



# Transparency Report 2020

**Our relentless focus on quality**

KPMG Luxembourg, Société coopérative

January 2021

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



# KPMG Values

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

## Our Values are:

### **Integrity:**

We do what is right.

### **Excellence:**

We never stop learning and improving.

### **Courage:**

We think and act boldly.

### **Together:**

We respect each other and draw strength from our differences.

### **For Better:**

We do what matters.

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



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# Quality remains our top priority

In a changing and increasingly complicated world, our role has never been more important. Audit is the foundation of the KPMG brand and is the backbone of our business.

Quality remains our top priority. We have an unwavering commitment to serve the public interest by leading the profession in audit quality.

COVID-19 is pushing us to think differently about how we engage our people, companies we audit, stakeholders and society. The increased economic uncertainty and risk due to the pandemic will have significant financial reporting implications throughout the world markets. We will continue to respond to and embrace this challenge as we focus on recovery and resilience in this new reality.

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

In our 2020 KPMG Transparency Report\*, we share with you how we are delivering on our fundamental promise of audit quality to serve the public interest, investors, audit committees and our stakeholders.

Delivering quality audits requires a quality-centric culture where everyone is accountable for quality. We recognize that continually improving our approach to audit quality relies on exceptional people having access to the right knowledge at the right time under the guidance of strong governance and practice management.

At KPMG, we realize that extraordinary times require extraordinary solutions to complex challenges. We understand our responsibility to deliver quality audits that contribute to the integrity of financial reporting and are fundamental to the successful working of markets, giving investors the confidence and trust to make key decisions.

Consistently providing exceptional quality across all our audit engagements is at the heart of our commitment. Getting audit quality right each and every time is what we are focused on to fulfill our role to society, serve our markets and build public trust.

Our vision to lead the way in audit quality is clear. We are taking action, we're investing and we're making it happen.

Luxembourg, 29 January 2021

David Capocci  
Managing Partner



Petra Schreiner  
Head of Audit



\* Our Transparency Report for the year ended 30 September 2020 has been prepared in accordance with the provisions of Article 13 of the EU Regulation 537/2014 of the European parliament and the Council of 16 April 2014.



# Who we are

## Our business



KPMG Luxembourg, Société coopérative is a professional services firm that delivers Audit, Tax and Advisory services.

As at 30 September 2020, we employed 1,773 people. We operate out of one office in Luxembourg. Full details of our service offerings can be found on our website at the following link: [www.kpmg.com/lu](http://www.kpmg.com/lu).

## Our strategy



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

Our overall ambition is to be the most trusted and trustworthy professional services firm.

To achieve that we must maintain and further increase the trust our clients, our people and wider society have in our ability to provide assurance in the widest sense.

Our strategy to achieve this is underpinned by three key pillars:

- (i) being a client centric firm,
- (ii) powered by people,
- (iii) who dare to change.



# Our structure and governance



## Legal structure

### Legal structure and ownership for the financial year ending 30 September 2020

KPMG Luxembourg, Société coopérative is affiliated with KPMG International Cooperative ('KPMG International'), a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the '[Governance and leadership](#)' section of the [KPMG International Transparency Report](#).

### Legal structure and ownership from 1 October 2020

On 1 October 2020, KPMG Luxembourg and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

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

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm. KPMG Luxembourg is part of the KPMG global organization of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organizations. The KPMG organization structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

KPMG Luxembourg, Société coopérative is incorporated as a Luxembourg private limited liability cooperative company which is wholly owned by its partners.

During the year to 30 September 2020 KPMG Luxembourg, Société coopérative operated as a registered audit firm in Luxembourg ('Cabinet de révision agréé').

Since 2016 a wholly owned subsidiary, KPMG Services S.à r.l., is incorporated as a Luxembourg private limited liability company and licensed as a Professional of the Financial Sector.

The details of the legal structure, regulatory status, nature of business and area of operation of both entities are set out in [Appendix 1](#).

## Name, ownership and legal relationships



KPMG is the registered trademark of KPMG International and is the name by which the member firms of KPMG International are commonly known.

The rights of member firms to use the KPMG name and marks are defined by 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.

During the year to 30 September 2020 there was an average of 46 partners at KPMG Luxembourg (2019: 43 partners).

## Responsibilities and obligations of member firms



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

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

Member firms commit to a common set of KPMG Values.

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

## Governance structure



KPMG Luxembourg applies high standards of corporate governance. The key governance bodies for KPMG Luxembourg are the Executive Committee and the Supervisory Board.

The Executive Committee consisted of five members during the year, comprising a number of key national and functional leaders. The role of the Executive Committee is to provide leadership to the organization and it 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 Executive Committee also deals with key Luxembourg operational issues.

The Executive Committee meets regularly – in the year to 30 September 2020 it met 63 times.

The Supervisory Board consisted of five members who are representative of the firm's partners.

The role of the Supervisory Board is to provide oversight of the management of the firm by the Executive Committee, to provide support by acting as a sounding board for the Executive Committee, and to review the local partner remuneration process and the financial statements of the local firm at the year end. In the year to 30 September 2020 the Supervisory Board met 14 times, including one joint meetings with the Executive Committee.

Details of those charged with governance for KPMG Luxembourg are set out in [Appendix 2](#).



# System of quality control

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

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

KPMG International has quality control policies that apply to all member firms. These are included in KPMG's Global Quality & Risk Management Manual (GQRMM) which applies to all KPMG personnel. KPMG Luxembourg is required to establish and maintain a system of quality control and design, implement, and test the operating effectiveness of quality controls.

Our firm is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by the Commission de Surveillance du Secteur Financier (CSSF) and other relevant regulators as well as applicable legal and regulatory requirements.

Quality control and risk management are the responsibility of all KPMG partners and employees wherever they are based. 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 all KPMG partners and employees wherever they are based.

We are implementing our program to adopt the new international standard on quality management (ISQM 1), which [was approved by the IAASB](#) in September 2020 and is expected to be effective from December 2022.

ISQM 1 requires each KPMG firms to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

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

## Audit Quality Framework

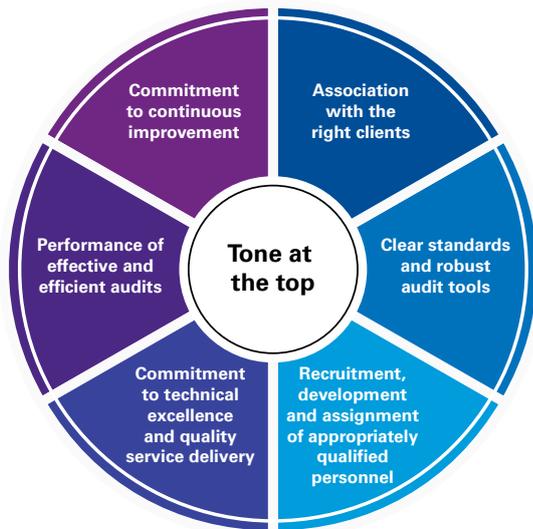
At KPMG audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional 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 has developed the Audit Quality Framework.

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

All of the other drivers create a virtuous circle, because each driver is intended to reinforce the others.



## Tone at the Top



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

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

Tone at the top means that our leadership demonstrates its commitment to quality, ethics and integrity and communicates its commitment to clients, stakeholders, and society at large to earn public trust.

Our values are set out in the [Introduction](#).

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

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

### KPMG Luxembourg Code of Conduct

In addition KPMG Luxembourg's Code of Conduct lays out the expectations of ethical behavior for all partners and employees and is built on the foundation of the KPMG values.

Our 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.

Our Code of Conduct sets out our commitments and includes provisions that require KPMG partners and employees to:

- comply with all applicable laws, regulations, professional standards and KPMG policies
- work with the right clients and third parties
- focus on quality
- maintain our objectivity and independence
- not tolerate any illegal or unethical acts, whether committed by or within KPMG Luxembourg 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.

Everyone at KPMG is required to comply with the Code of Conduct and to confirm their compliance with the Code. Everyone at KPMG is also required to take regular training covering the Code. We are committed to holding ourselves accountable for behaving in a way that is consistent with the Code. Individuals are encouraged to speak up if they see something that makes them uncomfortable or that is inconsistent with our 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 our Values, KPMG policies, applicable laws, regulations or professional standards.

