



Transparency Report 2021

Our relentless focus on quality

KPMG Colombia

August 2022

[Kpmg.co](https://www.kpmg.co)

KPMG Values

Our Values represent what we believe in, and what's important to us as an organization. They guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients, companies that we audit, and all our stakeholders.

Our Values are:

- Integrity: We do what is right.
- Excellence: We never stop learning and improving.
- Courage: We think and act boldly.
- Together: We respect each other and draw strength from our differences.
- For Better: We do what matters.

KPMG's Values express the organization's long-standing core beliefs, and in 2020 the language was updated to make them bolder, simpler and more memorable to help each of us bring them to life every day.



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Focus on quality to inspire confidence and empower change

Audit is the foundation of our business, and audit quality is at the core of KPMG.

In our *2021 KPMG International Transparency Report*, we document how we are improving our quality management — by investing in new technologies and resources, while building a stronger culture of consistency and accountability. We share how our relentless focus on quality underpins our commitment to serve the public interest, drives our ambition to be the most trusted and trustworthy professional services organization and delivers on environmental, social and governance (ESG) commitments, as outlined in [Our Impact Plan](#).

KPMG has a simple but bold ambition: to become the most trusted and trustworthy professional services organization. That aim is impossible without delivering quality audits, and even though we have a sound foundation to build on, we need to constantly innovate, never losing our focus —especially as leaders of this proud profession.

This past year we've continued to invest in our system of quality management, global monitoring of audit quality, and enhanced support. We're also expanding access and training for innovative technology and tools for our engagement teams, such as KPMG Clara, our smart audit platform, to drive consistency, collaboration and efficiency.

All our actions are guided by our Values. They drive our daily behaviors, guide our decisions, and shape our ethical culture. Integrity is a core Value — we do what is right, in the right way, at the right time. We embody our Values of integrity and excellence in our commitment to quality, and our new Global

Quality Framework outlines how every partner and employee contributes to delivering high-quality audits.

Our people are at the heart of our business and supporting their wellbeing remains a priority through challenging times. This also means assessing the appropriate level of workloads as well initiatives that drive efficiencies through technology.

Driving improvements in audit quality relies on exceptional people always doing the right thing, not taking shortcuts, and being able to speak up without fear of repercussion. Our new Global Quality Framework outlines how every partner and employee contributes to delivering high-quality audits. These are mandatory actions and behaviors, built on our Values that have been our guide throughout nearly 150 years of providing quality audits.

We recognize the significance of the International Sustainability Standards Board, announced at COP26, and our evolving role to provide assurance over sustainability disclosures with the same focus that our auditors deliver over financial statements.

Finally, creating the right environment requires strong governance and practice management standards. It's why our Global Board implemented governance changes to achieve greater levels of consistency and accountability across our entire global organization. All KPMG member firms are now committed to a common set of Values, standards, and service quality expectations.

Together, we're making incredible strides for the better. Quality is what our profession is built on, and it's why KPMG is relentless in our approach to delivering it.

Thank you for the trust you have in us.



Guillermo Jaramillo
Country Senior Partner,
KPMG Colombia



Pedro Preciado
Head of Audit
KPMG Colombia



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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.

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

Driving the quality agenda



Our global approach to delivering audit quality.

We continue to invest significantly in audit quality across the KPMG global organization. We are building on our sound audit quality foundations, in terms of how KPMG firms are managed and how they execute their audit engagements.

This means ongoing investment in our system of quality management, global monitoring of audit quality, enhanced support, and providing leading-edge technology and tools for engagement teams.

Our global audit quality program supports consistent deployment of consistent policies, processes, control and technologies by firms to enhance and drive a common approach.

Building consistency through a global approach



At KPMG, audit quality is about consistent execution across all firms in line with the requirements and intent of professional standards and is supported by a strong system of quality management. All of our related activities are undertaken in an environment of objectivity, independence, ethics and integrity.

We have made significant investments in strengthening the consistency and robustness of our system of quality management across the global organization, ensuring the effective implementation of the International Standard of Quality Management (ISQM 1), which will take effect as of December 2022. Our approach to ISQM 1 is to drive the consistency and robustness of controls across the KPMG organization. KPMG International has initiated a program to support an effective implementation of the organization-wide requirements for KPMG firms' systems of quality management.

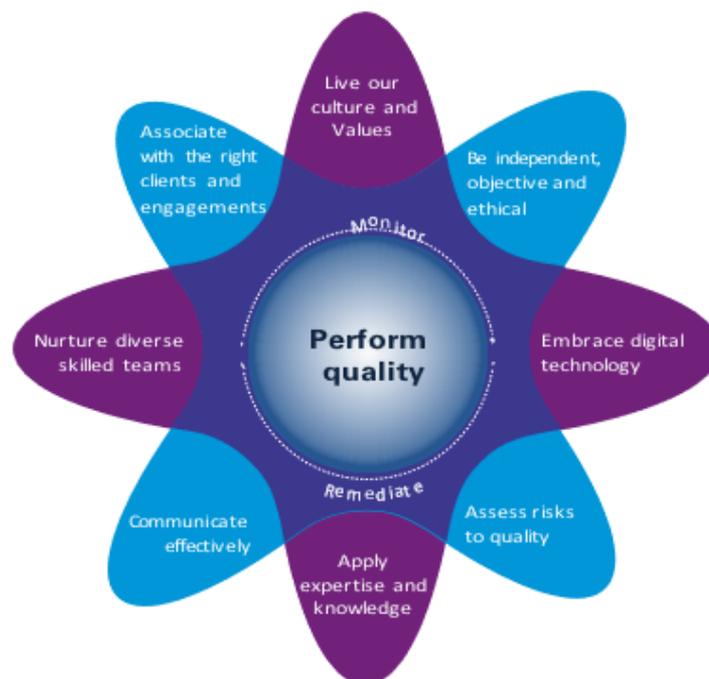
Driving standards through a system of quality management



Our commitment to integrity and quality lie at the heart of the way we do things at KPMG. Our system of quality control ensures our performance meets the highest professional standards.

