



Transparency Report Committed to Driving Audit Quality



2021

KPMG Colombia

Index

KPMG Values	3
Foreword and introduction	4
Delivering audit quality	6
Driving the quality agenda	7
Building on our audit quality foundations	10
Delivering audit quality on the ground	22
Innovating and evolving our audit approach	30
Delivering a skilled and supported workforce	33
Audit quality monitoring and remediation	36
Governance and leadership	39
Appendix	45
Governance at KPMG Colombia	46





KPMG values

Integrity

Integrity means we are honest, fair and consistent in our words, actions and decisions — both inside and outside work. We take responsibility and accountability for our day-to-day behavior and we always hold ourselves to the highest moral and ethical standards — even when under pressure. We keep our promises and set an example for others to follow.

Excellence

Excellence means relentlessly delivering quality work to the highest professional standards. We do this by staying curious and taking personal responsibility for our learning. We constantly look to improve our work through data and insights and are open to new challenges and feedback because that is how we develop and improve.

Courage

Courage is about being open to new ideas and being honest about the limits of our own knowledge and experience. It's about applying professional skepticism to what we see and asking

questions where we have doubts. We speak up if we see something we believe is wrong, and we support those who have the courage to speak up themselves. Courage is being bold enough to step outside of your comfort zone.

Together

We do our best work when we do it together: In teams, across teams, and by working with others outside our organization. Working together is important because we know it's collaboration that shapes opinions and drives creativity. We embrace people with diverse backgrounds, skills, perspectives and life experiences and ensure different voices are heard. We show care and consideration for others and strive to create an inclusive environment where everyone feels they belong.

For Better

For Better means taking a long-term view, even in our day-to-day choices, because we want to build a stronger KPMG for the future. We never lose sight of the importance of our role in building trust in the capital markets and in business. We make sustainable, positive change in our local communities and in society at large, striving to make the world a better place.

Our Values are the foundation of everything we do and every action that we take.



Our Focus on Quality

At KPMG in Colombia we believe that contributing to a better Country, begins with everyone's effort to work with transparency; that is why our Firm reiterates its commitment to deliver quality audits to our clients, contributing to key decision making, through their trust. In our Transparency Report cut off September 30, 2020, we want to demonstrate that we have an unwavering commitment to the quality of audits and that we know that our standards must be of the highest level to generate and maintain the trust of the public. The responsibility for quality begins with the leadership of the Firm and means promoting and reinforcing it, through the entire chain of command up to our teams and audit practices, making every action help us meet our rigorous quality objectives. To demonstrate our commitment to the continuous improvement of audit quality across our global organization, the Global Board has appointed an Audit Quality Committee, comprised of senior partners from our largest firms and led by Alison Kitchen, President of KPMG in Australia.

Auditing is the cornerstone of our business and the foundation on which KPMG was founded. For this reason, its quality is paramount to us: our strategy begins with this approach and guides us to continually improve, setting high standards for quality and consistency. We can only be satisfied with the best; it is our duty to the public and the capital markets.

As I mentioned before, the Firm at a global level has created a new Global Audit Quality Committee, as a sign of our commitment to guaranteeing a coherent vision across the entire

network of firms and the importance of gaining the trust of the public, through our actions and behaviors both professionally and personally. In addition, a Global Director of Audit Quality has been appointed to take the lead in monitoring and driving improvements in audit quality across our global organization.

For us, integrity and independence are non-negotiable. We take decisive action when individual behaviors or events occur that do not align with our values or that go against the achievement of rigorous and independent audits.

We are driving constant awareness of what audit quality is and how it can be measured and investing in technology to deliver it. Through rigorous practice management controls and robust monitoring, we ensure that there is worldwide accountability for the quality of each KPMG audit. Although it was a year full of big challenges, our collaborators constantly made an effort to demonstrate great results and achieve and even exceed many of the expectations of our stakeholders, who in the end are our most important allies.

On behalf of the entire KPMG team in Colombia, we reiterate our commitment to rebuilding our society and constantly improving our clients' businesses, always directing our work to be The Clear Choice.



Jorge Humberto Ríos García
Former President
KPMG Colombia

Audit quality

Is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, aligned with the requirements and intent of applicable professional standards, within a strong system of quality controls.

All our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.





Delivering audit quality

Audit is the foundation of the KPMG brand, that's why we have been focused on robust quality audits that not only will provide objective assurance over the data on which investors and others stakeholders can rely but also we will fulfill our responsibility to serve our clients.

Quality for us at KPMG means doing the right thing, and it remains our highest priority. Doing the right thing requires a common understanding of what the right thing is. That's why we have defined what audit quality means to KPMG; having this definition has been powerful to underpin our focus and drive global consistency.

Led by KPMG International we are enhancing the audit quality through a combination, among others, of the following measures that will drive quality and help achieve greater consistency around the globe in the years to come:

- The new governance and leadership structures instituted to better enable monitoring performance across the global organization.
- We are empowering our audit teams with training, advanced innovative tools, support and guidance.

- Through our smart audit platform, KPMG Clara, we are integrating a new workflow and methodology along with powerful technology to enhance the audit process.
- KPMG Clara also provides an online client collaboration portal allowing for transparent, real-time access to information about the status of the audit as well as insights arising from the audit process. It allows for efficient real-time communication between the client and the audit team, as well as around the engagement team globally.
- Our global audit learning and development programs supports are being transformed to ensure that our teams have on-demand access to training and guidance when and where they need it.
- We are focused on the implementation of SoQM to ensure that our process and system of quality control have the highest standards.

We recognize that continually improving our approach to audit quality relies on exceptional people having access to the right knowledge and that change is a constant that we need to manage; therefore, we are taking actions to ensure that our vision to lead audit quality is accomplished.



Martha Patricia Cortés
Former Head of Audit
KPMG Colombia



Driving the quality agenda

This section provides an update on our overall approach to delivering audit quality.



Our global audit quality program

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

This means significant ongoing investment in our system of quality management ISQM 1, global monitoring of audit quality, our professionals and enhanced support, technology and tools for engagement teams.

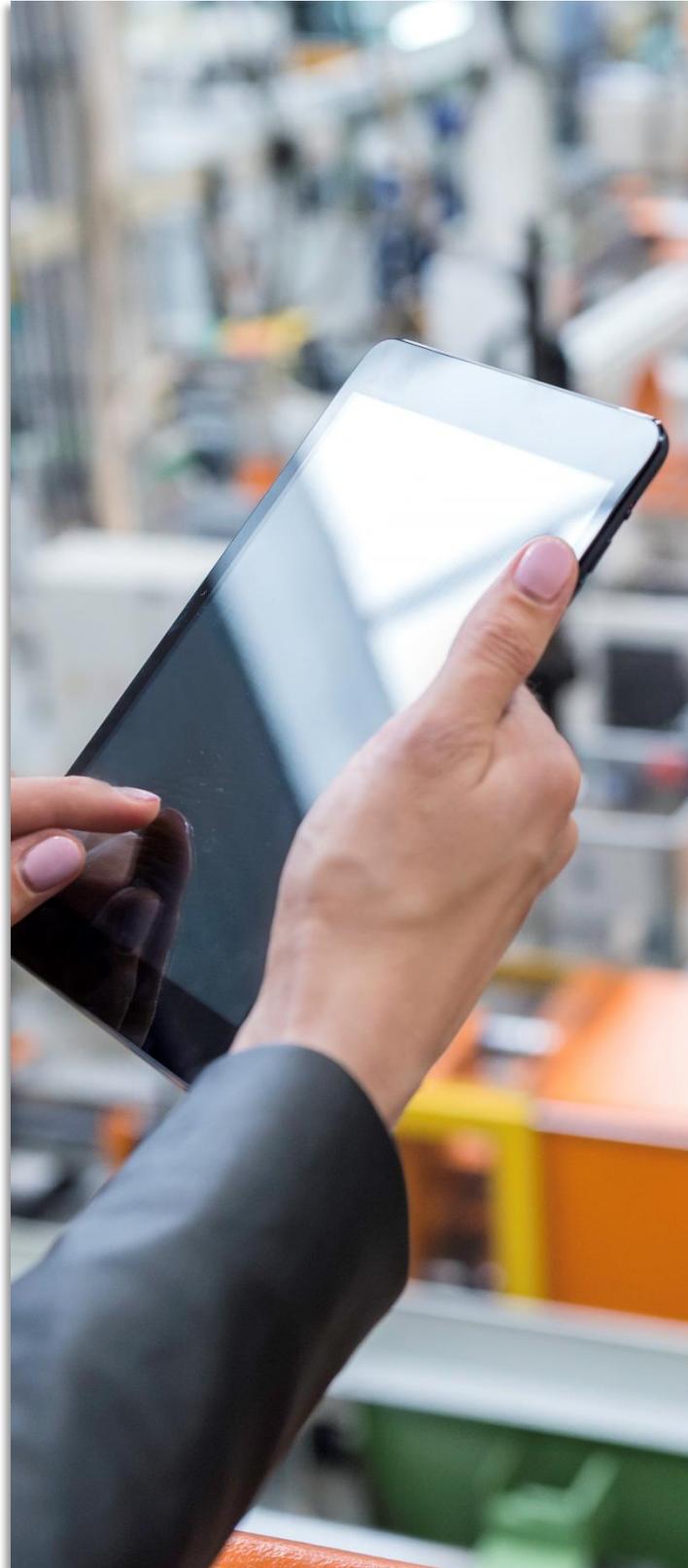
Our global audit quality program ensures consistent deployment of investments to enhance and support a common approach.