To safeguard this, we have procedures and established channels of communication so that our people can report suspected ethical and quality issues or concerns.

We operate a whistle-blowing hotline in Luxembourg which is available to KPMG personnel to confidentially report concerns they have relating to how others are behaving (both internally and externally) and concerns regarding certain areas of activity by members of the group itself, those who work for KPMG Luxembourg and the senior leadership of the firm. The whistle-blowing hotline allows people to report their concerns via a secure internet line to a third-party organization. Our people can raise matters anonymously and without fear of retaliation.

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

Retaliation is prohibited against individuals who have the courage to speak up in good faith. Retaliation is a serious



violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

At KPMG Luxembourg, we regularly monitor the extent to which our people feel we live the KPMG Values through the Global People Survey.

## Leadership responsibilities for quality and risk management



KPMG Luxembourg 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.

While we stress that all professionals are responsible for quality and risk management, the following individuals have leadership responsibilities for this.

### Managing Partner

In accordance with the principles in the International Standard on Quality Control 1 (ISQC1), our Managing Partner has assumed ultimate responsibility for KPMG Luxembourg's system of quality control. The Managing Partner together with the Executive Committee has taken measures to ensure that a culture of quality prevails within KPMG Luxembourg.

### 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 Luxembourg and reports on ethics and independence issues to the Managing Partner.

### Head of Audit, Tax and Advisory

The three heads of the client service functions (Audit, Tax and Advisory) are accountable to the Managing Partner for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Quality & Risk Management Partner. These procedures make it clear that at the engagement level, risk management and quality control is ultimately the responsibility of all professionals in the firm.

The Head of Audit is responsible for leading a sustainable high-quality Audit practice. 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; and
- Working with the Quality & Risk Management Partner to monitor and address audit quality and risk matters as they relate to the Audit practice, including an annual evaluation of activities considered to be key to audit quality.

### Quality & Risk Management Partner

The Quality & Risk Management Partner (Q & RMP) is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Luxembourg.

The Quality & Risk Management Partner attends all meetings of the Executive Committee of KPMG Luxembourg.

He has a direct reporting line to the Managing Partner and consults with the appointed Area Quality and Risk Management Leader. He is supported in Luxembourg by Functional Quality & Risk Management Partners.

### Quality Performance Liaison Partner

The Quality Performance Liaison Partner (QPLP) is responsible for the performance of the Quality Performance Review Program in the Audit practice.

The QPLP reports the results of the program to the Quality & Risk Management Partner, the Head of Audit and the Managing Partner of KPMG Luxembourg.

### Investing in continuous improvement

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

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

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

### Association with the right clients



#### Acceptance and continuance of clients and engagements

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

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



any potential risks prior to accepting or continuing a client relationship, or performing a specific engagement.

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

### Client and engagement acceptance process

#### *Client evaluation*

KPMG Luxembourg undertakes an evaluation of every prospective client.

This involves obtaining sufficient information about the prospective client, its key management and 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.

The Risk Management Department as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' the Quality & 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, public perception, as well as factors specific to the type of engagement. For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior partners and/or employees and includes review by Quality & 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, financial and personal relationships.

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

Depending on the overall risk assessment of the prospective client and engagement, additional safeguards may be introduced to help mitigate the identified risks.

Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

Our firm will decline a prospective client or engagement 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.

### Continuance process

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

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

In addition, clients are required to be re-evaluated if there is an indication that there may be a change in their risk profile, and as part of the continuous independence evaluation process, engagement teams are required to identify if there have been any changes to previously identified threats or if there are new threats to independence. The threats are then evaluated and, if not at an acceptable level, are eliminated or appropriate safeguards are applied to reduce the threats to an acceptable level.

### Withdrawal process

Where KPMG Luxembourg comes to a preliminary conclusion that indicates that we should withdraw from an engagement or client relationship, we consult internally and identify any required legal, professional and regulatory responsibilities. We also communicate as necessary with those charged with governance, the CSSF and any other appropriate authority.

### Client portfolio management

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

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

### Clear standards and robust audit tools



All KPMG Luxembourg's professionals are expected to adhere to the policies and procedures of KPMG International and KPMG Luxembourg (including independence policies) and we provide a range of tools to support them in meeting these expectations. The KPMG Luxembourg 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.

### Our approach to audit

The KPMG organization has been investing significantly in evolving its 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 science, audit automation, data visualization and more. Digital audit is integral to the way how KPMG member firms obtain audit evidence and interact with clients in the digital era.

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

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

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

The COVID-19 pandemic has forced us all to think differently, we continue to respond to and embrace this challenge. Most organizations are likely to be impacted by the COVID-19 pandemic, either directly or indirectly, and the increased economic uncertainty and risk may have significant financial reporting implications. Issues including going concern, asset impairments and valuations will require careful judgment as organizations deal with a high degree of uncertainty and market volatility. KPMG firms’ role as auditors is to evaluate these judgements.

Since the start of the pandemic we have maintained an online COVID-19 | Financial reporting resource center to assist companies and other stakeholders understand potential accounting and disclosure implications.

KPMG International has issued extensive guidance to assist teams in addressing the various accounting, financial reporting and audit related matters arising from the impacts of the COVID-19 pandemic including going concern, asset impairments, valuations and related disclosures, materiality, risk assessment, group audits, inventory, subsequent events, audit evidence communications with Those Charged With Governance, and considerations for remote working environments.

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

KPMG is a technology-enabled organization, with all audit technical accounting and auditing resources, guidance and

audit platforms and tools available electronically, enabling the conversion to a remote working environment.

Communication has been increasingly important to everyone during the COVID-19 pandemic. We have leveraged our investments in technology to provide KPMG firms with more regular updates, including virtual meetings to share best practices and guidance.

### Bringing consistency through our methodology

Our audit methodology, tools and guidance are:

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

The KPMG audit methodology is set out in KPMG’s Audit Manual (currently used with eAudit) and the KPMG Audit Execution Guide (for use with the KPMG Clara workflow) and includes additional requirements that go beyond the ISAs, which we believe enhance audit quality. The methodology emphasizes applying appropriate professional skepticism in the execution of audit procedures and requires compliance with relevant ethical requirements, including independence.

Enhancements to the audit methodology, guidance and tools are made regularly to maintain compliance with standards, and address emerging auditing areas of focus and audit quality results (internal and external). For example, as a result of the COVID-19 pandemic, many companies are experiencing significant financial uncertainty. We have issued guidance to our auditors on conducting audit procedures in a remote-working environment, raising awareness of key audit risks such as going concern and impairments and provided reminders of the importance of exercising professional skepticism taking appropriate actions if information is identified that is unexpected or unusual and may be indicative of potential management bias, a fraud risk or fraud.

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

### Delivering through our current audit workflow

The current KPMG audit is enabled through eAudit, an activity-based workflow and electronic audit file used by KPMG member firms. eAudit is KPMG’s audit



documentation workflow that allows professionals to complete quality and consistent audits. eAudIT integrates KPMG’s audit methodology, guidance and industry-specific, 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 KPMG’s audit guidance, professional standards and documentation templates.

*Investing for the future*

While our current audit workflow and methodology are robust and consistent with all auditing standards’ requirements, the changes we are making will enable us to execute on our objective of a relentless focus on audit quality and provide us with the platform to build in continuous enhancements as the power of new technologies develops.

We have laid the groundwork for this already with the launch of our smart audit platform, KPMG Clara, in 2017.

