



# Transparency Report 2019

KPMG Auditing S.A.

**Anticipate tomorrow.  
Deliver today.**

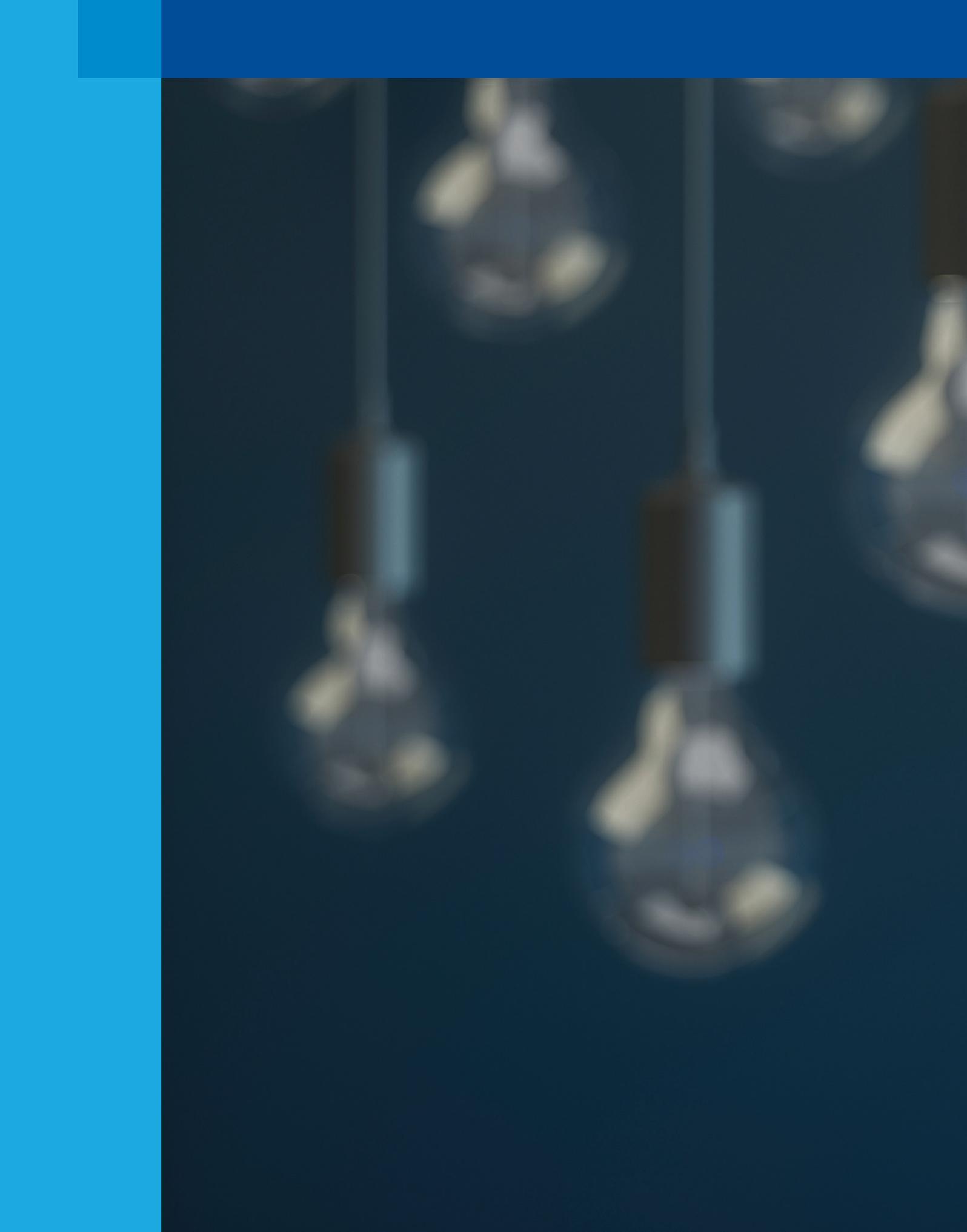
30 June 2019

[kpmg.com/gr](https://www.kpmg.com/gr)



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## What is audit quality?

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

We define 'audit quality' as being the outcome when:

**Audits are executed consistently,  
in line with the requirements and intent  
of applicable professional standards,  
within a strong system of quality controls;**

**and**

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

# Message from the Senior Partner



Anticipating tomorrow to deliver the best results today is our philosophy. Audit is the cornerstone of our business and the basis on which KPMG was founded. What drives us is our relentless focus on audit quality. This is our strategy's underlying foundation for efficient, robust and value added audit services. The fundamental principles of our profession are sustaining public trust and confidence in the capital markets.

In a world of disruption, rapid change and technological evolution these principles have never been as important as they are today. They enable a culture that brings out the best in our people. One where innovation, deep expertise and a global mindset, combine with passion and working shoulder-to-shoulder to deliver real results that build trust.

This is what it means to work with and for KPMG. This is what makes us different.

On 17 June 2016 new EU reform rules on statutory audit became applicable throughout the European Union. The reform aims to improve audit quality and enhance investor confidence in financial information. The main elements of the reform are based on a revised European Statutory Audit Directive 2014/56/EU regarding the duties of statutory auditors and audit firms and a new European Regulation 537/2014 establishing specific requirements regarding statutory audit of public interest entities. The requirements of the European Statutory Audit Directive have been transposed into Law 4449/2017.

Our Transparency Report is published in compliance with the requirements of Regulation (EU) 537/2014 and Law 4449/2017, which is aligned with the revised EU Directive on statutory audits (2014/56/EU). This regulation and law require Greek statutory auditors of both public interest entities and non-public interest entities to publish annual transparency reports disclosing certain information. Our first 2019 transparency report complies with these requirements and covers the financial period 19 December 2018 to 30 June 2019.

This report, which is structured around our unique seven drivers of audit quality, describes the policies and procedures that ensure, for the benefit of our clients and the capital markets we serve, that every KPMG audit is a high-quality audit. These unique drivers assist us to articulate clearly and consistently what audit quality means to us and to highlight how every partner and staff member at KPMG contributes to the delivery of audit quality.

We are pleased to present our first Transparency Report of KPMG Auditing S.A., an entity recently established as a sub-licensee of KPMG Certified Auditors S.A., covering the financial period 19 December 2018 to 30 June 2019. We hope that this report provides you with insights into the audit processes as well as all aspects of our business, ensuring the delivery of the highest quality work.

Our focus for the future is to continue to be recognized for our relentless focus on audit quality, ethics, independence, integrity, innovation and professional excellence, and I am committed to doing everything we can to ensure that this is achieved.

## **Nick Vouniseas**

*Senior Partner*

31 October 2019

*Throughout this document, "KPMG" refers to the network of independent member firms operating under the KPMG name and affiliated with KPMG International Cooperative ("KPMG International") or to one or more of these firms or to KPMG International. KPMG International, a Swiss entity, provides no client services. Throughout the document, "we," "our," and "us" refer to KPMG Certified Auditors S.A. and its sub-licensees. KPMG Certified Auditors S.A. is a member firm of the KPMG network of independent firms affiliated with KPMG International. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.*

# Who we are

## 2.1 Our business

KPMG Certified Auditors S.A. and its sub-licensees operate in Greece as a multi-disciplinary professional service provider through a number of legal entities and deliver Audit, Tax, Accounting & Payroll, Legal and Advisory services. KPMG Certified Auditors S.A. is the member firm of KPMG International and KPMG Auditing S.A., KPMG Advisors Single Member S.A., KPMG Accountants Single Member S.A., KPMG Holding S.A. (non-practicing) and C. Papacostopoulos and Associates Law Firm (CPA Law) are sub-licensees of KPMG Certified Auditors S.A..

Our audit services are delivered through KPMG Certified Auditors S.A., the Greek member firm of KPMG International and KPMG Auditing S.A., its sub-licensee.

KPMG Auditing S.A. is a newly established entity incorporated on 19 December 2018, and for the financial period 19 December 2018 to 30 June 2019 did not have any business activities owing to its recent establishment.

We operate out of our head office and three branch office locations in Greece and had an average of 524 personnel in the year to 30 June 2019.

Our operations are governed by the Board of Directors of KPMG Certified Auditors S.A. and each of its sub-licensees, including KPMG Auditing S.A., each representing a separate legal entity, hereinafter referred to as “the Board of KPMG in Greece”.

Full details of the services offered can be found on our website [www.kpmg.com/gr](http://www.kpmg.com/gr).

## 2.2 Our strategy

Our strategy is set by the Board of KPMG in Greece and has remained consistent for some time. It has determined that our overall ambition remains to be the leading multi-disciplinary professional services firm in Greece and to be a quality service provider to all of our clients.

The Board of KPMG in Greece has also determined that a commitment to quality is one of the most important priorities in our strategy. Therefore, we place significant focus on ensuring that we deliver the quality of service that our clients expect, continually reinforcing the importance of quality across our firm.



# Our structure and governance

## 3.1 Legal structure

### Legal structure and ownership

KPMG Auditing S.A. is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. It is the entity with which all the member firms of the KPMG network are affiliated. Further details about KPMG International and its business activities, including our relationship with it, are available in Appendix 1 to the KPMG International Transparency Report *KPMG International Transparency Report*.

