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KPMG CIS

Transparency Report 2011

Year ended 30 September 2011

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Letter from the Senior Partner

Welcome to the 2011 KPMG CIS Transparency Report. Once again we are producing this report on a voluntary basis for the KPMG CIS practice as we believe that our clients and wider stakeholders deserve a clear statement of the steps that we take to uphold our professional obligations and responsibilities and to understand how we ensure delivery of the highest quality in all of our services.

Andrew Cranston
Senior Partner
Russia and the CIS

Quality is at the core of everything we do at KPMG. It is important to us in all of our services as it underpins our very reputation. It is however arguably most important in our audit business as investors and the wider capital markets need to be able to rely upon our audit opinions. Accounting and auditing are the foundation of our firm and although we are a multi disciplinary firm providing a wide range of services we are determined that the core values of integrity, professionalism and quality imbue all our services.

This report sets out the structure of KPMG in the CIS and its operating firms and summarises the quality control processes and standards of integrity that all of our firms adopt across the range of our businesses, not just audit. I trust that you find our report a useful insight into how we strive to enhance that quality. If you would like to discuss any aspect of this report or have any questions or feedback I would very much welcome your comments.

Andrew Cranston

Who we are

2.1 Our business

KPMG CIS[1] is part of KPMG Europe LLP a cross-border professional services organization that delivers audit, tax, and advisory services to help its national and international clients negotiate risks and thrive in the varied environments in which they do business. We employ approximately 3,400 people as at September 2011 and operate out of 18 offices in the CIS countries in which we operate. Further details of our service offerings can be found on our website at the following link http://www.kpmg.com/EU/en/WhatWeDo/Pages/default.aspx.

KPMG Europe LLP was created in October 2007, initially through the merger of our German and UK firms. Since that time we have been joined by KPMG firms operating in many other territories. KPMG Europe LLP itself together with those operating firms that had joined as at 30 September 2011 are referred to throughout this report as the 'group'. Our group currently consists of firms that operate in UK, Germany, Switzerland, Spain, Belgium, The Netherlands, Luxemburg, the CIS, Turkey, Norway and the Gulf States of Saudi Arabia, Jordan[2] and Kuwait. Together these firms employ over 30,000 people.

2.2 Our strategy

The strategy for our firm is set by the KPMG Europe LLP Board and has remained consistent for some time. It has determined that our overall ambition remains to be the number one multi-disciplinary professional services firm in Europe and to be a quality service provider to all of our clients – placing quality at the heart of our agenda. As an organization that has come together voluntarily as a single partnership we have a strong belief that we are 'better together' and that by being the best firm to work with we will win more work, reduce costs and attract, develop and retain the best people. In KPMG Europe LLP, we intend that 'the best firm to work with' will mean 'to consistently outperform the competition and increase our market share through profitable growth'. Our aim is to increase our market share, in our chosen areas of capability, by 3% in the next 3 years.

The KPMG Europe LLP Board has determined that a commitment to quality is one of the most important priorities in our strategy. We recognize that if we do not get the quality of our service and deliverables right then each and every one of the other objectives in our business plan may be jeopardized. As such, we put significant focus on ensuring that we deliver the quality of service that our clients expect, continually reinforcing the importance of quality across our firm.

Further details of how our firm is performing, together with analysis of the key risks that we face and how we seek to mitigate those risks is provided in the 2011 KPMG Europe LLP Annual Report which is available at the following link: www.kpmg.eu/annualreport.

[1] KPMG CIS (Commonwealth of Independent States) includes Russia, Ukraine, Armenia, Georgia, Kazakhstan, Kyrgyzstan and Azerbaijan.

[2] KPMG Jordan joined KPMG Europe LLP on 8th December 2011.

Our structure and governance

3.1 Legal structure

National structure

The entities that comprise KPMG CIS, KPMG Europe LLP as well as all of the other operating firms in our group are all affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. Further details about KPMG International and its business, including our relationship with it are set out in section 7.

A list of the key entities that comprise KPMG CIS, together with details of their legal structure, regulatory status, nature of their business and area of operation is set out in Appendix 1.

KPMG Europe LLP structure

KPMG Europe LLP itself is incorporated as a UK limited liability partnership under the Limited Liability Partnerships Act 2000. It is the holding entity for a number of KPMG firms in Europe. During the year to 30 September 2011 interests were acquired in the KPMG entities operating in: Norway on 31 March 2011, Kuwait on 30 June 2011, and Saudi Arabia on 21 September 2011. An interest was acquired in KPMG Jordan on 8 December 2011.

KPMG Europe LLP is wholly owned by its members (partners) all of whom work in KPMG firms in specific countries[3]. For regulatory or other reasons KPMG Europe LLP is not the legal owner of all of the operating companies in certain jurisdictions.

3.2 Name and ownership

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. The current transparency report for KPMG International is available at the following link www.kpmg.com.

National ownership

Except where otherwise noted in Appendix 1, all entities comprising KPMG in the CIS are wholly owned subsidiaries of KPMG Europe LLP. Where an entity is not wholly owned by KPMG Europe LLP it is as a result of national regulatory requirements and in such cases certain of the shares are owned by individual partners

During the year to 30 September 2011 there was an average of 84 partners in KPMG CIS.

KPMG Europe ownership

Although KPMG Europe LLP is a registered audit firm in the UK, it does not provide services to clients; all client work is performed by the various operating firms that are part of the group.

All members of KPMG Europe LLP as at 30 September 2011 are either full or affiliate members of the Institute of Chartered Accountants of England and Wales (ICAEW) or are full members of one of the other three British or Irish Institutes. During the year ended 30 September 2011 there was an average of 1,425 members of KPMG Europe LLP.

3.3 Governance structure

National governance

The main governing body in the CIS is the CIS Executive. This comprises the CIS Senior Partner, the CIS Heads of Audit, Tax, Advisory, Markets, People, Infrastructure and Finance, Quality and Risk Management and the Senior Partners of the Ukraine and Kazakhstan firms.

The CIS Executive is responsible for determining strategy in the CIS, ensuring business plans of units are aligned to this strategy and provides oversight of performance. It deals with matters of CIS wide importance and provides oversight of Partner matters such as remuneration and Partner admission. The CIS Executive meets on a monthly basis.

Day to day management and oversight of operations is provided through business unit heads and country Senior Partners.

Full details of those charged with governance for KPMG CIS, including their biographies and the number of meetings that they attended in the year are set out in Appendix 2.

Group governance

As a major international organization, our group applies high standards of corporate governance. The governance structure for our parent entity, KPMG Europe LLP, therefore mirrors to a large extent that followed by our major clients.

[3] In the case of the Netherlands, each partner's interest in KPMG Europe LLP is owned through a personal holding company wholly owned by the partners.

Our structure and governance continued

The Board

The main governing body is a unitary Board. It can exercise all the powers of KPMG Europe LLP except for a small number of matters principally affecting the structure and composition of the group, which require a vote of the members.

The KPMG Europe LLP Board is responsible for ensuring that the group is run in the interests of the members as a whole and in a manner which is in keeping with the standing and reputation of the group. The Board's responsibilities include setting the strategy, overseeing its implementation by the Executive Committee and considering the group's overall financial performance and solvency.

During the year, the Board comprised the two Joint Chairmen, ten additional officers being the Chief Operating Officer, and the Heads of Audit, Tax, Management Consulting[4], Transactions & Restructuring, Risk Consulting[5], Markets, Finance & Infrastructure, Human Resources and Quality & Risk and a number of KPMG partners who held non-executive roles for the group. As at 30 September 2011, there were a total of 27 partners on the board.

The Joint Chairmen are responsible for leading the group, one of them chairing the Board and the other the Executive Committee. Whilst they are both formally appointed by the Board their appointment must be ratified by an ordinary resolution of the members. They have both served four years of their initial five-year term of office (which is renewable for an additional three years). Either Joint Chairman can be removed from office at any time by an extraordinary resolution of the members.

The 10 additional officer roles are appointed by the Board after considering the recommendations of the Joint Chairmen and the Nominations Committee. They are elected for a term of three years, renewable for such a period as the Board sees fit. The KPMG partners who hold a non-executive role on the Board are recommended for appointment by the Nominations Committee in consultation with the Joint Chairmen. Their appointment is subject to ratifications by an ordinary resolution of the members: they are elected for a term of three years and can serve for two terms (or in the case where the non-executive members are senior partners of one of our operating firms they may be appointed for the period that they hold that office).

The UK Audit Regulations require a majority of the Board to have attained an appropriate accounting professional qualification from one of the EU member states. At present 19 members (accounting for approximately 66 percent) of the Board hold this qualification.

The Board met seven times in the year to 30 September 2011 including a full day meeting in March 2011 (to which our external non-executives were also invited) to consider the group's strategic plan.

In addition, there are six main bodies that deal with key aspects of governance within the group that report into the Board. These are:

- The Executive Committee
- The Quality & Risk Committee
- The Audit Committee
- The Public Interest Committee;
- The Nominations Committee; and
- The Remuneration Committee.

Details about the role, responsibilities and composition of each of these key bodies are set out below. Full details of those holding positions on each of these bodies, including their biographies and the number of board meetings and sub-committee meetings that they attended in the year and how long they have served are set out in the 2011 KPMG Europe LLP Transparency Report.