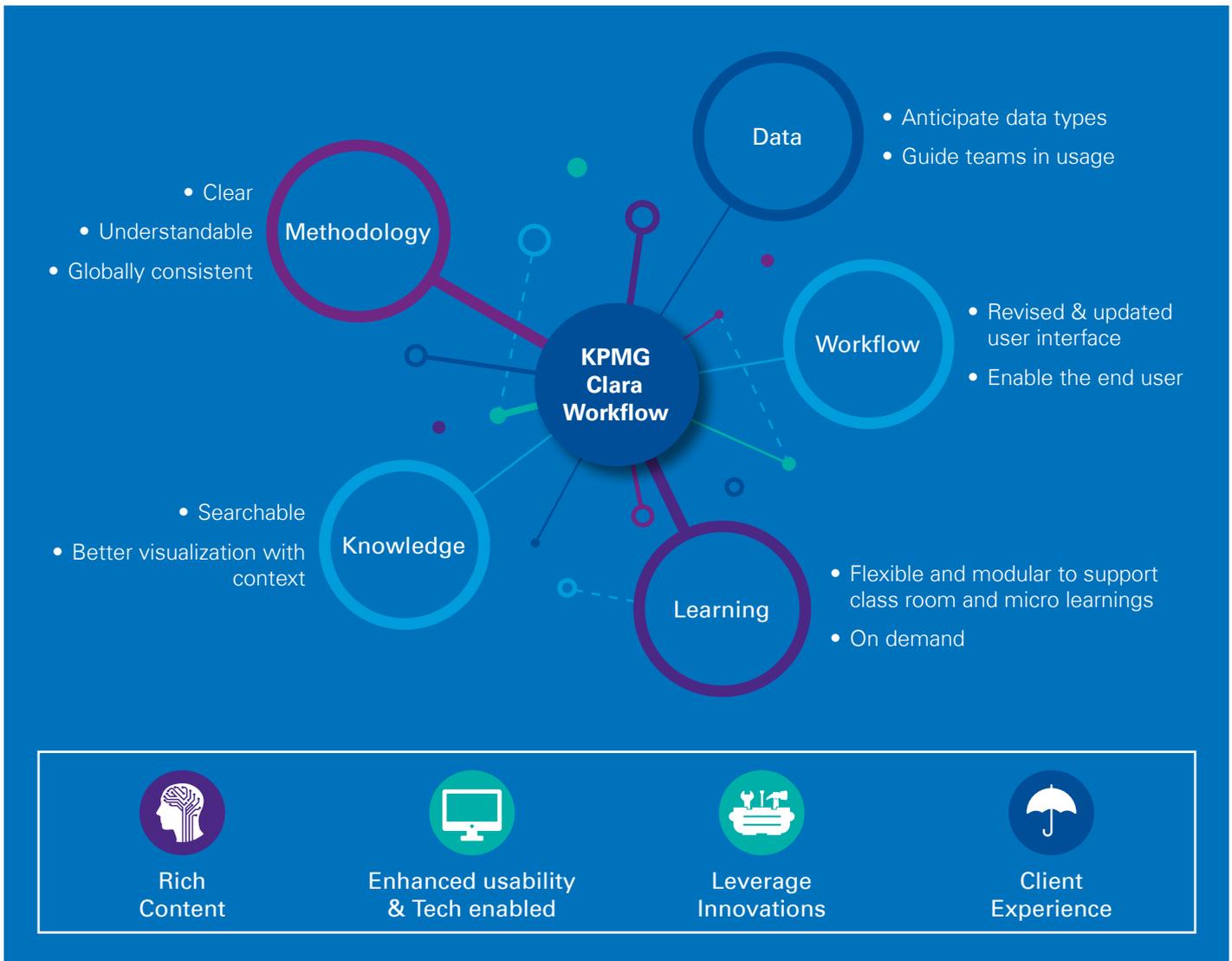
*Audit solutions for today’s world*

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

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

The continuation of this process will see a new workflow and revised audit methodology embedded into the KPMG Clara platform. Limited deployment of the new “KPMG Clara workflow” took place during 2019, and full deployment globally started in 2020, and is expected to be completed by the end of 2022.

The release of the KPMG Clara workflow and revised audit methodology is an important milestone in KPMG’s journey to innovate, digitalize and transform the audit experience for our people.





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

### Bringing it all together in KPMG Clara

The KPMG Clara smart audit platform brings together KPMG's digital audit capabilities, innovative new technologies, collaboration capabilities and our new KPMG Clara workflow.

### Creating the new KPMG Clara workflow

The new KPMG Clara workflow will be used by our audit teams to execute and document KPMG audits. It will guide audit teams through a series of steps in a logical sequence aligned to the applicable auditing standards with a clear display of information, visuals, and guidance available at the moment of need, and with embedded advanced digital audit capabilities. The workflow and revised audit 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 clearly drive audit quality and global consistency.

Through the use of data mining and tracking of relevant engagement level data indicators, the KPMG Clara workflow will also facilitate member firms' monitoring of audit execution at the engagement level.

Once the KPMG Clara workflow has been fully deployed our predecessor audit workflow tool, eAudIT, will be retired.

#### *Strategically embedding the use of data through digital audit capabilities*

KPMG Clara also allows us to more seamlessly build digital audit capabilities into our audits. Digital audit routines are capable of interrogating and analyzing vast quantities of data.

KPMG's audit is designed to:

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

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

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

- enable the analysis of account balances and journal entry data
- automate 'period on period' balances comparison and 'time series' evolution information

- enable the analysis of sub-ledger, transactional data over certain business processes and accounts.

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

### Independence, integrity, ethics and objectivity

#### *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 GQRMM, which applies to all KPMG member firms. Automated tools, which must be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

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

These policies are supplemented by other processes to ensure compliance with the EU Regulation No 537/2014 of 16 April 2014, the Luxembourg law of 23 July 2016 relating to the audit profession and the standards issued by the CSSF. 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.

Our firm has a designated Ethics and Independence Partner (EIP) who has primary responsibility for the direction and execution of ethics and independence policies and procedures at KPMG Luxembourg. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements.

The EIP fulfills this responsibility through:

- implementing/monitoring the ethics and independence quality control process and structure within the firm;
- approving/appointing partners responsible for ethics and independence within the firm;
- overseeing the processes related to the evaluation of specific independence threats in connection with clients and prospective clients;
- participating in the development and delivery of training materials;
- monitoring compliance with policies;



- implementing procedures to address non-compliance; and
- overseeing the disciplinary process for ethics and independence matters.

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with KPMG firms.

KPMG firms are required to implement changes as specified in the email communications, and this is checked through the internal monitoring programs.

Our partners and employees are required to consult with the EIP on certain matters as defined in the GORMM. The EIP may also be required to consult with the Global Independence Group, depending upon the facts and circumstances.

#### *Personal financial independence*

KPMG International policies require that KPMG firms and KPMG professionals are free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm assurance and audit clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors, and, where required, significant owners. All KPMG partners – irrespective of their firm or function – are generally prohibited from owning securities of any audit client of any member firm.

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

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

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

#### *Employment relationships*

Any KPMG 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 firm that is a public interest entity.

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

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

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

#### *Firm financial independence*

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

In common with other KPMG firms, KPMG Luxembourg uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension and employee benefit plans. Additionally, KPMG Luxembourg is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

On an annual basis, KPMG Luxembourg confirms compliance with independence requirements as part of the Risk Compliance Program.

#### *Business relationships / suppliers*

Our firm has policies and procedures in place that are designed to ensure that business relationships with audit clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC and CSSF independence requirements.

#### *Independence Clearance Process*

KPMG Luxembourg 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,' required to be completed prior to accepting an audit engagement for these entities.

#### *Independence training and confirmations*

All KPMG Luxembourg partners and client facing professionals, as well as certain other individuals, are required to complete independence training that is



appropriate to their grade and function upon joining KPMG Luxembourg and on an annual basis thereafter.

New partners and client facing employees who are required to complete this training should do so by the earlier of

- (a) thirty days after joining KPMG Luxembourg or
- (b) before providing any services to, or becoming a member of the chain of command for, any audit client.

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

- the Global Code of Conduct or the KPMG Luxembourg 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.

New partners and employees are required to complete this training within three months of joining KPMG Luxembourg.

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

#### *Non-audit services*

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

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

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

Lead audit engagement partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the

services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

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

#### *Fee dependency*

KPMG International's policies recognize that self-interest or intimidation threats may arise if the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion.

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

In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years, these policies further require that:

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

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

#### *Resolving Conflicts of interest*

Conflicts of interest can arise in situations where KPMG partners and employees have a personal connection with the client which may interfere, or be perceived to interfere, with their ability to remain objective, or where they are personally in possession of confidential information relating to another party to a transaction. Consultation with the Risk Management Partner (RMP) and/or Ethics & Independence Partner (EIP) is required in these situations.

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

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that have, or may be perceived to have an impact on a firm's and/or its partners' or employees' ability to be objective or otherwise act without bias.

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



KPMG Luxembourg has risk management resources who are responsible for reviewing any identified potential conflict and working with the affected member firms to resolve the conflict, the outcome of which are required to be documented.