KPMG certified Auditors S.A. and its sub-licensees, including KPMG Auditing S.A., are part of a global network of professional services firms, providing Audit, Tax and Advisory services to a wide variety of public and private sector organizations. KPMG International’s structure is designed to support consistency of service quality and adherence to agreed values wherever its member firms operate.

KPMG Auditing S.A. is an anonymous eteria incorporated on 19 December 2018 under the Laws of Greece and is governed by Greek Law. The shareholders as at 30 June 2019 are as follows:

- |                                      |   |
|--------------------------------------|---|
| — Nick Vouniseas (Senior Partner)    | — Effie Adamidou (Partner)              |
| — Ioannis Achilas (Partner)          | — Nikolaos Dimakos (Partner)            |
| — Harry Sirounis (Partner)           | — Christian Thomas (Partner)            |
| — Marina Kapetanaki (Partner)        | — Christos Krestas (Partner)            |
| — Michael Kokkinos (Partner)         | — Efthymia Katsouli (Partner)           |
| — Philippos Kassos (Partner)         | — Peggy Velliotou (Partner)             |
| — Aspasia Ermioni Kyriacou (Partner) | — Veroni Papatzimou (Partner)           |
| — Vangelis Apostolakis (Partner)     | — Constantinos Zafiris (Partner)        |
| — George Raounas (Partner)           | — Constantine Papacostopoulos (Partner) |
| — Georgia Stamatelou (Partner)       |   |

During the period 19 December 2018 to 30 June 2019, there were 2 partners in KPMG Auditing S.A..

The following certified auditors are signing and equity partners of the audit firm:

- Aspasia Ermioni Kyriacou (Partner)
- Marina Kapetanaki (Partner)

In addition to the audit firms, KPMG Certified Auditors S.A. which is the member firm, and KPMG Auditing S.A. which is its sub-licensee, there are two other practicing sub-licensee anonymous eteries, KPMG Accountants Single Member S.A. and KPMG Advisors Single Member S.A., incorporated under the laws of Greece. These entities are also governed by Greek law. Furthermore, there is a legal firm, namely C. Papacostopoulos and Associates Law Firm (CPA Law) which is also a sub-licensee incorporated as a Greek partnership.

KPMG Accountants Single Member S.A. provides tax, accounting advisory services, bookkeeping and payroll.

KPMG Advisors Single Member S.A. provides tax and advisory services.

CPA Law provides tax and legal services.

## 3.2 Name, ownership and legal relationships

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.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm’s obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal

entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

### 3.3 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 member firm takes responsibility for its management and the quality of its work.

Member firms commit to a common set of KPMG values (see section 4.1).

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

### 3.4 Governance structure

#### National governance

We apply high standards of corporate governance.

#### Our Senior Partner

The Senior Partner is responsible for ensuring that the members of the Board of KPMG in Greece receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large. The Senior Partner also meets with the partners and directors at least quarterly. The current Senior Partner, Nick Vouniseas, was elected on 1 March 2019 following a competitive election campaign and confidential vote of the equity partners.

The governance structure comprises two main governing bodies, the Board of KPMG in Greece and the Executive Committee which is chaired by the Senior Partner, Nick Vouniseas. Furthermore, the governance structure includes a Remuneration Committee which is chaired by Ioannis Tsavlakidis.

Specifically, the Board of KPMG in Greece refers to the following Board of Directors:

- KPMG Auditing S.A. which is chaired by the President and Managing Director, Nick Vouniseas (Senior Partner) who is also the legal representative.
- KPMG Certified Auditors S.A. which is chaired by the President, Aspasia Ermioni Kyriacou. The legal representative of KPMG Certified Auditors S.A. is Nick Vouniseas (Senior Partner).
- KPMG Accountants Single Member S.A. which is chaired by the President and Managing Director Konstantinos Zafiris who is also the legal representative.
- KPMG Advisors Single Member S.A. which is chaired by the President and Managing Director Evangelos Apostolakis who is also the legal representative.

#### The Board of KPMG in Greece

The principal governance and oversight body of KPMG Auditing S.A. is the Board of KPMG in Greece, which provides leadership to the organization and is responsible for our long term growth and sustainability, setting our strategy and overseeing its implementation, monitoring performance against our business plan and protecting and enhancing the KPMG brand.

#### The Board of KPMG Auditing S.A.

The Board of KPMG Auditing S.A. consists of the President and Managing Director, and four additional members which are set out below. The constitution of the Board is as determined by local Company Law and in accordance with the freewill of the Board members. The Board meets from time to time to undertake certain statutory duties for KPMG Auditing S.A. in addition to the duties noted above (including approving the annual accounts and the transparency report). The Board met 8 times in the period 19 December 2018 to 30 June 2019. The latest constitution of the Board of KPMG Auditing S.A., as a corporate body, took place on 13 February 2019, as follows:

- Nick Vouniseas, President and Managing Director
- Constantine Papacostopoulos, Member
- Michael Kokkinos, Member
- Harry Sirounis, Member
- Marina Kapetanaki, Member

The above members of the Board of Directors of KPMG Auditing S.A. were appointed by virtue of the company's Articles of Association, which were registered with the Greek General Commercial Register on 19 December 2018, except Marina Kapetanaki who was appointed on 13 February 2019 to replace the resigned member Christian Thomas.

### Executive Committee

The Chairman of the Executive Committee, Nick Vouniseas (Senior Partner), appoints the other members of the Executive Committee, namely, the Deputy Senior Partner, Executive Director (Operations), Head of Q&RM, Head of Markets and Heads of Audit, Tax and Advisory all of whom are partners of the firm.

The Executive Committee meets at least monthly and as the need arises. A schedule of matters to be monitored regularly by the Executive Committee includes matters of fundamental importance to the firms such as operating and financial performance, annual business plans and budgets, new business proposals (considered individually), marketing, technology development, recruitment and retention, remuneration and risk management policies.

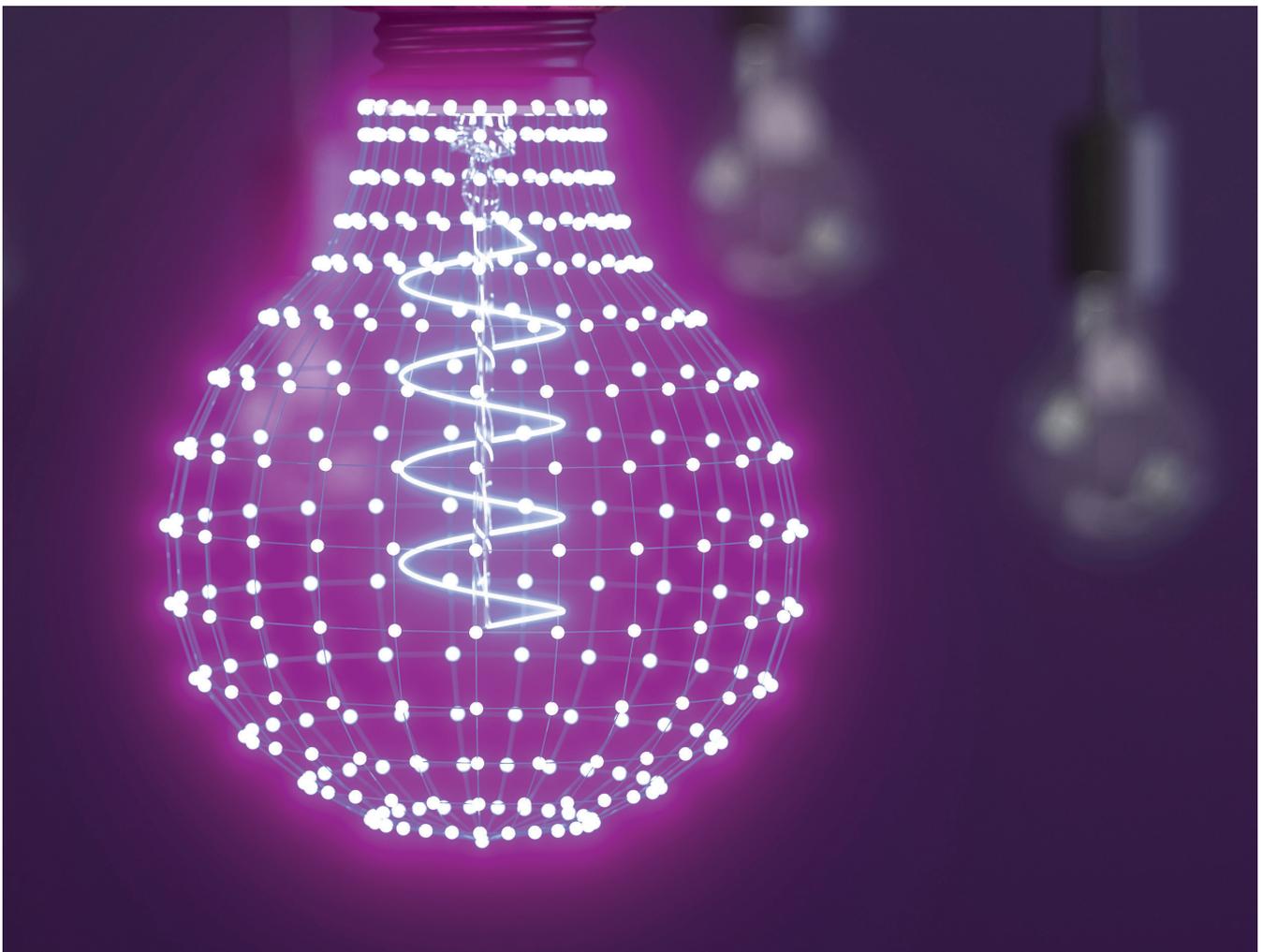
### Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Senior Partner and making recommendations on policies for partners' remuneration. It is also responsible for approving the process for determining partner remuneration and hearing appeals from partners regarding their remuneration.