The Executive Committee

The Executive Committee is responsible for recommending policy to the Board and developing the business plan within the overall strategy set by the Board, together with its subsequent implementation. It deals with operational matters affecting the group (including the operating and financial performance, budgets, new business proposals, marketing, technology development, recruitment, and retention and general remuneration).

The Executive Committee includes one of the Joint Chairmen and those Board members responsible for Audit, Tax, Management Consulting[3], Risk Consulting[4], Transactions and

[4] Management Consulting was formally known as Performance & Technology

[5] Risk Consulting was formally known as Risk & Compliance

Our structure and governance continued

Restructuring, Markets, Human Resources and Finance & Infrastructure and the Chief Operating Officer. The other Joint Chairman, the Head of Quality & Risk and all of the national senior partners receive all Executive Committee papers and have the right to attend meetings.

The Executive aims to meet at least monthly and it met twelve times either face-to face or via video link/conference call during the year to 30 September 2011.

The Quality & Risk Committee

The principal role of the Quality & Risk Committee is to provide oversight of quality & risk management matters across the group. As part of its role it helps to ensure that a culture of quality and integrity is maintained within the group and, where required, it will act as a sounding board to the Head of Quality & Risk on the policies and procedures relating to professional risk management, ethics and independence, quality control and compliance. The Committee also considers the impact of the key findings from our compliance quality monitoring programs and the adequacy of proposed remedial actions.

During the year ended 30 September 2011, the Quality & Risk Committee consisted of three KPMG partners who held a non-executive role on the Board and who are appointed to the committee by (and for a term determined by) the Joint Chairmen with the approval of the Board. The Quality & Risk Committee met seven times in the year to 30 September 2011. This included holding a meeting with the chairman of the Audit Committee to discuss the process for identifying all key risks (both professional and enterprise) currently facing the group.

The Public Interest Committee

As required by the UK Code on Audit Firm Governance, with effect from 1 October 2010, KPMG Europe LLP formed a new Public Interest Committee. The committee is responsible for overseeing the Public Interest aspects of decision making of our group including the management of risks. Acting in the public interest in this context involves having regard to legitimate interests of clients, governments, financial institutions, employees, investors and the wider business and financial community and others relying on the objectivity and the integrity of the accounting profession to support the propriety and orderly functioning of commerce. The Public Interest Committee is also responsible for engaging in a dialogue with external stakeholders.

In view of the commonality of interests, the Public Interest Committee normally meets jointly with the Quality & Risk Committee – albeit that the two committees form their own conclusions on the matters discussed. In addition, the Public Interest Committee holds private deliberations as necessary.

The Public Interest Committee currently comprises three external non-executives Sir Steve Robson, Dr Alfred Tacke and Tom de Swaan – all of whom were appointed from outside of our group. Each member of the Public Interest Committee receives an annual remuneration of €100,000.

The full terms of reference for the Public Interest Committee together with the mini biographies of the current members can be found on our website at the following link www.kpmg.eu/governance.

The Audit Committee

The Audit Committee is responsible for reviewing the annual financial statements of the legal group, considering accounting issues arising in respect of the legal groups affairs, receiving and considering reports from the internal and external auditors as well as reviewing the effectiveness of the operational and financial controls within the group.

The Audit Committee currently comprises three KPMG partners who hold a non-executive role on the Board and who are appointed to the Committee by (and for a term determined by) the Joint Chairmen with the approval of the Board. The Audit Committee met four times in the year to 30 September 2011.

A report on the activities of the Audit Committee in the year is included in the 2011 KPMG Europe LLP Annual Report: www.kpmg.eu/annualreport.

The Nominations Committee

The Nominations Committee is responsible for overseeing the process of identifying suitable candidates within the group for appointment to the Board and other key appointments. This includes interviewing potential candidates and making recommendations to the Board and Joint Chairmen as appropriate. The Nominations Committee met four times in the year to 30 September 2011.
The members of the Nominations Committee are appointed by the Board for a term of up to three years (which can be renewed for a further term not exceeding three years). As at 30 September 2011 there were five members on the Committee, being one non-executive board member and four non-board members.

Our structure and governance continued

The Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the Joint Chairmen and officers and making recommendations on policies for partners' remuneration. It is also responsible for approving the process for determining partner remuneration used by the Executive Committee for determining individual partner remuneration and for approving the pay of the members of the Executive Committee.

As part of its activities, the Remuneration Committee receives and considers a report from the Head of Quality & Risk on the following:

1 the approach to ensuring that quality issues are appropriately considered in partner counseling, and

2 whether or not there are any quality concerns about specific partners.

In addition, it receives detailed quality and risk compliance metrics for the KPMG Europe LLP Board members, Executive Committee members, KPMG Europe LLP sector leads, country operating team members and the lead partners for the top accounts, for whom it has a responsibility to monitor pay.

The Remuneration Committee comprises nine KPMG Partners who are all national senior partners who hold a non-executive role on the Board and who are appointed to the committee by the Joint Chairmen with the Boards approval following consultation with the Nominations Committee. The Remuneration Committee met three times in the year ended 30 September 2011 and has held three meetings (two of which occurred after the year end) to discuss 2011 partner pay.

Further information regarding partner remuneration is set out in Section 6.

Communication with the members

The Joint Chairmen and Chief Operating Officer communicate regularly with the senior partners of our operating firms as well as from time to time directly with all of the members of KPMG Europe LLP on any matters of importance for the whole group. Every two years we hold a one day partners conference which brings together our partners from across the group. The last such conference was in July 2010 in Frankfurt and was attended by over 1,000 of our partners.

The country senior partners have primary responsibility for communication with the partners in the relevant country – they use a variety of media for this purpose including regular meetings of members in the various geographies, functions and service lines, e-mails and facilitated WebEx sessions.

3.4 Leadership responsibilities for quality and risk management

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

Senior partner

In accordance with the principles in ISQC1, our senior partner Andrew Cranston has assumed ultimate responsibility for KPMG CIS system of quality control. Details of some of the measures that he and the rest of the Executive have taken to ensure that a culture of quality prevails within KPMG CIS are set out in section 4.

CIS Head of Quality and Risk

Operational responsibility for the system of quality control, risk management and compliance in KPMG CIS has been delegated to Jim McKinven, the CIS Head of Quality and Risk who is responsible for setting overall professional risk management and quality control policies and monitoring compliance for the firm. He has a seat on the CIS Executive and has a direct reporting line to the senior partner. The fact that the role is an Executive position, and seniority of the reporting lines, underlines the importance that the firm places on risk and quality issues. The Head of Quality and Risk management is supported by a team of partners and professionals in each of the functions and countries of the CIS in which the firm operates.

The Head of Quality and Risk management is supported by a team of partners at both KPMG ELLP and country level. The latter have been given operational responsibility for these matters at national level.

The Audit, Tax and Advisory functions – Function Heads

The heads of the client service functions, Audit, Tax and Advisory (which comprises our Transactions & Restructuring, Management Consulting and Risk Consulting businesses), are accountable to the KPMG CIS Executive for the quality of service delivered in their respective function. Between them they determine the operation of the risk management, quality assurance and monitoring procedures for their specific functions within the framework set by the Head of Quality and Risk Management. These procedures all make it clear though that at engagement level risk management and quality control is the ultimately the responsibility of all professionals.

System of quality control

KPMG Europe LLP has policies of quality control that apply to all of its operating firms. These policies are based on professional standards issued by the International Federation of Accountants (IFAC), including ISQC1, relevant to firms that perform statutory audits and other assurance and related services engagements. These policies and associated procedures are designed to guide KPMG Europe LLP firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances.

Our firm implements KPMG International policies and procedures and adopts additional systems of quality controls that are designed to meet the rules and standards issued by local regulators and other relevant regulators as well as local legal and other requirements.

KPMG International's policies reflect individual quality control elements to help our personnel act with integrity and objectivity, perform their work with diligence, and comply with applicable laws, regulations, and professional standards.

Quality control and risk management are the responsibility of all KPMG personnel. This responsibility includes the need to understand and adhere to member firm policies and associated procedures in carrying out their day-to-day activities.

Many KPMG quality control processes are cross-functional and apply equally to tax and advisory work; in particular the quality framework which was initially designed for audit is in the process of being adapted for the other functions. However the focus of this section is on our system of audit quality control and explaining what we do to achieve the highest quality in the audits supporting opinions issued by our firms.

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 audit report. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. This means, above all, being independent, compliant with relevant legal and professional requirements, and offering insight and impartial advice to our clients.

In order to deliver an appropriate and independent opinion, we have our global audit methodology (see section 4.3 for further information on our methodology). We also have our Audit Quality Framework which we use to describe, focus on and enhance audit quality for the benefit of all our stakeholders. In particular it highlights what we believe drives audit quality and how we address each of these elements.

The Audit Quality Framework identifies seven drivers of audit quality.