Building consistency through a common approach

Stakeholder interest in audit quality is important to us. At its core KPMG is an audit organization, and continuously improving audit quality is central to who we are.

At KPMG, audit quality is about consistent execution across all firms in line with the requirements and intent of professional standards, and within a strong system of quality controls. All of our related activities are undertaken in an environment of objectivity, independence, ethics and integrity. That's what we stand for; that's how we measure our people and our practices. Responsibility for consistently delivering quality starts at the very top of our organization and requires accountability across leadership and all our partners and employees.



Everyone is accountable for audit quality: from audit teams on the ground, to individual engagement partners, and through the senior ranks of KPMG firms.

Executing audits consistently within a strong system of quality controls is fundamental to audit quality. We already have a clear framework for delivering audit quality that's supported by our strong system of quality control. But we know that if we are to continue to deliver quality audits in an ever-changing world, we need to continuously improve.

Sound practice management at a firm level also plays a significant part — in terms of real-time support for engagement teams, and strong support functions to help them carry out their tasks.

The more we standardize the way we conduct our audits, and the more global consistency we build into our processes and technology, the more effective we'll be at meeting the high standards we've set for audit quality. It provides the framework for success.

We closely monitor audit quality across all KPMG firms. We have a Global Audit Quality Monitoring Group — that we are growing in size and scope — that reviews and inspects audits around the world, and a Global Compliance Review Program that provides independent review of member firms' commitment to quality and compliance with policies.



Valuing feedback and dialogue

We recognize that another important contributor to upholding audit quality is to obtain and act upon feedback from key stakeholders.

1. Throughout this document, references to "firm", "KPMG firm", "member firm" and "KPMG member firm" refer to firms which are either: members of KPMG International as a matter of Swiss law; sublicensee firms of KPMG International; or entities that are owned, managed and controlled by an entity that is a member or a sublicensee. The overall governance structure of KPMG International is provided in the 'Governance and leadership' section of this report

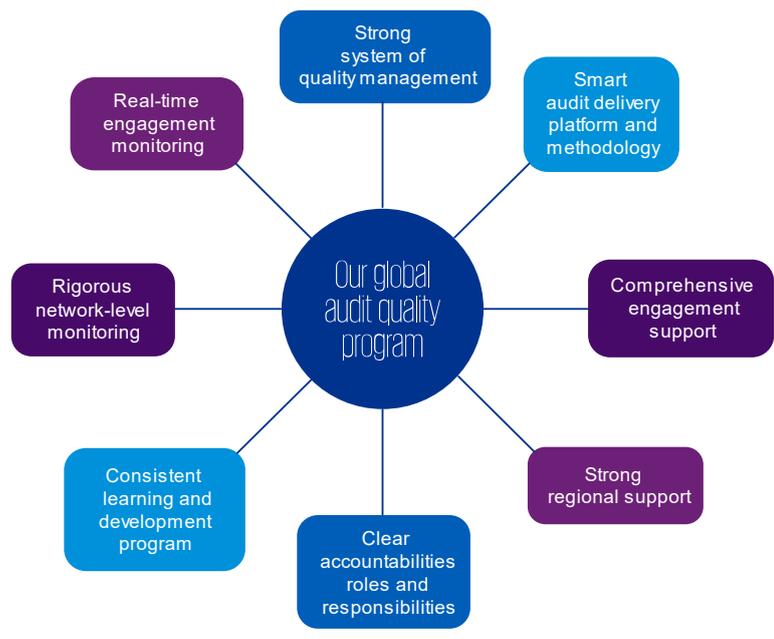


Listening to our people — Global People Survey (GPS)

At KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S, our people are our most valuable resource; that is why it is so important to maintain a close two-way, open and honest communication that allows us to manage your expectations and needs in a focused way. Our main input is the Global People Survey or GPS undertaken every year. The results of this survey are complemented with the comments received through the Suggestions Mailbox, the focus groups, the performance assessments, the annual feedback, the interview an employee answers at the moment he/she leaves the Firm and the psychosocial risk battery (tool to assess psychosocial risk), giving us a very important and necessary input to identify strengths or areas of improvement, as well as the necessary elements to design the right programs and strategies to promote the commitment of our employees, and that lead to closing gaps in organizational climate general issues.

The GPS survey is very important, since it provides us with a comparative analysis of how KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S are doing compared to other member firms in the world, as well as allowing us to compare ourselves with companies in our same sector, giving us a global vision, with cross-cutting strategies to all KPMG firms to respond effectively to the survey results. This includes action plans proposed by KPMG experts around the world, including those related to quality and risk behavior, audit quality and preserving KPMG's values.

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S participate in the GPS, monitor results and take appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire Global Organization and are presented to the Global Board each year and appropriate follow-up actions agreed upon.



1 See our website for a list of Global Board countries
<https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>.



Building on our audit quality foundations

This section provides details on our system of quality control.

Leading through 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 S.A.S and KPMG Advisory, Tax and Legal S.A.S we promote a culture in which consultation is encouraged and recognized as a strength. Tone at the top means that KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S, leadership demonstrates commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust.

The KPMG values are set out in the section Foreword and Introduction.

Clear values and a strong Code of Conduct



At KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S, we act in accordance with the KPMG Global Code of Conduct; it is one of our most important documents, which explicitly sets out the expectations of ethical behavior for all our people, based on the KPMG values.

It is important to note that our Code goes far beyond legal and regulatory compliance; it establishes a benchmark to help ensure that people who work at KPMG meet a responsibility in the public interest and prepare the Firm for future generations.

At KPMG, our values are the foundation of our business ethics and culture. The Code of Conduct

help us understand what it means to live and act based on our values, emphasizing that, above all, we act with integrity, maintaining the highest professional standards and excellence, as well as our independence, rigorously. Our Values are simple, memorable, inspirational and aspirational, to provide behavioral guidance to our people and be a point of alignment and real value to our clients, protecting and strengthening the fundamental beliefs that have guided and differentiated our Firm for decades.

All KPMG employees must receive regular training on the Code and confirm that they are complying. Likewise, people are encouraged to speak up when they see something that makes them feel uncomfortable or does not fit with our values. Part of each employee's responsibilities is to report any activity that may be potentially illegal or that violates our values, KPMG policies, laws, regulations or applicable professional standards.

To safeguard this, we have established procedures and communication channels so that anyone can report any issue related to ethics and quality. All KPMG member firms and staff are prohibited from retaliating against individuals who have the courage to speak in good faith. Retaliation is a serious violation of the Code, and any retaliation by anyone from KPMG will result in a disciplinary action.

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.



System of Quality Control – ISQM1

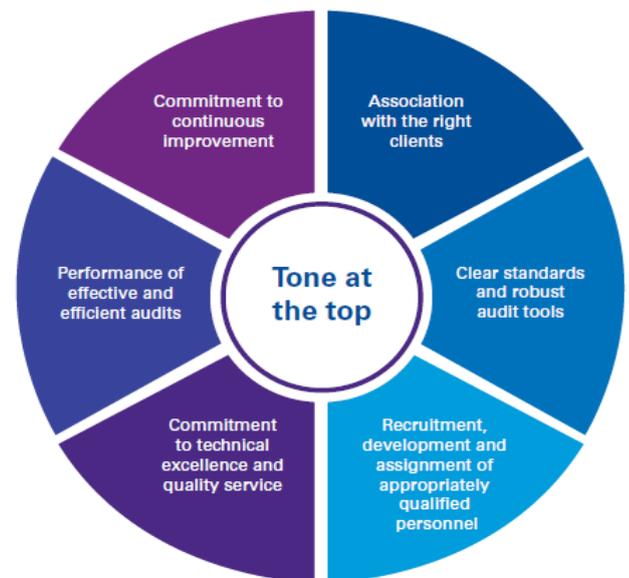
Overview tone at the top, leadership, and a clear set of values and conduct are essential to set the framework for quality. However, these must be backed up by a system of quality control that ensures our performance meets the highest professional standards.

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 International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB), and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), 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 (Global Q&RM Manual) which applies to all KPMG partners and employees. KPMG Colombia is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S are required to implement KPMG International policies and procedures and also adopt additional policies and procedures that are designed to address rules and standards issued by Junta Central de Contadores and other relevant regulators, as well as applicable legal and regulatory requirements.

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





Consistent quality and risk management policies

A robust and consistent system of quality control is essential to delivering quality services.

Accordingly, KPMG International has quality control policies that apply to all KPMG firms. These are included in KPMG's Global Quality & Risk Management Manual (GO&RM Manual), which is available to, and applies to, all KPMG partners and employees.

These policies and associated procedures are designed to assist member firms in complying with relevant professional standards, and regulatory and legal requirements, and in issuing reports that are appropriate to the circumstances.

They are based on the ISQC 1 and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both are relevant to member firms that perform statutory audits and other assurance and related services engagements.

KPMG firms are required to implement KPMG International policies and procedures and adopt their own additional policies and procedures that are designed to address rules and standards applicable to their own jurisdictions as well as applicable legal and regulatory requirements.



Our global leadership takes responsibility for audit quality

Colombia since May 1, 2019 is part of the strategy of the Americas region – "One Americas". Indeed, the Americas Region's growth ambition is anchored by the fundamental notion that we must be the most trusted – by our clients, by the public, by our regulators, and by our people. Trust is built through strong risk management; vigilant compliance with laws, regulations, and policies; and quality service delivery from all of our professionals.

