPMG International's Audit Committee Institute (ACI), which operates in more than 40 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 Code of Conduct of KPMG International and KPMG Switzerland, training and the annual compliance 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), with the necessary authority, skills and experience to lead the information security function. The NSO is in charge of the Swiss Firm's information security program and works closely with our IT Services, Data Privacy, Facilities, Human Resources, and Marketing & Communications departments. The NSO reports to the NQRMP and also to the head of the Global Information Protection Group (IPG).

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 on remedial action plans both in respect of individual audit engagements and the overall system of quality control.

The quality monitoring and compliance programs (see section 4.8.1 for details) 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

KPMG Switzerland's monitoring programs evaluate both:

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

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. These include:

- Quality Performance Reviews (QPR) and Risk Compliance Program (RCP) which are conducted annually across the Audit, Financial Services, Tax & Legal and Advisory functions; and
- A cross functional Global Compliance Review (GCR) program which is conducted at least every three years.

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.



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 2019 and 2018 the number of engagements reviewed for KPMG Switzerland was as follows:

Number of engagements reviewed	2019	2018
Audit	37	33
Tax & Legal	49	45
Advisory	19	20

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 KPMG 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:

- document, assess and monitor 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; and
- 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.

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

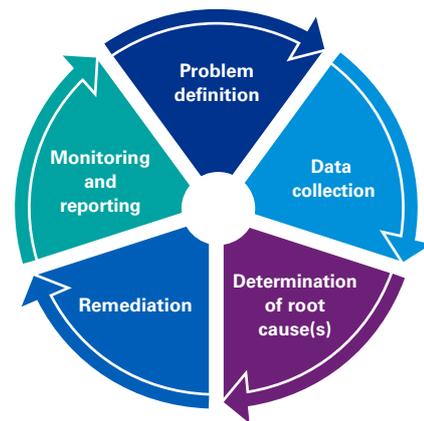
Global Compliance Reviews (GCRs)

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 review is independent of the KPMG member firm and is objective and knowledgeable of Global Quality and Risk Management policies. GCRs assess

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



The Global RCA 5 Step Approach is as follows:



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)

KPMG Switzerland develops action plans to respond to all GCR findings and agrees 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, 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 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 2019, 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.

It is the responsibility of all KPMG 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.

Global remediation plans developed by KPMG International are aimed at changing culture and behavior across the global 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 global firm.

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) every three years. The last joint inspection took place in May & June 2019.

The FAOA's 2019 inspection reports for financial statement audits and regulatory audits were issued on 15 January 2020. The PCAOB's report on their 2019 inspection (Financial Audit) has not been issued as of the date of this Transparency Report. The PCAOB's report on their 2016 inspection (Financial Audit) of KPMG AG was issued on 31 July 2018.

The FAOA further conducted an ad-hoc file review related to PostBus Switzerland AG and issued an inspection report dated 3 December 2018. 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 were issued on 5 February 2019.

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 across the entire organization. The CEOAB 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 CEOAB, 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 (FSA)
- "Finanzmarktaufsicht" Liechtenstein (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)

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 by the Firm 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.

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](#).

The detailed procedures are set out on our [website](#).



Financial information

Section 5

KPMG Switzerland achieved the following revenues for the year ended 30 September 2019:

Gross revenue	2019 in CHF million	2018 in CHF million	Change	
Total gross revenue	606.4	602.6	+0.6 %	

Net revenue ¹	2019 in CHF million	2018 in CHF million	Change	Share of revenues
Audit	259.3	254.4	+1.9 %	56.9 %
Tax & Legal	132.8	129.2	+2.8 %	29.2 %
Advisory	63.2	64.9	-2.7 %	13.9 %
Total net revenue	455.3	448.5	+1.5 %	100 %
Financial Services				35.0 %
Market regions				40.0 %

People	2019	2018	Change
Number of employees	2,092	2,103	-0.5 %
FTE	1,974	1,980	-0.3 %

As of 30.9.2019

¹ Net revenues refer to services rendered by KPMG Switzerland.

Financial information, continued

Section 5

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

Net revenues as of 30.09.2019

Source of fee income	Amounts in CHF million
Net revenues of KPMG Switzerland	455.3
Audit revenues earned by EU/EEA Public Interest Entity (PIE) audit clients	17.0
Audit revenues earned by all other audit clients	208.3
Non-audit service revenues earned by EU/EEA Public Interest Entity (PIE) audit clients	1.4
Non-audit service revenues earned by all other clients	228.6

Total turnover achieved by EU/EEA KPMG audit firms resulting from the statutory audit of annual and consolidated financial statements¹

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 2.9 billion during the year ended 30 September 2019.