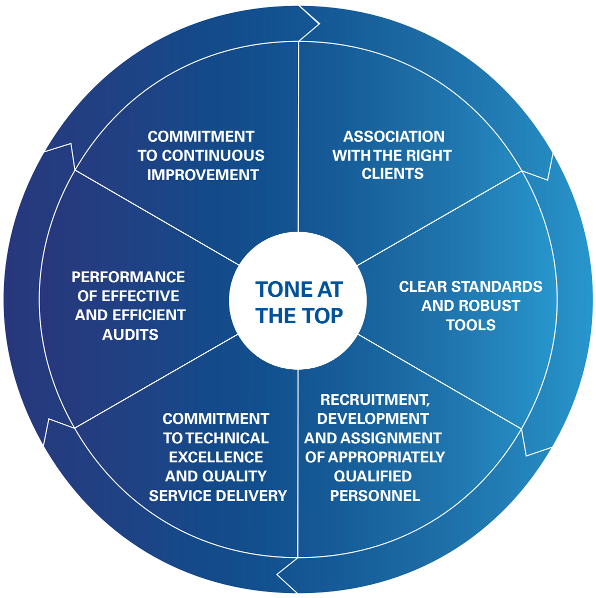
- Tone at the top.
- Association with the right clients.
- Clear standards and robust audit tools.
- Recruitment, development and assignment of appropriately qualified professionals.
- Commitment to technical excellence and quality service delivery.
- Performance of effective and efficient audits.
- Commitment to continuous improvement.

Tone at the top sits at the core of the framework and helps ensure that the right behaviors permeate across our entire group.

All of the other key aspects of our system of quality control then operate within a virtuous circle, with each driver of the model reinforcing the others. Each of these key drivers of our quality control system is described in more detail in the following sections of this report.

System of quality control continued

Audit Quality Framework



4.1 Tone at the Top

Tone at the top sits at the core of the Audit Quality Framework and ensures the right behaviors permeate our entire network and maximizes our outcomes through a focused and consistent voice.

Our leadership clearly demonstrates and communicates their commitment to quality, ethics and integrity.

KPMG's tone at the top provides a clear focus on quality through:

- Culture, values, and code of conduct – clearly stated and demonstrated in the way we work
- Focused and well-articulated strategy – incorporating quality at all levels
- Standards set by leadership
- Governance structure and clear lines of responsibility for quality- skilled and experienced people in the right positions to influence the quality agenda.

Integrity is a critical characteristic that stakeholders expect and rely on. It is also the key KPMG Core Value – Above all, we act with Integrity. For us integrity means constantly striving to uphold the highest professional standards in our work, providing sound good quality advice to our clients and rigorously maintaining our independence. Our Values, which have been explicitly codified now for a number of years, are embedded into our working practices. For example, they are reflected in the performance appraisal process that our people follow and adherence to these Values is also reviewed when our people are considered for more senior promotions, including to partner. Our core values are set out in Appendix 4.

Our Code of Conduct, which incorporates our Core Values, defines the standards of ethical conduct that we require from our firms and our people. The Code of Conduct sets out KPMG's ethical principles, and helps partners and employees to understand and uphold those principles. The Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. It has provisions that require KPMG people to:

- Comply with all applicable laws, regulations and KPMG policies;
- Report any illegal acts, whether committee by KPMG personnel, clients or other third parties;
- Report breaches of risk management policies by KPMG firms or people;
- Uphold the highest levels of client confidentiality; and
- Not offer, promise, make, solicit or accept bribes (whether directly or through an intermediary).

The commitments in our Code of Conduct underlie our values-based compliance culture where individuals are encouraged to raise their concerns when they see behaviors or actions that are inconsistent with our values or professional responsibilities.

We operate a whistle-blowing hotline which is available for our personnel, clients, and other parties to confidentially report concerns they have relating to how others are behaving (both internally and externally). The whistle blowing hotline allows people to report their concerns (via telephone, secure internet lines or surface mail) to a third party organization. Our people can raise matters anonymously and without fear of retaliation.

System of quality control continued

Matters reported to the hotline are investigated under the supervision of an independent ombudsman and are reported ultimately to the group's Quality & Risk Committee and the Public Interest Committees. This report covers matters reported to the hotline, how the investigations were conducted, findings from the investigations and the implications for our policies and procedures.

4.2 Association with the right clients

4.2.1 Acceptance and continuance of clients and engagements

Rigorous client and engagement acceptance and continuance policies and processes are vitally important to the group's ability to provide quality professional services and to protect KPMG's reputation and support its brand.

4.2.2 Prospective client and engagement evaluation process

Before accepting a client, we undertake an evaluation of the prospective client. This involves an assessment of its principals, its business, and other service-related matters. This also involves background checks on the prospective client, its key management and beneficial owners. A key focus is on the integrity of management at a prospective client. A second partner, as well as the evaluating partner, approves the prospective client evaluation. Where the client is considered to be 'high risk' a risk management partner is involved in approving the evaluation.

Each prospective engagement is also evaluated. The prospective engagement partner evaluates a prospective engagement in consultation with other senior personnel and review by quality and risk management leadership as required. A range of factors is considered as part of this evaluation including potential independence and conflict of interest issues (using Sentinel our global conflicts and independence checking system) as well as a range of factors specific to the type of engagement, including for audit services, the competence of the client's financial management team.

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

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 documented and resolved in consultation with other parties.

Our firm will decline a prospective client or engagement if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional and firm standards, or there are other risk issues that cannot be appropriately mitigated.

Section 4.3.2 provides more information on our independence and conflict checking policies.

4.2.3 Continuance process

An annual re-evaluation of all audit clients is undertaken. In addition, clients are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long running engagements are also subject to re-evaluation.

This re-evaluation serves two purposes. Firstly our firm will decline to act for any client where they are unable to deliver to our expected level of quality or if they considered that it would not be appropriate to continue to be associated with the client. More commonly we use the re-evaluation process to consider whether or not any additional risk management or quality control procedures need to be put in place for the next engagement (this would include the assignment of professionals or the need to involve additional specialists on the audit).

4.3 Clear standards and robust audit tools

All of our professionals are required to adhere to the clear policies and procedures (including independence policies) that we set and we provide a range of tools to support them in meeting these expectations. The policies and procedures we set for audit incorporate the relevant requirements of accounting, auditing, ethics, and quality control standards, and other relevant laws and regulations.

4.3.1 Audit methodology and tools

We dedicate significant resources to keeping our standards and tools complete and up to date. Our global audit methodology, developed by the Global Service Centre (GSC), is based on the requirements of International Standards on Auditing (ISAs). The methodology is set out in the KPMG Audit Manual (KAM) and includes additional requirements that go beyond the ISAs where KPMG believes these enhance the quality of our audits. Local requirements and/or guidance has been added where required to comply with local professional, legal or regulatory requirements.

System of quality control continued

Our audit methodology is supported by eAudIT, KPMG's electronic audit tool, which provides auditors worldwide with the methodology, guidance, and industry knowledge needed to perform efficient, high-quality audits. eAudIT has been deployed to all audit professionals in our firm.

eAudIT's activity-based workflow provides engagement teams with ready access to relevant information at the right time throughout the audit, thereby enhancing efficiency and delivering value to our audit clients. The key activities within the eAudIT workflow are:

Engagement setup
- Engagement acceptance and scoping.
- Team selection and timetable.

Risk assessment
- Understand the entity and identify and assess risks.
- Plan for involvement of specialists and others including, experts, internal audit, service organizations and other auditors.
- Evaluate design and implementation of selected controls.
- Risk assessment and planning discussion.
- Determine audit strategy and planned audit approach.

Testing
- Test operating effectiveness of selected controls.
- Plan and perform substantive procedures.

Completion
- Update risk assessment.
- Perform completion procedures, including overall review of financial statements.
- Perform overall evaluation, including evaluation of significant findings and issues.
- Communicate with those charged with governance (e.g., the audit committee).
- Form the audit opinion.

KAM contains, among other things, procedures intended to identify and assess the risk of material misstatement and procedures to respond to those assessed risks. Our methodology encourages engagement teams to exercise professional skepticism in all aspects of planning and performing an audit. The methodology encourages use of specialists when appropriate and also requires use of certain specialists in the core audit engagement team when certain criteria are met.

KAM includes the implementation of quality control procedures at the engagement level that provides us with reasonable assurance that our engagements comply with the relevant professional, legal, regulatory and KPMG requirements.

The policies and procedures set out in KAM are specific to audits and supplement the policies and procedures set out in the Global Quality and Risk Management manual that is applicable to all KPMG member firms, functions and personnel. The provisions of ISQC-1 are addressed through KAM and through member firm's implementation of the Global Quality and Risk Management manual.

4.3.2 Independence, integrity, ethics and objectivity

4.3.2.1 Overview

We have adopted the KPMG Global Independence Policies which are derived from the IESBA Code of Ethics and incorporate, as appropriate, SEC, US PCAOB and other applicable regulatory standards. These policies are supplemented by other processes to ensure compliance with the standards issued by the relevant national bodies in the CIS countries in which we operate. These policies and processes cover areas such as firm independence (covering for example treasury and procurement functions), personal independence, post-employment relationships, partner rotation, and approval of audit and non-audit services.

Our firm has a designated ethics and independence partner. In addition, there is a core team of virtual specialists led by the Head of Ethics and Independence for KPMG Europe LLP to help ensure that robust and consistent independence policies and procedures are applied across our firm and group and that these are updated and communicated as required. Amendments to the ethics and independence policies in the course of the year are communicated by e-mail alerts and included in regular quality and risk communications. To help ensure ethical conduct, including integrity and independence, our operating firms and their personnel must be free from prohibited financial interests in, and prohibited relationships with, the network's audit clients, their management, directors, and significant owners.