Certain member firm decisions and matters require consultation, review, approval, and/or involvement of individuals or groups outside the member firm (i.e., Americas region level leaders and/or cluster).

Escalation requirements are focused on protecting the KPMG brand, managing risk, and achieving risk management operational efficiencies (e.g., sharing resources, leveraging member firm processes and controls, etc.).

Monitoring Quality

Implement and maintain an ongoing process to monitor and evaluate quality performance, including:

- Risk awareness.
- To take the appropriate remediation actions to address quality performance deficiencies of any engagement professionals.
- To review and approve client and engagement high risk.
- To consult with the Cluster Leader or Americas Region Risk Management Partner if another member firm has come to a different decision on whether to accept a prospective client.
- To consult in cases of misconduct or malpractice that could affect KPMG network or brand.
- To consult on existing or emerging risk management issues.
- To enhance quality and consistency in advice and opinions issued by the member firm.
- To ensure all professionals have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards, and applicable legal and regulatory requirements.
- Implement and monitor compliance with global, regional and local quality and risk management policies and procedures.



Associating with the right clients

Rigorous global client acceptance and continuance policies are vital to being able to provide high-quality professional services. KPMG's client and engagement acceptance and continuance systems and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship or performing a specific

engagement.

KPMG firms must evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.



Client evaluation

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S undertake an evaluation of every prospective client. This involves obtaining enough 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 additional information required to satisfy our local legal and/or regulatory requirements.



Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are 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 all services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the



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

For audit services 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 and 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 issue is 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.



Continuance process

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S (Tax and Legal: when a change of the risk profile of client occurs) undertake an annual re-evaluation of all their audit clients.

The re-evaluation identifies any issues in relation to continuing association and any mitigating procedures that need to be put in place (this may include the assignment of

additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit). For Advisory and Tax, the continuity process applies depending on the level of risk; if it is high, it applies annually.

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 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.



Withdrawal process

Wherever KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S obtain information that indicates that we should withdraw from an engagement or from a client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance and any other appropriate authority.



Insisting on the highest standards of independence and ethical transparency

Auditor independence and strong ethical conduct are cornerstones of international professional standards and regulatory requirements. KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's Global Quality & Risk Management Manual, 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.

These policies are supplemented by other processes to ensure compliance with the standards issued by Law in Colombia and those of other applicable regulatory bodies. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial 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.

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S have a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures in Colombia.

The 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 EIP fulfills this responsibility through:

- Implementing/monitoring the ethics and independence quality control process and structure

within the firm.

- Approving/appointing partners responsible for ethics and independence 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.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with member firms. Member firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in Audit quality monitoring and remediation.

Partners and employees are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances. All professionals should attend the orientation which aims to communicate the challenges faced by the firm, the policies on independence and other important aspects related to Quality and Risk. In case of modifications to the policies, procedures and activities in the Quality and Risk management area, these are informed through Bulletins and communications issued through the functional Risk mailbox and published on the intranet so all KPMG personnel can consult the information.



E&I – Training and confirmations

All partners and client-facing professionals, as well as certain other individuals, must complete independence training that is appropriate to their grade and function upon joining KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S and on an annual basis thereafter. New partners and client-facing employees who are required to complete this training must do so at the most (a) thirty days after joining KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S or (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 affiliates).

We also provide all partners and employees with biennial training on:

- the Global 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, KPMG and KPMG’s policies.

New partners and employees are required to complete this training within three months of joining KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S.

All KPMG partners and employees are required to sign, upon joining KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S and thereafter, an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year.



Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals 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 member firm.

KPMG member firms use a web-based independence compliance 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 employees are required to use the KICS system prior to entering an investment to identify whether they are permitted to do so.

They are also required to maintain a record of all their investments in publically 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 after the notification. KPMG monitors partner and manager compliance with this requirement as part of our 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 over 50 partners and employees were subject to these audits (this included approximately 35 % of our partners).



Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our EIP if they intend to enter 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 S.A.S and KPMG Advisory, Tax and Legal S.A.S are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S, including payments which are not fixed and predetermined and/or would be material to KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S and ceased participating in KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S business and 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 time restrictions (referred to as ‘cooling-off’ periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

We communicate and monitor requirements in relation to employment and partnership of KPMG professionals by audit clients.



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 conjunction with other KPMG member firms, KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S use KICS to record their own 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 in pension and employee benefit plans.

Additionally, KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S are required to record 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 S.A.S and KPMG Advisory, Tax and Legal S.A.S confirm compliance with independence requirements as part of the Risk Compliance Program.



Business relationships/suppliers

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S have policies and procedures in place that are designed to ensure their 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 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) on 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 a member firm will use to assist with client

engagements or 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, and they are also required to complete ethics training. Third parties providing services to audit or assurance clients are required to complete independence training.



Business acquisitions, admissions and investments

If KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S is in the process of considering the acquisition of, or investment in, a business, they are 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 S.A.S and KPMG Advisory, Tax and Legal S.A.S and the wider Global Organization.



Non-audit services

All KPMG 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 Colombia is required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG. EIP of Colombia 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 their publicly traded and certain other audit clients, as well as their related entities or affiliates in Sentinel TM, and they 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. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision to approve, or deny, any proposed service for those entities worldwide.



Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when 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 Area Q&RM Leader wherever 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. If the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a member firm for two consecutive years, these policies further require that:

- This be disclosed to those charged with governance at the audit client; and
- A senior partner from another KPMG member firm be appointed as the engagement quality control (EQC) reviewer.

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S have just one audit client accounted for more than 10 percent of the total fees received over the last two years. In this case, the safeguards required have been applied.



Avoiding conflicts of interest

All KPMG professionals are responsible for identifying and managing conflicts of interest, which are circumstances or situations that may reasonably be expected to have an impact on the firm's ability to be objective or act without bias. KPMG engagement teams are required to use Sentinel to identify potential conflicts so that these can be addressed in accordance with legal and professional requirements.



Personal conflicts

Conflicts of interest can arise in situations where KPMG partners or employees have a personal connection with the client that may interfere, or be perceived to interfere, with their ability to remain objective, or wherever they are personally in possession of confidential information relating to another party to a transaction. Consultation with the member firm's Risk Management Partner (RMP) or the EIP is required in these situations. Policies are also in place to prohibit KPMG partners and employees 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.





Resolving conflicts of interest

Conflicts of interest can arise in situations where partners of KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S partners or employees have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or wherever they are personally in possession of confidential information relating to another party to a transaction.

Consultation with the Risk Management Partner (RMP) 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 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 all collaborators 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 Colombia has risk management resources who are responsible for reviewing any 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.



Independence breaches

All KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S 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 wherever alternative timing for less significant breaches has been agreed to with those charged with governance.

KPMG Colombia has a documented and communicated disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations. Our Disciplinary Committee oversees policies and procedures in relation to ethical matters and breaches of requirements. Matters arising are factored into our promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.



Independence Clearance Process

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S follow specific procedures to identify and evaluate threats to independence related to prospective audit clients that are public interest entities; these procedures, also referred to as 'the independence clearance process,' must be completed prior to accepting an audit engagement for these entities.

A KPMG Independence Checkpoint tool was introduced in October 2015 and for KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S is mandatory since 2020. This tool helps to automate and standardize all the workflows that comprise the independence clearance process. This is in anticipation of the increasing number of audit tenders member firms will be participating in and the number of independence clearances that need to be completed as a result of mandatory firm rotation of statutory audits in certain parts of the world.



Partner rotation

KPMG International partner rotation policies are consistent with or exceed the requirements of the IESBA Code of Ethics, SEC independence Rules and require all member firms to comply with any stricter local applicable rotation requirements.

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time 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 audit client; or have any other significant or frequent interaction with senior management or those charged with governance at the client. KPMG S.A.S and KPMG Advisory, Tax

and Legal S.A.S monitor the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control Reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.



Firm rotation

In certain jurisdictions, member firms are only permitted to act as an auditor for a specific audit client for a maximum period and not to act as auditor for that client for a specified period thereafter. KPMG firms in these jurisdictions are required to have processes in place to track and manage such issues of audit firm rotation.



Zero-tolerance approach to bribery and corruption

Compliance with laws, regulations and standards is a key aspect for everyone at KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S. Specially, we have zero tolerance of bribery and corruption. We prohibit involvement in any type of bribery in compliance with Colombian laws and regulations. KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S have established policies, procedures and controls to prevent and forbid acts of bribery and corruption, including rules applicable to third parties, our clients, suppliers or public officials, from whom we do not tolerate bribery.

In KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S all firm partners and employees are required to take trainings covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance. Additionally, KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S conduct internal awareness campaigns to consolidate key concepts and situations to identify and report early alerts of possible acts of bribery or corruption.

Further information on KPMG Colombia's policies on anti-bribery and corruption can be found in our

“SAGRLAFT y Ética Empresarial” portal available at <https://home.kpmg/co>. Also, KPMG International anti-bribery and corruption policies can be found on the [anti-bribery and corruption site](#).



Bringing technical excellence and industry expertise

We are committed and continue to build on our technical excellence recognizing its fundamental role in delivering quality audits.



Technical consultation and global resources

Technical auditing and accounting support are available to all member firms and their professionals through the KPMG Global Solutions Group (KGSG) (formally referred to as the Global Service Centre (GSC) and the ISG, as well as the US Capital Markets Group for SEC foreign registrants.