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 2019.

¹ 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 59 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 2019, 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 the 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 2019, is available in the [KPMG Global Review](#).

Global Steering Groups

The Global Steering Groups represent the function and infrastructure groups of KPMG International and are the main driving groups of the organization. They act under delegated authority from the Global Board and oversight by the Global Management Team. In particular the Global Audit Steering Group, the Global Audit Quality Steering Committee and the Global Quality & Risk Management Steering Group 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 roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section “Governance and leadership” of the 2019 [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” to the 2019 [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 Global Quality & Risk Management (GQ&RM) leadership.

The objectives of the ARL role are to:

- assist GQ&RM leadership in the monitoring of member firms’ quality and risk management activities
- work with GQ&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
- assist in monitoring 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 Executive Board of Directors 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 2019.

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 2019.

Appendices



Key legal entities and areas of operation

Appendix 1

As of 30 September 2019:

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 AG)

As of 30 September 2019



From left to right

Stefan Pfister, CEO

Philipp Hallauer, Head of National Quality & Risk Management

Stefan Kuhn, Head of Tax & Legal



From left to right

Lukas Marty, Head of Audit

Philipp Rickert, Head of Financial Services

Anne van Heerden, Head of Advisory (until 30 September 2019)

Details of those charged with governance at KPMG Switzerland

Appendix 2

Board of Directors (KPMG Holding AG)

As of 30 September 2019



From left to right

Roger Neining, Chairman of the Board of Directors

Hélène Béguin, Member of the Board of Directors

Tobias Valk, Member of Board of Directors

Public Interest Entities

Appendix 3

The list of KPMG Switzerland's public interest entity audit clients as of 30 September 2019 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	Datacolor Holding AG	Partners Group AG
Aduno Holding AG	Dätwyler Holding AG	Partners Group Holding AG
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen Luzern	DOTTIKON ES HOLDING AG	Parvico SA
Alpine Select AG	DOTTIKON EXCLUSIVE SYNTHESIS AG	Perrot Duval Holding SA
Aluflexpack AG	Emmi AG	Piguet Galland & Cie SA
Arbonia AG	Emmi Finanz AG	PLAZZA AG
Athris AG	Emmi Schweiz AG	PLAZZA IMMOBILIEN AG
Autoneum Holding AG	ENAG Energiefinanzierungs AG	Private Equity Holding AG
Axpo Holding AG	Energiedienst Holding AG	Restoshop SA
Axpo Power AG	Feintool International Holding AG	Roche Holding AG
Axpo Solutions AG	Forbo Holding AG	Roche Kapitalmarkt AG
Bank Cler AG	GAM Holding AG	Schlatter Industries AG
Bank Julius Bär & Co. AG	GAM Investment Management (Switzerland) AG	Schweizerische Nationalbank
Banque Cantonale Vaudoise	Gornergrat Bahn AG	See-Spital
Barry Callebaut AG	Groupe Baumgartner Holding SA	Sensirion AG
Basler Kantonalbank	GZO AG	Sensirion Holding AG
BELIMO Automation AG	Helvetia Holding AG	Swiss Prime Site Immobilien AG
BELIMO Holding AG	Helvetia Schweizerische Lebensversicherungsgesellschaft AG	Stadler Bussnang AG
Bell Food Group AG	Helvetia Schweizerische Versicherungsgesellschaft AG	Stadler Rail AG
Bell Schweiz AG	INFICON HOLDING AG	Sulzer AG
BLS AG	Julius Bär Gruppe AG	Swiss Auto Lease 2015-1 GmbH
BLS Cargo AG	Kernkraftwerk Leibstadt AG	Swiss Auto Lease 2016-1 GmbH
BLS Netz AG	Kraftwerke Linth-Limmern AG	Swiss Auto Lease 2019-1 GmbH
Burkhalter Holding AG	Logitech Europe S.A.	Swiss Credit Card Issuance 2015-2 AG
Burkhalter Technics AG	Logitech international S.A.	Swiss Credit Card Issuance 2016-1 AG
BVZ Holding AG	Lonza AG	Swiss Credit Card Issuance 2018-1 AG
cashgate AG	Lonza Group AG	Swiss Credit Card Issuance 2019-1 AG
Cembra Money Bank AG	Lonza Sales AG	Swiss Prime Site AG
Centralschweizerische Kraftwerke AG	Lonza Swiss Finanz AG	Swissgrid AG
CEVA Logistics AG	Matterhorn Gotthard Verkehrs AG	Swisstronics Contract Manufacturing AG
Cicor Technologies Ltd.	MCH Group AG	Syngenta Finance AG
Conzzeta AG	MCH Messe Schweiz (Basel) AG	u-blox AG
Coop Genossenschaft	Mobimo AG	u-blox Holding AG
Coop-Gruppe Genossenschaft	Mobimo Holding AG	Varia US Properties AG
Credit Suisse (Schweiz) AG	Molecular Partners AG	VAT Group AG
Credit Suisse AG	MSC Cruises SA	Vat Vakuumventile AG
Credit Suisse Group AG	Nestlé S.A.	Villars Holding S.A.
Datacolor AG	New Venturetec AG in Liquidation	Viseca Card Services SA
Datacolor AG Europe		Warteck Invest AG