System of quality control continued

In the event of failure to comply with relevant independence policies, whether identified in the rolling compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. Matters arising are factored into promotion and compensation decisions and, in the case of partners and managers, are reflected in their individual quality and risk metrics.

4.3.2.2 Personal independence

KPMG International policy extends the IESBA Code of Ethics restrictions on ownership of audit client securities to every member firm partner in respect of any audit client of any member firm.

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial interests that are restricted for independence purposes. In common with other member firms of KPMG International, we use a Web-based independence tracking system to assist our professionals in their compliance with personal independence investment policies. This system contains an inventory of publicly available investment products. Partners, client facing managers and selected non client facing managers are required to use this system prior to entering into an investment to identify whether they are able to do so. They are also required to maintain a record of all of their investments in the system, which automatically notifies them if their investments subsequently become restricted. Our firm monitors compliance with this requirement through performing regular audits of a sample of partners and managers. In 2011 90 of our people were subject to these audits (this included approximately 19% of our partners).

Any professional providing services to an audit client is also required to notify the Ethics and Independence Partner if they intend to enter into employment negotiations with an audit client.

4.3.2.3 Independence training and confirmations

Our firm provides all relevant personnel (including all partners, all client service professionals and selected non client facing staff) with annual independence training appropriate to their grade and function and to provide all new personnel with relevant training when they join.

All personnel are required to sign an independence confirmation upon commencement of employment at one of our operating firms. Thereafter, professionals are required to provide an annual confirmation that they have remained in compliance with applicable ethics and independence policies throughout the period. This confirmation is used to evidence the individual's compliance with and understanding of our firm's independence policies.

4.3.2.4 Audit partner rotation

Audit partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws and regulations and independence rules. These limit the number of years that partners in certain roles may provide audit services to an audit client. KPMG International rotation policies are consistent with the IESBA Code of Ethics and require our firm to comply with any stricter applicable rotation requirements. Our firm monitors the rotation of partners, which also assists them to develop transition plans that help them to deliver a consistent quality of service to clients. The rotation monitoring is subject to compliance testing.

4.3.2.5 Non-audit services

Our firm has policies as to the scope of services that can be provided to audit clients which are consistent with both IESBA principles and the local independence regulations in the countries of the CIS in which we operate. Additionally, KPMG policies require the consideration by the lead audit engagement partner of the threats arising from the provision of non-audit services and the safeguards available to address those threats.

KPMG International's proprietary system, Sentinel, facilitates compliance with these policies. Lead audit engagement partners are required to maintain group structures for their publicly traded and certain other audit clients and their affiliates in the system. Every engagement entered into by any KPMG member firm in our network is required to be included in the system prior to starting work. The system then enables lead audit engagement partners for restricted entities to review and approve, or deny, any proposed service wherever in the world the service is proposed to be provided and wherever the member firm is based.

System of quality control continued

4.3.2.6 Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the operating firm expressing the audit opinion. In particular, these policies require that in the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10% of the total fees received by a particular member firm for two consecutive years, a senior partner from another operating firm would be appointed as the engagement quality control reviewer. Also, this would be disclosed to those charged with governance at the audit client.

Fee levels for audit clients are monitored both at the CIS level as well as at the individual country level. While no audit client accounted for more than 10% of the total fees received by the KPMG CIS member firm over the last two years, there is one instance in Georgia where the fees from a public interest entity audit client are over 10% of the fees for the local firm. Local regulation in Georgia does not require any specific steps to be taken to address this situation and the fees from this audit client are immaterial to the CIS firm. Given that the policies, procedures and processes that constitute the quality control system are set and operated at the CIS level, and the fact that an engagement quality control reviewer has been appointed from outside of Georgia, we consider that independence is not threatened.

4.3.2.7 Business relationships/suppliers

Our firm has policies and procedures in place that are designed to ensure that business relationships are maintained in accordance with the IESBA Code of Ethics and the relevant local independence standards of the countries in which KPMG CIS operates. Compliance with these policies and procedures is reviewed periodically.

4.3.2.8 Conflicts of interest

Conflicts of interest may prevent our firm from accepting or continuing an engagement. Sentinel is also used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict issues identified are resolved in consultation with other parties as applicable, and the resolution of all matters is documented.

An escalation procedure exists in the case of dispute between member firms. If a potential conflict issue cannot be resolved, the engagement is declined or terminated.

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

4.3.2.9 Anti-bribery and corruption

Our firm provides anti-bribery and corruption training to all partners, client facing employees and managers in non client facing roles. Training covering compliance with laws, regulations and professional standards is required to be completed at a minimum of once every two years, with new hires completing such training within four weeks of joining our firm.

4.4 Recruitment, development and assignment of appropriately qualified people

We are totally committed to equipping our people with the skills and tools they need to cut through the complexity of today's world – complexity that sees our people increasingly working across borders, collaborating on a global basis and take on challenging and innovative projects.

One of the key drivers of quality is ensuring the assignment of professionals with the skills and experience appropriate to the client. This requires recruitment, development, promotion and retention of our professionals and robust capacity and resource management processes.

4.4.1 Recruitment

All candidates applying for professional positions are required to submit an application and are employed following a variety of selection processes, which may include application screening, competency-based interviews and qualification/ reference checks.

System of quality control continued

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. This also includes ensuring that any issues of independence or conflicts of interest are addressed.

4.4.2 Personal development

It is important that all professionals have the necessary business and leadership skills to be able to perform quality work in addition to technical skills (see section 4.5).

We are in process of implementing a simple partner development framework that links particular training programs to various partner levels and roles. All 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.

In relation to audit we provide opportunities 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. We further develop our personnel for high performance through coaching and mentoring on the job, stretch assignments, country rotational and global mobility opportunities and the like.

4.4.3 Performance evaluation and compensation

For some time now, the 'glue' that binds all of our people processes and policies together for our employees has been our Global Skills and Behaviors. Our firm uses these to shape their performance management process, to underpin the learning and development offering and also the promotion processes.

All professionals undergo annual goal-setting and performance evaluations. Each professional is evaluated on attainment of agreed-upon goals, demonstration of the KPMG skills and behaviors for their level, and adherence to the KPMG values and attributes. This is achieved through our global performance management process, which is supported by a web-based application. These evaluations are conducted by performance managers and partners who are in a position to assess their performance. In preparation for their counseling all of our people are required to seek evidence of their performance during the year. As part of the year end counseling process they are awarded a grading based on how well they have performed in meeting their objectives. This grade directly influences the total amount of remuneration that they are paid. The results of the annual counseling are also considered when promotion decisions are being made.

Similarly, each year, partners are also required to agree objectives for the coming year which are specific to their individual role. They do this using a scorecard which records both their objectives and their performance against those objectives at year end, including objectives relating to quality (which is of course important for all of our services but absolutely critical for audit). As for staff, as part of the year end counseling process our partners are awarded a grading based on how well they have performed in meeting their individual objectives. They are required to provide objective evidence to demonstrate this, which includes their individual quality and risk metrics, which are described in further detail below. The result of the annual performance evaluation directly affects the compensation of our partners and in some cases their continued association with KPMG.

All client facing managers and above are issued with standardized quality and risk metrics which are fed into their annual counseling process. The quality and risk metrics include a number of parameters, such as the results of external regulatory reviews, timely completion of training; and the outcome of internal monitoring programmes. As part of these metrics, an overall red, amber or green grading is awarded. The action which is taken in respect of those with amber and red metrics will be dependent upon what drove the adverse metric initially. The range of actions that will be taken include remediation of the initial deficiency giving rise to the adverse metric, remedial training, one to one counseling with functional leadership and/or quality and risk partners on the issue arising, or depending on the specific matter giving rise to the adverse metric, in some instances a reduction in the overall compensation paid to the person concerned.

Compensation and promotion

Our firm has compensation and promotion policies that are clear, simple, and linked to the performance evaluation process so that our people know what is expected of them and what they can expect to receive in return. Our compensation policies do not permit audit partners to be compensated for the sale of non-audit services to their audit clients.

System of quality control continued

A common senior grading model and career path framework has been implemented for all partners across our firm. This outlines the varied roles a partner may undertake throughout their career, the level of seniority associated with the roles and the potential career routes a partner may take to achieve the roles / level of seniority. Expectations of each role are described through a role profile.

Partner admissions

Our process for admission to the partnership is rigorous and thorough, involving appropriate members of our firm's leadership. We have a common approach for assessing and admitting new partners in all countries of the CIS, where there were a total of 15 new partners appointed. The process includes a business case and a personal case for the individual candidate. Our key criteria for admission to partner are consistent with a commitment to professionalism and integrity, quality, and being an employer of choice. All partner admissions in the CIS firm need to be approved by the CIS Executive.

4.4.4 Assignment

Our firm has procedures in place to assign both the engagement partners and professionals to a specific engagement by evaluating his or her skill sets, relevant professional and industry experience, and the nature of the assignment or engagement. Function heads are responsible for the process for allocating particular engagement partners to clients.

Audit engagement partners are required to be satisfied that their engagement teams have appropriate competencies and capabilities to perform audit engagements in accordance with KAM, professional standards and applicable legal and regulatory requirements. This may include involving KPMG's local and global specialists.