As we prepare for ISQM 1, we have adopted a new Global Quality Framework to better outline how we deliver quality at KPMG, and how all KPMG professionals are accountable for its delivery. The principle of 'Perform quality engagements' sits at the core along with our commitment to continually monitor and remediate our processes as necessary. Our Quality Drivers give clear direction to encourage the right behaviors in delivering audit quality. The Global Quality Framework also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB) and the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (IESBA), (which we will refer to subsequently as 'the IESBA Code of Ethics') which apply to professional services firms that perform audits of financial statements.

While this KPMG International Transparency Report summarizes KPMG's approach to audit quality, it also applies across the organization, as many KPMG quality control procedures and processes are cross-functional and apply equally to all services offered by KPMG firms. In this report we use our Global Quality Framework to describe our approach to quality.



Throughout this document, "we", "KPMG", "us" and "our" refers to the or KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S, to one or more of the member firms of KPMG International, each of which is a separate legal entity.

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KPMG's commitment to audit quality during the COVID-19 pandemic



The COVID-19 pandemic has forced us all to think differently and we continue to respond to and embrace this challenge.

Since the start of the pandemic, we have maintained an online [COVID-19 | Financial reporting resource center](#) to assist companies and other stakeholders in understanding potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit-related matters arising from the impacts of the COVID-19 pandemic, including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events and audit evidence of communications with those charged with governance. Additionally, KPMG International issued specific guidance for remote working environments that addresses how teams work together, communications with management and the design and performance of audit procedures.

KPMG International's guidance has been continually updated throughout the pandemic as other significant auditing, accounting and reporting issues have been identified.

KPMG is a technology-enabled organization, with technical accounting and auditing resources, guidance, platforms and tools all available electronically, which greatly enabled the conversion to a remote-working environment.

Enhanced communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide KPMG firms with more regular communications, including virtual meetings to share best practices and guidance. In addition, KPMG firms could use specific COVID-19 pulse surveys to hear from their teams in real time and shape responses accordingly.

Operating in different regulatory environments



The regulatory requirements under which KPMG operates differ across jurisdictions, and KPMG firms are committed to operating according to the laws and regulatory environment of their market.

KPMG is supportive of international initiatives to promote consistency in regulatory requirements for the capital markets while recognizing that different jurisdictions will have different requirements.



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Living our culture and Values



It's not just what we do at KPMG that matters — we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across every level and in every country, jurisdiction and territory in which we operate, they are the foundation of our unique culture.

Fostering the right culture, starting with 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 accountability, quality, objectivity, independence, integrity and ethics is essential in an organization that carries out audits and other services on which stakeholders rely.

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

We communicate our commitment to clients, stakeholders, and society at large to earn the public's trust.

[The KPMG values](#) are set out at the beginning of this report.

Clear Values and a strong Code of Conduct

Our Values lie at the heart of the way we do things. To do the right thing, the right way, at the right time. Always. They drive our daily behaviors, guide our decisions and shape our character. They form the foundation of a resilient culture ready to meet challenges with integrity, so we never lose sight of our principal responsibility to protect the public interest. And they propel us forward — through our work and the example we set — as we inspire confidence and empower change throughout the world.

Outlined in KPMG's Global Code of Conduct ("the Code") are the responsibilities all KPMG personnel have to each other, the public and our clients. It shows how our Values inspire our greatest aspirations and guide all of our behaviors and actions. It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

Everyone at KPMG is held accountable for behaving in accordance with the Code and are required to confirm their compliance. They are all required to take annual training that covers the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or is not in compliance with the Code or our Values.

Moreover, everyone at KPMG is required to report — any activity that could potentially be illegal or in violation of our Values, our policies, applicable laws, regulations, or professional standards.

To safeguard this principle of holding each other accountable, each KPMG firm is required to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on, and notify reportable matters without fear of reprisal in accordance with applicable laws or regulations.

The [KPMG International hotline](#) is a further mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by KPMG International, activities of KPMG firms or KPMG personnel.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

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In addition to the controls outlined above, the Global People Survey provides KPMG International leadership with results related to upholding our Values.

Consistent quality and risk management policies



KPMG International has quality control policies that apply to all KPMG firms. These are included in the Global Quality & Risk Management Manual (GQ&RM Manual), which applies to all KPMG personnel.

These policies and associated procedures are designed to assist KPMG firms in complying with relevant professional standards and regulatory and legal requirements.

They are based on the ISQC 1 and on the IESBA Code of Ethics. Both are relevant to KPMG firms that perform statutory audits and other assurance and related

services engagements.

KPMG firms are required to implement KPMG International's 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



KPMG's global leadership plays a critical role in driving the quality agenda for the organization. In respect to audit quality, our Global Head of

Audit and Global Head of Audit Quality provide reports to the Global Audit Quality Committee of the Global Board and has responsibility for oversight of audit quality across KPMG for KPMG International.

Certain global steering groups drive the execution of the quality strategy. Each of these global groups has its specific areas of focus, and they work closely with one another on quality matters, along with regional and KPMG firm leadership, to:

- establish and ensure communication of appropriate audit, quality and risk management policies;
- establish and support effective and efficient processes to promote audit quality;
- promote and support the implementation of strategy in KPMG firms' audit functions, including standards of audit quality; and
- assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to increase audit quality.

The overall governance structure of KPMG International and further detail on global leadership groups is provided in the 'Governance and leadership' section of this report.



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Applying expertise and knowledge

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

Methodology aligned with professional standards, laws and regulations



Our audit methodology, tools and guidance are:

- Globally consistent and fully compliant with the applicable standards, including International Standard 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 may be less demanding than the ISAs.
- Focused on the international assurance methodology and the alignment of assurance products in response to growth of ESG reporting.