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

#### *Independence breaches*

All KPMG Luxembourg 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 independence policies, whether identified in a compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence rules are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

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

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

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

Compliance with laws, regulation and standards is a key aspect for everyone at KPMG Luxembourg. In particular, we have zero tolerance of bribery and corruption.

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

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

#### *Partner and firm rotation*

KPMG International partner rotation policies are consistent with the IESBA Code of Ethics and require member firms to comply with any stricter applicable rotation requirements.

Our audit partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide audit services to a client, followed by a "time-out" period during which time these partners may not :

- participate in the audit;





- provide quality control for the audit;
- consult with the engagement team or the client regarding technical or industry-specific issues;
- in any way influence the outcome of the audit;
- lead or coordinate professional services at the client;
- oversee the relationship of the firm with the audit client; or
- have any other significant or frequent interaction with senior management or those charged with governance at the client.

Our firm monitors the rotation of audit engagement leaders (and any other key roles, such as the Key Audit Partner and Engagement Quality Control Reviewer, where there is a rotation requirement), and develops transition plans that help audit engagement teams to deliver a consistent quality of service to clients.

KPMG Luxembourg is also subject to mandatory firm rotation requirements under the EU Audit legislation for public interest entity audit clients. The firm has processes in place to track and manage audit firm rotation.

## Recruitment, development and assignment of appropriately qualified personnel



One of the key drivers of quality is ensuring that all KPMG professionals have the appropriate skills and experience, passion and purpose, to deliver high quality audits. This requires appropriate recruitment, development, promotion, retention and assignment of professionals. We believe it is essential to attract and retain the best people.

### Recruitment

KPMG Luxembourg is committed to building an extraordinary people experience for all current and prospective KPMG partners and employees.

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

KPMG Luxembourg also recruits significant numbers at an experienced hire and partner level.

All candidates submit an application and are only employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing, and qualification/reference checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

We recruited at all levels during the year 628 talented people including experienced hires, graduates and trainees.

Where individuals are recruited at senior grades a formal independence discussion is conducted with them by the Ethics and Independence Partner or a delegate. KPMG

Luxembourg 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.

Upon joining our firm, new personnel are required to participate in a comprehensive on-boarding program, which includes training in areas such as ethics and independence, quality and risk management principles and our people management procedures. Our on-boarding program also includes ensuring that any issues of independence or conflicts of interest are addressed before the individual's employment or partnership commences.

### Personal development

KPMG Luxembourg's approach to performance development, Open Performance Development, is built around the Everyone a Leader performance principles and includes:

- Global role profiles (including role profiles specific to audit quality accountabilities and responsibilities);
- a goal library (including audit quality content); and
- Standardized review forms (with provision for audit quality ratings).

Open Performance Development is linked to the KPMG values and designed to articulate what is required for success – both individually and collectively. We know that by being clear and consistent about the behavior we're looking for and rewarding those who demonstrate them, we will continue to drive a relentless focus on audit quality.

At the same time, we are driving a shift in our performance-driven culture, supported by and enacted through leading technology that allows us to embed audit quality into the assessment of performance and the decisions around reward as well as drive consistency across the global organization.

KPMG Luxembourg monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the 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.

Attracting, retaining and developing talented individuals is at the very top of our people agenda and is key to KPMG firms being a magnet for talent. The firm dedicates a significant amount of time, money and other resources to build professional capability, leadership and business skills and technical expertise.

All our people are encouraged to think about their careers and personal development needs via regular performance conversations with ongoing feedback and support. To support career and professional development there is a



range of core skills programmes that support performance improvement and ensure that individuals reach their full potential.

Our learning and development framework focuses on critical and stretching experiences and learning opportunities are provided through a blend of formal learning for the development of key technical, leadership and business skills; social learning or learning through others; and through their engagement and project work.

A clear focus on high performance and regular feedback helps our firm identify high performers who have the potential to take on more senior or more complex roles. High performers are further developed through coaching and mentoring on the job, rotation opportunities, global mobility opportunities and secondments.

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.

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 Luxembourg professionals are also developed for high performance through access to coaching and mentoring on the job, stretch assignments, and global mobility opportunities.

A partner development framework is in place that links particular training programs to various partner levels and roles. Partners are encouraged to make use of these development opportunities, and also to contribute to the development of other partners and staff through coaching, mentoring, and teaching on our core programs.

### *Inclusion and Diversity programs*

KPMG Luxembourg is committed to fostering an inclusive culture for all. Being inclusive enables us to bring together successful teams with the broadest range of skills, experiences and perspectives.

We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusion and diversity at KPMG Luxembourg and across all KPMG firms.

We commit ourselves to bringing awareness to the topics of Inclusion and Diversity by being a signatory of the Luxembourg Diversity Charter, UN Global Compact and consistently progress the I&D agenda through the KPMG Global Inclusion and Diversity maturity model tool.

KPMG Luxembourg has created a dedicated task force for Inclusion and Diversity which keeps track of key metrics (through our maturity model tool) and ensures we address all areas of diversity, inclusion and belonging. Prioritizing areas where key data reflects a need for improvement, we are participating in the Ministry of Equality's "Actions Positives" program: a deep-dive into the topic of gender equality.

For more about Inclusion & Diversity at KPMG read [here](#).

## **Reward and Promotion**

### *Reward*

Our firm has compensation and promotion policies that are informed by market data, clear, simple, and linked to the performance review process. This helps our partners and employees understand what is expected of them, and what they can expect to receive in return. The connection between performance and reward is achieved by assessing relative performance across a peer group to form reward decisions.

Reward decisions are based on consideration of both individual and firm performance.

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

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

### *Promotion*

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

### *Partner admissions*

Our process for admission to partnership is rigorous and thorough, involving appropriate members of leadership. Our criteria for admission to the KPMG Luxembourg partnership are consistent with our commitment to professionalism and integrity, quality, and being an employer of choice.

Anyone who is being considered for promotion to partner is evaluated against criteria which include evidence of the way that an individual has managed quality and risk as well as their overall adherence to our values.

## **Assignment of professionals**

Our firm has procedures in place to assign both the engagement partners and professionals to a specific engagement by evaluating their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Function heads are responsible for the process of allocating particular engagement partners to clients. Key considerations include partner experience, accreditation and



capacity based on the results of the annual partner portfolio review (see below) to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

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

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

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

As an additional control in Audit (where the services are of more of a recurring nature than across much of the rest of our business), our Head of Audit together with the Audit Group Leaders, under the oversight of the Quality & Risk Management Partner, performs an annual review of the portfolio of all of our Audit engagement leaders.

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 leader has the appropriate time, suitable experience and the right level of support to enable him to perform a high-quality audit for each client in their portfolio. This process considers the findings of internal and external reviews and the quality and risk metrics.

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

Annually KPMG Luxembourg invites all its people to participate in an independent Global People Survey (GPS) to share their perception about their experience of working for KPMG.

The GPS provides an overall measure of our people's engagement through an Engagement Index as well as insights into areas driving engagement which may be

strengths or opportunities. Results can be analyzed by function, area, grade, role and gender to provide additional focus for action.

Additional insight is provided on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in audit respond to, giving us a particular data set for audit quality related matters.

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

KPMG Luxembourg participates in the GPS, monitors results and takes appropriate actions to communicate and respond to the findings of the survey. The results of the GPS are also aggregated for the entire global organization and are presented to the Global Board each year and appropriate follow-up actions are agreed.

### Commitment to technical excellence and quality service delivery



All KPMG Luxembourg professionals are provided with the technical training and support they need to perform their roles.

This includes access to internal specialists and the professional practice department (DPP), either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG Luxembourg, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

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

### Lifetime learning strategy

#### Formal training

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

Audit training is mandatory and completion is monitored at country level through a Learning Management System. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development (CPD) requirements and with KPMG's mandatory training and licensing requirements.

Non-attendance at mandatory training is captured as one of the measures in the quality and risk metrics.



### *Mentoring and on the job training*

Learning is not confined to a single approach – rich learning experiences are available when needed through coaching and just-in-time learning, available at the click of a mouse and aligned with job specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for a successful career in auditing, including professional judgment, technical excellence and instinct.

We support a coaching culture throughout KPMG as part of enabling KPMG professionals to achieve their full potential and instill that every team member is responsible for building the capacity of the team, coaching other team members and sharing experiences.