Developing business understanding and industry knowledge

As well as technical knowledge, a key part of 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 that provide general and business information regarding industries, as well as a summary of the industry knowledge provided in the KPMG audit workflow.



Delivering audit quality on the ground

In this section, we set out the ways in which member firms implement global policies and procedures to ensure quality and integrity at a local level.



Leadership responsibilities for quality and risk management

Leadership responsibilities for quality and risk management

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S demonstrate commitment to quality, ethics and integrity, and communicate our focus on quality to clients, stakeholders and society. Our 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, championing and supporting major initiatives.

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

The following individuals have leadership responsibilities for quality and risk management at KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S



Senior Partner

In accordance with the principles in ISQC 1, our Senior Partner Jorge Humberto Ríos García has assumed ultimate responsibility for KPMG in Colombia's system of quality control. The Senior Partner, the Board of Directors and the Leaders of the risk and quality areas have taken measures to ensure that a culture of quality prevails within KPMG Colombia, the Transparency Report contains details of those measures; the following are the main chapters included in the report:

- KPMG values
- President's message
- Delivering Audit Quality
- Driving the Quality Agenda
- Building on our audit quality foundations
- Delivering audit quality on the ground
- Innovating and evolving our audit approach
- Delivering a skilled and supported workforce
- Audit quality monitoring and remediation
- Governance and Leadership



Risk Management Partner

Operational responsibility for the system of quality control, risk management and compliance in KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S has been delegated to the Risk Management Partner (RMP), who is responsible for implementing overall professional risk management and quality control policies and monitoring compliance for KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S. The RMP has a direct reporting line to the Senior Partner and indirect reporting line to the Cluster RMP and One Americas RMP. The RMP consults with the appointed Area Quality and Risk Management Leader.

The RMP is supported by a team of partners and professionals in each of the functions.



Ethics and Independence Partner (EIP)

The Ethics and Independence Partner is also the RMP and has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S.



The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service function (Audit, Tax and Legal and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Risk

Management Partner. 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.

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 Risk Management Partner 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.



Audit Leadership Team

The Audit Leadership Team of KPMG regularly meets during the year and these meetings include regular discussions about current and emerging audit quality issues arising from external and internal quality review processes, queries being raised by engagement teams, root cause analysis procedures and other quality matters identified from a variety of sources. These meetings are planned in conjunction by the DDP and RMP Department. These debates and other observations collected from client-facing teams were considered, and actions agreed on. Typically, most of these actions are short term, in which case they are developed and communicated through the regular technical briefings issued to the whole Audit function of KPMG and also, if it is considered of sufficient magnitude, included in the next mandatory training.

For more complex issues (which might require amendments to KPMG's global audit methodology or audit tools) these will be raised with the KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG) and the International Standards Group (ISG). For more information about the KGSG and the ISG refer to section [4.6.4.] [Ver sección Delivering audit quality on the ground - KPMG Global Solutions

Group (KGSG and International Standards Group (ISG) sections].



Assignment of professionals

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S have procedures in place to assign both engagement partners and other professionals to a specific engagement based on their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity - based on an annual partner portfolio review - to perform the engagement taking into account the size, 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 our own firm, other KPMG member firms or external experts.

When considering the appropriate competence and capabilities expected of the engagement team, the engagement partner's considerations may include the following:

- An understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
- An understanding of professional standards and legal and regulatory requirements.
- Appropriate technical skills, including those related to relevant information technology and specialized areas of accounting or auditing.
- Knowledge of relevant industries in which the client operates.
- Ability to apply professional judgment.
- An understanding of KPMG Colombia's quality control policies and procedures.
- Quality Performance Review (QPR) results and results of regulatory inspections.

As an additional control in Audit (where the services are of a more recurring nature than across much of the rest of our business), our Heads of Audit and Quality & Risk Management together perform an annual review of the portfolio of all of our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not, taken as a whole, the specific engagement partner has the appropriate time and the right support to enable them to perform a high-quality audit for each client in their portfolio.





Investing in continuous improvement

KPMG globally continues to invest significantly in audit quality across the Global Organization. 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, our professionals 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.



What is audit quality?

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

We define “audit quality” as 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 our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.



Embedding 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 KPMG professionals, without compromising quality, KPMG Colombia promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

- Engagement partner participation in planning discussions.
- Tracking the progress of the audit engagement.

- Considering the competence 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 mentoring and supervision is a timely review of the work performed so that significant matters are promptly identified, discussed and addressed.



Timely engagement quality control (EQC) reviewers

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 statements. Partners are remunerated out of the distributable, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner or country Head of Audit. 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 S.A.S and KPMG Advisory, Tax and Legal S.A.S are continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control.

Activities implemented by the member firm:

- Ensuring that the role performed by Engagement Quality Control (EQC) / Limited Scope Quality Control (LSQC) reviewers is also taken into account when performing the Partner Portfolio Review process to ensure adequacy of time and appropriate skill set for the role and reallocation if needed.
- Assessing, as part of our Quality Performance Reviews, the work performed by the EQC/LSQC reviewer and the adequacy of involvement including discussion with the EQC/LSQC reviewer, wherever deficiencies are identified, we are required to develop appropriate action plans and monitor the status of each action item.
- All partner assignments including EQC/LSQC reviewers are done by each Function Lead Partners delegates of HoA based on the partner's technical expertise, experience and consideration to their independence from the client. These assignments are reported in the List of restricted entities - REL monthly. Annually the RMP should review the adequateness of the assignment. Partners assigned to relevant clients are consulted with RMP before being appointed and some instances, such as SEC registrant entities, are approved at regional level. Consultation with RMP is required in other instances (e.g. when the EQC/LSQC reviewer change).



Reporting

Auditing standards and Colombian regulation largely dictate the format and content of the auditors' report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners form all audit opinions based on the audit performed.

In preparing auditors' reports, engagement partners have access to extensive reporting guidance and technical support through consultations with our DPP, especially where there are significant matters to be reported to users of the auditors' report (e.g. a modification to the opinion or through the

inclusion of an 'emphasis of matter' or 'other matter' paragraph, as well as key audit matters to be communicated).



Financial Information

In accordance with Colombian legislation, the annual financial statements of each of the local entities, as of December 31, are prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF), established in the Law 1314 of 2009, for preparers of financial information belonging to Group 2, regulated by the Sole Regulatory Decree 2420 of 2015, modified by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018. The NCIF are based on the International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities (SMEs) in Colombia - IFRS for SMEs, issued by the International Accounting Standards Board (IASB); The basic standard corresponds to the one translated into Spanish and issued as of December 31, 2017 by the IASB.

For purposes of reporting financial information to KPMG International, the income for the year ending September 30, 2020 is distributed as follows:

Información financiera al 30 de septiembre de 2020		
	Millones de COP	Porcentaje
Servicios de Auditoría y Revisoría Fiscal	100.494	52%
Servicios de Asesoría y Consultoría	58.223	30%
Servicios de Impuestos Legales	33.694	18%
	192.411	100%



Client confidentiality, information security, and data privacy

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

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 or SEC 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 training is required for all KPMG Colombia collaborators.



All professionals of KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction where they practice. KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework – NCIF – Normas de Contabilidad y de Información Financiera aceptadas en Colombia.

The People Performance & Culture area of KPMG Colombia deploys and monitors training compliance with a globally established mandatory audit training curriculum in accordance with the international procedures and provides appropriate sanctions to professionals for failure to meet the requirement, development and maintaining competence.



In addition, KPMG has specific requirements for partners, managers and EQC reviewers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework. Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR).

These require that, at a minimum, all partners, managers, engagement in-charges and EQC reviewers assigned to the engagement to have completed relevant training and that the engagement team, collectively, have sufficient experience to perform the engagement or to have implemented appropriate safeguards to address any shortfalls.



KPMG People Performance Culture maintain records of hours of experience by partners and managers in clients where IFRS and/or US GAAP and/or audited in accordance with U.S. auditing standards/PCAOB Standards are used to report. Similarly, the Quality and Risk area is in charge of assuring that Partners, managers and specialists meet mandatory training and hours of industry experience to perform engagements in accordance with required professional standards to issue reports and other deliverables that are appropriate in the circumstances.



Engagement teams of KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S 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 considered as part of the audit engagement acceptance and continuance process, as well as during the conduct of the engagement.



Member firm professional practice resource

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources

(referred to as Department of Professional Practice or DPP). This resource also assists engagement teams where there are differences of opinion either within teams or with the engagement quality control reviewer. Unresolved differences are required to be escalated to senior partners for final resolution.

KPMG’s International Standards Group is also available for consultation when required.



Encouraging a culture of consultation

KPMG encourages a strong culture of consultation that supports engagement teams throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG promotes a culture in which consultation is recognized as a strength, and that encourages partners and staff to consult on difficult or contentious matters. To help with this, firms are required to 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 Global Quality & Risk Management Manual includes mandatory consultation requirements on certain matters.



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 Audit team is made up of professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world who bring diverse experiences and innovative ways of thinking to further evolve KPMG’s audit capabilities.



International Standards Group (ISG)

The ISG works with Global IFRS and 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.



Recognizing the importance of communication

Honest and candid communication with clients, including management and audit committees, is a key aspect of our reporting and quality service delivery. As described later in this report (see ‘Innovating and evolving our audit approach’ section), our smart audit platform, KPMG Clara, includes a client collaboration portal, allowing clients real-time monitoring of the status of the audit as well as seamless communication with the audit engagement team.