The KPMG audit methodology is set out in the KPMG Audit Manual (for use with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes KPMG interpretation of how to apply ISAs, which we believe enhance audit quality. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to be in continuing compliance with standards, emerging auditing areas of focus and audit quality results (internal and external). Key audit topics include risk identification assessment and response, accounting estimates, group audits, and audit sampling. In addition, because of the COVID-19 pandemic, during the past two years the Firm has emphasized in other key audit risks such as going concern and impairments.

KPMG firms may add local requirements and/or guidance to the KPMG Audit Manual (KAM and KAEG) to comply with additional professional, legal or regulatory requirements.

Access to specialist networks



Specialist expertise is an increasingly important part of the modern audit. KPMG firm engagement teams have access to a network of KPMG

specialists — either within their firm or in other KPMG firms. These specialists receive the training they need to ensure they have the competencies, capabilities, and objectivity to appropriately fulfill their role on KPMG audits.

The need for specialists to be assigned to an audit engagement in areas such as information technology, tax, treasury, actuarial, forensic and valuations is considered as part of the audit engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.



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Embracing digital technology

At KPMG, we are committed to serving the public interest and create value through continuous innovation. By leveraging leading technologies, we are transforming the audit experience for our professionals and our clients — enabling us to provide an even higher quality audit by increasing our ability to focus on the issues that matter through the data and insights it provides.

Intelligent, standards-driven audit workflow



KPMG Clara is our smart and intuitive technology platform that is driving globally consistent audit execution across all KPMG firms. As a scalable,

cloud-based platform, it enables the enhanced audit methodology through a data-enabled workflow.

The platform integrates new and emerging technologies, with advanced capabilities that leverage data science, audit automation, and data visualization.

Evolving our audit workflow

We recognize that to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world.

That is why KPMG embarked on a process of reimagining our audit platform, workflow and methodology to provide enhanced consistency and support to our audit engagement teams, deliver detailed insights, and future-proof our systems for the expected continued development of new technologies such as robotic process automation, machine learning and cognitive technologies.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG's journey to innovate, digitalize and transform the audit. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

KPMG Clara



The digital audit is increasingly integral to how KPMG firms perform quality audits and interact with clients. Policies and guidance are in place to establish and

maintain appropriate processes and controls regarding the development, evaluation and testing, deployment, and support of technology in KPMG audits.

KPMG Clara is helping auditors see meaningful patterns across a business, whether conducting risk assessment, tracing transactions through a complex revenue process, or simply adding up the accounts. Examples of current capabilities include:

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

Our vision of the future

KPMG Clara was developed by KPMG's foundational technology platform to deliver audit quality. It delivers this by being the base technology delivering new capabilities in a globally consistent way, enabling the audit workflows and a fully digital experience for KPMG audit professionals.

The KPMG Clara platform evolves as technologies such as artificial intelligence, blockchain and cognitive capabilities transform how audits are delivered.



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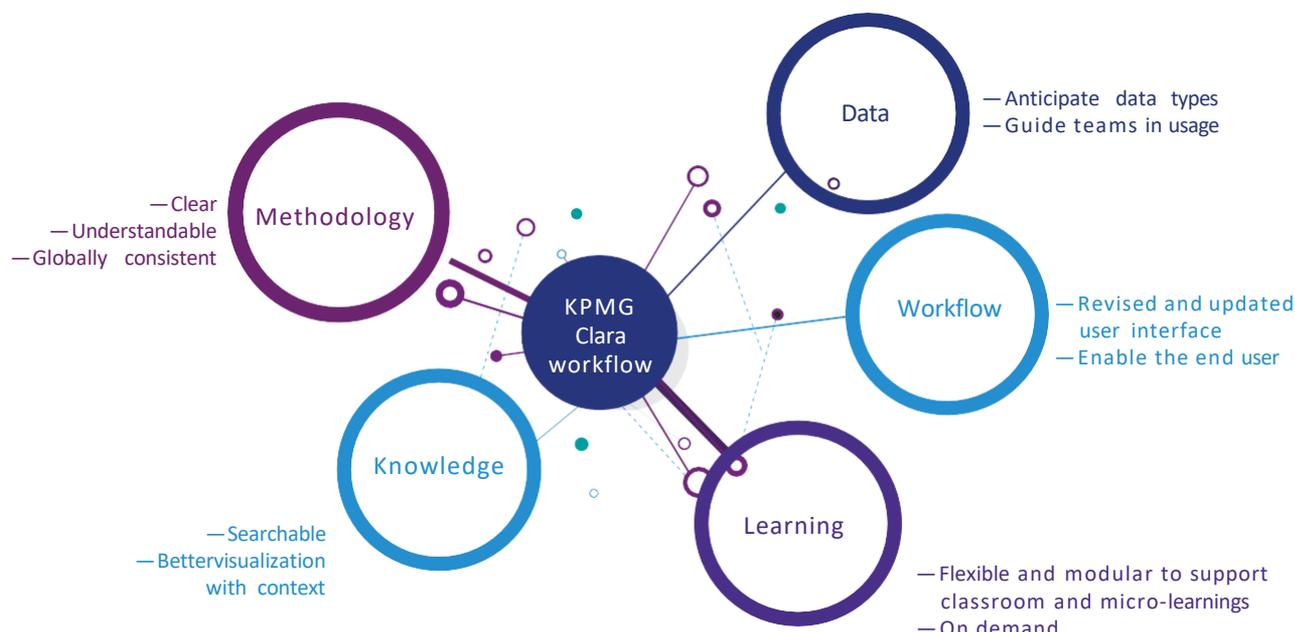
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KPMG Clara workflow

We are replacing eAudit with a new workflow and revised audit methodology embedded into the KPMG Clara smart audit platform. Phased full deployment of KPMG Clara workflow commenced globally in 2020 with planned completion of full global transition for the 2022 fiscal period-end audits.