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 standards 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, and
- an understanding of quality control policies and procedures.

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 and the Audit Quality & Risk Management partner perform an annual review of the portfolio of all of our audit engagement partners. The purpose of this portfolio review is to look at the complexity and risk of each audit and then to consider whether or not taken as a whole the specific engagement partner has the appropriate time and the right support to enable them to perform a high quality audit for each client in their portfolio.

4.5 Commitment to technical excellence and quality service delivery

We provide all professionals with the technical training and support they need, including access to networks of specialists and professional practice departments ("DPP"), either to provide resources to the engagement team or for consultation.

At the same time we use our audit accreditation and licensing policies to require professionals to have the appropriate knowledge and experience for their assigned engagements. Our structure enables our engagement teams to apply their business understanding and industry knowledge to deliver valued insights and to maintain audit quality.

4.5.1 Technical training

In addition to personal development discussed at 4.4.2 our policies require all professionals to maintain their technical competence and to comply with applicable regulatory and professional development requirements.

Our technical training curriculum covers all grades of staff with a core training program for junior staff and periodic and annual update training for qualified and experienced staff and partners.

Audit learning and development steering groups at the global, regional and local levels identify annual technical training priorities for development and of new courses, content for periodic and annual update training and amendments to the core program. Delivery of training is through a blend of classroom, e-learning and virtual classroom. Audit Learning and Development teams' work with subject experts and leaders from GSC, ISG and DPP to ensure the training is of

System of quality control continued

the highest quality, relevant to performance on the job and is delivered on a timely basis. . The "ELLP Update for Auditors" is eLearning training which is made available, on a quarterly basis, to all of the countries in the CIS firm for completion by Audit managers and partners.

Audit training is mandatory and completion is monitored at the CIS firm level through a Learning Management System – 100% attendance is required in all cases. This allows individuals to monitor their compliance both with their ongoing Continuing Professional Development requirements and with KPMG's mandatory training and accreditation requirements (see below). Non-attendance at mandatory training is captured as one of the measures on the quality and risk metrics.

4.5.2 Accreditation and licensing

All KPMG professionals comply with applicable professional license rules in the jurisdiction where they practice.

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. 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.

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

4.5.3 Access to specialist networks

Our engagement teams have access to a network of local and global specialists in KPMG member firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

The need for specialists (e.g. Information Technology, Tax, Treasury, Pensions, Forensic) to be assigned to a specific audit engagement is considered as part of the audit engagement acceptance and continuance process.

4.5.4 Consultation

Internal consultation is a fundamental contributor to quality and is mandated in certain circumstances and always encouraged.

Our firm provides appropriate consultation support through professional practice resources that include a Department of Professional Practice ('DPP') which is made up of senior professionals with extensive experience of audit, reporting and risk management.

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 IFRS and ISAs.

To assist audit engagement professionals in addressing difficult or contentious matters, we have established protocols for consultation and documentation of significant accounting and auditing matters, including procedures to facilitate resolution of differences of opinion on engagement issues. Consultation with a team member at a higher level of responsibility than either of the differing parties usually resolves such differences. In other circumstances, the matter may be elevated through the chain of responsibility for resolution by technical specialists. In exceptional circumstances, a matter may be referred to the Head of Audit, Head of DPP, Head of Quality and Risk (or appropriate nationally qualified delegates) or ultimately the CIS senior partner (or appropriate nationally qualified delegates).

Technical support available to our firm also includes the International Standards Group (ISG) as well as (for work on SEC foreign registrants) the U.S. Capital Markets Group based in New York, or ELLP's US Accounting and Reporting group based in London.

The ISG works with Global IFRS and ISA topic teams with geographic representation from around the world to promote consistency of interpretation of IFRS between member firms, identify emerging issues and develop global guidance on a timely basis. The ISG has a network of contacts and holds regular calls both in relation to auditing and IFRS to update country professional practice representatives.

System of quality control continued

4.5.5 Developing business understanding and industry knowledge

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

For significant industries global audit sector leads are appointed to support the provision of relevant industry information to audit professionals. A key element of this industry information is the provision of industry knowledge within eAudIT. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes). In addition industry overviews are available which provide general and business information in respect of particular industries as well as a summary of the industry knowledge provided in eAudIT.

4.6 Performance of effective and efficient audits

We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality enhance the quality of the engagement team's performance during the conduct of every audit.

We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. These behaviours are discussed below.

4.6.1 KPMG Audit Process

As set out in section 4.3 above, our audit workflow is enabled in eAudIT. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are:

- timely partner and manager involvement ;
- critical assessment of audit evidence;
- exercise of professional judgment and professional skepticism
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

4.6.1.1 Timely partner and manager involvement

To identify and respond to the significant audit risks for each year's audit, the engagement team requires an understanding of the client's business, its financial position and the environment in which it operates. The engagement partner is a key participant in the planning meetings, reviews key audit documentation – especially documentation relating to significant risks and key audit judgments – and is responsible for the final audit opinion. The engagement manager assists the partner in these responsibilities and in the day to day liaison with the client and team.

Involvement and leadership from the engagement partner early in the audit process helps set the appropriate scope and tone for the audit and helps the engagement team obtain maximum benefit from the partner's experience and skill. Timely involvement of the engagement partner at other stages of the engagement allows the engagement partner to identify and appropriately address matters important to the engagement, including critical areas of judgment, significant risks and other areas the engagement partner considers important.

4.6.1.2 Critical assessment of audit evidence with emphasis on professional scepticism

We consider all audit evidence obtained during the course of the audit, including consideration of conflicting or missing evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We recognize that audit evidence obtained from external sources tends to be more persuasive. The analysis of the audit evidence requires each of our team members to exercise professional judgment and maintain professional skepticism to obtain sufficient appropriate audit evidence.

Professional skepticism involves a questioning mind and alertness to inconsistencies in evidence. Professional skepticism features prominently throughout auditing standards and receives significant focus from regulators. Our Audit Quality Framework emphasizes the importance of maintaining an attitude of professional skepticism throughout the audit.

We have developed a professional judgment process that provides audit professionals with a structured approach to making judgments, which has skepticism at its heart and recognizes the need to consider alternatives and to consider conflicting as well as confirming evidence.

System of quality control continued

Professional judgment training has been embedded in our core Audit Technical training program for junior staff as well being included in our periodic and annual update training for qualified and experienced staff and partners.

4.6.1.3 Ongoing mentoring and on the job coaching, supervision and review

We understand that skills build over time and through exposure to different experiences. To invest in the building of the skills and capabilities of our professionals, without compromising on quality, we use a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling personnel to achieve their full potential.

Supervision during an audit involves tracking the progress of the engagement and the team, including:

- 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;
- addressing any significant matters arising during the engagement, considering their significances and modifying the planned approach appropriately; and
- identifying matters for consultation with more experienced team members during the engagement.

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

4.6.1.4 Appropriately supported and documented conclusions

Audit documentation records the performed audit procedures, evidence obtained and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

Our methodology recognizes that documentation prepared at the time the work is performed is likely to be more efficient and effective than documentation prepared later. Teams are required to assemble a complete and final set of audit documentation for retention within an appropriate time period, which is usually not longer than 60 days from the date of the audit report.

Our firm has a formal document retention policy in accordance with applicable local regulation that governs the period we retain audit documentation and other client-specific records.

4.6.1.5 Appropriate involvement of the Engagement Quality Control reviewer (EQC review)

EQC reviewers have appropriate experience and knowledge to perform an objective review of the decisions and judgments made by the audit team. They are experienced audit professionals who are independent of the engagement team. They offer an objective review of the more critical and judgmental elements of the audit.

An EQC reviewer is required to be appointed for the audits of all listed entities and of other engagements identified as high public profile or high risk. Before the member firm issues its audit report, these individuals review:

- selected audit documentation and client communications;
- the appropriateness of the financial statements and related disclosures; and
- the significant judgments the engagement team made and the conclusions it reached with respect to the audit.

The audit is completed only when the EQC reviewer is satisfied that all significant questions raised have been resolved.

We are continually seeking to strengthen and improve the role that the EQC review plays in audits, as this is a fundamental part of the system of audit quality control. We have taken a number of actions over the last year to reinforce this, including:

- Issuing leading practices guidance focusing on reviewer competencies and capabilities and on ongoing support provided to EQC reviewers;
- Incorporating specific procedures in eAudIT to facilitate effective reviews;
- Ensuring that the role performed by EQCRs is also taken into account when performing the Partner Portfolio Review (refer Assignment section 4.4.4) process to ensure adequacy of time and appropriate skill set for the role and reallocation if needed; and
- Assessing, as part of our Quality Performance Reviews, the work performed by the EQCR and the adequacy of involvement including discussion with the EQC Reviewer.

System of quality control continued

4.6.1.6 Clear reporting of significant findings

Auditing standards and the applicable country legislation or regulations largely dictate the format and content of the statutory audit report that includes an opinion on the fair presentation in all material respects of the client's financial statements. Additionally, where national accounting standards differ to International Financial Reporting Standards, it is common that companies, particularly those listed on a stock exchange outside of their country of incorporation, prepare financial statements in accordance with these standards in addition to those required for statutory purposes.

Experienced auditors arrive at all audit opinions, after involvement in and review of the work performed by the audit team.