Communications with those charged with governance

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

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S stresses the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations,

attendance at Audit Committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the Audit Committee.

The role of the Audit Committee is key in supporting better quality auditing by managing the relationship between company and auditor and challenging what auditors do and how they do it.



Audit Committee Institute (ACI)

In recognition of the demanding and important role that audit committees play in driving audit quality and the challenges that they face in meeting their responsibilities, KPMG's Audit Committee Institute (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes. KPMG member firms provide audit committee and board members with practical insights, resources and peer-exchange opportunities focused on strengthening oversight of financial reporting and audit quality. The

ACI's offerings cover the array of challenges facing boards and businesses today - from risk management and emerging technologies to strategy and global compliance.

The ACI operates in over 40 countries around the globe and provides audit committee members with authoritative guidance on matters of interest to audit committees as well as the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

Further details and insights on the ACI are available [here](#).



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 thought leadership about the evolving global financial reporting framework.





Innovating and evolving our audit approach

In addition to having the right policies and procedures for quality in place, we are innovating in the delivery of the audit itself and leveraging new technologies and platforms.



Delivering through our current audit workflow

The current KPMG audit workflow is enabled through eAudit and the workflow and methodology embedded into its successor KPMG Clara. This is KPMG's audit documentation electronic workflow that allows professionals to perform a complete audit with quality and global consistency. It integrates KPMG's audit methodology, guidance, industry knowledge and the tools needed to execute and document the audit work performed.

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



Updating for the future

While our current audit workflow and methodology are robust and consistent with all auditing standard requirements, the updates we are making to them will enable us to continually drive audit quality and consistency upwards and provide us with the platform to build in continuous enhancements as the power of new technologies develops.



Audit solutions for today's world

We recognize that in order to deliver quality audits, we must continually evolve and develop our technology solutions to keep pace with today's digital world. That is why we have embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver more detailed insights to our clients, and future-proof our systems for the expected continued development of new technologies, such as robotic processes automation, machine learning and cognitive technologies.

This process started in 2017 with the launch of our smart audit platform, KPMG Clara. The continuation of this process is seeing a new workflow and methodology embedded into KPMG Clara. We had a limited deployment during 2019 and 2020 and we will have a full deployment globally starting in 2022.

The KPMG Clara workflow limited deployment is an important milestone in KPMG's journey to innovate, digitalize and transform the audit experience for our people.

Like all new technology solutions, the new workflow will continue to evolve and grow, and the feedback from engagement teams will be used to make improvements going forward.

It is a significant investment that underlines our commitment to audit quality, consistency and sophistication.



Bringing consistency through our methodology

Our audit methodology, tools and guidance are:

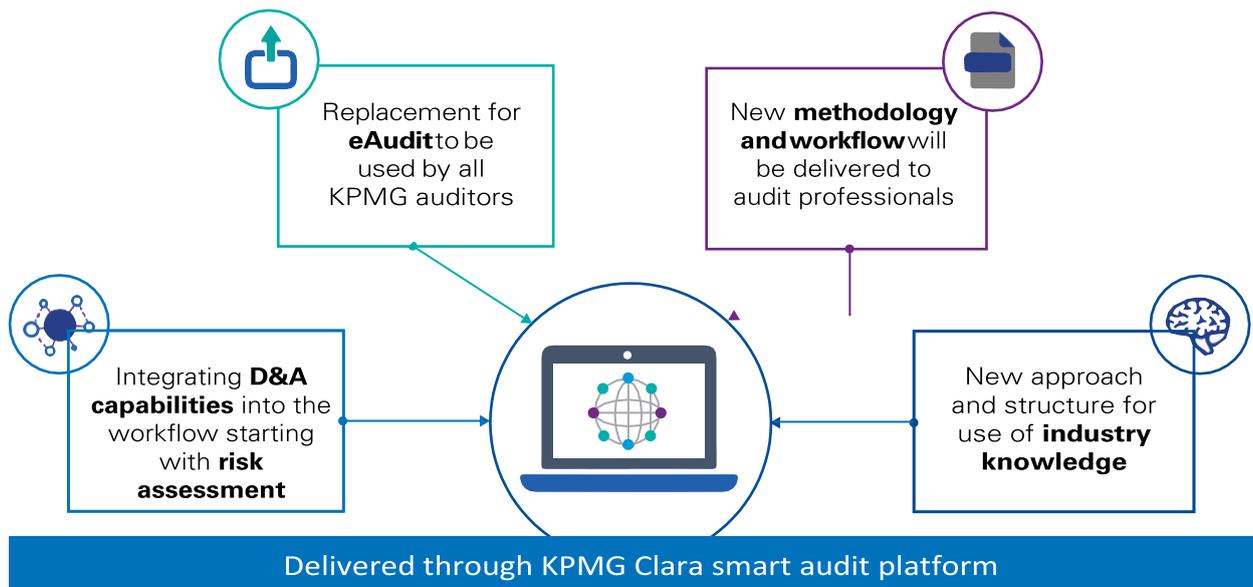
- Globally consistent and fully compliant with the applicable standards, including International Standards on Auditing (ISA), Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) and are supplemented to comply with local auditing standards and regulatory or statutory requirements by member firms.
- Inclusive of KPMG methodology interpretations that drive consistency in areas where the applicable standards are not prescriptive in the approach to be followed.
- Centered on identifying risk, focusing on risks of material misstatements and the necessary audit response.
- Made available to all KPMG audit professionals and required to be used, where necessary.
- Applied even where local auditing standards are less demanding than the ISAs.

The audit methodology developed by KPMG Global Solutions Group is based on the requirements of ISAs as well as the auditing standards of PCAOB and AICPA.

The KPMG audit methodology is set out in KPMG’s Audit Manual - KAM (for eAudit tool) and KPMG Audit Execution Guide - KAEG (for KPMG Clara tool); includes additional requirements that go beyond the ISAs, which KPMG believes enhance the quality of the audit. The audit 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 continuing 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, group audits, and audit sampling.

KPMG firms may add local requirements and/or guidance in the manual to comply with additional professional, legal or regulatory requirements.





Bringing it all together in KPMG Clara

The launch of KPMG Clara created a smart audit platform that brings together our audit Data & Analytics (D&A) capabilities, innovative new technologies, collaboration capabilities and audit workflow.

This represents our ambition to:

- Transform audit execution for our people and clients through new, modern technology-enabled interfaces and collaboration functionality.
- Integrate the required capability to digitize the audit and deliver new D&A routines.
- Enable an enhanced and redesigned workflow.
- Incorporate the development of monitoring capabilities at the engagement level and across engagement portfolios for use by engagement teams and member firms.
- Support global leadership’s monitoring of the effectiveness of member firm systems of quality control.
- Develop an extendable audit platform to enable member firm customization and scale, as well as future capabilities.
- KPMG Clara also encompasses the tracking of selected engagement-level indicators by audit teams for an individual engagement and across an engagement portfolio. This provides a summary and visualization of these indicators to:
 - Measure audit engagement progress and foster timely issue resolution.
 - Facilitate audit execution by providing key indicators for prioritizing tasks.
 - Highlight unexpected results/relationships that may require further investigation.

The KPMG Clara platform is built to be scalable. We will continue to enrich it over time as technologies continue to emerge and transform the audit, with areas like cognitive and predictive technology being channeled through KPMG Clara to deliver ever greater capabilities. Through alliances with some of the world’s most advanced technology companies such as Microsoft, we are building the future of audit, aligning with technology leaders to bring new insights faster and, with growing capabilities, deliver

even more value. KPMG’s investment strategy also includes working with universities on important applied audit research and with member firms as they develop advanced technologies.



Creating the new KPMG Clara workflow

The new KPMG Clara workflow is used by our audit teams to execute and document KPMG audits. It guides audit teams through a series of steps in a logical sequence aligned to the standards with a 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 is scalable — adjusting the requirements to the size and complexity of the audit engagement. This globally driven project significantly enhances the execution of an audit by KPMG professionals and drives improvements in audit quality.

KPMG Clara workflow incorporates monitoring capabilities (e.g. data mining) at the engagement level for use by member firms. Once the KPMG Clara Workflow has been fully rolled out, the predecessor audit workflow tool, eAudIT, is expected to be decommissioned (in our 2022 fiscal year).



Strategically embedding the use of data through Data & Analytics (D&A)

KPMG Clara also allows us to more seamlessly build D&A capabilities into our audits. D&A is central to interrogating and analyzing vast quantities of data. This takes the power and reach of an audit far beyond the traditional capabilities of the past.