The web-enabled KPMG Clara workflow guides audit teams through a series of steps in a logical sequence aligned to the applicable professional auditing standards with a clear display of information, visuals, and guidance available, and with embedded advanced digital audit and project management capabilities. The workflow and revised audit methodology are scalable, adjusting the requirements to the size and complexity of the audit engagement. KPMG Clara workflow significantly enhances the execution of an audit by KPMG professionals and clearly drives audit quality and global consistency.

Using data mining and tracking of relevant engagement-level data indicators, the KPMG Clara workflow can also facilitate monitoring of audit execution at the engagement level.

We continue to enhance the KPMG Clara smart audit platform to accommodate accelerating security demands, integrate existing audit applications into a single platform, and develop new capabilities to digitize additional audit processes.

Client confidentiality, information security, and data privacy

 The importance of maintaining client confidentiality is emphasized through a variety of

mechanisms including the KPMG Global Code of Conduct training, and the annual affidavit/confirmation process that all KPMG professionals are required to complete.

We have policies on information security, confidentiality, personal information and data privacy. We have a 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, regulations, and professional standards.

We provide training on confidentiality, information protection and data-privacy requirements to all KPMG personnel annually.

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Nurturing diverse skilled teams

Our people make the real difference and are instrumental in shaping the future of audit at KPMG. We put quality and integrity at the core of our audit practice. Our auditors have diverse skills and capabilities to address complex problems.

Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience



Nurturing diverse skill teams1

Recruiting appropriately qualified and skilled people, including specialists, with diversity of perspective and experience

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience. One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation and purpose, to deliver high quality audits. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals

For this, KPMG implemented a psychotechnical test “KPMG Ready” from the provider Arctic Shores, which is a test used in KPMG at a global level. The design of the test allows to measure the skills and competencies of the candidates with respect to the global competencies required by KPMG.

On the other hand, the selection process is documented in the policy to establish the steps to follow and the updates that ensure the quality of the candidate who joins the Firm.

Recruitment

KPMG in Colombia has invested in understanding how we can attract the talent we need across the organization in the future. This includes building an extraordinary people experience for all current and prospective partners and employees.

Our recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age. KPMG in Colombia also recruits significant numbers at an experienced hire and partner level.

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

These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

KPMG in Colombia recruited over [3400] new graduates in the year ended 30 September 2021 (2020: approximately [820]).

Where individuals are recruited for senior grades, a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG in Colombia does not accept any confidential information belonging to the candidate’s former firm/ employer.

Inclusion, Diversity & Equity programs

KPMG in Colombia is committed to building a diverse and equitable organization that is inclusive to all.

Inclusion, diversity, and equity (IDE) is at the core of our very existence, helping us build great teams with diverse views that represent the world we live in. It leads to better decision making, drives greater creativity and innovation, and encourages us to stand up, live our Values and do what is right.

Our KPMG Global Inclusion, Diversity & Equity Collective Action Plan outlines the actions that are necessary to advance inclusion, diversity and equity at KPMG in Colombia and across all KPMG firms.



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Nurturing diverse skill teams

Reward and promotion

KPMG in Colombia has compensation and promotion policies that are informed by market data and are clear, simple, fair and linked to the performance and talent review process. This helps our partners and employees understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved by assessing relative performance across a peer group to inform reward decisions. Reward decisions are based on consideration of both individual and firm performance.

KPMG in Colombia has a performance and potential evaluation process, based on the Firm's and individual results wage increases, and bonuses are considered, which are analyzed in light of market data and the internal equity index. The annual information is socialized at the beginning of the fiscal year with the goals so that each one of our collaborators knows what is expected of them and at the end of the fiscal year by the presidency and/or the vice presidency of operations it is made known to all the collaborators decisions regarding increases and bonuses derived from their results and the financial situation of the Firm.

The extent to which our people feel their performance has been reflected in their reward is measured through the annual Global People Survey, with action plans developed as required.

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

For promotions, the Firm considers three aspects: that there is a business need, that the collaborator meets the profile of the position and has the skills and abilities (potential and performance). The process is developed based on our annual evaluations, known by the collaborators and their leaders to establish transversal known and objective parameters.

Assigning an appropriately qualified team Nurturing diverse skill teams.



Assigning an appropriately qualified team Partner assignments

All KPMG firms are required to have procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of 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).

KPMG in Colombia has procedures in place to assign engagement partners and other professionals to a specific engagement on the basis of 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 our audit methodology, 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 as a whole, the engagement partner's considerations may include the following:

- an understanding of, and practical experience

with, audit engagements of a similar nature and complexity 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.



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As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), 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. OR

- * The annual client portfolio reviews between each audit partner and their Risk Management Partner enables each partner to confirm their appropriate competence, capabilities, time and authority to manage their portfolio.

Investing in data-centric skills, including data mining, analysis and visualization



KPMG is strategically investing in our talent pipeline by partnering with world-class institutions to sustain our strong leadership, while also looking forward to cultivating the

skills and capabilities that will be needed in the future. We are recruiting and training professionals who specialize in software, cloud capabilities and artificial intelligence and who can bring leading technology capabilities to our smart audit platform.

We provide training on a wide range of technologies to ensure that field professionals not only meet the highest

professional standards but are also upskilled in new technologies. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

Focused learning and development on technical expertise, professional acumen and leadership skills

Commitment to technical excellence and quality service delivery



All KPMG professionals are provided with the technical training and support they need to perform their roles. This includes access to internal

specialists and the professional practice department for consultation.

Lifetime learning strategy

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at global, regional and, where applicable, KPMG firm level. Mandatory learning requirements for Audit, Advisory and Tax & Legal professionals across the KPMG organization are established annually. Training is delivered using a blend of learning approaches and performance support.

Focused learning and development on technical expertise, professional acumen and leadership skills

Mentoring and on-the-job learning

Learning is not confined to a single approach — 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 in the following fields:

Technical: Promotes and strengthens the technical knowledge necessary for the performance of the position in each function.