In relation to audit, KPMG Luxembourg:

- deploys a variety of learning solutions that are designed to reinforce the KPMG 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 personal effectiveness and develop leadership and business skills. Our partners and employees are developed further for high performance through coaching and mentoring on the job, stretch assignments and country rotational and global mobility opportunities.

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

#### *Licensing*

All KPMG professionals are required to comply with applicable professional license rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. Our policies and procedures are designed to facilitate compliance with license requirements.

Our firm is 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.

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

We have accreditation requirements for many of our services (including for US audit and accounting work, International Financial Reporting Standards, Transactions Services and Corporate Finance services) which ensure that only partners and employees with the appropriate training and experience are assigned to clients and are appropriately licensed where necessary.

Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that at a minimum, all partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement team members and, if appointed the EQCR reviewers) assigned to the engagement 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.

Our firm requires that all Audit professionals have to maintain accreditation with their professional bodies and satisfy the Continuing Professional Development requirements of such bodies (at a minimum, professionals comply with IESBA and legal requirements). Our policies and procedures are designed to ensure that those individuals who require a license to undertake their work are appropriately licensed.

### **Access to specialist networks**

Our engagement teams have access to a network of local and global specialists in KPMG member firms either within their firm or in other KPMG firms.

These specialists receive the training they need to ensure they have the competencies, capabilities and objectivity to appropriately fulfill their role.

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

### **Culture of Consultation**

#### *Encouraging a culture of consultations*

KPMG encourages a strong culture of consultation that supports engagement teams at KPMG firms throughout their decision-making processes and is a fundamental contributor to audit quality. We promote a culture in which consultation is recognized as a strength and that encourages all KPMG professionals to consult on difficult or contentious matters.



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

Appropriate consultation support is provided to audit engagement professionals through our professional practice resources.

Across our firm, 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 International Financial Reporting Standards (IFRS) and ISAs.

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, the Quality & Risk Management Partner or ultimately the national Managing Partner.

#### *Technical consultation and global resources*

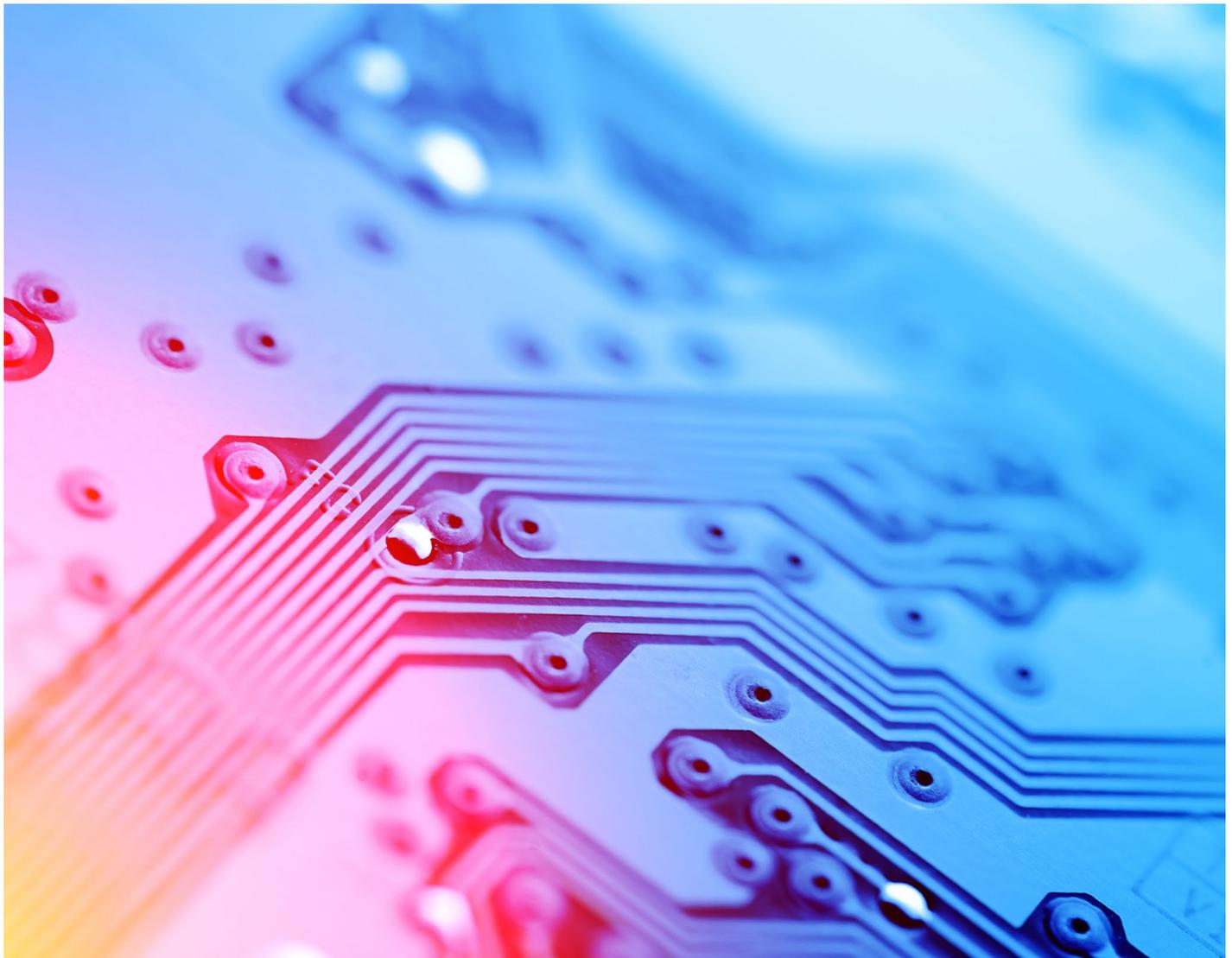
Technical auditing and accounting support is available to member firms through the Global Audit Methodology Group (GAMG), the KPMG Global Solutions Group (KGSC), the ISG and the PCAOB Standards Group (PSG).

#### *Global Audit Methodology Group (GAMG)*

KPMG's audit methodology is developed and maintained by the Global Audit Methodology Group (GAMG). The GAMG develops our audit methodology based on the requirements of the applicable auditing standards – International Standards on Auditing, PCAOB and AICPA.

#### *KPMG Global Solutions Group (KGSG)*

The KGSG and GAMG work collaboratively to support member firms through collaboration, innovation and technology. We have made significant investment in





our audit methodology and tools with the core focus of improving audit quality and global consistency.

Key areas of work performed include:

- developing innovative audit capabilities (i.e. technology solutions) and deploying and using advanced audit solutions
- deploying KPMG Clara — our smart audit platform, incorporating advanced technologies, data science, audit automation, data visualization and more
- enhancing KPMG’s audit methodology, workflow and knowledge used by member firms’ audit professionals.

With locations, in each of the three KPMG regions (Americas, EMA and ASPAC), the KGSG and GAMG teams comprise professionals with backgrounds in audit, IT, data science, mathematics, statistics, and more from around the world, who bring diverse experiences and innovative ways of thinking to further evolve KPMG’s audit capabilities.

#### *International Standards Group (ISG)*

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

#### *PCAOB Standards Group (PSG)*

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

#### *Member firm professional practice resource*

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through our professional practice resources (referred to as Department of Professional Practice or DPP).

This resource also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG’s International Standards Group and PCAOB Standards Group are also available for consultation support when required.

### Performance of effective and efficient audits



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

### Embedding ongoing mentoring, supervision and review

To invest in the building of skills and capabilities of KPMG professionals, KPMG Luxembourg promotes a continuous learning environment and supports a coaching culture.

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

### Engagement quality control (EQC) reviewers

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

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

EQC reviewers are required to meet training and experience criteria to perform a quality control review for a particular engagement. Reviewers are independent of the engagement team and audit client and have the appropriate experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved, though the engagement partner is ultimately responsible for the resolution of accounting and auditing matters.

We are continually seeking to strengthen and improve the role that the EQC review plays in our audits, and have taken a number of actions to reinforce this, including issuing leading practice guidance incorporating specific review



requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

## Reporting

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

In preparing audit reports, engagement partners have access to extensive reporting guidance and technical support through consultations with the 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).

## Engagement Documentation

Our audit documentation is completed and assembled according to the timeline established by the global policy, auditing standards and we have implemented administrative, technical and physical safeguards to protect the confidentiality and integrity of client and firm information.