KPMG's audit, powered by D&A, is designed to:

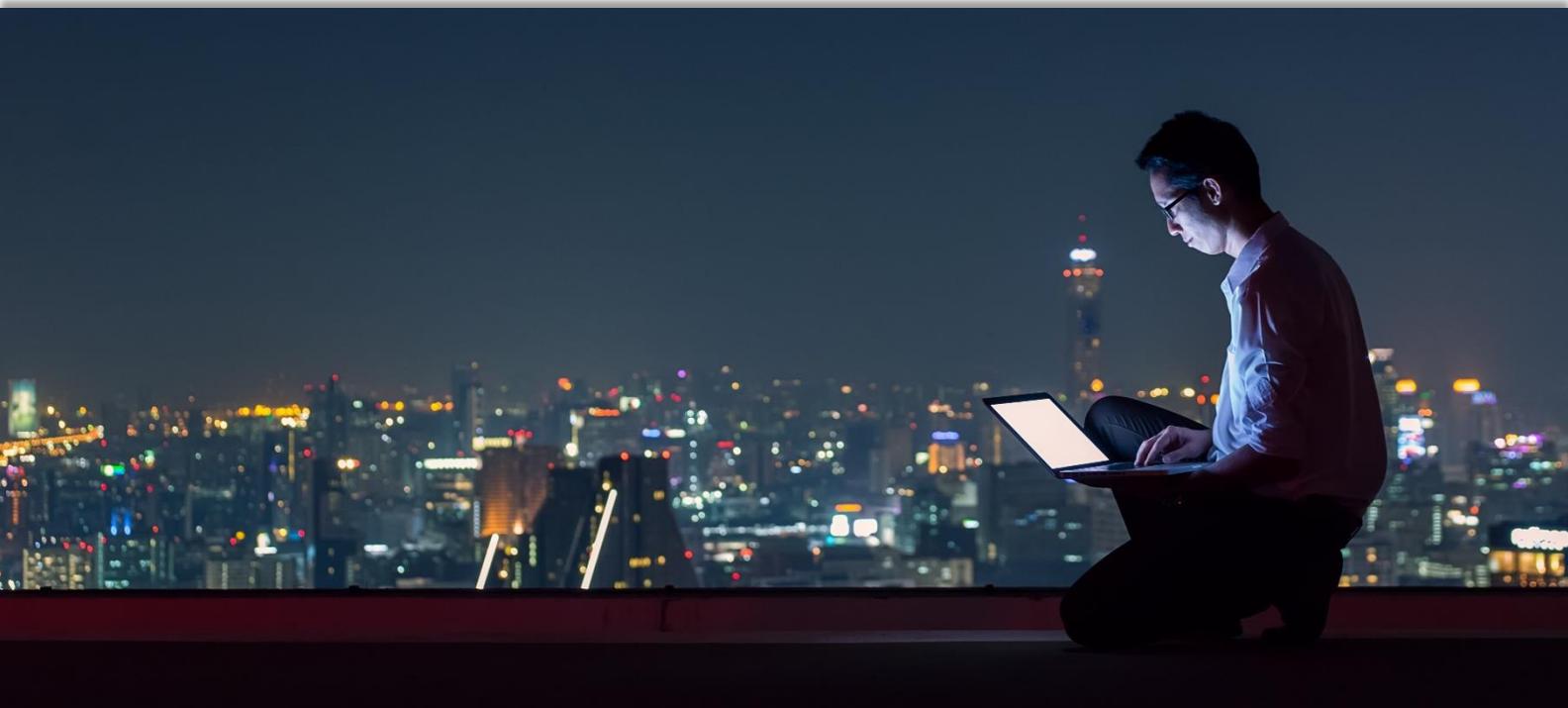
- Enhance audit quality, by providing a deeper understanding of data populations, giving focus to higher risk transactions
- Be secure, by restricting access to data both in transit and within KPMG's IT environments
- Be transparent, by facilitating detailed analysis to uncover the reasons behind, and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

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

Current capabilities in this area facilitate the performance of planning and risk assessment activities and substantive procedures, and include capabilities that:

- Enable the analysis of account balances and journal entry data.
- Automate 'period on period' balances comparison and 'time series' evolution information.
- Enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

Together with our KPMG Clara platform, we are significantly investing in D&A capabilities and paving the way for the increasing use of emerging technologies such as robotic process automation and machine learning — which will take the power of technology applied in the audit to an even greater level.



Delivering a skilled and supported workforce

In this section we set out how we equip our people to deliver quality audits.



Our people strategy and processes promote audit quality

At KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S, promoting and strengthening ethical culture is a priority.

Acting with integrity is a value immersed in the organizational culture we work with to continue reinforcing professionalism, the commitment of our employees and the trust of the public in general.

At KPMG we have concrete actions that promote integral behavior inside and outside the organization through a value proposal that allows us to attract and retain our people, this is composed of 4 fundamental pillars:

1. Knowledge and Experience

It is not possible to achieve our growth goals without a strong focus on our people and without a Culture of Continuous Learning. This means having the best people with the knowledge, skills and determination to always exceed expectations and be the Clear Choice. We are fully committed to developing a culture of continuous learning, one in which each experience increases the professional confidence and contributes to building each person's career.

Knowledge is one of the elements that identify us as a culture of learning and high performance. Through training initiatives, we develop our employees' knowledge and skills according to their duties, responsibilities and career projection. Among the training we provide to our employees in ethics and compliance with global standards are: Code of Conduct, Acting with Integrity, Independence, Sentinel, Personal Data Protection, Information Security.

We have also stated responsibilities and duties regarding quality within our profiles and manuals.

2. Growth and recognition

We need to have motivated people in order to offer the best talent to our clients. We provide a continuous accompaniment with the aim that our people reach their greatest personal and professional potential. We establish a development plan from the definition of the profile and the performance assessment, with the purpose of promoting the competences and growing inside the Firm, looking for the organizational achievement and growing as "one team", from individual contribution.

We have the tool MyPD (My Performance Development) that focuses on monitoring the performance of employees, through the establishment of goals, periodic review and compliance with these, as well as a continuous feedback.

3. Responsible Culture

We need committed people who are consistent and responsible in their actions so that we can leave an equal or better firm for our future generations.

Through the promoted programs and activities, we manage to create, maintain and improve the conditions that bring on favorable integral development, but also in the generation of a responsible culture that adds value to their lives and that of their families.

4. Flexibility

We seek to reach a culture of trust, being inclusive and respecting the diversity of our people, without leaving aside the fulfillment of quality standards, information security and integrity.



Partners' Admission

At KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S, we seek to generate value in the development of our collaborators in an integral and long-term manner, through actions that promote a culture of equity and equal opportunities. These actions are materialized in our programs and policies, which have as their main purpose:

career development, knowledge and experience, looking for their goal to be successful.

In order to guarantee transparency and merit recognition in the appointment of new partners, at KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S we have a rigorous

process to be appointed as part of the KPMG Society, in which all the candidates' studies and backgrounds are verified, and their conceptual, business and people skills are evaluated, ensuring compliance with all regional and global standards.

As KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S is part of the "One Americas Region", the process is led by our South America Cluster from Brasil and approved by the Americas Board, who are in charge of verifying the quality and compliance with all the steps of the process, we ratify that these new leaders that enter to the society are aligned, in an integral way, with our culture and ambition of being the most reliable professional services Firm in the market, bringing new knowledge and experience to continue contributing to the growth and development of the Firm in the market.

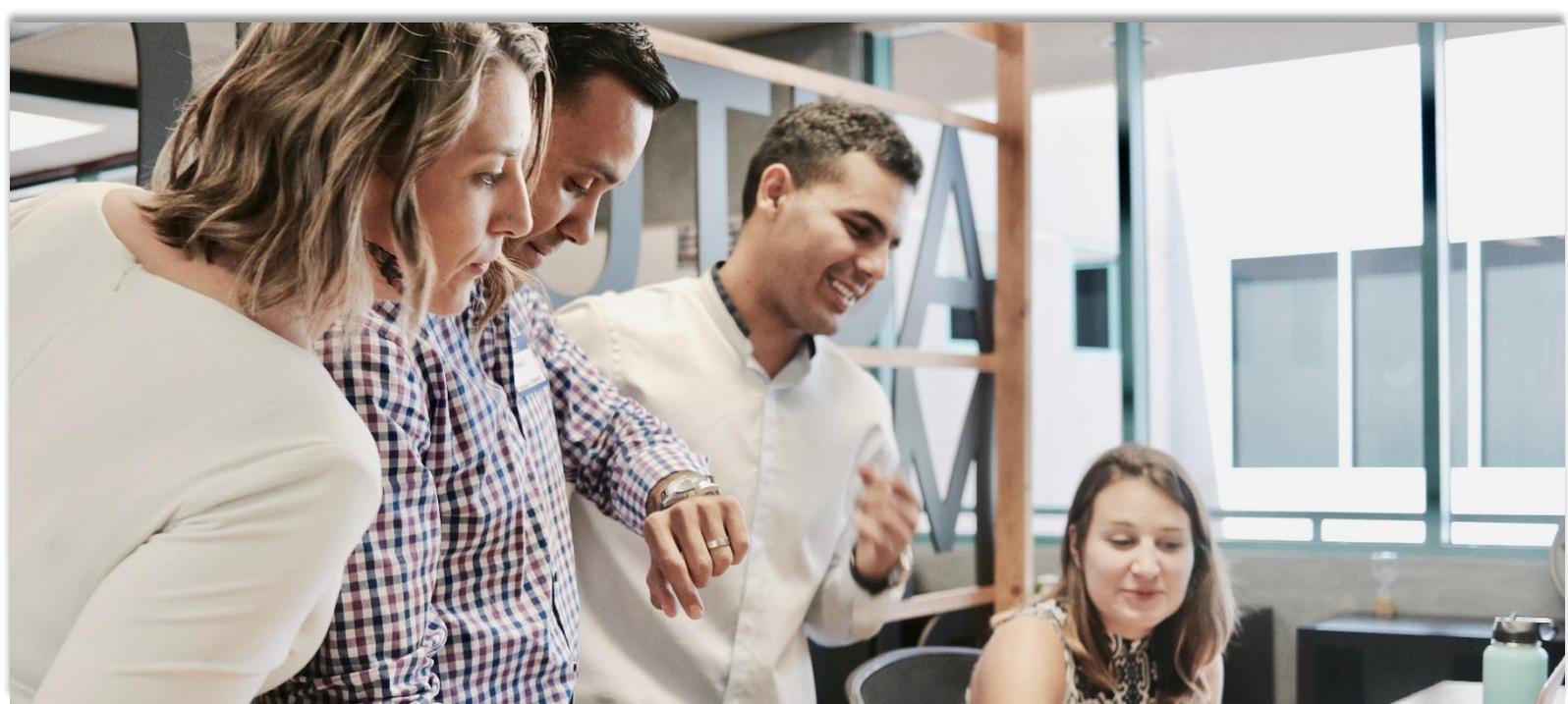


Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, regional and, where applicable, at a local level. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job.