Leadership: Includes the development of skills, individual management skills, and leadership to enhance the talent of teams and thus achieve high performance.

Business: Develops business acumen knowledge of our current and future clients industries, ability to attract, develop and grow client relationships.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in Auditing, Tax & Legal, and Advisory including professional judgment, technical excellence, and instinct. We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and instill that every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences.



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Licensing and mandatory requirements for IFRS® Standards and U.S. GAAP engagements

Specific requirements apply to partners, managers and engagement quality control (EQC) reviewers working on IFRS Standards engagements in jurisdictions where IFRS Standards are 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 and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that collectively the engagement team has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls

Recognizing quality



KPMG Colombia's approach to performance development, 'MyPD', is built around the Everyone a Leader performance principles, and includes:

- Global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
 - a goal library (including audit quality content); and
 - standardized review forms (with provision for audit quality ratings). The forms are called calibrators and Balanced ScoreCard according to load level.
- MyPD is linked to the KPMG Values and designed to articulate what is required for success — both

individually and collectively. We know that by being clear and consistent about the behaviors we expect and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality. At the same time, KPMG is driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organization.

KPMG in Colombia considers quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners [and directors and managers]. These evaluations are conducted by performance managers and partners who are in a position to assess performance.<



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Associating with the right clients and engagements

Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

Following the client and engagement acceptance and continuance policies



KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate potential risks

prior to accepting or continuing a client relationship or performing a specific engagement.

KPMG firms are required to 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.

Accepting appropriate clients and engagements



Client evaluation process

KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S and KPMG Shared Services S.A.S undertake an evaluation of every prospective client. This involves obtaining sufficient information about the prospective client, its key management and significant beneficial owners and then properly analyzing the information to be able to make an informed acceptance decision. This evaluation includes an assessment of the client's risk profile and obtaining background information on the client, its key management, directors and owners. If necessary, each KPMG firm obtains additional information required to satisfy local legal and/or regulatory requirements.

Engagement evaluation process

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, whether the services would be unethical or inconsistent with our Values, 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 KPMG professionals assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Partners and employees personnel and includes review by quality and risk management leadership as required.

Continuance process

KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S and KPMG Shared Services S.A.S undertake an annual continuance or re-evaluation of all its audit clients. The continuance or 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 services, the continuance process applies annually depending on the level of risk (high) or when the member firm provides assurance services.



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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 to the 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

Where KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S and KPMG Shared Services S.A.S comes to a preliminary conclusion that indicates it should withdraw from an engagement or client relationship, it is required to consult internally and identify any required legal, professional and regulatory responsibilities. It is also required to communicate as necessary with those charged with governance and any other appropriate authority.

Managed portfolio of clients

KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S and KPMG Shared Services S.A.S leadership appoints engagement partners who have the appropriate competence, capabilities, time, and authority to perform their role for each engagement.

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

Accepting the appropriate clients and engagements

Continuance process.

KPMG International's detailed independence policies and procedures, incorporate the IESBA Code of Ethics. These are set out in KPMG's GQRMM, which applies to all KPMG firms. Automated tools, which are required to 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 policies and processes to ensure compliance with the standards issued by Colombian Government and those of other regulatory bodies. These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, 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 firms, and that tools are available to help the firms and their personnel to comply with these requirements

KPMG S.A.S, KPMG Advisory, Tax and Legal S.A.S. and KPMG Shared Services 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 KPMG Colombia. The EIP is responsible for communicating and implementing KPMG International policies and procedures and ensuring that local independence policies and procedures are established and effectively implemented when they are more stringent than the KPMG International requirements. The EIP fulfils this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;

KPMG firms are required to evaluate whether to accept or continue a client relationship or perform a specific engagement. Where client/engagement acceptance (or continuance / re- evaluation) decisions pose significant risks, additional approvals are required KPMG S.A.S, KPMG Advisory, Tax and Legal S.A.S. and KPMG Shared Services S.A.S. partners and employees are required to consult with the EIP on certain matters as defined in the GQRMM. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

In case of modifications to policies, procedures and activities in the Quality and Risk Management area, these are informed through Bulletins and Communication issued by means of the functional Risk mailbox and published on the intranet, so all KPMG personnel may consult this information.

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Being independent and ethical

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

Maintaining an objective, independent and ethical mindset, in line with our code of conduct and policies



Personal financial independence.

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG 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 firm or function — are generally prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG 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 manager grade or above client-facing employees are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if any investment subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals.

The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

In 2021 over 60 of KPMG Colombia partners and employees were subject to these audits (this included approximately 26.7% of our partners).

Employment relationships

Any KPMG professional providing services to an audit client is required to notify the KPMG firm's EIP if they intend to enter into employment negotiations with that audit client. For partners, this requirement extends to any audit client of any KPMG firm that is a public interest entity.

Former members of the audit team or former partners of a KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to the KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S, including payments which are not fixed and predetermined and/or would be material to the KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S, and have ceased participating in the firm'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.

An assurance team member is also required to notify the EIP when they enter into employment negotiations with the assurance client during the course of the engagement. Former assurance team members or former partners of a KPMG Colombia who join an assurance client in certain roles cannot continue to participate in the firm's business or professional activities.



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We communicate and monitor requirements in relation to employment and partnership of KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S professionals by audit and assurance clients.

Firm financial independence

KPMG firms are required to also be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners.

In common with other KPMG firms KPMG S.A.S, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S use KICS to record its 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 associated 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, KPMG Advisory, Tax & Legal S.A.S y KPMG Shared Services S.A.S. have policies and procedures in place that are designed to ensure its business relationships with audit and assurance 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.

Ethics and independence – Training and confirmations

All KPMG partners and client-facing professionals, as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG S.A.S., KPMG Advisory, Tax and Legal S.A.S. and KPMG Shared Services S.A.S. and on an annual basis thereafter.