### Other

Below are our audit partners in charge of various areas:

- Ethics, Independence and Risk Management – Nick Vouniseas and Dimitra Caravelis
- Audit Methodology and Training – Harry Sirounis and Michael Kokkinos
- Quality Reviews – Dimitra Caravelis
- Professional Practice, Regulatory matters and compliance – Dimitra Caravelis and Michael Kokkinos
- Money Laundering Officer – Michael Kokkinos
- Operations – Fernando Garcia Ferrer



# System of quality control

## Overview

A robust and consistent system of quality control is an essential requirement in performing high quality services.

Accordingly, KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (Global Q&RM Manual) available to all personnel. These policies and associated procedures are designed to assist member firms in complying with relevant professional standards, regulatory and legal requirements and in issuing reports that are appropriate in the circumstances, as well as help member firm personnel act with integrity and objectivity and perform their work with diligence.

These policies and procedures are based on the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB) and on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). Both of these are relevant to member firms that perform statutory audits and other assurance and related services.

KPMG Auditing S.A. implements KPMG International policies and procedures and KPMG Auditing S.A. adopts additional policies and procedures that are designed to address rules and standards issued by the Accounting and Auditing Standards Oversight Board (ELTE) as well as applicable legal and regulatory requirements.

Amendments to risk and quality policies, including ethics and independence policies, are included in quality and risk management alerts and are communicated by email. KPMG Auditing S.A. is required to implement changes specified in the email alerts and this is checked through internal monitoring.

Quality control and risk management are the responsibility of all KPMG Auditing S.A. personnel. This responsibility includes the need to understand and adhere to firm policies and associated procedures in carrying out their day-to-day activities. The system of quality control applies to KPMG personnel wherever they are based.

While many KPMG quality control processes are cross-functional and apply equally to tax and advisory work, the remainder of this section focuses on the delivery of quality audits.

It should be noted that by virtue of the fact that KPMG Auditing S.A. is a sub-licensee of KPMG Certified Auditors S.A., the member firm, the quality control policies apply equally to KPMG Auditing S.A.. Furthermore, KPMG Auditing S.A. was incorporated on 19 December 2018 and for the financial period 19 December 2018 to 30 June 2019 did not have any business activities owing to its recent establishment.

## Audit quality framework

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



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

'Tone at the top' sits at the core of the Audit Quality Framework's seven drivers of audit quality and helps ensure that the right behaviors permeate across the entire KPMG network. All of the other drivers are presented within a virtuous circle because each driver is intended to reinforce the others. Each of the seven drivers is described in more detail in the following sections of this report.

## 4.1 Tone at the top

The culture of KPMG International and KPMG member firms is underpinned by a strong set of values and supporting policies and processes and enables the right attitudes and behaviors to permeate throughout the KPMG network.

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

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

Tone at the top means that KPMG Auditing S.A. leadership demonstrate commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders and society at large.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Value: "Above all, we act with integrity". Integrity means constantly striving to uphold the highest professional standards, providing sound good-quality advice to our clients and rigorously maintaining independence. We are committed to achieving a high standard of ethical behavior in everything we do.

The KPMG Values, which have been explicitly codified for a number of years, are embedded into the working practices and values-based compliance culture at KPMG Auditing S.A.. The KPMG Values form the foundation of our culture and set the tone at the top. They also form the foundation of the

KPMG approach to audit and shape how we work together.

We communicate the KPMG Values clearly to our people and embed them into our people processes – induction, performance development and reward. Specific consideration is given to our KPMG Values for management level promotions.

The KPMG Values are set out in Appendix A.2.

### KPMG Global Code of Conduct

KPMG's commitment to integrity and quality is enshrined in the KPMG values that lie at the heart of the way we do things. They define KPMG's diverse and inclusive culture and our commitment to the right personal and professional conduct. The KPMG values emphasize that, above all, KPMG personnel act with integrity, uphold the highest professional standards and provide sound advice while rigorously maintaining independence and complying with laws, regulations, and professional standards. The KPMG values are communicated clearly to all people and are embedded into member firms' people processes – induction, performance development and reward.

Building on the KPMG Values is the KPMG Global Code of Conduct. Member firms, including KPMG Certified Auditors S.A. and its sub-licencee KPMG Auditing S.A. are required to adopt, as a minimum, the Global Code of Conduct.

### Code of Conduct

The Code of Conduct lays out the expectations of ethical behavior for all partners and employees at KPMG Auditing S.A. and is built on the foundation of the KPMG values, the shared set of beliefs and principles at KPMG. In addition, the Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional and ethical standards that apply to his or her job function and level of responsibility. The Code of Conduct sets out our commitments and includes provisions that require KPMG Auditing S.A.'s personnel, in summary to:

- Comply with all applicable laws, regulations, professional standards and KPMG Auditing S.A.'s policies.
- Work with the right clients and third parties.
- Focus on quality.
- Maintain our objectivity and independence.
- Not tolerate any illegal or unethical acts, committed within KPMG Auditing S.A., by clients or suppliers, or public officials with whom we deal.
- Protect information.
- Compete fairly.
- Help our people to be extraordinary.
- Be responsible corporate citizens.
- Build public trust.

All KPMG Auditing S.A.'s personnel is required to:

- Comply with the Global Code of Conduct and confirm their compliance with, the Code of Conduct upon joining

the firm, and annually thereafter; and

- Complete regular training covering the Code of Conduct upon joining the firm and on a biennial basis thereafter.

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

We have procedures and established channels of communication so that our personnel can report ethical and quality issues. Retaliation is prohibited against individuals who 'raise their hand' and speak up in good faith.

In addition, the [KPMG International hotline](#) is a mechanism for all KPMG partners, employees, clients and other external parties to confidentially report concerns they have relating to certain areas of activity by KPMG International itself, KPMG member firms or the senior leadership or employees of a KPMG member firm.

At KPMG Auditing S.A., we regularly monitor the extent to which our people feel we live the KPMG values through the Global People Survey (refer to section 4.4.6).

## 4.2 Leadership responsibilities for quality and risk management

KPMG Auditing S.A. demonstrates commitment to quality, ethics and integrity and communicates our focus on quality to clients, stakeholders and society. Our leadership plays a critical role in setting the right tone and leading by example – demonstrating an unwavering commitment to the highest standards of professional excellence and championing and supporting major initiatives.

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

The following individuals have leadership responsibilities for quality and risk management at KPMG Auditing S.A..

### Senior partner

In accordance with the principles in ISQC 1, our Senior Partner, Nick Vouniseas, has assumed ultimate responsibility for KPMG Auditing S.A. system of quality control and risk management. A key aspect of the firm's culture is a commitment to quality. The Board of KPMG in Greece and our Senior Partner help create a culture of quality within the firm through a number of mechanisms. We communicate our strategy widely and is available to all of our people on our intranet. The quality message is also reinforced in communications from leadership including from the Senior Partner.

### Risk Management Partner (RMP)

Operational responsibility for the system of quality control, risk management and compliance in KPMG Auditing S.A. has been delegated to the National Risk Management Partner (RMP), Dimitra Caravelis, who is responsible for setting the overall professional risk management and quality control policies and monitoring compliance for KPMG Auditing S.A.. She is a member of the Executive Committee and has a direct reporting line to the Senior Partner. The RMP consults with the appointed Area Quality and Risk Management Leader.

The fact that the role is a national governance position with the Executive Committee and the seniority of the reporting lines, underlines the importance that the firm places on risk and quality issues. The RMP is supported by a team of partners and professionals in each of the functions.

### Ethics and Independence Partner (EIP)

The Ethics and Independence Partner has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Auditing S.A. and reports on ethics and independence issues to the Senior Partner and the Executive Committee.

### The Audit, Tax and Advisory functions – Function Heads

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. Between them, they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the RMP. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals.

KPMG Auditing S.A. Head of Audit, Harry Sirounis, is responsible for leading a sustainable high-quality Audit practice that is attractive to KPMG personnel. This includes:

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

### Audit Leadership Team

The Audit Leadership Team of KPMG Auditing S.A. meets monthly and these meetings include regular discussions about current and emerging audit quality issues arising from

external and internal quality review processes, queries being raised by engagement teams, root cause analysis procedures and other quality matters identified from a variety of sources. These are debated together with other observations collected from client-facing teams, are considered and actions agreed. Typically, most of these actions are short term, in which case they are developed and communicated through the regular technical briefings issued to the whole Audit function and also, if considered of sufficient magnitude, included in the next mandatory training.

For more complex issues (which might require amendments to KPMG's global audit methodology or audit tools), these will be raised with KPMG International's Global Audit groups for consideration and potential development of solutions by the Global Services Centre (GSC) and the International Standards Group (ISG). For more information about the GSC and the ISG refer to section 4.5.4

In addition, during these meetings, matters relating to maintaining and improving audit quality are discussed together with findings (and related actions) from external regulatory reviews, the internal Quality Performance Review program and other quality control programs. Furthermore, the aforementioned matters are also discussed at the Executive Committee meetings.

### Investing in continuous improvement

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

## 4.3 Association with the right clients

### 4.3.1 Acceptance and continuance of clients and engagements

One of the keys to managing audit quality is to understand the nature of our clients and the issues they face and build a robust audit response to the identified risks.

We understand our clients are linked to the quality of our work and our reputation.

Rigorous client and engagement acceptance and continuance policies and processes help protect KPMG's reputation, support the KPMG brand and are an important part to our ability to provide high-quality professional services.

Accordingly, KPMG International has established policies and procedures which all member firms are required to implement in order to decide whether to accept or continue a client relationship and whether to perform a specific engagement for that client.

### 4.3.2 Client and engagement acceptance process

#### Client evaluation

KPMG Auditing S.A. undertakes an evaluation of every prospective client.

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

A second partner, as well as the evaluating partner, approves each prospective client evaluation. Where the client is considered to be 'high risk', the Risk Management Partner or a sufficiently skilled and experienced delegate is involved in approving the evaluation.

#### Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of personnel assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Auditing S.A. personnel and includes review by quality and risk management leadership as required.

Where audit services are to be provided for the first time, the prospective engagement team is required to perform additional independence evaluation procedures including a review of any non-audit services provided to the client and of other relevant business and personal relationships.

Similar independence evaluations are performed when an existing audit client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

We follow specific procedures (detailed further in section 4.4.2.7) to identify and evaluate threats to independence for

prospective audit clients that are public interest entities.

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

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

#### 4.3.3 Continuance process

KPMG Auditing S.A. undertakes an annual re-evaluation of all its audit clients. For non-audit clients, this re-evaluation is carried out by the sub-licensees.

The re-evaluation identifies any issues in relation to continuing association and mitigating procedures that need to be put in place (this may include the assignment of additional professionals such as an Engagement Quality Control (EQC) reviewer or the need to involve additional specialists on the audit).

Recurring or long running non-audit engagements are also subject to annual re-evaluation.

In addition, clients and engagements are required to be re-evaluated if there is an indication that there may be a change in their risk profile.

#### 4.3.4 Withdrawal

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

#### 4.3.5 Client portfolio management

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

Each audit partner's client portfolio is reviewed at least annually by the respective Function Head in individual discussions with the audit partner to ensure that the partner has sufficient time to manage the portfolio and to ensure that the risks are being appropriately managed.

## 4.4 Clear standards and robust audit tools

All KPMG Auditing S.A.'s professionals are expected to adhere to KPMG International and local policies and

procedures, including independence policies, and are provided with a range of tools and guidance to support them in meeting these expectations. The policies and procedures set for audit engagements incorporate the relevant requirements of accounting, auditing, ethical and quality control standards and other relevant laws and regulations.

#### 4.4.1 Our approach to audit

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

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

- Timely partner and manager involvement throughout the engagement.
- Access to the right knowledge including involvement of specialists, training and experience requirements and relevant industry expertise.
- Critical assessment of all audit evidence obtained during the audit, exercising appropriate professional judgment.
- Ongoing mentoring, supervision and review of the engagement team.
- Managing and documenting the audit.

##### 4.4.1.1 Consistent audit methodology and tools

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

KPMG member firms may add local requirements and/or guidance in KAM to comply with additional professional, legal or regulatory requirements. KAM contains examples and guidance for, among other things, procedures intended to

identify and assess the risk of material misstatement and procedures to respond to those assessed risks.

The KPMG audit methodology encourages use of specialists when appropriate and also requires involvement of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Q&RM Manual that is applicable to all KPMG member firms, functions and personnel.

The KPMG audit workflow is enabled through eAudit, an activity-based workflow and electronic audit file, eAudit is KPMG's audit documentation workflow that allows over 75000 professionals to complete high quality and consistent audits. eAudit integrates KPMG's audit methodology, guidance and industry knowledge, and the tools needed to execute and document the audit work performed.

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

Significant investments are underway to revise and enhance the KPMG audit methodology (KAM) and workflow tool (eAudit), with the deployment of KPMG Clara Workflow which was piloted in 2018, planned for initial deployment globally in 2019, and full deployment beginning in 2020. Refer below for more details on the KPMG Clara Workflow.

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

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

#### **KPMG Clara**

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

This represents KPMG's ambition to:

- Transform audit execution for our people and clients through new, modern technology-enabled interfaces and collaboration functionality;
- Integrate the required capability to digitize the audit and deliver new D&A routines;
- Enable an enhanced and re-designed workflow;
- Incorporate the development of monitoring capabilities at the engagement-level and across engagement portfolios for use by engagement teams and member firms;



- Support Global leadership’s monitoring of the effectiveness of member firm systems of quality control; and
- Develop an extendable audit platform to enable member firm customization and scale, as well as future capabilities.

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

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

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



KPMG Clara, the KPMG smart audit platform, was launched in mid-2017 and we are in the process of rolling it out.

#### KPMG Clara Workflow

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

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

#### Audit data & analytics (D&A)

KPMG’s audit, powered by D&A:

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

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

#### 4.4.2 Independence, integrity, ethics and objectivity

##### 4.4.2.1 Overview

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

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG’s Global Q&RM Manual. Automated tools facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the standards issued by the Institute

of Certified Auditors and Accountants of Greece and those of the Accounting and Auditing Standards Oversight Board (ELTE). These policies and processes cover areas such as firm independence (covering, for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services.

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

KPMG Auditing S.A. has 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 Auditing S.A..

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications. Member firms are required to implement changes as specified in the email alerts and this is checked through the internal monitoring programs described in section 4.8.1.

KPMG Auditing S.A.'s personnel are required to consult with the EIP on certain matters as defined in the Global Q&RM Manual. Consultations may also be required with the Global Independence Group, depending upon the facts and circumstances.

#### 4.4.2.2 Personal financial independence

KPMG International policies require that KPMG member firms and KPMG professionals are free from prohibited financial interests in, and prohibited relationships with, KPMG member firm audit clients, their management, directors and significant owners. The policies also extend the IESBA Code of Ethics restrictions on ownership of audit client securities to every KPMG member firm partner in respect of any audit client of any member firm.

KPMG Auditing S.A.'s professionals are responsible for making appropriate inquiries and taking other appropriate actions on an on-going basis to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes.

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

Partners and all manager grade and above client-facing personnel are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in KICS, which automatically notifies them if any investments subsequently become restricted. Newly restricted investments must be disposed of within five business days of the notification. KPMG monitors partner, director and manager compliance with this requirement as part of our program of independence compliance audits of a sample of professionals.

In 2019, 37 of KPMG Certified Auditors S.A. and its sub-licensees' personnel were subject to these audits (this included approximately 36% of our partners).

#### 4.4.2.3 Employment relationships

Any professional providing services to an audit client irrespective of function is required to notify our 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 member firm that is a public interest entity.

Former members of the audit team or former partners of KPMG Auditing S.A. are prohibited from joining an audit client in certain roles unless they have disengaged from all significant connections to KPMG Auditing S.A., including payments which are not fixed and determined and/or would be material to KPMG Auditing S.A. and ceased participating in KPMG Auditing S.A. business and professional activities.

Key audit partners and members of the chain of command for an audit client that is a public interest entity are subject to time restrictions (referred to as 'cooling-off' periods) that preclude them from joining that client in certain roles until a defined period of time has passed.

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

#### 4.4.2.4 Firm financial independence

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

In common with other KPMG member firms, KPMG Auditing S.A. uses KICS to record its own investments in SEC entities and affiliates (including funds), locally listed companies and funds, direct and material indirect investments held in pension and employee benefit plans (including non-public entities and funds).

Additionally, KPMG Auditing S.A. is required to record in the system all borrowing and capital financing relationships, and custodial, trust and brokerage accounts that hold member

firm assets.

On an annual basis, KPMG Auditing S.A. confirms its compliance with the independence requirements as part of the Risk Compliance Program.

#### 4.4.2.5 Business relationships/suppliers

KPMG Auditing S.A. has policies and procedures in place that are designed to ensure its business relationships are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements.

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

All prospective business relationships are evaluated to assess association risks and to identify potential auditor independence and conflicts of interest issues. A relationship involving a third party service provider – that 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 their understanding and compliance with applicable ethics and independence requirements, and are also required to complete ethics training. Third parties providing services to audit or assurance clients are required to complete independence training.

#### 4.4.2.6 Business acquisitions, admissions and investments

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

#### 4.4.2.7 Independence clearance process

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

#### 4.4.2.8 Independence training and confirmations

All KPMG Auditing S.A.'s partners and client service professionals, as well as certain other individuals must

complete independence training that is appropriate to their grade and function upon joining KPMG Auditing S.A. and on an annual basis thereafter.

New personnel who are required to complete this training must do so by the earlier of (a) thirty days after joining KPMG Auditing A.E. or (b) before providing any services to, or becoming a member of the chain of command for, any audit client, including any of its related entities or affiliates.

We also provide all personnel with training on the Code of Conduct and ethical behavior, including KPMG's anti-bribery policies, compliance with laws, regulations and professional standards and reporting suspected or actual non-compliance with laws, regulations, professional standards and KPMG's policies on a biennial basis. New personnel are required to complete this training within three months of joining KPMG Auditing S.A..

In addition, certain non-client facing personnel who work in finance, procurement or sales and marketing departments, and who are at the manager level and above, are also required to undertake anti-bribery training.

Upon acceptance of employment, all KPMG personnel are required to confirm that they are in compliance with, and will abide by, applicable ethics and independence rules and policies. Thereafter, all KPMG personnel are required to sign an annual confirmation stating that they have remained in compliance with applicable ethics and independence policies throughout the year covered by the confirmation as well as their understanding of, and compliance with, the applicable Code of Conduct. This confirmation is used to evidence the individual's compliance with, and understanding of, KPMG's independence policies.

#### 4.4.2.9 Non-audit services

We have policies that are consistent with IESBA principles and applicable laws and regulations related to the scope of services that can be provided to audit clients.

We are required to establish and maintain a process to review and approve all new and modified services that are developed by KPMG Auditing S.A. The EIP is involved in the review of potential independence issues and the Global Independence Group is involved in the case of services developed which are intended to be delivered to audit or assurance clients in more than one jurisdiction.

In addition to identifying potential conflicts of interest, Sentinel™, facilitates compliance with these policies. Certain information on all prospective engagements, including service descriptions and fees, must be entered into Sentinel™ as part of the engagement acceptance process. Lead audit engagement partners are required to: maintain group structures for their publicly traded and certain other audit clients as well as their affiliates in Sentinel™ and they are also responsible for identifying and evaluating any independence threats that may arise from the provision of a

proposed non-audit service and the safeguards available to address those threats. Sentinel™ enables lead audit engagement partners, for those entities for which group structures are maintained, to review and approve, or deny, any proposed service for those entities worldwide.

In accordance with applicable auditor independence rules, none of our audit partners are compensated on their success in selling non-audit services to their audit clients.

#### 4.4.2.10 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the member firm expressing the audit opinion. They require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years:

- This would be disclosed to those charged with governance at the audit entity; and
- A senior partner from another KPMG member firm would be appointed as the EQC reviewer.

As KPMG Auditing S.A. is a recently established entity it has no audit activities for the financial period 19 December 2018 to 30 June 2019, and therefore no audit fees from a public interest entity and its related entities for this period.

#### 4.4.2.11 Conflicts of interest

Conflicts of interest can arise in situations where KPMG Auditing S.A.'s personnel 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 RMP or the EIP is required in these situations.

All KPMG member firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived by a fully informed, reasonable observer, to have an impact on a member firm or its personnel in their ability to be objective or otherwise act without bias.

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

KPMG Auditing S.A. has risk management resources (Resolver/s) who are responsible for reviewing an identified potential conflict and working with the affected member

firms to resolve the conflict, the outcome of which must be documented. It may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise, or be perceived to arise, so that the confidentiality of all clients' affairs is maintained. Such procedures may, for example, include establishing formal dividers between engagement teams serving different clients, and making arrangements to monitor the operation of such dividers.

Escalation and dispute resolution procedures are in place for situations in which agreement cannot be reached on how to manage a conflict. If a potential conflict issue cannot be appropriately mitigated, the engagement is declined or terminated.

Any potential conflict matters that raise important points of principle for our firm are referred to our Risk Management Partner for resolution; in cases of difficulty such matters are brought to the attention of the Executive Committee for resolution.

#### 4.4.2.12 Breaches of independence policy

All KPMG Auditing 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.

KPMG Auditing S.A. has a documented disciplinary policy in relation to breaches of independence policies. The disciplinary policy is communicated to all professionals and applies to all breaches of independence rules, incorporating incremental sanctions reflecting the seriousness of any violations. Any breaches of auditor independence regulations are reported to those charged with governance at the audit client, on the basis agreed with them, but at a minimum on an annual basis.

Matters arising are factored into our promotion and compensation decisions and, in the case of engagement leaders and managers, are reflected in their individual quality and risk metrics.

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

Compliance with laws, regulations and standards is a key aspect for all KPMG Auditing S.A. personnel. In particular, we have zero tolerance for bribery and corruption.

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

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

#### 4.4.2.14 Partner and firm rotation

##### Partner rotation

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require all member firms to comply with any stricter local applicable rotation requirements, which in Greece means we also comply with the Accounting and Auditing Standards Oversight Board (ELTE) and Law 4449/2017 regarding statutory audits.

KPMG Auditing S.A. partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations and independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit.

KPMG Auditing S.A. monitors the rotation of audit engagement leaders (and any other key roles such as the Key Audit Partner and EQC Reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients. The partner rotation monitoring is subject to compliance testing.

##### Firm rotation

Under the new EU Audit legislation, KPMG Auditing S.A. is permitted to act as an auditor for a public interest entity for a maximum period of ten years and not to act as auditor for such clients for a period of four years thereafter (referred to as the 'cooling-off period'). KPMG Auditing S.A. has processes in place to track and manage audit firm rotation.

## 4.5 Recruitment, development and assignment of appropriately qualified personnel

One of the key drivers of quality is ensuring that our professionals have the appropriate skills and experience, passion and purpose, to deliver the highest quality in audit. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. The KPMG performance development approach, is linked to the KPMG Values, and is designed to articulate what is required for success – both individually and collectively. Ensuring Audit quality is an essential element of the training, planning and development underway to support the KPMG Clara Workflow roll-out and the associated updated KPMG audit methodology, with processes embedded in all KPMG learning programs.

#### 4.5.1 Recruitment

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

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

KPMG Auditing S.A. also recruits experienced and partner level professionals.

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.

KPMG Certified Auditors S.A. and its sub-licensees recruited 130 new people in the year ended 30 June 2019 (30 June 2018:82).

Where individuals are recruited for senior grades, an independence discussion is conducted with them by the Ethics and Independence Partner or delegate. KPMG Auditing S.A. does not accept any confidential information belonging to the candidate's former firm/employer.

The Partner hire process is rigorous and thorough, involving appropriate members of leadership. Our criteria for Partner hires are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

#### 4.5.2 Personal development

It is important that all our professionals have the necessary business and leadership skills in addition to technical skills to be able to perform quality work (see section 4.6.1).

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

A culture of continuous improvement is encouraged to drive feedback, both positive and developmental, from both junior and senior colleagues, as well as peers. In our performance development approach feedback can be sought and received through two mechanisms, informal feedback, which should be regular and owned by the individual for their own development and growth, and formal feedback through an engagement review form. The engagement review form specifically requests feedback on quality, and inputs into performance evaluations.



Partners and certain professionals are also required to be evaluated on key quality and compliance metrics. KPMG Auditing S.A. monitors quality incidents and maintains quality and compliance metrics for the purpose of partner assignments and also for the purposes of partner evaluation, admission to partnership and remuneration.

In relation to audit, opportunities are provided for professionals to develop the skills, behaviors and personal qualities that form the foundations of a successful career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership and business skills.

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

#### 4.5.3 Inclusion and Diversity programs

KPMG Auditing S.A. works hard to foster an inclusive culture. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

Our leadership and management teams also need to reflect the diversity within our firm and the diversity of our clients.

We believe that the established Global Inclusion and Diversity strategy of KPMG International provides the framework to drive the actions that are necessary to promote inclusive leadership at KPMG Auditing S.A. and across the KPMG network.

#### 4.5.4 Performance and Reward

##### Evaluation process including quality and compliance metrics

KPMG Auditing S.A., including partners, have annual goal-setting and performance reviews. Each professional is evaluated on their agreed-upon goals, demonstration of our leadership competencies, technical capabilities and market knowledge. A culture of continuous improvement is encouraged to drive feedback, both formal and informal, from both junior and senior colleagues, as well as peers. Feedback gathered forms an integral part of performance reviews. KPMG Auditing S.A. monitors quality and compliance incidents and maintains quality metrics in assessing overall evaluation, promotion and remuneration of partners, directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

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

##### Reward

We have compensation and promotion policies that are clear, simple and linked to the performance review process which, for partners, includes the achievement of key audit quality and compliance metrics. This helps our partners and employees know what is expected of them, and what they can expect to receive in return. Reward decisions are based on consideration of both individual and organizational (member firm) performance. The extent to which our people feel their performance has been reflected in their reward is measured through the Global People Survey, with action plans developed accordingly (refer to section 4.5.6 below).

##### Promotion

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

##### Partner admissions

The KPMG Auditing S.A. process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the KPMG Auditing S.A. partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice. These are strongly aligned to KPMG's behavioral capabilities and are based on consistent principles.

Each candidate for the partnership, whether via potential direct-entry hire or internal nomination, is nominated by an existing partner, approved by the Function Head and then undergoes a series of tests and interviews by an appropriate committee. Furthermore, the Partner in Charge of the Ethics

and Compliance Group coordinates a comprehensive compliance review for each partner candidate. Once accepted the senior partner proposes the individuals for admission to partnership to the meeting of all existing partners and if the partners approve, the individuals are admitted to partnership.

#### 4.5.5 Assignment of professionals

KPMG Auditing S.A. has procedures in place to assign both the 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 (that is, the engagement team composition and specialist involvement).

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies, training and capabilities, including time, to perform audit engagements in accordance with KAM, professional standards, and applicable legal and regulatory requirements. This may include involving specialists from our own firm or other KPMG member firms.

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 Auditing S.A.'s quality control policies and procedures.
- QPR results and results of regulatory inspections.

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

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

Biennially KPMG Certified Auditors S.A. and its sub-licencees invite all their people to participate in an independent Global People Survey to share their perception about their experience working for KPMG. The GPS provides an overall measure of our people's engagement through an Engagement Index (EI) as well as insights into areas driving engagement which may be strengths or opportunities. The survey also identifies opportunities to strengthen those levels of engagement. Results can be analyzed by functional or geographic area, grade, role etc., to provide additional insight. Additional insight is provided on how we are faring on categories known to impact employee engagement.

The survey also specifically provides local leadership and KPMG global leadership with results related to audit quality, upholding the KPMG values, employee and partner attitudes to quality, leadership and tone at the top.

KPMG Certified Auditors S.A. and its sub-licencees participate in the GPS, monitor results and take appropriate actions to communicate and respond to the findings of the survey.

This includes monitoring GPS results including those related to audit quality and tone at the top, and employee engagement through the EI.

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

## 4.6 Commitment to technical excellence and quality service delivery

All KPMG Auditing S.A. professionals are provided with the technical training and support they need. This includes access to specialists and the professional practice department, which are made up of senior professionals with extensive experience in audit, reporting and risk management, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG Auditing S.A., access is provided to a network of highly skilled KPMG professionals in other KPMG member firms.

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

### 4.6.1 Lifetime learning strategy

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

#### Formal training

Annual training priorities for development and delivery are identified by the Audit Learning and Development steering groups at the global and regional level and, where applicable, KPMG Auditing S.A.. Training is delivered using a blend of classroom, digital learning and performance support to assist auditors on the job. Audit Learning and Development teams work with subject matter experts and leaders from the GSC, the ISG and member firm Department of Professional Practice (DPP), as appropriate, to ensure the training is of the highest quality, is relevant to performance on the job and is delivered on a timely basis.

#### Mentoring and on the job training

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

In relation to audit, KPMG Auditing S.A:

- Deploys a variety of learning solutions that are designed to reinforce our Values and ensure our professionals get the fundamentals right, and develop the necessary skills and attitudes to make judgments, and apply professional skepticism that enhance audit quality and the value of audit.
- Provide instructor-led and virtual classroom training, performance support tools, coaching guides and just-in-time learning. Guidance is available on judgmental audit topics – this is used by audit teams and this guidance is embedded across audit learning solutions.
- Have also developed professional judgment tools, designed to reinforce the importance of independence and objectivity and to assist engagement teams in demonstrating professional skepticism.
- Provide courses to enhance professional effectiveness and develop leadership and business skills. Our personnel are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

#### 4.6.2 Licensing and mandatory requirements for IFRS and U.S. GAAP engagements

##### Licensing

All KPMG Auditing S.A. professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development (CPD) requirements in the jurisdiction in which they practice. Policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge and experience in the local predominant financial reporting framework.

Specifically, audit professionals responsible for signing audit reports are required to meet the requirements of the Institute of Certified Auditors and Accountants and the Accounting and Auditing Standards Oversight Board (ELTE) in Greece as well as the requirements of Law 4449/2017.

KPMG Auditing S.A. is authorized by the Accounting and Auditing Standards Oversight Board (ELTE) in Greece as registered Auditors and is licensed to carry out audit work.

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

In addition, we have specific requirements for partners, managers and EQC reviewers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework.

Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that the partner, manager and EQC reviewer have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

#### 4.6.3 Access to specialist networks

KPMG Auditing S.A. engagement teams have access to a network of local KPMG specialists as well as specialists in other KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

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

The need for specialists (e.g. Information Technology, Tax, Treasury, Actuarial, Forensic, Valuation) to be assigned to a

specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

#### 4.6.4 Culture of Consultation

KPMG encourages a strong culture of consultation that supports member firm teams throughout their decision-making processes and is a fundamental contributor to audit quality. KPMG Auditing S.A. promotes a culture in which consultation is recognized as a strength and that encourages personnel to consult on difficult or contentious matters.

To assist audit engagement professionals in addressing difficult or contentious matters, protocols have been established for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, the KPMG Global Q&RM Manual includes mandatory consultation requirements where certain matters are identified such as concerns over client integrity.

##### Technical consultation and global resources

Technical auditing and accounting support is available to all member firms and their professionals through the GSC and the ISG as well as the US Capital Markets Group for SEC foreign registrants.

Across KPMG Auditing S.A., the Role of DPP is crucial in terms of the support that it provides to the Audit Function. It provides technical guidance to client service professionals on specific engagement related matters, develops and disseminates specific topic related guidance on emerging local technical and professional issues and disseminates international guidance on IFRS and ISA.

Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, Head of Quality and Risk or the Senior Partner.

##### Global Services Centre (GSC)

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

### International Standards Group (ISG)

The ISG works with Global IFRS and ISAs topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS and auditing requirements between member firms, identify emerging issues and develop global guidance on a timely basis.

Further details about the GSC and ISG and its activities are available in the KPMG International Transparency Report *KPMG International Transparency Report*.

The ISG also supports the following groups to facilitate information sharing within the DPP network, and to ensure sector-specific issues are dealt with proactively:

- The Global ISA Panel, chaired by the Global Audit Quality and Risk Management Partner includes senior DPP partners from key member firms and is responsible for monitoring the development of ISA guidance and the development of response letters to the International Auditing and Assurance Standards Board (IAASB) and/or regulators.
- Global Topic Teams, which formulate guidance on IFRS accounting and reporting practice on sector specific or specific technical areas and act as central contact points for their regions/home practices in identifying and addressing issues related to relevant topics.
- The Global IFRS Panel is responsible for monitoring the development of IFRS guidance and response letters to the International Accounting Standards Board and/or regulators by the ISG and the Topic Teams. The panel is chaired by the Global IFRS Leader and includes global IFRS topic leaders.

### Member firm professional practice resource

Appropriate consultation support on auditing and technical accounting matters is provided to audit engagement professionals through our professional practice resources (referred to as Department of Professional Practice or DPP). DPP also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to be escalated to senior partners for final resolution. The ISG is also available for consultation when required.

KPMG International policies include minimum requirements for member firm DPPs.

#### 4.6.5 Developing business understanding and industry knowledge

A key part of quality is having a detailed understanding of the client's business and industry.

For significant industries global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals through the KPMG audit workflow. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition, industry overviews are available which provide general and business information in respect of particular industries, as well as a summary of the industry knowledge provided in the KPMG audit workflow.

## 4.7 Performance of effective and efficient audits

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

### 4.7.1 Ongoing mentoring, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of skills and capabilities of KPMG professionals, without compromising on quality, KPMG Auditing S.A. promotes a continuous learning environment and supports a coaching culture.

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

Ongoing mentoring, coaching and supervision during an audit involves:

- Engagement partner participation in planning discussions.
- Tracking the progress of the audit engagement.
- Considering the competence and capabilities of the individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement.
- Helping engagement team members address any significant matters that arise during the audit and modifying the planned approach appropriately.
- Identifying matters for consultation with more experienced team members during the engagement.

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

#### 4.7.1.1 Timely engagement quality control (EQC) reviews

EQC reviews are independent of the engagement team and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

An EQC reviewer is required to be appointed for audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements as designated by the Risk Management Partner or country Head of Audit.

The EQC review takes place before the date of the auditor's report and includes, among other matters:

- Review of selected audit documentation relating to significant judgments the engagement team made and the conclusions it reached.
- Review of the financial statements and proposed auditor's report.
- Evaluation of the conclusions reached in formulating the auditor's report and consideration of whether the proposed report is appropriate.

Although the engagement partner is ultimately responsible for the resolution of financial reporting and auditing matters, the EQC reviewer must be satisfied that all significant questions raised have been resolved before an audit can be considered complete.

We are continually seeking to strengthen and improve the role that the EQC reviewer plays in audits, as this is a fundamental part of the system of audit quality control. In recent years, a number of actions have been taken to reinforce this, including:

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers.
- Incorporating specific procedures in the KPMG audit workflow to facilitate effective reviews.
- Implementing policies relating to recognition, nomination and development of EQC reviewers, as well as monitoring and assessing the nature, timing and extent of their involvement.

#### 4.7.1.2 Reporting

Auditing standards and local legislation largely dictate the format and content of the auditor's report that includes an opinion on the fair presentation of the client's financial statements in all material respects. Experienced engagement partners arrive at all audit opinions based on the audit performed.