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

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

¹ Also included as a Swiss Public Company

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

ISP Securities AG	Partners Group AG ¹	Schweizerische Mobiliar
ITERAM Capital SA	Patrimonium Asset Management AG	Versicherungsgesellschaft AG
JL Securities SA	PAX, Schweizerische Lebensversicherungs-	Sedifo SA, en liquidation
Julius Bär Family Office & Trust AG	Gesellschaft AG	Sequent (Schweiz) AG
Julius Bär Nomura Wealth Management AG	Pegaso Capital Partners SA	SIF Investment Company Ltd.
(fka. Julius Bär Wealth Management AG)	PENSADOR Partner AG	Sigurd Rück AG
Kepler Cheuvreux (Suisse) SA	Petiole Asset Management AG	Skandia Leben AG
(fka. Kepler Capital Market SA)	PG3 AG	Société pour la gestion de placements
Kot Insurance Company AG	Piguet Galland & Cie SA ¹	collectifs GEP SA
Landolt Investment SICAV	Primapen KmGK	Sumus Capital SA
Limmat Versicherungs-Gesellschaft AG	(fka. Primapen KGK)	Swisscard AECS GmbH
Loyal Finance AG	Privatbank Von Graffenried AG	Sydbank (Schweiz) AG in Liquidation
MainFirst Affiliated Fund Managers	Protekta Rechtsschutz-Versicherung AG	Symbiotics SA
(Switzerland) AG	QNB (Suisse) SA	Syngenta Rückversicherung AG
Mannheimer Versicherung Aktiengesellschaft,	QUAERO CAPITAL SA	Systematic Investment Management AG
Mannheim, Zweigniederlassung Schweiz, Zürich	Quiltrust Limited	Takeda Re Insurance AG
MARKEL INTERNATIONAL INSURANCE	Quilvest (Switzerland) Ltd.	TCS Assurances SA
COMPANY LIMITED, London, Switzerland	RobecoSAM AG	THE L.T. FUNDS SA
Branch Kusnacht	Rothschild & Co Bank AG	Trinel Ltd in Liquidation
MoneyPark AG	(fka. Rothschild Bank AG)	Unilever Reinsurance AG
MS Amlin AG	RTS Geneva SA	Union Securities Switzerland SA
Neue Aargauer Bank AG	SC, SwissCaution SA	Veraison Capital AG
New Reinsurance Company Ltd.	Schweizerische Mobiliar Asset Management AG	Viseca Card Services SA ¹
Nextech III Oncology Kommanditgesellschaft	Schweizerische Mobiliar Holding AG	Vontobel Real Estate Investments SICAV
für kollektive Kapitalanlagen	Schweizerische Mobiliar	Woodman Asset Management AG
NN Investment Partners Schweiz AG	Lebensversicherungs-Gesellschaft AG	
OMNIUM REINSURANCE COMPANY SA		

¹ Also included as a Swiss Public Company

During the previous fiscal year ended 30 September 2019, KPMG Switzerland performed audits of the following PIEs listed on an EU regulated market

ABB Ltd
 Credit Suisse AG
 Oriflame Holding AG
 Roche Holdings, Inc.

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