New partners and client-facing employees who are required to complete this training are required to do so by the earlier of (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 annual training on:

- the Global Code of Conduct and ethical behaviour; and
- bribery and compliance with laws, regulations, and professional standards.

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

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

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.

In addition to identifying potential conflicts of interest, Sentinel™ facilitates compliance with independence requirements.

Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees, are required to be entered into Sentinel as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the Sentinel submission.

Lead Audit Engagement Partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients, including their related entities or affiliates, in Sentinel. 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, approve, or deny, any proposed service for those entities



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worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

KPMG global independence policies prohibit KPMG firm audit partners from being evaluated on, or compensated based on, their success in selling non-assurance services to their audit clients.

KPMG firms are required to establish and maintain a process to review and approve all new and modified services that are developed. Each KPMG firm's EIP is involved in the review of potential independence issues related to these new or modified services.

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 KPMG firm expressing the audit opinion. These policies require firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In addition, 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 particular 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 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 firms and personnel 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.

regulation, and is not deemed to have been offered with the intent to improperly influence the behavior of the recipient or which would cast doubt on the individual's or the KPMG firm's integrity, independence, objectivity or judgment.

Personal conflicts

Conflicts of interest can arise in situations where KPMG 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 where they are personally in possession of confidential information relating to another party to a transaction.

Consultation with the KPMG firm's Risk Management Partner (RMP) or the EIP is required in these situations.

Policies are also in place to prohibit KPMG personnel from offering or accepting inducements, including gifts and hospitality, to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or

Resolving conflicts of interest

Conflicts of interest can arise in situations where 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 where 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 personnel from offering or accepting inducements, including gifts and hospitality to or from audit clients, unless the value is trivial and inconsequential, is not prohibited by relevant law or regulation and is not deemed to be have been offered 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 firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/ or its partners' or employees' ability to be objective or otherwise act without bias.

All KPMG firms are required to 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 is required to 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.



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Independence breaches

All KPMG S.A.S., KPMG Advisory, Tax and Legal S.A.S. and KPMG Shared Services 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 requirements of the IESBA Code or other external independence requirements are required to be reported to those charged with governance as soon as possible except where 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. KPMG Colombia's 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.

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics 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 (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, 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.

Zero-tolerance approach to bribery and corruption



Compliance with laws, regulations and standards is a key aspect for everyone at KPMG S.A.S., KPMG Advisory, Tax and Legal S.A.S. and KPMG Shared Services S.A.S. We have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery in compliance with Colombian laws and regulations. We also do not tolerate bribery or corruption by third parties, including by our clients, suppliers or public officials, and we have established policies, procedures and controls to prevent and forbid acts of bribery or corruption by such parties. KPMG International requires KPMG firms to have appropriate internal controls in place to mitigate the risk of involvement in bribery by the firm and its partners and employees.

All KPMG S.A.S., KPMG Advisory, Tax & Legal S.A.S. and KPMG Shared Services S.A.S. 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., KPMG Advisory, Tax & Legal S.A.S. and KPMG Shared Services 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 "SAGRILAF y Ética Empresarial" portal available at <https://home.kpmg/co>. In addition, KPMG International anti-bribery and corruption policies can be found on [Anti-bribery and corruption - KPMG Global \(home.kpmg\)](#).



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Assessing risks to quality



Through the Global Audit Quality Council (GAQC) and the Global Quality & Risk Management Steering Group (GQRMSG), KPMG International reviews the results of the quality monitoring programs, reviews root causes and planned remedial actions, and develops additional global remediation actions as required.

Global remediations are aimed at actions around culture and behavior across the global organization and at driving consistent engagement team performance within KPMG firms.



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Communicating effectively



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

Provide insights, and maintain open and honest two-way communication



Honest and candid communication with clients, including management and those charged with governance, is a key aspect of our reporting

and quality service delivery. 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

KPMG International stresses the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. KPMG firms and professionals achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and, when appropriate, ongoing discussions with management and members of the audit committee.

The role of audit committees is key in supporting quality auditing by overseeing 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.

The ACI operates in more than 40 jurisdictions across the globe and provides audit committee members with guidance on matters of interest to audit committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to audit committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive 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 and sustainability reporting frameworks.

Conduct and follow-up on the Global People Survey (GPS)



Only with engaged, talented people can KPMG deliver audits in line with our audit quality expectations. Annually all KPMG personnel are invited

to participate in KPMG's GPS to share their perception about their experience of working for KPMG. The GPS provides a measure of our people's engagement and insights into areas driving engagement. Results can be analyzed by several factors, for example functional or geographic area, grade and gender to provide additional focus for action. Through the GPS, KPMG gains additional insight on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in an audit in the previous 12 months are asked to respond to, giving us a particular data set for audit quality related matters.

The survey also provides KPMG International leadership with results related to quality and risk behaviors, audit quality, upholding the KPMG Values, employee and partner attitudes to quality, leadership and tone at the top.

All KPMG firms are required to participate in the survey each year and to take appropriate actions to communicate and respond to its findings.

Audit specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the Global Audit Steering Group on an annual basis for consideration of appropriate remedial action, if needed.

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How an audit is conducted is as important as the result. KPMG partners and employees are expected to demonstrate certain key behaviors and follow certain policies and procedures in the performance of effective and efficient audits.

Taking responsibility for audit quality at the KPMG firm level



While KPMG International creates the global framework and policies for audit quality, KPMG firm leadership is responsible for the delivery of that quality.

Each KPMG firm is responsible for establishing and maintaining a system of quality control. Within each KPMG firm, there is a Head of Audit, who has primary responsibility for audit quality and is supported by the firm's Risk Management Partner (RMP) in maintaining a system of quality control.

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 all KPMG professionals to consult on difficult or contentious matters.

To help with this, KPMG firms are required to have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate the resolution of differences of opinion on engagement issues. In addition, the GQ&RM Manual includes mandatory consultation requirements on certain matters.

Technical consultation and global resources



Technical accounting and auditing support are available to KPMG firms through the Global Audit Methodology Group (GAMG), the KPMG Global

Solutions Group (KGSG), the International Standards Group (ISG) and the PCAOB Standards Group (PSG).

Global Audit Methodology Group (GAMG)

KPMG's audit methodology is developed and maintained by the GAMG. The GAMG develops our audit methodology based on the requirements of the applicable auditing standards — the ISAs, the PCAOB, and the AICPA.

KPMG Global Solutions Group (KGSG)

The KGSG is responsible for the envisioning, development, and deployment of global audit tools, including new technology and automation innovations.

KGSG and GAMG work collaboratively to support KPMG firms through collaboration, innovation and technology. We have made significant investment in our audit methodology and tools, with the core focus of improving audit quality, global consistency and standardization.

With locations in each of the three KPMG regions (Americas, Europe, the Middle East and Africa and Asia Pacific), the KGSG and GAMG teams comprise 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.

More information about KPMG's global audit [methodology and technology-based tools](#) is included in the '[Embracing digital technology](#)' section of this report.

International Standards Group (ISG)

The ISG focuses on the application of International Financial Reporting Standards (IFRS Standards) and the ISAs.

To promote consistency of interpretation of IFRS Standards and ISAs between KPMG firms, Topic Teams with geographic representation from around the world identify emerging issues and develop global guidance on a timely basis. In summary, the ISG:



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- monitors emerging practice issues identified through quality performance reviews, by regulators and through root cause analysis activities;
- develops guidance on the interpretation and application of international standards and, where appropriate, in response to quality issues emerging from review, drives consistency across the organization;
- provides feedback to international standard setters on proposed changes to standards and consultations; and
- consults on technical matters with KPMG firms in connection with client-specific issues.

The ISG also supports the IFRS Panels and the Global Topic Teams to facilitate information sharing between the Department of Professional Practice (DPP) network, and to help ensure sector-specific issues are dealt with proactively.

PCAOB Standards Group (PSG)

The PSG comprises a dedicated group of professionals with backgrounds in PCAOB auditing standards who promote consistency of interpretation of PCAOB auditing standards in KPMG firms' audits of non-US components of US companies and of foreign private issuers and non-US components of SEC issuers, as defined by SEC regulations. The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates the delivery of such training.

Professional practice resource

KPMG firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources. These resources also assist engagement teams where there are differences of opinion either within teams or with the engagement quality control reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution.

KPMG's ISG and the PSG are also available for consultation support when required.

Critically assessing audit evidence, using professional judgment and skepticism



On all KPMG audits, the nature and extent of the audit evidence we gather is responsive to the assessed risks. We consider all audit evidence obtained during the course of the audit

including contradictory or inconsistent audit evidence. Each KPMG team member is required to exercise professional

judgment and maintain professional skepticism throughout the audit engagement. Professional skepticism involves a questioning mind and alertness to contradictory or inconsistencies in the audit evidence. Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to good judgments.

Direct, coach, supervise and review



Embedding ongoing mentoring, supervision and review

To invest in building the skills and capabilities of KPMG professionals, we promote a continuous learning environment and support 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; and
- identifying matters for consultation with more experienced team members during the engagement.

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

Engagement quality control (EQC) reviews

The EQC review is an important part of KPMG's framework for quality. An EQC reviewer is required to be appointed by KPMG firms for audits, including any related review(s) of interim financial information, of all listed entities, nonlisted 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.

An EQC review provides reasonable assurance that the team has appropriately identified significant risks, including fraud risks, and has designed and executed audit procedures to address them.



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EQC reviewers are required to meet training and experience qualifications to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client 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 audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

We continually seek to strengthen and improve the role that the EQC review plays in KPMG audits and have taken a number of actions to reinforce this, including issuing best practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination

and development of EQC reviewers.

Appropriately support and document conclusions



Audit documentation is completed and assembled according to the timeline established by firm policy and auditing

standards, and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and KPMG firm information. KPMG International recently adopted policies to apply to all KPMG firms to reduce the time period allowed to assemble audit documentation, which is significantly less than required by the applicable auditing standards.



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Monitoring and remediation

Integrated quality monitoring and compliance programs enable KPMG firms to identify quality deficiencies, to perform root cause analysis and develop, implement and report remedial action plans, both in respect of individual audit engagements and the overall system of quality control.

Rigorously monitor and measure quality at the local and global level



Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG appropriate action.

firm audits. The quality monitoring and compliance programs are globally consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG in Colombia compares the results of its internal monitoring programs with the results of those of any external inspection programs and take

Internal monitoring and compliance programs

KPMG in Colombia monitoring and compliance programs are created by KPMG International and applied across KPMG firms.

The programs evaluate both:

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

Our internal monitoring programs also contribute to the assessment of whether our system of quality control has been appropriately designed, effectively implemented, and operates effectively. Our internal monitoring programs include:

- Quality Performance Reviews (QPR) and Risk Compliance Programs (RCP), which are conducted annually across KPMG firms' Audit, Tax and Advisory functions; and
- a cross-functional Global Quality & Compliance Review (GQ&CR) program, with KPMG firms selected for review at various intervals based on identified risk criteria.

Participation in Audit Quality Performance Reviews (QPRs), the Risk Compliance Program (RCP) and the GQ&CR programs is mandatory for all KPMG firms.

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

We give more detail on these programs and how they work in the following sections.

Global Audit Quality Monitoring Group (GAQMG)

The GAQMG identifies issues to help drive audit quality. The group comprises a team of partners, directors and senior managers experienced in performing 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.

Audit Quality Performance Reviews (QPR)

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

Risk-based approach

Each engagement leader [in every KPMG 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 in Colombia level and are monitored regionally and globally. Firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the 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 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.