We provide extensive reporting guidance and technical support to audit partners in preparing audit reports, where there are significant matters to be reported to users of the audit report, either as a qualification to the audit report or through the inclusion of an emphasis of matter paragraph.

4.6.1.7 Insightful, open and honest two-way communication with those charged with governance

Two-way communications with those charged with governance at our clients are key to audit quality. Often the audit committee will be the group identified as those charged with governance. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and of understanding their views. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee. We deliver insights such as the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgments and any matters where we may disagree with management's view, and any uncorrected audit misstatements. We ensure the content of these reports meets the requirements of auditing standards and we share our industry experience to encourage discussion and debate with the members of the audit committee.

In recognition of the demanding and important role that audit committees play and also of the challenges that they face in meeting their responsibilities, The KPMG Audit Committee Institute ('ACI') was created in Russia in 2008 to help audit committee members enhance their awareness, commitment and ability to implement effective audit committee processes. The Institute provides audit committee members with authoritative guidance on matters of interest to audit committees as well as the opportunity to network with their peers during an extensive program of technical updates and awareness seminars.

4.6.1.8 Focus on effectiveness of group audits

The conduct of group audits in one of the key aspects of our role and our KPMG Audit methodology covers this in detail. We work effectively with component auditors. The group audit engagement partner is required to evaluate the competence of component auditors, whether they are KPMG Member firms or not, as part of the engagement acceptance process. Additional guidance, training and material has been issued in this area as follows:

- eAudit includes guidance and functionality based on revised ISA 600 for group audit engagement and heightened attention is being given to key risk areas for group audits, for example emerging markets and business environments that may be subject to heightened fraud risk;
- In November 2010 we revised inter firm/ office reporting guidance and policies in the International Standards Reports Manual to help component auditors communicate the results of their work to group engagement teams.
- In January 2011 we launched a Frequently Asked Questions to assist the practical application of the revised ISA 600.
- Training for partners and managers in 2011 reinforced key principles and requirements about the responsibility of the group auditor for the work undertaken by component auditors.

4.6.2 Client confidentiality, information security and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms including the Code of Conduct, training, and the annual affidavit/confirmation process, which all of our 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 rules as well as other applicable regulatory bodies' standards and regulations.

System of quality control continued

Our firm has 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 personnel.

4.7 Commitment to continuous improvement

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Additionally, we have processes in place to proactively identify emerging risks and to identify opportunities to improve quality and provide insights.

4.7.1 Monitoring

4.7.1.1 Internal monitoring

KPMG International has an integrated monitoring program that covers all member firms to assess the relevance, adequacy, and effective operation of key quality control policies and procedures. This monitoring addresses both engagement delivery and important KPMG International policies and procedures and meets the ISQC1 monitoring requirements.

The results and lessons from the programs are communicated within each of our firms, and the overall results and lessons from the programs are considered within our group, as well as regional and global levels.

Our monitoring procedures involve ongoing consideration of:

- The relevance and adequacy of KPMG's policies and procedures;
- The appropriateness of KPMG's guidance materials;
- The effectiveness of training and other professional development activities; and
- Compliance with applicable laws and regulation and member firms' standards, policies, and procedures.

We use two formal internal inspection programs conducted annually across the Audit, Tax, and Advisory functions, the Quality Performance Review Program (QPR) and the Risk Compliance Program (RCP).

Additionally all KPMG member firms are covered over a three-year period by cross-functional Global Compliance Reviews (GCRs) performed by reviewers in the Global Compliance Group who are external to the member firm. These programs are designed by KPMG International and participation in them is a condition of ongoing membership of the KPMG network (see section 7) for further details).

4.7.1.2 Quality Performance Reviews (QPRs)

The International QPR Program is the cornerstone of our efforts to monitor engagement quality and our primary means of ensuring that member firms are collectively and consistently meeting both KPMG International's requirements and applicable professional standards. The QPR Program assesses engagement level performance in the Audit, Tax, and Advisory functions and identifies opportunities to improve engagement quality. All engagement leaders are generally subject to selection for review in their first year in this role and thereafter at least once in a 3-year cycle. The reviews are tailored to the relevant function, performed at a member firm level, generally overseen by a Lead Reviewer from outside of the specific operating firm being reviewed, and are monitored regionally and globally. Remedial action plans for all significant deficiencies noted are required at an engagement and operating firm level. We disseminate our findings from the QPR program to our professionals through written communications, internal training tools, and periodic partner, manager and staff meetings. These areas are also emphasized in subsequent inspection programs to gauge the extent of continuous improvement

System of quality control continued

In 2011 our QPR program in the CIS covered the following:

Figure 1

	Number of engagements reviewed	% of engagement leaders reviewed
Audit	35	53%
Tax	73	76%
Advisory	23	50%

Lead Audit Engagement Partners are notified if (i) any subsidiary in their respective cross-border and/or global audit accounts was subject to review and received a less than satisfactory rating and (ii) if a subsidiary of their global account is audited by a KPMG member firm where more pervasive quality concerns have been identified during the Audit QPR program.

Risk Compliance Program (RCP)
The RCP is a member firm's annual self-assessment program. The objectives of the RCP are to monitor, assess, and document firm-wide compliance with the system of quality control established through KPMG International's quality and risk management policies and applicable legal and regulatory requirements as they relate to the delivery of professional services. The program is overseen and monitored regionally as well as globally.

Within the CIS firm many of the processes and procedures in the quality management system are operated centrally. These were tested centrally and the results used in the assessment of the individual countries compliance with policies and applicable legal and regulatory requirements.

Global Compliance Review Programs (GCRs)
GCRs are performed by reviewers external to the member firm led by the Global Compliance Group and are carried out over a three-year cycle. These reviews focus on significant governance, risk management and independence and finance processes (including an assessment of the robustness of the firm's RCP Program). In the event that a GCR identifies significant issues that require immediate or near-term attention, a follow-up review will be performed as appropriate. None of the firms in KPMG CIS were subject to a GCR review in the year.

4.7.1.3 External monitoring
Within the CIS the country practices are subject to independent regulatory review from the relevant local regulatory body. Such reviews were performed in Russia, Kazakhstan and Ukraine during the year to 30 September 2011.

Certain of the countries in the CIS firm are also registered with regulators in the European Union and the Russian firm is also registered in Jersey. Within the European Union Russia is registered in the UK and France, Kazakhstan is registered in the UK and Luxembourg and Georgia is in the process of registering in the UK. No reviews have been performed in respect of these registrations.

The Russian firm is also registered with the US PCAOB. The last review by the PCAOB was in October 2009 and the report was received in 2011.

None of these reviews identified issues that have a material impact on the conduct of our audit business.

4.7.2 Client feedback
In addition to internal and external monitoring of quality, we operate a formal program where we actively solicit feedback from management and those charged with governance on the quality of specific services that we have provided to them. The feedback that they receive from this program is formally considered by our operating firms and individual client service teams to ensure that we continually learn and improve the levels of client service that we deliver. Any urgent actions arising from client feedback are followed up by the engagement partner to ensure that concerns on quality are dealt with on a timely basis.

System of quality control continued

4.7.3 Interaction with regulators

At an international level KPMGI has regular two way communication with the International Federation of Independent Audit Regulators (IFIAR) to discuss issues identified and actions taken to address such issues at a network level.

The four key areas of focus identified by IFIAR have been addressed in this report at:

- Group Audits – see section 4.6.1.8;
- Professional skepticism – see section 4.6.1.2;
- Engagement quality review – see section 4.6.1.5; and
- Use of specialists – see section 4.5.3.

Interaction with the country regulators in the CIS is at the local level, including involvement in local initiatives and participation in discussion groups and committees where such take place.

4.7.4 Other assessments of audit quality

Within the CIS practice all reports issued from the Audit department are subject to a pre issuance review by DPP or an experienced partner. Any issues identified need to be cleared before the report can be issued.

Feedback is provided on a monthly basis to individual engagement leaders as regards the quality of reports submitted for review and the annual results are taken into account in the engagement leader’s performance evaluation.

Financial information

A summary of revenues for 2011 and 2010 by category of service is shown below:

Figure 2

	Year ended 30 September 2011 Millions Roubles	Year ended 30 September 2010 Millions Roubles
Audit – statutory audit	1,537	1,953
Audit – non statutory and other services	4,777	4,039
Total Audit services	6,314	5,992
Tax and Advisory services	4,241	3,065
Total revenues	**10,555**	**9,057**

Partner remuneration

CIS partners are employed by corporate entities and part of their remuneration comprises a base salary 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.

Partners currently make their own provision for retirement and are personally responsible for funding most benefits.

The final allocation of all variable elements of partner's remuneration and hence overall remuneration is proposed by the CIS Executive to the Executive Committee of the group, after assessing each partners contribution for the year in line with the process followed for all KPMG personnel. This takes into account a number of factors including quality of work, excellence in client service, growth in revenue and profitability, leadership and living the values of the firm. Audit partners are explicitly not rewarded for non-audit services sold to their audit clients.

The Board's Remuneration Committee makes recommendations on policies for partners' remuneration, approves the process used by the Executive Committee, and determines the remuneration for the Joint Chairmen, Executive Committee and Head of Quality & Risk of the group. The Committee also reviews the remuneration of a selection of partners across the firm on an individual basis, specifically considering their quality and risk compliance metrics, including the members of the CIS Executive.