Mentoring and on the job training

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





Audit quality monitoring and remediation

We expect all KPMG firms to continually improve the quality, consistency and efficiency of their audits. There are many programs of quality monitoring and compliance that help firms do this, enabling them to identify quality issues, perform root cause analysis and develop remedial action plans, both for individual audits and for their overall systems of quality control.



Rigorous quality and compliance programs

KPMG Colombia monitoring programs evaluate:

- engagement performance in compliance with the applicable standards, applicable laws and regulation and KPMG International policies and procedures; and
- KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.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 program also contributes 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 Programs (RCP), which are conducted annually across the Audit, Tax and Advisory functions.
 - 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.



Audit Quality Performance Reviews (QPRs)

The QPR program assesses engagement level performance and identifies opportunities to improve engagement quality.

Risk-based approach

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

Reviewer selection, preparation, and process

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the member firm under review.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Evaluations from Audit QPR

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

Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools, and periodic partner, manager, and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of less than satisfactory engagement (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/head offices are notified where a subsidiary/affiliate of their client group is audited by a member firm where significant quality issues have been identified during the QPR.

KPMG International helps ensure that firms' QPRs are fair and objective, and that they are overseen by an independent experienced lead reviewer who is from a different member firm or who is part of the GAQMG. KPMG International helps ensure that consistent criteria are used to award engagement ratings and audit practice evaluations, which can then be used to measure improvements in the future.



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 Colombia's system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services.
- Provide the basis for KPMG Colombia to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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



Global Compliance Review (GCR)

Each member firm is subject to a GCR conducted by KPMG International's GCR team, independent of the member firm, at least once in a 3-year cycle.

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

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

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S develop action plans to respond to all GCR findings and agree on these with the GCR team. Our progress on action plans is monitored by the 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 help ensure timely remedial actions taken by the member firm.

 **Global Audit Quality Monitoring Group (GAQMG)**

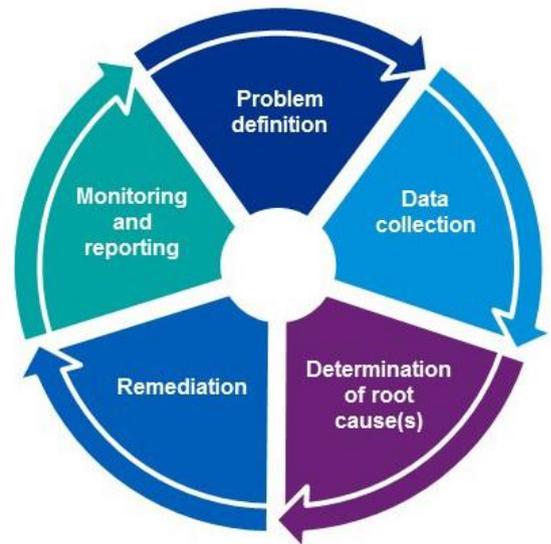
The GAQMG is comprised of a team of partners, directors and senior managers experienced in performing QPR program reviews of listed and related entity (LRE) audit engagements. The team also includes partners and professionals with experience in auditing general information technology controls and application 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

 **Conducting root cause analysis**

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S perform root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement.

Root cause analysis is important to identify and address opportunities to improve both the quality of the work performed and other matters related to the provision of services; its purpose is to prevent them from happening again in the future.



KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S are responsible for the development and implementation of action plans as a result of RCA, including the appointment of remediation owners. Risk management partners monitor their implementation.

Globally, we continue to strengthen our root cause analysis process and drive consistency across the organization by providing face-to-face training and workshops for people at KPMG companies who will conduct or supervise root cause analysis.

 **Taking effective remedial actions**

KPMG International reviews the results of quality monitoring programs and other matters related to service delivery, analyzes the root cause of member firms and action plans, and develops an additional global remediation plan as required and necessary.

Remediation plans are implemented supported by comprehensive training, tools, and guidance to drive consistency. This helps ensure that the fundamentals are correct and that leading practices are shared across the organization.

Governance and leadership



Who we are:

KPMG International operate in 146 countries and territories, and in FY20, collectively employed close to 227,000 people, serving the needs of business, governments, public-sector agencies, not-for-profits and through KPMG firms' audit and assurance practices, the capital markets. KPMG is committed to quality and service excellence in all that we do, bringing our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

We lead with a commitment to quality and integrity across the KPMG global organization, bringing a passion for client success and a purpose to serve and improve the communities in which KPMG firms operate. In a world where rapid change and unprecedented disruption are the new normal, we inspire confidence and empower change in all we do.



Our Business:

KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S is a professional services firm that delivers Audit, Tax and Advisory services. We operate out of 5 offices across the country and had an average of 1600 employees at the end of September 30, 2020

Our audit services in Colombia are delivered through KPMG S.A.S. Full details of the services offered by KPMG S.A.S. can be found on our website [<https://home.kpmg/co/es/home.html>].



Our Strategy

Our strategy is set by the KPMG Colombia Board and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a multi-year collective strategy implementation that is taking place across our entire global network.

KPMG legal structure and governance



KPMG International

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 on 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 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, 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 or 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 obligate or bind any member firm.



Legal structure of the KPMG network

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services to a wide variety of public and private sector organizations.

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

Unless otherwise stated, the words 'firm', 'KPMG firm', 'member firm' or 'KPMG member firm' when used in this Transparency Report include the following:

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss entity (i.e. like shareholders, albeit KPMG International has no share capital and, therefore, only has members, not shareholders).
- Those entities ('sublicensees') that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and an entity that is a 'member'.
- Such agreements mean that sublicensees are member firms of the KPMG network. Generally, the rights and obligations of a sublicensee as a KPMG member firm are the same as if it had been a member. All rights and obligations of member firms that are described in this document are rights and obligations of sublicensees unless otherwise specifically stated. In addition, the member that is party to the sublicensee's agreement with KPMG International is also responsible to KPMG International (but not to any other person or entity) for the sublicensee's compliance with its obligations as a KPMG member firm.
- Those entities that are owned, managed and controlled by an entity that is a member or a sublicensee. The respective member or sublicensee is responsible to KPMG International for such controlled entity's compliance with obligations to KPMG International as if it were a member or sublicensee.



Legal relationship between KPMG International and each member firm.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of KPMG S.A.S. and KPMG Advisory, Tax and Legal S.A.S. to use the KPMG name and marks are

contained within their agreements with KPMG International.

KPMG S.A.S. and KPMG Advisory, Tax and Legal S.A.S. are 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.

KPMG S.A.S. and KPMG Advisory, Tax and Legal S.A.S. are separate legal entities, and each is responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.



Legal structure and ownership

KPMG S.A.S. and KPMG Advisory, Tax & Legal S.A.S., Colombian simplified stock companies and member firms of the network of independent KPMG member firms affiliated with KPMG International Limited, ("KPMG International"), a private Swiss entity limited by guarantee. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in the 'Governance and leadership' section of the KPMG International Transparency Report.

KPMG S.A.S. and KPMG Advisory Tax and Legal S.A.S. are part of a global network of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG S.A.S. and KPMG Advisory Tax and Legal S.A.S. are simplified stock corporations incorporated under the Law 1258 of 2008 of Colombia. They are wholly owned primarily by public accountants and other professionals from various disciplines, such as economists, business administrators, industrial, computer, environmental and other engineers, lawyers, statisticians, among other professionals.

By 30 September 2020, there were 28 partners in KPMG S.A.S., and 20 in KPMG Advisory, Tax and Legal S.A.S. (2019: 26, and 19 partners, respectively).

A list of the entities which form KPMG in Colombia, together with details of their legal structure, regulatory status, the nature of their business and area of operation is set out in [Appendix]



Responsibilities and obligations of member firms

Pursuant to their membership agreements with KPMG International, KPMG S.A.S. and KPMG Advisory, Tax and Legal S.A.S. 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 firm structures that ensure their continuity and stability and that they be 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. KPMG S.A.S. and KPMG Advisory, Tax and Legal S.A.S. 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.

KPMG International governance bodies



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 only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman and 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. Sublicensees 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 Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms.

The Global Board includes the Global Chairman, the Chairman of each of the three regions (the Americas; Asia Pacific (ASPAC); and Europe, the Middle East, and Africa (EMA)) and several senior partners of member firms.

It is led by the Global Chairman, who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently three other senior partners of member firms. The list of Global Board members, as at October 2019, is available in the [KPMG Global Review](#).

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



Global Board committees³

The Global Board is supported in its oversight and governance responsibilities by several other committees. The lead director nominates the chairs and members of certain Global Board committees for approval by the Global Board. The roles of a number of these committees are summarized below.