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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 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 (LAEPs) are notified of unsatisfactory ratings on their respective cross-border engagements. Additionally, LAEPs 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.

Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, KPMG firms 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 to which the

KPMG firm's system of quality control complies with Global Quality & Risk Management policies, and key legal and regulatory requirements; and

— provide the basis for KPMG firms to evaluate compliance with relevant professional standards and applicable legal and regulatory requirements.

Where deficiencies are identified, the KPMG firm is required to develop appropriate action plans and then monitor the status of each action item.

Global Quality & Compliance Review (GQ&CR) program

Each KPMG firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the KPMG firm, at various intervals based on identified risk criteria.

The GQ&CR team performing the reviews is independent of the KPMG firm and is objective and knowledgeable of GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among KPMG firms. The GQ&CR provides an independent assessment of:

- a KPMG firm's commitment to quality and risk management and the extent to which its overall structure, governance and financing support and reinforce this commitment;
- a KPMG firm's compliance with key KPMG International policies and procedures; and

—the robustness with which the firm performs its own compliance program (RCP).

KPMG in Colombia develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree to these with the GQ&CR team.

Our progress on action plan is monitored by the GQ&CR central team. Results are reported to the Global Quality & Risk Management Steering Group (GQRMSG) and, where necessary, to relevant KPMG International and regional leadership.

Area Quality & Risk Management Leaders (ARLs)

The Global Head of Quality, Risk and Regulatory appoints ARLs, who serve a regular and ongoing monitoring function to assess the effectiveness of a KPMG firm's efforts and processes to identify, manage and report significant risks that have the potential to damage the KPMG brand.

Significant activities of the ARL, including KPMG firm issues identified and related response/ remediation, are reported to GQ&RM leadership.

Obtain, evaluate and act on stakeholder feedback

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

Regulators

In Colombia the Central Board of Accountants (Junta Central de Contadores) is the regulatory authority for all public accountants registered in the country, including professional auditors. They may conduct inspections of the Colombian KPMG Member Firms in accordance with their general oversight policies. The registration of the Colombian KPMG Member Firms was renewed in [xxxxx]

KPMG S.A.S. is also registered with the US PCAOB and the Canadian CPAB. The US PCAOB inspected the KPMG in October 2019. The public report on the inspection was released on 2/23/2021 and both it and our response are available on [the PCAOB's website](#).

None of the external inspections have identified any issues that have a material impact on the conduct of our statutory audit business.



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KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through its Global Audit Quality Working Group (GAQ WG), to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues.

Every KPMG firm is expected to maintain professional and respectful relationships with regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

Client feedback

Client feedback is also important. KPMG firms proactively seek feedback from clients through direct conversations and third-party surveys.

Perform root cause analysis



Root cause analysis is important in order to identify and address audit quality issues and prevent them from recurring in the future. All

KPMG firms are required to carry out such analysis.

All Heads of Audit are responsible for audit quality including the remediation of audit quality issues. Risk Management Partner monitor the implementation remediation plans.

At a global level, we continue to strengthen our root cause analysis process and drive consistency across the organization.



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Legal Structure



On 1 October 2020, KPMG S.A.S., KPMG Advisory, Tax & Legal S.A.S., KPMG Shared Services S.A.S and all other KPMG firms

entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

Since 1 October 2020, KPMG International Limited has been the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

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

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable; having an ownership, governance and management structure that ensures continuity and stability and long-term success; and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, 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 Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Further detail on the revised legal and governance arrangements for the KPMG global organization from 1 October 2020 can be found in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).

Responsibilities and Obligations of Member Firms



Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including

quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values (as set out in the Appendices to this document).

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

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Global Steering Groups



There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global

Management Team and, together they assist the Global Management Team in discharging its responsibilities. They act under delegated authority from the Global Board and oversight by the Global Management Team (GMT). Under the oversight of the GMT, they promote the execution of the global strategy and compliance with KPMG International decisions and policies by member firms.

In particular, the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

- Establish, and ensure communication of, appropriate audit and quality/risk management policies;
- Establish and support effective and efficient risk processes to promote audit quality;
- promote and support the implementation of strategy implementation in member firms' audit functions, including standards of audit quality; and
- assess and monitor audit engagement quality, including issues arising from quality performance and regulatory reviews, and focus on best practices to increase audit quality.

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).

Each 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 for the year ending 30 September 2021, can be found in section 'Governance and leadership' of the [2021 KPMG International Transparency Report](#).



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Appendix

Total turnover achieved by audit firms resulting from the statutory audit of annual and consolidated financial statements.

Aggregated revenues generated by KPMG firms globally resulting from the statutory audit of annual and consolidated financial statements was 11.46 billion dollars during the fiscal year ending 30 September 2021. The KPMG firms globally aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2021.



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¹ Does not include revenues from UK.

Appendix 2

KPMG in compliance with the Legal Basic Circular 100-000016 of 2020 and Legal Basic Circular 100-00004 of 2021 issued by Superintendency of Corporations, has implemented a System for Self-Control and Management of the Integral Risks of Money Laundering, Terrorism Financing and Financing of the Proliferation of mass-destruction weapons (SAGRILAFI) and in that context the compliance with the report 52 (Money Laundering).

In addition, the Firm maintains and executes good practices in its processes, aimed at preventing its operations from being used as an instrument for the concealment, handling, investment or use in any form of money or other assets from money laundering activities, the financing of terrorism and/or related crimes and has implemented Circular 100-000011 of 2021, which requires the implementation of transparency and business ethics programs (PTEE) through self-monitoring activities and management of corruption risks and transnational bribery risks, as well as in compliance with Report 50 (Business Ethics) and Report 42 (Business Practices).

For more information, please visit <https://home.kpmg/co/es/home/misc/sagrilaft-y-etica-empresarial.html>



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¹ Does not include revenues from UK.

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