Network arrangements

7.1 Legal Structure

The independent member firms of the KPMG network (including KPMG Europe LLP's operating firms) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law. The KPMG International network consists of approximately 145,000 professionals working in 152 countries. For the year ended 30 September 2011 the member firms comprising the network generated aggregate revenues of US$22.7 billion.

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

The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by the member firms of high quality Audit, Tax, Advisory services to their clients. For example, KPMG International establishes, and facilitates the implementation and maintenance of, uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.

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

7.2 Responsibilities and obligations of member firms

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. In these agreements member firms commit themselves to a common set of KPMG Values.

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. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources, service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work.

In accordance with the Global Code of Conduct, partners and professionals working within member firms are required to act with integrity at all times.

Compliance with key quality standards (including key aspects of methodologies, tools and management of risk) are specifically assessed as part of the International Review Programs described in section 4.7.1. The results of these programs are reported to various governance and management bodies within KPMG International which can, at its discretion, take a number of actions against the firm concerned – including, ultimately, removal from the KPMG International network for any firm which fails to meet the required quality standards.

Member firms are also required to have the capability to provide certain types of core services and to refer work to other member firms where appropriate (for example, if the engagement concerns work in that other member firm's country and that other member firm has the required capacity and expertise to perform the work).

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

Network arrangements continued

7.3 Professional Indemnity Insurance

A substantial level of 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 mutual that is available to all KPMG member firms.

7.4 Governance structure

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

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It performs functions equivalent to a shareholders' meeting (albeit that KPMG International has no share capital and, therefore, only has members, not shareholders). Among other things, the Global Council elects the Chairman for a term of up to four years (renewable once) and also approves the appointment of Global Board members. It includes representation from 55 member firms that are "members" of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Board include approving strategy, protecting and enhancing the KPMG brand, overseeing management of KPMG International, and approving policies and regulations. It also admits member firms and ratifies the Chairman's appointment of the Deputy Chairman and members of the Global Executive Team.

The Global Board includes the Chairman, the Deputy 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. One of the Board members is elected as the lead director by those Board members who are not also members of the Global Executive Team ("nonexecutive" members). A key role of the lead director is to act as liaison between the Chairman and the "nonexecutive" Board members.

The Board is supported in its oversight and governance responsibilities by several committees, including a Governance Committee; an Audit, Finance, and Investments Committee; a Compensation and Nomination Committee; a Quality and Risk Management Committee; a Professional Indemnity Insurance Committee; and a Board Process and Evaluation Committee. The lead director nominates the chairs and members of Board committees for approval by the Board.

The Global Executive Team is the principal management body of KPMG International. The Global Executive Team drives the execution of the strategy approved by the Global Board and establishes processes to monitor and enforce policy compliance. It is led by the Chairman and includes the Deputy Chairman, the Chief Operating Officer, Global Practice Heads, regional leaders, and a number of senior partners of member firms.

The Global Executive Team is supported by Global Steering Groups responsible for executing the approved strategy and business plan in their respective areas. In particular, the Global Quality & Risk Management Steering Group operates under delegated authority from the Global Executive Team.

Each member firm is part of one of three regions (the Americas, ASPAC, and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating or executive 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 implementation of KPMG International's policies and processes within the region.

Members of the Global Board and Global Executive Team are members of the various network firms. Such members perform these roles on behalf of KPMG International and in that capacity do not act for KPMG Europe LLP or any entity within our group.

Further details about KPMG International, including the governance arrangements, can be found in its Transparency Report which is available at: http://www.kpmg.com/global/en/whoweare/documents/transparency-report.pdf.

7.5 Area Quality & Risk Management Leaders

KPMG International has a network of Area Quality & Risk Management Leaders (AQRMLs), reporting to the Global Vice Chair–Quality and Risk Management The AQRMLs are members of the Global Quality & Risk Management Steering Group and each AQRML is allocated an area which covers one or more member firms (typically several). Their role is to enhance the KPMG network's ability to proactively monitor quality and risk management across member firms. Our group's Head of Quality & Risk Management also acts as the AQRML for KPMG Europe LLP.

Internal Control Statement

The measures and procedures that serve as the basis for the system of quality management for KPMG CIS outlined in this report aim to provide a reasonable degree of assurance that the audits carried out by our firm comply with the relevant laws and regulations.

The CIS Executive has considered:

- The design and operation of the quality management systems as described in this report;
- The findings from the various compliance programmes operated by our firm (including the KPMG International Compliance Programmes as described in section 4.7 and our local compliance monitoring programmes); and
- Findings from regulatory inspections

Taking all of this evidence together, the CIS Executive confirms with a reasonable level of assurance that the systems of quality control within our firm has operated effectively in the year to 30 September 2011.

Further, the CIS Executive confirms that an internal review of independence compliance within our firm has been conducted in the year to 30 September 2011.

1. Key Legal Entities and areas of operation

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG Ukraine Limited	Ukrainian Limited Liability Company	Ukrainian Valuation Regulated	Tax, Advisory & Valuation Services	Ukraine
KPMG Limited Branch	Guernsey Limited Liability Company	None	Advisory & Tax Services	Russia
ZAO KPMG *	Russian Closed Joint Stock Company	Audit & Valuation Regulated	Audit, Audit Related Valuation, Tax and Advisory Services	Russia
KPMG Audit *	Ukrainian Private Joint Stock Company	Audit Regulated	Audit Services	Ukraine
KPMG CIS Limited	Guernsey Limited Liability Company	None	Audit & Advisory Services	Georgia
KPMG Bishkek OOO	Kyrgyz Limited Liability Company	Audit Regulated	Audit Services	Kyrgyzstan
KPMG Tax & Advisory LLC	Kazakh Limited Liability Company	None	Tax & Advisory Services	Kazakhstan
KPMG Audit LLC (Kazakhstan)	Kazakh Limited Liability Company	Audit Regulated	Audit Services	Kazakhstan
KPMG Valuation	Kazakh Limited Liability Company	Valuation Regulated	Valuation Services	Kazakhstan
KPMG Armenia cjsc (Armenia) *	Armenian Limited Liability Company	Audit Regulated. Accounting and Tax regulated	Audit, Tax & Advisory Services	Armenia
KPMG Azerbaijan Limited RO	Guernsey Limited Liability Company	Audit Regulated	Audit, Tax & Advisory Services	Azerbaijan

* Not wholly owned

2. Details of those charged with governance at KPMG CIS – the CIS Executive

Andrew Cranston
Senior Partner
Senior Partner of KPMG CIS Andrew is also a member of the ELLP Board, the ELLP Remuneration Committee and the Board of KPMG International. He has been a partner with KPMG for 14 years and Senior Partner in KPMG CIS for 3 years.

Oleg Goshchansky
Head of Audit
CIS Head of Audit
Oleg is a member of the CIS Executive. He has been a partner with KPMG for 9 years and Head of Audit in the CIS for 3 years

Tony Thompson
Head of Advisory
CIS Head of Advisory services
Tony is a member of the CIS Executive and Deputy Senior Partner. He has been a partner with KPMG for 21 years and CIS Head of Advisory services for 7 years

Graham Povey
Head of Tax
CIS Head of Tax
Graham is a member of the CIS Executive. He joined KPMG as a partner in November 2009 as the Head of Tax in Russia and CIS

Gregor Mowat
Head of Finance
CIS Head of Finance and Infrastructure
Gregor is a member of the CIS Executive. He has been a partner with KPMG for 6 years and became CIS Head of Finance and Infrastructure in January 2011

Alevtina Borisova
Head of People
CIS Head of People
Alevtina is a member of the CIS Executive. She has been a partner with KPMG for 3 years and became CIS Head of People in September 2011

Marc Van der Plas
Head of Markets
CIS Head of Markets
Marc is a member of the CIS Executive. He has been a partner within KPMG for 9 years and the CIS Head of Markets for 3 years.

Jim McKinven
Head of Quality and Risk
CIS Head of Quality and Risk Management. Jim is a member of the CIS Executive. He has been a partner within KPMG for 14 years and the CIS Head of Quality and Risk Management for 6 years.

Floris Schuring
Senior Partner Ukraine
Senior Partner in Ukraine
Floris is a member of the CIS Executive. He has been a partner within KPMG for 11 years and the Senior Partner in Ukraine for 2 years.

Alun Bowen
Senior Partner Kazakhstan
Senior Partner in Kazakhstan and Central Asia.
Alun is a member of the CIS Executive. He has been a partner within KPMG for 23 years and the Senior Partner in Kazakhstan and Central Asia for 4 years.

2. Details of those charged with governance at KPMG CIS – the CIS Executive continued

CIS Executive – meetings attended during the year ended 30 September 2011:

	CIS Executive		ELLP Board		ELLP Remuneration Committee		KPMG International Board	
Member	No. meetings available	No. attended	No. meetings available	No. attended	No. meetings available	No. attended	No. meetings available	No. attended
Andrew Cranston	11	11	7	7	3	2	5	5
Oleg Goshchansky	11	11						
Tony Thompson	11	11						
Graham Povey	11	10						
Gregor Mowat	9	9						
Alevtina Borisova	4	4						
Marc Van der Plas	11	10						
Jim McKinven	11	10						
Floris Schuring	11	10						
Alun Bowen	11	10						

3. Public Interest Entities

The entities listed on a recognized stock exchange for which KPMG in the CIS has signed an audit opinion in the year ended 30 September 2011 is given below. Entities which could be regarded as public interest entities but are not listed on a recognized stock exchange are not included.