Executive Committee

The Executive Committee's role includes:

- Working together with the Global Management Team on the development of global strategy and jointly
- recommending global strategy to the Global Board for its approval; and
- Supporting and holding accountable the Global Management Team in leading the execution of the global strategy.

Governance Committee

The Governance Committee's role includes:

- Assessing, and making recommendations to improve the governance and management structure of KPMG International;
- Recommending policies regarding member firm governance to the Global Board for approval;
- Developing and implementing the Global Board evaluation process;
- Overseeing the succession planning model of the Global Management Team, and recommending Global Board nominees and the process for the appointment of a Global Chairman; and
- Overseeing performance and rewarding of the Global Chairman and members of the Global Management Team.

Investment and Technology Committee

The Investment and Technology Committee's role includes:

- Recommending and overseeing strategic investments; and

- Overseeing strategic technology.

Audit and Finance Committee

The Audit and Finance Committee's role includes:

- Overseeing KPMG International's financial reporting, budget and business planning process; and
- Recommending the budget to the Global Board for approval.

Global Quality, Risk & Reputation Committee

The Global Quality, Risk & Reputation Committee's role includes:

- Overseeing those operations, resources and policies of KPMG International that are intended to improve and facilitate risk management decisions by KPMG member firms and to improve and maintain the consistency and quality of services and products provided by the KPMG member firms to their clients; and
- Monitoring the oversight by KPMG International's management of events that could have a material adverse impact on KPMG's brand or reputation.

Global Audit Quality Committee

The overarching responsibility of the Global Audit Quality Committee is to strive for globally consistent audit quality across the organization and to oversee those activities by KPMG International that relate to improving and maintaining the consistency and quality of audits provided by the KPMG member firms.

¹ As of October 2019.





Global Management Team

The Global Board has delegated certain responsibilities to the Global Management Team. These responsibilities include developing global strategy by working together with the Executive Committee. The Global Management Team also supports the member firms in their execution of the global strategy and is responsible for holding them accountable for commitments.

It is led by the Global Chairman and includes the Global Chief Operating Officer, Global Chief Administrative Officer, global function and infrastructure heads, and the General Counsel.

The list of Global Management Team members as at October 2019 is available in the [KPMG Global Review](#).



Global Head of Quality, Risk and Regulatory

The Global Head of Quality, Risk and Regulatory is a member of the Global Management Team and has global responsibility for KPMG's system of quality controls, risk management, and ethics and compliance programs.



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. The Global Audit Steering Group, Global Audit Quality Steering Committee and 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 the section 'Governance and

leadership' of the KPMG 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 the section 'Governance and leadership' of the [KPMG International Transparency Report](#)



Area Quality & Risk Management Leaders

The Global Head of Quality, Risk and 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. In KPMG Colombia this activity is performed by the Risk Management Partner (RMP). Significant activities of the ARL, including member firm issues identified and related member firm response/remediation are reported to Global Quality & Risk Management (GO&RM) leadership. The objectives of the ARL role are to:

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



Governance Structure of Colombian MFs

[KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S applies high standards of corporate governance.

In Colombia, there are two independent KPMG member firms through which the service lines of audit, advisory and tax and legal are independently provided. These are KPMG S.A.S. (provides audit services) and KPMG Advisory, Tax and Legal S.A.S. (provides advisory, tax and legal services). Each independent firm has its own corporate governance structure. Nonetheless, in order to centralize their relationship with KPMG International, the two independent Colombian member firms have appointed a Senior Partner to represent the country at the Global Board.

The Boards

Each firm’s main executive (the Principal Legal Representative) chairs each firm’s Board ensuring that the Board members of each firm receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large. The Senior Partner who represents Colombia at the Global Board also meets periodically with the Non-Executive members (without any of the executive management teams present) or at least annually.] The current Senior Partner, Jorge Rios, was appointed in July 2015, following a competitive election campaign and confidential vote (administered unanimously) of the members.

The principal governance and oversight bodies of KPMG S.A.S and KPMG Advisory, Tax & Legal S.A.S. are the Colombia Boards, which provide leadership to the organization and are responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand.

The Colombia Board consists of 28 members for KPMG S.A.S., and 20 for KPMG Advisory, Tax & Legal S.A.S. The constitution of the Board is as determined by each firm’s bylaws. The Board meet from time to time to undertake certain statutory duties for KPMG S.A.S and KPMG Advisory, Tax and Legal S.A.S. (including approving the annual accounts and the transparency report). The Board also meet on extraordinary occasions, as many times as required to fulfill all business needs.

Full details of those charged with governance for KPMG S.A.S and KPMG Advisory, Tax & Legal S.A.S.





Appendix

Total turnover achieved by KPMG en Colombia resulting from Statutory Financial statement audit, Non-Statutory Financial statement audit, Assurance, Advisory and tax services.

Revenues generated by KPMG Colombia, incorporate services of statutory audit, external audit and assurance, provided by the entity KPMG S.A.S and, tax, legal, advisory and consulting services provided by the entity KPMG Advisory Tax and Legal S.A.S, were COP192,411 million, for the corporate year ended September 30, 2020

Key legal entities and areas of operation

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG S.A.S	Simplified Stock Corporation	Registered with the Central Board of Accountants, and under oversight of the Superintendence of Companies.	Audit Services.	The Republic of Colombia
KPMG Advisory, Tax and Legal S.A.S.	Simplified Stock Corporation	Registered with the Central Board of Accountants, and under oversight of the Superintendence of Companies.	Advisory, Tax and Legal Services.	The Republic of Colombia



Details of those charged with governance at KPMG Colombia

Office Leaders



Jorge Humberto Ríos
Former President of
KPMG in Colombia

Has been the president of KPMG in Colombia since october 2015. He joined the Firm in january 1985. He has worked as an auditor representing KPMG in more than 50 companies, especially in the financial sector. He is a member of the Executive Committee and, as a senior partner, he has the responsibility of leading KPMG in Colombia in their three main lines of business.



Martha Patricia Cortés
Former Head of Audit

Has been the Audit Leader since october 2019 and a member of the Executive Committee of KPMG in Colombia. She worked as a Quality and Risk Social for two consecutive years since 2017. She has more than 25 years of experience in auditing and has led financial, government, industry, distribution, and consumer projects.



Gerardo Buendía
Chief Operating
Officer (COO)

Joined KPMG in 1984 and has more than 34 years of experience providing audit services to national and international clients. He has been a partner of KPMG since january 2000. He is currently a member of the Executive Committee and serves as vice president of operations for KPMG in Colombia, leading the Finance and Administration and Information Technology divisions.



Zulay Pérez
Former Quality and Risk
Management Partner

Has a history of more than 27 years at the Firm. In march 2020 she was appointed partner in charge of Quality and Risk Management. She is part of the Executive Committee of the Firm and has extensive experience in adjusting for tax inflation, with an emphasis on the areas of tax planning and due diligences.



Camilo Bueno
Strategy Partner,
Clients and Markets.

Has been at KPMG in Colombia for 5 years, he has been a partner of Strategy, Clients and Markets since March 2018. He has managed to commercially transform the Firm in recent years. His 10-year career experience has given him the opportunity to build relationships with the main executives of the business sector, as well as the public sector of the country.



Ricardo Ruiz
Tax and Legal Lead Partner

Is a leading partner of Tax and Legal Services and a member of the Executive Committee since december 2019 at KPMG Colombia. He has extensive experience advising foreign multinational companies with investments in Colombia. Between 2016 and 2017 he held the position of president at the International Fiscal Association (IFA) in Colombia.



Guillermo Jaramillo
Lead Partner Advisory

Is a leading partner of Advisory and a member of the Executive Committee since february 2020. He has more than 20 years of experience in the creation of digital companies, from conceptualization, capital acquisition and implementation, to profitability and generation of value for the sale to world-renowned investors.



Cesar Barrero
**Partner of Legal,
Infrastructure and
Public Law**

Has been a leading partner in the Caribbean region of KPMG in Colombia since 2020. An expert in legal matters, he has advised important clients in infrastructure contracts, public tenders and public-private partnerships. Cesar has more than 15 years of experience in Public Law, State Contracting and Infrastructure.



Jorge Valderrama
**Lead Audit Partner of
Valle Sur Occidente and
Eje Cafetero**

Has more than 25 years of experience at KPMG in Colombia. He has participated in the design, analysis and evaluation of processes in the areas of inventory, sales, portfolio, treasury and payroll. He reached the position of Lead Audit Partner of the Valle Sur Occidente and Eje Cafetero region in January 2021.



Claudia Cardona
**Lead Partner of
Antioquia Region**

Has been Antioquia's lead partner since march 2018. She has been at KPMG in Colombia for 24 years in the auditing practice with a focus on local principles and IFRS, for public and private sector companies, in industries such as energy, consumption, mining, among others.



Carmen Rosa Campo
**Director of Audit
Santanderes Region**

Has a 20-year career at the Firm. In March 2020, she was appointed leader in charge of the Santanderes Region. At KPMG she has developed Audit projects under IFRS, NCIF, PCAOB, Financial Audit, Internal Audit (process controls and SOX controls).

colombia@kpmg.com.co
home.kpmg/co T +57 618 8000



The information contained herein is of a general nature and is not intended to address the circumstances of any individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the situation.

KPMG refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity. KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. For more detail about our structure please visit home.kpmg/governance.

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide