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

Effective for December 2017 year ends onward in compliance with the new IAASB requirements and local legal and regulatory requirements, we have enhanced auditor reporting for those auditors' reports prepared under the ISAs. The changes in auditors' reporting gives users more insight into the audit and improve transparency.

#### 4.7.1.3 Insightful, open and honest two-way communication

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

At KPMG Auditing S.A. we stress the importance of keeping those charged with governance informed of issues arising throughout the audit and the need to listen to and understand their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings and, when appropriate, ongoing informal discussions with management and members of the audit committee.

Communications with audit committees include:

- An overview of the planned scope and timing of the audit, which includes communicating significant risks identified
- Significant findings from the audit which may include control deficiencies and audit misstatements
- An annual written communication that states the engagement team and KPMG Auditing S.A. have complied with relevant independence requirements; describes all relationships and other matters between KPMG Auditing S.A. and the audit client that, in our professional judgment, may reasonably be thought to bear on independence; and states related safeguards we have applied to eliminate (or reduce to an acceptable level) identified threats to independence.

We ensure such communications meet the requirements of professional standards.

#### Audit Committee Institute

In recognition of the demanding and important role that audit committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, the *Audit Committee Institute (ACI)* aims to help audit

committee members enhance their commitment and ability to implement effective audit committee processes. The ACI operates in more than 40 countries across the globe and provides audit committee members with authoritative guidance (such as the *ACI Audit Committee Handbook*) on matters of interest to audit committees; updates on issues like EU audit reform, changes to accounting standards and other matters of interest to Audit Committees (such as cyber security and corporate culture); and the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

The ACI's offerings cover the array of challenges facing Audit Committees and businesses today – from risk management and emerging technologies to strategy and global compliance.

#### IFRS Institute

KPMG's Global IFRS Institute provides information and resources to help the KPMG Auditing S.A. Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

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

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

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA requirements as well as other applicable laws, standards and regulations.

We have clear policies on information security that cover a wide range of areas. Data Privacy policies are in place governing the handling of personal information and associated training is required for all KPMG Auditing S.A.'s personnel.

## 4.8 Commitment to continuous improvement

KPMG commits to continually improve the quality, consistency and efficiency of KPMG audits. Integrated quality monitoring and compliance programs enable member 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 member firm's system of quality control. KPMG International's integrated quality and monitoring programs include the Quality Performance Review (QPR) program, the Risk Compliance Program (RCP) and the Global Compliance Review (GCR) program.

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

#### 4.8.1 Internal monitoring and compliance programs

Our monitoring programs evaluate both:

- Engagement performance in compliance with the applicable standards, applicable laws and regulations and KPMG International policies and procedures.
- KPMG Auditing S.A.'s compliance with KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.



The results and lessons from the integrated monitoring programs are communicated internally and the overall results and lessons from the programs are considered and appropriate action is taken at local, regional and global levels. Our internal monitoring program also contributes to the assessment of whether our system of quality control has been appropriately designed, effectively implemented and operates effectively.

Two KPMG International developed and administered inspection programs are conducted annually across the Audit, Tax and Advisory functions, namely: QPR and RCP.

Additionally all member firms are covered at least every three years by the cross-functional GCR program. Participation in QPR, RCP and GCR is a condition of ongoing membership of the KPMG network.

#### 4.8.1.1 Audit Quality Performance Reviews (QPRs)

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

##### Risk-based approach

Each engagement leader is reviewed at least once in a three-

year cycle. A risk-based approach is used to select engagements.

KPMG Auditing S.A. conducts the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Auditing S.A. level and are monitored regionally and globally. Member firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the member firm.

##### Reviewer selection, preparation and process

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

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

##### Evaluations from Audit QPR

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Satisfactory', 'Performance Improvement Needed' or 'Unsatisfactory'.

##### Reporting

Findings from the QPR program are disseminated to member firm professionals through written communications, internal training tools and periodic partner, manager and staff meetings.

These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement.

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

As KPMG Auditing S.A. is a recently established entity it has no audit activities for the period 19 December 2018 to 30 June 2019 and therefore no QPR review has been carried out.

#### 4.8.1.2 Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all member firms. These policies and processes, and their related procedures, include the requirements of ISQC 1. During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans



and conclusions.

The objectives of the RCP are to:

- Monitor, document and assess the extent of compliance of KPMG Auditing S.A.'s system of quality control with Global Quality & Risk Management policies and key legal and regulatory requirements relating to the delivery of professional services.
- Provide the basis for KPMG Auditing S.A. to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

The RCP review, which was carried out during the period May 2019 through August 2019, did not identify any issues considered to have a material effect on the conduct of the firm's risk management practice.

#### 4.8.1.3 Global Compliance Review (GCR) Program

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

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

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

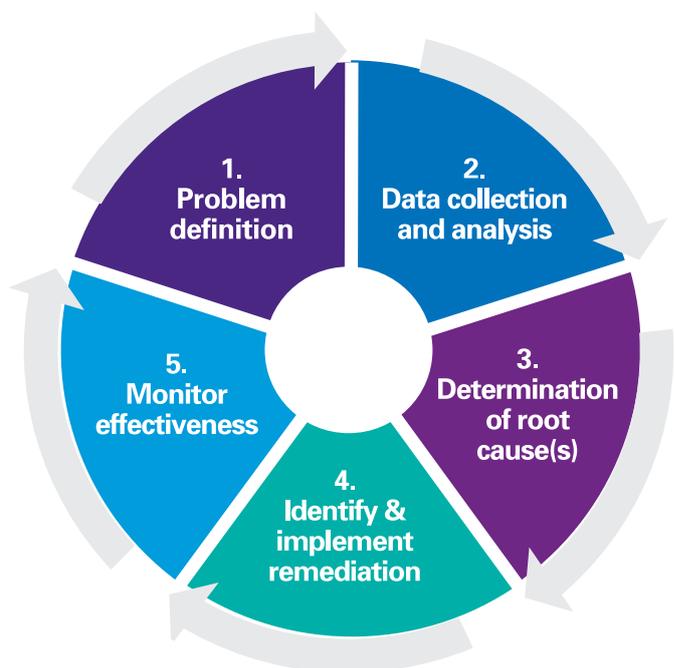
We develop action plans to respond to all GCR findings and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the Global Quality & Risk Management Steering Group (GQ&RMSG) and, where necessary, to appropriate KPMG International and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

Greece was subject to a GCR review in the year ended 30 June 2019 which was conducted in April 2019.

#### 4.8.1.4 Root Cause Analysis (RCA)

KPMG Auditing S.A. performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In October 2018, RCA training based on our Global RCA 5-Step Principles was attended by those individuals at KPMG Certified Auditors S.A., the member firm, who will be performing RCA or directing those performing RCA for the sub-licensees. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



It is the responsibility of member firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG Auditing S.A.'s Head of Audit is responsible for the development and implementation of action plans as a result of RCA, including identification of solution owners. The Risk Management Partner monitors their implementation.

We have significantly increased the formality of root-cause analysis performed. We conducted more than 2 RCA projects. The RCA is performed by a team trained in our Global root-cause analysis 5-step methodology and independent of the engagement team.

The outcome of this process is increased visibility of the underlying factors at engagement level that hinder the consistent delivery of high quality audits. This improved visibility allows us to develop more insightful and focused actions. These actions are broader than training, tools and

guidance and are designed to address behavioral and structural matters in addition to areas such as technical knowledge and work allocation.

#### 4.8.2 Recommendations for improvements

At a global level, through the GAQSC and the GQ&RMSG, KPMG International reviews the results of the quality monitoring programs, analyzes member firm root causes and action plans and develops additional global actions as required.

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

#### 4.8.3 External feedback and dialogue

##### Regulators

In Greece the Accounting and Auditing Standards Oversight Board (ELTE) has been carrying out independent inspections for a number of years with respect to KPMG Certified Auditors S.A., the member firm.

As KPMG Auditing S.A., the sub-licensee, is a recently established entity, it has no audit activities for the financial

period 19 December 2018 to 30 June 2019, and therefore the Accounting and Auditing Standards Oversight Board (ELTE) has not carried out any reviews.

As KPMG Auditing S.A., the sub-licensee, is a recently established entity, it has no audit activities for the financial period 19 December 2018 to 30 June 2019, and therefore the Institute of Certified Auditors and Accountants in Greece has not carried out any reviews.

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR) to discuss audit quality findings and actions taken to address such issues at a network level.

In Greece, our firm has regular two-way communication with our local regulator, the Accounting and Auditing Standards Oversight Board (ELTE), to discuss regulatory changes and any other matters relevant to our audit business.

##### Client feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavor to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs. Any actions arising from client feedback are followed up by a designated partner by the Executive Committee to ensure that concerns on quality are dealt with on a timely basis and the respective feedback is provided to the engagement partner.

# 5

## Financial information

As KPMG Auditing S.A. is a recently established entity, it has no audit activities and therefore has not generated any audit revenues for the financial period 19 December 2018 to 30 June 2019.