## 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 Luxembourg we stress the importance of keeping those charged with governance informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, attendance at Audit Committee or Board meetings, and ongoing discussions with management and members of the Audit Committee.

### *Audit Committee Institute*

In recognition of the demanding and important role that Audit Committees play for the capital markets and also of the challenges that they face in meeting their responsibilities, 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 (including KPMG Luxembourg) and provides Audit Committee members with authoritative guidance (such as the [ACI Audit Committee Handbook](#), as modified for Luxembourg) 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 Board and Audit Committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial reporting framework.

## Client confidentiality, information security and data privacy

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our clients, service providers and third parties.

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

We have a formal document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with the relevant IESBA 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 Luxembourg personnel.

Our firm is required to meet the security requirements set out in the Global Information Security Policies and Standards published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal audit program.

As part of these Global requirements, a National IT Security Officer (NITSO), with the necessary authority, skills and experience, has been appointed to lead the information security function. The NITSO is in charge of the firm's information security program and works closely with the local IT services and Quality and Risk Management. The NITSO also reports to the firm's Senior Management and also to the Global IT Security Officer and Global Head of Information Protection.

## Commitment to continuous improvement



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

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



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. We compare the results of internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

### Internal monitoring and compliance programs

KPMG Luxembourg monitoring programs evaluate both:

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

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

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

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

#### *Annual Quality Performance Reviews (QPRs)*

The QPR Program assesses engagement level performance in the Audit, Tax and Advisory functions and identifies opportunities to improve engagement quality.

#### *Risk-based approach*

Each engagement leader is reviewed at least once in a three year cycle. A risk-based approach is used to select engagements.

We conduct the annual QPR program in accordance with KPMG International QPR instructions. The reviews are performed at KPMG Luxembourg level and are monitored regionally and globally. Firm Audit QPR reviews are overseen by a senior experienced lead reviewer independent from the firm.

#### *Reviewer selection, preparation and process*

There are robust criteria for selection of reviewers. Review teams include senior experienced lead reviewers that are independent of the 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'.

A 'Satisfactory' grading requires both (i) the audit work performed, the evidence obtained and the audit documentation produced to all comply with our internal policies, applicable auditing standards and legal and regulatory requirements and (ii) key judgments concerning significant matters in the audit and the audit opinion itself to have been appropriate.

A 'Performance Improvement Needed' grading is attributed where the auditors' report is generally supported by the work performed and the auditors' report is appropriate but where improvements are necessary in one or more significant area including with respect to the documentation of the work performed.

An 'Unsatisfactory' grading is attributed where the engagement was not performed in accordance with the firm's policy and professional standards in a significant area, in particular where there are significant deficiencies either in the financial statements themselves, the audit work paper documentation or the actual work undertaken.

### *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 monitoring programs to gauge the extent of continuous improvement.

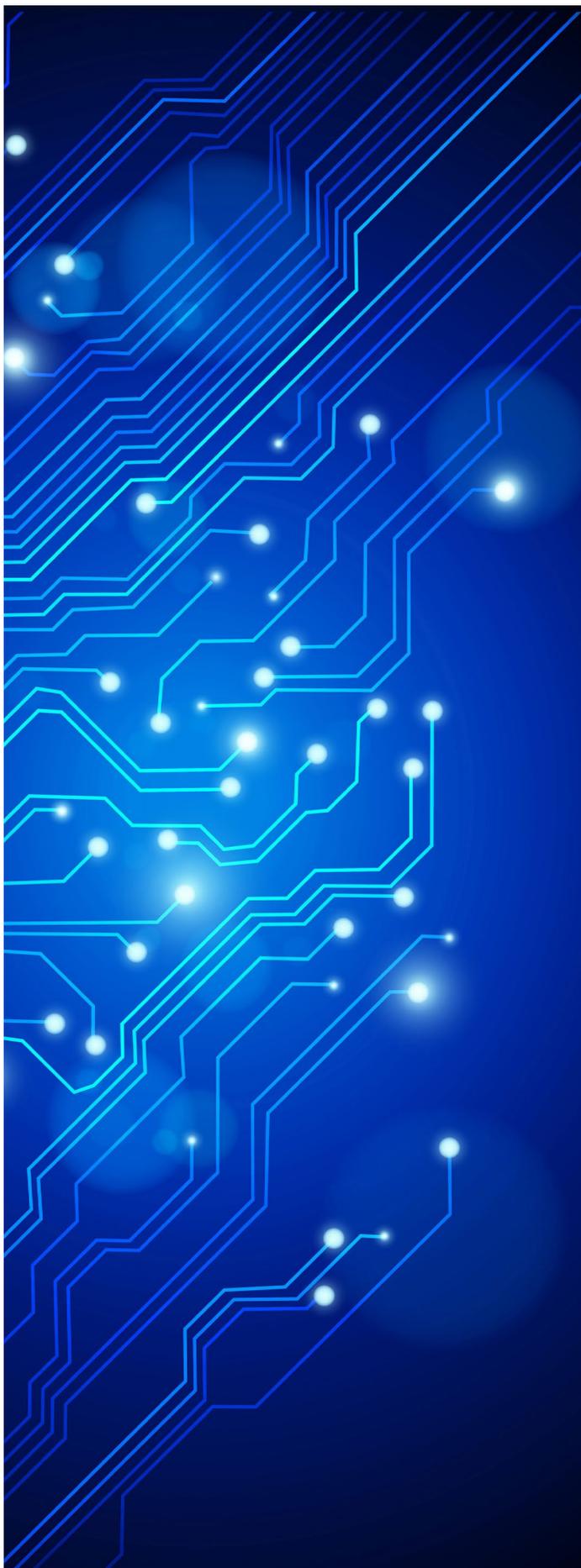
Lead audit engagement partners are notified of less than satisfactory engagements (defined as 'Performance Improvement Needed' or 'Unsatisfactory') ratings on their respective cross-border engagements. Additionally, lead audit engagement partners of parent companies/ head offices are notified where a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

### *Risk Compliance Program (RCP)*

KPMG International develops and maintains quality control policies and processes that apply to all KPMG member firms.

These policies and processes, and their related procedures, include the requirements of ISQC 1.

During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.



The objectives of the RCP are to:

- Document, assess and monitor the extent of compliance of our system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- Provide the basis for KPMG Luxembourg 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.

#### *Global Compliance Review (GCR)*

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

The GCR team performing the reviews is independent of the firm and is objective and knowledgeable of GQ&RM 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:

- Our commitment to quality and risk management (tone at the top) and the extent to which our overall structure, governance and financing support and reinforce this commitment;
- Our compliance with KPMG International policies and procedures; and the robustness with which we perform our own compliance program (RCP).

We develop action plans to respond to all GCR findings that indicate improvement is required and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team.

Results are reported to the GQ&RM Steering Group and, where necessary to appropriate KPMG International and regional leadership, to help ensure timely remedial actions taken by the member firm.

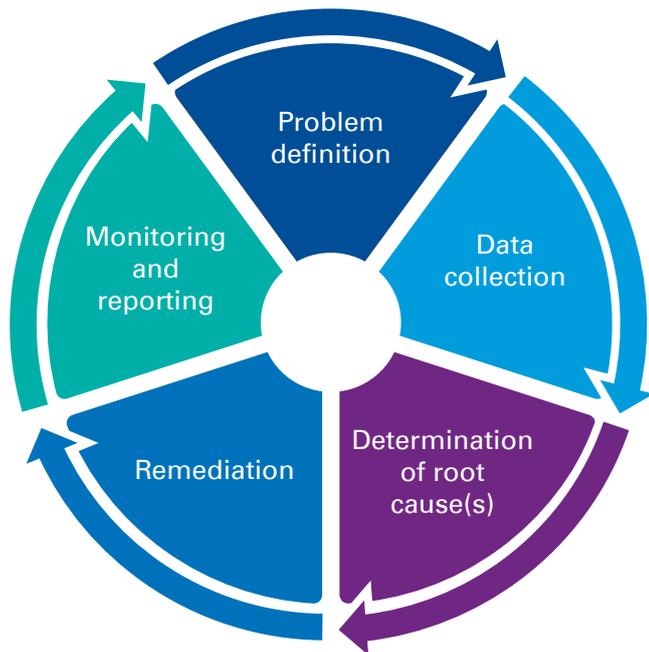
The firm was last subject to a GCR during 2018.