Audit client of KPMG in Russia

Aeroflot - Russian Airlines OAO
Agency for Housing Mortgage Lending, The (aka: Agentstvo po Ipotechnomu Zhylishnomu Kreditovaniyu)
Airport Tolmachevo OAO
AKRIKHIN Pharmaceuticals OAO
Almetyevsk Pipe Plant OAO (aka: APP, ATZ)
Alpha Cement OAO
Arkhenergosbyt OAO (aka: Arkhangelskaya Sbytovaya Companiya, Arkhangelsk Energy Retail Co)
Ashinskiy Metallurgical Works OAO (aka: Ashinsky Metallurgical Plant)
Atomic Energy Power Corporation OAO (aka: Atomenergoprom)
AVANGARD Bank OAO
Baltika Brewery
Baltinvestbank
BANK OF KHANTY-MANSIYSK OAO (aka: Khanty-Mansiyskiy Bank)
Bank Saint-Petersburg OAO (aka: Bank Sankt-Peterburg)
Bashneftegeofizika OAO (aka: BNGF OAO)
CHELINDBANK OAO
Chusovoy Metallurgical Works OAO (aka: Chusovskoy Metallurgichesky Zavod, CHMZ, ChMW)
CJSC Synterra
Commercial Port of Vladivostok (aka: VMTP; Port of Vladivostok)
CREDIT EVROPA BANK ZAO (aka: CREDIT EUROPE BANK) (fka: Finansbank)
Dalmostostroy OAO
Eurasia Drilling Company Limited
Eurokommerz Holding Limited
FAR-EASTERN SHIPPING COMPANY OAO (aka: FESCO)
GAZ (OAO)
Gazprombank OAO
Globalstroy-Engineering OAO (aka: GSE OAO)
Group of Companies PIK OAO (aka: PIK Group)
Holding MRSK (aka: IDGC Holding OAO)
Home Credit and Finance Bank OOO (aka: HCF Bank; HKF Bank)
INTER RAO UES OAO
Investtorgbank AKB OAO (aka: Investment Trade Bank)
Irkutskenergo OAO
JSC Priargunsky Industrial Mining and Chemical Union (PIMCU)
JSC The Ural Bank for Reconstruction and Development
Kaluga Turbine Works OAO (aka: KTZ, KTW)
Kedr Commercial Bank ZAO (aka: Bank Kedr)
KIT Finance Investment bank OAO (aka: CIT Finance Investment bank) (fka: Palmira, Web-invest Bank)
Kuzbassenergo OAO
Kuzbassrazrezugol Coal Company OAO
LOCKO-Bank KB ZAO (aka: LOKO Bank)
LSR Group OAO
Magnitogorsk Iron & Steel Works OAO (aka: MMK)
Master-Bank OAO
MDM Bank OAO
Metafrax OAO
Metcombank OAO (aka: Metallurgical Commercial Bank)
Mining and Metallurgical Company NORILSK NICKEL OAO (aka: MMC NORILSK NICKEL)
MOESK (Moscow Integrated Electricity Distribution Co)
MOSCOW CREDIT BANK OAO (aka: MKB; CREDIT BANK OF MOSCOW; CBOM)
Moscow Integrated Power Company OAO (aka: MOEK)
Mosenergosbyt OAO
MOSTOTREST OAO
MRSK Centre (Inter-Regional Distribution Network Co Center OAO)
MRSK Centre and Privolzhya (Inter-Regional Distribution Network Co Center and Privolhya OJSC)
MRSK Severnogo Kavkaza OAO (aka: IDGC of Northern Caucasus OAO)
MRSK Severo-Zapada OJSC
MRSK Sibiri (Inter-Regional Distribution Network Co Siberia OJSC)
MRSK Urala (Inter-Regional Distribution Network Co Urala OAO)
MRSK Volgi (Inter-Regional Distribution Network Co Volga OAO)
MRSK Yuga OAO (aka: IDGC of South OAO)
OAO Avtokran
OAO Concern Kalina
OAO Group Razgulay (fka: Razguliay Group)
OAO Inprom
OAO Irkut Corporation (fka: Irkutskskoe Aviatsionnoe Proizvodstvennoe Obedinenie)
OAO LUKOIL
OAO Primorskugol
OAO Rusgrain Holding
OAO Silvinit
OAO SKB Bank
OAO SUEK-Krasnoyarsk
OAO SUEK-Kuzbass
OAO Uralelectromed
OAO Urgalugol
OAO Volzhskaya TGC (TGK-7, Volga Territorial Generating Co)
OGK-2 OAO (aka: Second Wholesale Electricity Generating Company)
OGK-3 OAO (aka: WGC-3; OGC-3)
OGK-6
OJSC "GPB-Mortgage"
OJSC Bank URALSIB (URAL-SIBERIAN BANK)
OJSC CB Stroycredit

OJSC Kuzbass Fuel Company (OAO Kuzbasskaya Toplivnaya Kompaniya)
OJSC Novoship
OJSC Probusinessbank
OJSC Russ-Invest Investment Company (IC Russ-Invest)
OMZ OAO
Pervobank (OJSC) (Pervyi Obiedineonnyi Bank)
PhosAgro OAO
Power Machines OAO (aka: Siloviye Mashiny)
RAO Energy Systems of East OAO
Ritek
Rostelecom OAO
RTS Stock Exchange
RUSAL Bratsk OAO (aka: BrAZ)
Russian Post FGUP (aka: Pochta Rossii FGUP)
Saratovenergo OAO
Setl Group OOO
SEVERSTAL OAO
Sevzapelectrosetstroy OAO
Shakhta Polosukhinskaya OAO (aka: Polosukhinskaya mine)
SobinBank
Spetssetstroy OAO
Sukhoi Civil Aircraft (GSS SCA)
Tambov Energy Retail Company OAO (aka: Tambov Energosbytovaya Kompaniya OAO)
Tatfondbank AIKB OAO (aka: Tatfondbank)
TGC-5 OAO (AKA: TGK-5, Territorial Generation Company No 5)
TGC-6 OAO (Territorial Generating Company No 6 OJSC)
TGK-11 OAO (aka: Territorialnaya generiruyushchaya kompaniya 11; TGC-11)
TGK-9
Tomskneft VNK OAO
Transneft OAO (aka: Oil Transporting Joint Stock Company Transneft)
UniCredit Bank CJSC (fka: International Moscow Bank)
UNIMILK Kompaniya OAO (aka: UNIMILK Company)
United Aircraft Corporation OAO (aka: UAC)
United Company RUSAL Plc (aka: UC RUSAL) (fka: United Company Rusal Limited)
URALSIB Leasing Company
Uraltransbank OAO (aka: Ural Transport Bank)
UTair Aviation OAO
Vologdaenergosbyt OAO (aka: Vologodskaya Sbytovaya Companiya; Vologda Energy Retail Co)
VSMPO-AVISMA Corporation OAO
Vyksa Steel Works OAO (aka: VSW, Vyksunsky Metallurgical Zavod, VMZ)
Wimm-Bill-Dann Foods OAO (aka: WBD Foods)
Yenisei Territorial Generating Company (TGC-13) OAO (aka: Eniseiskaya TGK-13)

Audit client of KPMG in Ukraine

CJSC Furshet
Clearing House
Commercial Bank Delta
DP Kviza Trade
JSC Bank Finance and Credit
LLC Agrocomplex Zelena Dolyna
LLC Rush
OJSC "Artemovsk Non-Ferrous Metal Processing Plant"
OJSC Azot Cherkasy
OJSC Dnepropetrovsk Tube Works
OJSC Kramatorsky cement plant Pushka
OJSC Retail Group
OJSC Slavuta Malting Plant (aka: Slavutsky Solodovy Zavod)
Open Joint Stock Company "Crimean Soda Plant" (aka: Krymskyi Sodvyi Zavod)
OSJC "LUKOIL-Odessa Refinery" (Odessa Oil Refinery)
PJSC Rise
PUBLIC JOINT STOCK COMPANY UKRSOTSBANK (aka: Ukrsotsbank)
Slavutich Brewery
Ukrgasbank Public Joint Stock Company
Ukrtelecom
Zaporizhya Stal

Audit client of KPMG in Kazakhstan

Alliance Bank JSC
Armenian Development Bank OJSC
Astana Finance JSC
ATF Bank JSC
Chimpharm JSC
Concern Tsesna Astyk
Corporation Tsesna JSC
DBK-Leasing JSC
Delta Bank JSC
Development Bank of Kazakhstan
Eurasian Bank JSC
Eurasian Development Bank
Kazakhstan Mortgage Company JSC
Kazexportastyk Holding JSC
Shubarkol Komir JSC
Tsesnabank JSC
UniCredit Bank OJSC (fka: Energobank JSC; ATF Bank Kyrgyzstan OJSC)

4. KPMG's global values

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

KPMG's core values are at the heart of the global Code of Conduct which defines the standards of ethical conduct that are required of people in KPMG member firms worldwide.