# Partner remuneration

Remuneration of partners is determined by the Senior Partner in consultation with appropriate Executive and Remuneration Committee members, based on the objectives set for each partner on a number of matters relevant to their role in the group. These include quality of work, excellence in client service, growth in revenue and profitability, leadership and living the Values of KPMG Certified Auditors SA and its sub-licensees. Audit partner remuneration setting takes no account of the level of non-audit services provided to the partner's audit clients.

Specifically, there are three elements to partner remuneration:

- Base component - fixed amount as a base component
- Performance related bonus - rewards performance in the year by each partner against individual objectives
- Profit share - a share of residual profits not retained for future investment in the business



# Network arrangements

## 7.1 Legal Structure

The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.

KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

One of the main purposes of KPMG International is to facilitate the provision by member firms of high-quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies, standards of work and conduct by member firms, and protects and enhances the use of the KPMG name and brand.

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

More information about the KPMG network can be found in the *KPMG Global Review*.

The name of each audit firm that is a member of the network and the EU/EEA countries in which each network member firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available on <https://assets.kpmg/content/dam/kpmg/xx/pdf/2019/09/list-of-kpmg-audit-entities-located-in-eu-and-eea.pdf>

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

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was Euro 2.8 billion during the year ended 30th September 2018.

An updated statement of aggregated EU/EEA statutory audit revenues for the 12 months ended 30 September 2019 will be available within Appendix 2 to the 2019 KPMG International Transparency Report, also to be published in December 2019 on kpmg.com. The aggregated EU/EEA statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the year ended 30 September 2018 (and 30 September 2019 for the updated numbers to be published in the KPMG International Transparency Report).

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

## 7.2 Responsibilities and obligations of member firms

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

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

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

### 7.3 Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis and is principally written through a captive insurer that is available to all KPMG member firms.

### 7.4 Governance structure

The key governance and management bodies of KPMG International are the Global Council, the Global Board and the Global Management Team.

#### Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, only has members, not shareholders).

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 58 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

#### Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International and approving policies and regulations. It also admits member firms.

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

It is led by the Global Chairman, who is supported by the Executive Committee, consisting of the Global Chairman, the Chairman of each of the regions and currently three other senior partners of member firms. The list of Global Board

members, as at 1 October 2018 is available in the [KPMG Global Review](#).

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

#### Global Management Team

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

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

The list of Global Management Team members, as at 1 October 2018, is available in the [KPMG Global Review](#).

#### Global Steering Groups

The Global Steering Groups work closely with regional and member firm leadership to:

- Establish and communicate appropriate audit and quality/risk management policies
- Enable effective and efficient risk processes to promote audit quality
- Proactively identify and mitigate critical risks to the network.

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

Each member firm is part of one of three regions (the Americas, ASPAC and EMA). Each region has a Regional Board comprising a regional Chairman, regional Chief Operating Officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

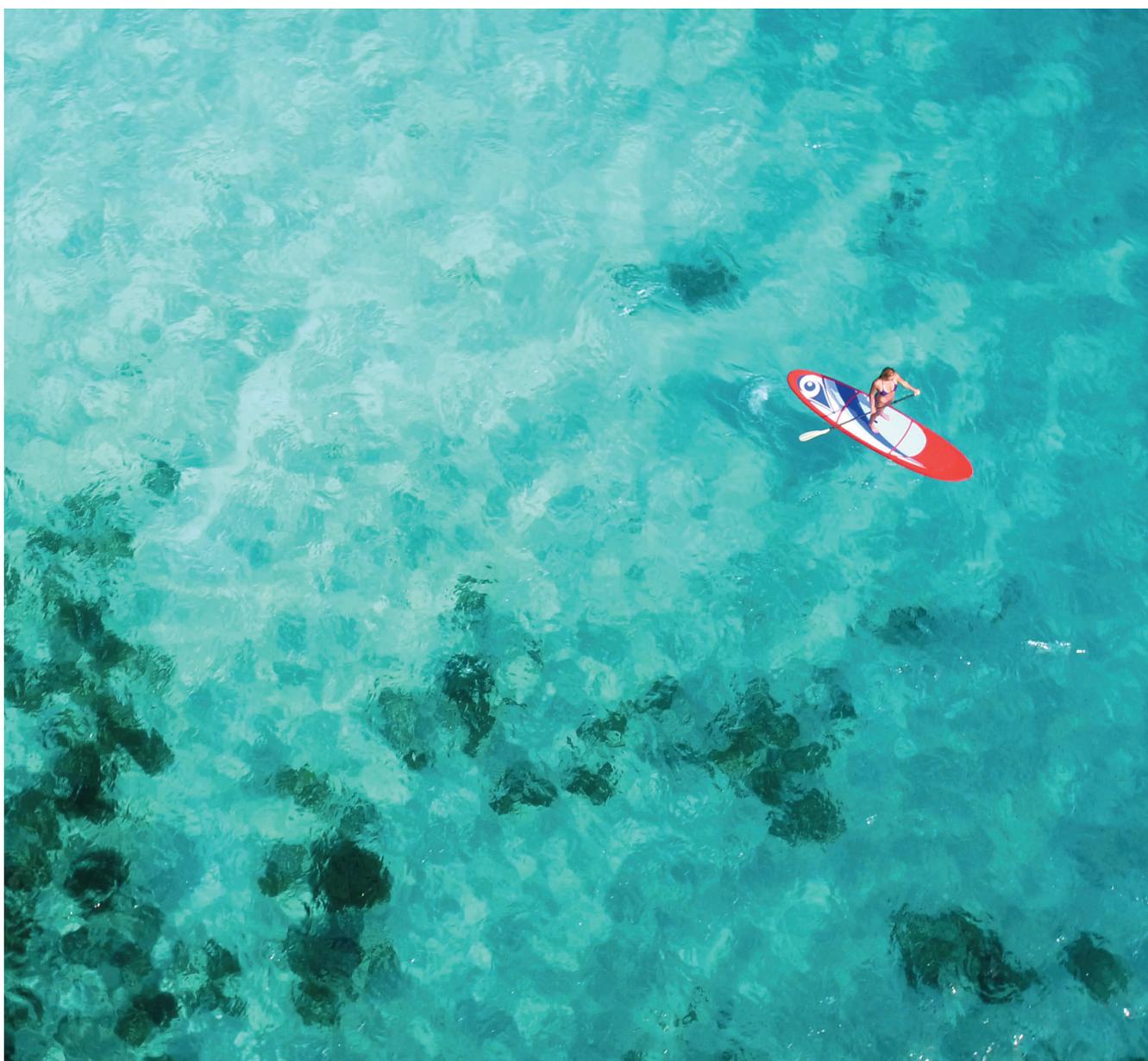
Further details about KPMG International including the governance arrangements, can be found in section 'Governance and leadership' of the [KPMG International Transparency Report](#).

## 7.5 Area Quality & Risk Management Leaders

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

The objectives of the ARL role are to:

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



# Statement by the Board of Directors KPMG Auditing S.A. on the effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG Auditing S.A. outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by our firm comply with the applicable laws and regulations. Because of its inherent limitations, the system of quality controls is not intended to provide absolute assurance that non-compliance with relevant laws and regulations would be prevented or detected.

The Board of Directors of KPMG Auditing S.A. has considered:

- The design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 4.8 and our local compliance monitoring programs); and
- KPMG Auditing S.A. was incorporated on 19 December 2018 and for the financial period 19 December 2018 to 30 June 2019, did not have any business activities owing to its recent establishment.

Taking all of this evidence together, the Board of Directors of KPMG Auditing S.A. confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the financial period 19 December 2018 to 30 June 2019.

Further, the Board of Directors of KPMG Auditing S.A. confirms that an internal review of independence compliance within our firm has been conducted in the financial period 19 December 2018 to 30 June 2019.

**Nick Vouniseas**  
*President and Managing Director*

31 October 2019



# Appendices

## A.1 Public Interest Entities

As KPMG Auditing S.A. is a recently established entity, it has no audit activities for the financial period 19 December 2018 to 30 June 2019, and therefore there are no public interest entity audit clients for which KPMG Auditing S.A. has signed an audit/review opinion in the financial period 19 December 2018 to 30 June 2019. The definition of public interest for this purpose is that given under the provisions of Law 4449/2017 and EU Directive 2014/56/EU, where an EU public interest entity is an issuer whose transferable securities are admitted to trading on a regulated market in the European Union and the audit of which is a statutory audit within the meaning of Law 4449/2017, as well as banks and insurance companies whose transferable securities are not admitted to trading on a regulated market in the European Union.





## A.2 KPMG's Values

KPMG people work together to deliver value to clients. We believe strongly in a common set of shared values which guide our behavior when dealing with both clients and each other:

<b>We lead by example:</b>	At all levels we act in a way that exemplifies what we expect of each other and our clients.
<b>We work together:</b>	We bring out the best in each other and create strong and successful working relationships.
<b>We respect the individual:</b>	We respect people for who they are and for their knowledge, skills and experience as individuals and team members.
<b>We seek the facts and provide insight:</b>	By challenging assumptions and pursuing facts, we strengthen our reputation as trusted and objective business advisers.
<b>We are open and honest in our communication:</b>	We share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
<b>We are committed to our communities:</b>	We act as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.
<b>Above all, we act with integrity:</b>	We are constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



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