#### *Root Cause Analysis (RCA)*

We perform root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In 2020, RCA training based on our Global RCA 5 Step Principles was attended by those individuals at KPMG Luxembourg who will be performing RCA or directing those performing RCA. 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 all KPMG firms to perform RCA and thereby identify and subsequently develop appropriate remediation plans for the audit quality issues identified.

KPMG Luxembourg'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 Quality & Risk Management Partner monitors their implementation.

#### *Recommendations for improvement*

At a global level, through the Global Audit Quality Council and the GQ&RM Steering Group, KPMG International reviews the results of the quality monitoring programs, reviews firm root causes and planned remedial actions and develops additional global remediation actions as required.

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

#### *External feedback and dialogue*

##### *Regulators*

The firm's audit practice and its registered statutory auditors (réviseurs d'entreprises agréés) are subject to annual inspection by the CSSF.

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 across the entire organization.

At a regional level, we also have regular dialogue with representatives of the Committee of European Auditing Oversight Bodies (CEAOB) – formerly known as the European Audit Inspection Group (EAIG), as well as the ASEAN Audit Regulators Group (AARG).

##### *Client feedback*

In addition to internal and external monitoring of quality, we proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered.

We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.



# Financial information

The following table shows gross revenues from KPMG Luxembourg, Société coopérative in the year ended 30 September 2020, presented in accordance with Regulation (EU) No 537/2014.

Service	Revenue (EUR 000,000)	Percent
Statutory audit of annual and consolidated financial statements of PIEs and entities belonging to a group of undertakings whose parent undertaking is a PIE	13	6
Statutory audit of annual and consolidated financial statements of other entities	61	26
Permitted non-audit services to entities that are audited by the firm	21	9
Non-audit services to other entities *	137	59
<b>Total</b>	<b>232</b>	<b>100</b>

\* including contractual audits

Aggregated revenues generated by KPMG audit firms, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.8 billion during the year ending 30 September 2020. The EU/EEA aggregated statutory audit revenue figures are presented to the best extent calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2020.

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



# Partner remuneration

Partners working in Luxembourg are employees of KPMG Luxembourg, Société coopérative.

Their remuneration packages comprise a base salary and associated benefits as for other employees.

They receive an additional variable element to their pay which is established once the profits for the year have been determined. Remuneration is paid out as salary and bonus in accordance with prevailing company policies and tax laws. The Partner Remuneration Model determines the amounts available for distribution.

The overall process lies under the responsibility of the Managing Partner and the KPMG Luxembourg Executive Committee. The Supervisory Board reviews the process.

The Partner Remuneration Model foresees clear rules for the variable elements including quality of work, excellence in client service, growth in revenue and profitability, leadership, responsibility and living the values of the firm.

Audit partners are explicitly not remunerated for non-audit services sold to their audit clients.

In Luxembourg, partners contribute to a common pension scheme operated for all employees meeting certain pre-defined seniority criteria for the firm (employee funded only).



# Network arrangements



## Legal structure

### Legal structure for the Financial Year ending 30 September 2020

KPMG Luxembourg is affiliated with KPMG International Cooperative (“KPMG International”). KPMG International is a Swiss cooperative which is a legal entity formed under Swiss law. Prior to 1 October 2020 it was the coordinating entity for the network and the entity with which all the member firms of the KPMG organization were required to be affiliated with. Further details about KPMG International and its business activities, including our relationship with it for the financial year ending 30 September 2020, are available in the ‘Governance and leadership’ section of the [2019 report](#).

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

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International’s policies, including quality standards governing how they operate and how they provide services to clients.

One of the main purposes of KPMG International is to compete effectively. This includes being professionally and financially stable, having an ownership, governance and management structure that ensures continuity and stability and long term success and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools

KPMG International is an entity that is legally separate from each member firm. KPMG International and the member firms are not a global partnership, joint venture, or in a principal or agent relationship or partnership with each other.

No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

### Legal structure from 1 October 2020

On 1 October 2020, KPMG Luxembourg and all other KPMG firms entered into new membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization became members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee. From 1 October 2020, KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients. Professional services to clients are exclusively provided by member firms.

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

KPMG International Limited and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

The name of each audit firm that is a member of the network and the 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 in [Appendix 4](#).



## Responsibilities and obligations of member firms



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

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

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 global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its other obligations owed to KPMG International.

### 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.

### 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.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee firms<sup>1</sup> 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 global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply.

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, and also includes the Chairman of each of the regions and a number of other member firm senior partners. The list of current Global Board members is available under <https://home.kpmg/xx/en/home/about/who-we-are/our-leadership.html>.

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

#### Global Management Team

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

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

The list of current Global Management Team members is available in the KPMG Global Review.

#### Global Steering Groups

There is a Global Steering Group for each key function and infrastructure area, chaired by the relevant member of the Global Management Team and, together they assist the Global Management Team in discharging its responsibilities. In particular the Global Audit Steering Group and Global Quality & Risk Management Steering Group work closely with regional and member firm leadership to:

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

- Those entities that are members of KPMG International as a matter of Swiss law because KPMG International is a Swiss cooperative (i.e. similar to shareholders, albeit KPMG International has no share capital and, therefore, only has members not shareholders).
- Those entities ('sublicensees') that are not members of KPMG International as a matter of Swiss law but have still entered into legal agreements with KPMG International and also an entity that is a 'member'.



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

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the 2019 KPMG International Transparency Report.

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

Further details about KPMG International including the governance arrangements for the year ending 30 September 2020, can be found in section 'Governance and leadership' of the [2019 KPMG International Transparency Report](#).

## Area Quality & Risk Management Leaders



The Global Head of Quality, Risk and Regulatory appoints Area Quality & Risk Management Leaders (ARL) who serve a regular and ongoing monitoring and consultation function to assess the effectiveness 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 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 firms' 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
- assist in monitoring the effectiveness of firm remediation of significant issues, including identification of the root cause(s) of serious quality incidents.



# Statement by KPMG Luxembourg Executive Committee on effectiveness of quality controls and independence

The measures and procedures that serve as the basis for the system of quality control for KPMG Luxembourg, Société coopérative outlined in this report aim to provide a reasonable degree of assurance that the statutory audits carried out by KPMG Luxembourg, Société coopérative 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 Executive Committee of KPMG Luxembourg has considered:

- The design and operation of the quality control systems as described in this report; and
- The findings from the various compliance programs operated by our firm (including the KPMG International Review Programs and our local compliance monitoring programs); and
- Findings from regulatory inspections and subsequent follow up and/or remedial actions.

Taking all of this evidence together, the KPMG Luxembourg Executive Committee confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively in the year to 30 September 2020.

Further, the KPMG Luxembourg Executive Committee confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2020.



# Appendix 1

## Key legal entities and areas of operation

The key legal entities delivering services that were part of our firm ('KPMG Luxembourg') during the year to 30 September 2020 are noted below.

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG Luxembourg, Société coopérative	Luxembourg Private Limited Liability Cooperative Company	Cabinet de révision agrée Experts comptables	Audit, Tax and Advisory services	Luxembourg
KPMG Services S.à r.l.	Luxembourg Private Limited Liability Company	Professionel du Secteur Financier	Corporate-, IT- and Data services	Luxembourg



# Appendix 2

## Details of those charged with governance at KPMG Luxembourg

The Executive Committee of KPMG Luxembourg exists to deal with local strategic and operational matters in Luxembourg. The Supervisory Board is a non-executive oversight body. Details of the members of both of those bodies and the roles that they have held for the Luxembourg firm during the year to 30 September 2020 are as follows:

### Executive Committee

<b>Philippe Meyer *</b>	Managing Partner	<b>Emmanuel Dollé</b>	Head of Audit
<b>Sébastien Labbé</b>	Head of Tax	<b>Fabrice Leonardi</b>	Chief Operating Officer
<b>Pascal Denis</b>	Head of Advisory	<b>Stephen Nye **</b>	Quality & Risk Management Partner and Ethics & Independence Partner

### Supervisory Board

<b>Patrick Wies</b>	Advisory Partner - Chairman	<b>Laurence Lhote</b>	Tax Partner
<b>Ravi Beegun</b>	Audit Partner	<b>Petra Schreiner</b>	Audit Partner
<b>Gerard Laures</b>	Tax Partner		

Supervisory Board members elected to be members of the Executive Committee from 1 October 2020 on, stepped back from their monitoring and controlling functions following their nomination.

## Leadership Team from 1 October 2020 on:

### Executive Committee

<b>David Capocci *</b>	Managing Partner	<b>Petra Schreiner</b>	Head of Audit
<b>Fabrice Leonardi</b>	Chief Operating Officer	<b>Sébastien Labbé</b>	Head of Tax
<b>Stanislas Chambourdon</b>	Head of Sales and Markets	<b>Yves Courtois</b>	Head of Advisory
<b>Ravi Beegun</b>	Chief Innovation Officer	<b>Stephen Nye **</b>	Quality & Risk Management Partner and Ethics & Independence Partner

### Supervisory Board

<b>Zia Hossen</b>	Advisory Partner - Chairman	<b>Pierre Kremer</b>	Tax Partner
<b>Pascale Leroy</b>	Audit Partner	<b>Thierry Ravasio</b>	Audit Partner
<b>Frank Stoltz</b>	Tax Partner		

\* Member of the Global Council of KPMG International

\*\* Has a permanent seat at the Executive Committee



# Appendix 3

## Public Interest Entities

The list of public interest entity audit clients for which KPMG Luxembourg, Société coopérative has signed an audit opinion in the year ended 30 September 2020 is given below.

The definition of public interest entity for this purpose is that given under the provisions of Art. 1 (20) of the law of 23 July 2016 concerning the audit profession.

Aberdeen Standard Liquidity Fund (Lux) SICAV	Citigroup Global Markets Funding Luxembourg S.C.A.	M&G Asia Property Fund S.A. SICAV-FIS
Aberdeen Standard SICAV 1	Clearstream Banking S.A.	Merck RE S.A.
Adler Group S.A. (former ADO Properties S.A.)	Compagnie De Banque Privée Quilvest S.A.	Mogo Finance S.A.
Advanzia Bank S.A.	CRC Breeze Finance S.A.	NB Aurora S.A. SICAF-RAIF
Agate Assets S.A.	Credit Suisse (Luxembourg) S.A.	Nestlé Finance International Ltd.
Aioi Nissay Dowa Insurance Company of Europe SE	DB Re S.A.	NORD/LB Luxembourg S.A. Covered Bond Bank
Alpha Trains Finance S.A.	DB Vita S.A.	Northern Trust Global Services SE
Andbank Luxembourg S.A.	Deka Verwaltungsgesellschaft Luxembourg S.A. (former DekaBank Deutsche Girozentrale Luxembourg S.A.)	Perpetuum SICAV-FIS S.A.
Aroundtown S.A.	Deutsche Bank Luxembourg S.A.	Premium Alternative S.A. (SICAV-SIF) (former Secured Growth Finance Opportunities SICAV-SIF)
Ashmore SICAV	ERGO Life S.A.	Prunelli Issuer I S.à r.l.
B&M European Value Retail S.A.	Eurobank Private Bank Luxembourg S.A.	RiverBank S.A.
Banco Bradesco Europa S.A.	Euromaf Re S.A.	Robeco (LU) Funds III SICAV
Bank GPB International S.A.	European Directories BondCo S.C.A.	Robeco All Strategies Funds SICAV
Bank Julius Baer Europe S.A. (former Bank Julius Baer Luxembourg S.A.)	European Finance Opportunities S.C.A. SICAV-SIF	Robeco Capital Growth Funds SICAV
Banque BCP S.A.	European Sicav Alliance	Robeco Global Total Return Bond Fund SICAV
Banque de Luxembourg S.A.	Fideuram Bank (Luxembourg) S.A.	Robeco QI Global Dynamic Duration SICAV
Banque Hapoalim (Luxembourg) S.A.	FWU Life Insurance Lux S.A.	ROOF Leasing Austria S.A.
BBGI Global Infrastructure S.A. (former BBGI SICAV S.A.)	Globality S.A.	RSA Luxembourg S.A.
Befesa S.A.	Grand City Properties S.A.	SB Capital S.A.
Breeze Finance S.A.	Hollenfels RE S.A.	Sigma Fund SICAV
Bridgepoint Direct Lending I SV S.A. (former EQT Mid-Market Credit SV S.A.)	Industrial and Commercial Bank of China (Europe) S.A.	Silver Arrow S.A.
Builders Direct S.A.	Industrial Ré S.A.	SMBC Nikko Bank (Luxembourg) S.A.
Builders Re, Builders Reinsurance S.A.	ING Luxembourg S.A.	Stabilus S.A.
BUMA I S.C.S. SICAV-RAIF	Intesa Sanpaolo Bank Luxembourg S.A.	Sumitomo Mitsui Trust Bank (Luxembourg) S.A.
Canal Re S.A.	ITI Funds UCITS ETF SICAV	Vianden RCG Re S.C.A.
	La Mondiale Europartner S.A.	
	Logwin AG	



# Appendix 4

## List of KPMG audit entities located in EU & EEA As of 1 October 2020

This is a list of KPMG audit firms as defined in Article 2 (3) of EU Directive 2006/43/EC which are located in EU/EEA countries. It has been prepared solely for the purpose of compliance by KPMG member firms with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. It is prepared on behalf of KPMG International Limited, a company limited by guarantee incorporated in England and Wales, which provides no professional services to clients. To the best of our knowledge, the list is accurate as of 1 October 2020. However, we cannot and do not warrant its accuracy at any given time.

Location	Firm name
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Alpen-Treuhand GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Wien)
Austria	KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft (Linz)
Austria	KPMG Niederösterreich GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft
Belgium	KPMG Bedrijfsrevisoren / KPMG Réviseurs d'Entreprises
Bulgaria	KPMG Audit OOD
Croatia	KPMG Croatia d.o.o. za reviziju
Cyprus	KPMG
Cyprus	KPMG Limited
Czech Republic	KPMG Česká republika Audit, s.r.o.
Denmark	KPMG P/S
Estonia	KPMG Baltics OÜ
Finland	KPMG Oy Ab
Finland	KPMG Julkistarkastus Oy
France	KPMG Associés S.A.
France	KPMG Audit Est S.A.S.
France	KPMG Audit FS I S.A.S.
France	KPMG Audit ID S.A.S.
France	KPMG Audit IS S.A.S.
France	KPMG Audit Nord S.A.S.
France	KPMG Audit Ouest S.A.S.
France	KPMG Audit Paris et Centre S.A.S.
France	KPMG Audit Rhône Alpes Auvergne S.A.S.
France	KPMG Audit Sud-Est S.A.S.
France	KPMG Audit Sud-Ouest S.A.S.



Location	Firm name
France	KPMG Fiduciaire de France
France	KPMG SA
France	SALUSTRO REYDEL S.A.
Germany	KPMG AG Wirtschaftsprüfungsgesellschaft
Germany	KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
Gibraltar	KPMG Limited
Greece	KPMG Certified Auditors A.E.
Greece	KPMG Auditing A.E.
Hungary	KPMG Hungária Kft./KPMG Hungary Ltd.
Iceland	KPMG ehf.
Ireland	KPMG
Italy	KPMG S.p.A.
Italy	KPMG Audit S.p.A.
Latvia	KPMG Baltics AS
Liechtenstein	KPMG (Liechtenstein) AG
Lithuania	'KPMG Baltics' UAB
Luxembourg	KPMG Luxembourg
Malta	KPMG
Netherlands	KPMG Accountants N.V.
Norway	KPMG Holding AS
Norway	KPMG AS
Poland	KPMG Audyt Services Sp z.o.o.
Poland	KPMG Audyt Sp. Z ograniczoną odpowiedzialnością
Poland	KPMG Audyt Sp. Z ograniczoną odpowiedzialnością Spółka Komandytowa
Portugal	KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Romania	KPMG Audit SRL
Slovakia	KPMG Slovensko spol. s r.o.
Slovenia	KPMG Slovenija, podjetje za revidiranje, d.o.o.
Spain	KPMG Auditores, S.L.
Sweden	KPMG AB
United Kingdom	KPMG LLP
United Kingdom	KPMG Audit Holdings Limited
United Kingdom	KPMG Audit Plc
United Kingdom	KPMG Holdings Limited
United Kingdom	KPMG Overseas Services Limited



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