



**KPMG Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

Transparency Report

30 September 2020

KPMG Turkey

kpmg.com.tr

Contents

1	Message from the local Senior Partner	4
2	Who we are	6
	Our business	6
	Our strategy	6
3	Our structure and governance	8
	Legal structure and ownership	8
	Name, ownership and legal relationships	8
	Responsibilities and obligations of member firms	8
	Governance structure	8
4	System of quality control	10
	Tone at the top	11
	Association with the right clients	13
	Clear standards and robust audit tools	14
	Recruitment, development and assignment of appropriately qualified personnel	20
	Commitment to technical excellence and quality service delivery	22
	Performance of effective and efficient audits	23
	Commitment to continuous improvement	26
	External feedback and dialogue	28

5	Financial information	30
6	Partner remuneration	32
7	Network arrangements	33
	Legal Structure	33
	Responsibilities and obligations of member firms	33
	Professional Indemnity Insurance	34
	Governance structure	34
	Area Quality & Risk Management Leaders	35
8	Statement by the Board of KPMG SMMM on the effectiveness of quality controls and independence	36
9	Appendices	38
	Appendix 1. Ownership Structure	38
	Appendix 2. Public-Interest Entities (PIE)	40
	Appendix 3. KPMG's Values	44
	Appendix 4. Details of those charged with governance at KPMG SMMM	45

1

Message from the local Senior Partner

In the beginning of 2020 while all estimations for the world economic growth rate was around at least 3%, due to pandemic almost every country ended up with an economic shrink and when 2020 finally came to an end world economic growth contracted by 3,5%. Turkish economy has also been deeply affected from the pandemic and got its share by achieving only 1,8% growth in 2020, yet being optimistic for 2021 to remain in positive growth numbers. KPMG Turkey has been impacted from the pandemic although achieved 24% growth in local currency. Considering the common shock experienced by most of the firms in 2020, KPMG Turkey has successfully managed to grow in this tough year, though our expectations from 2020 were much higher than this because of the heavy investments made in 2019 and early 2020.

KPMG Turkey has made two influential inorganic growth moves to strengthen Tax and Advisory practices starting with 2019. First one was the merger with Erdikler YMM which was a reputable local sworn Tax firm. Approximately 120 employees joined KPMG Turkey with Erdikler merger including six Tax partners. The merger was successfully carried out in early 2019 and as one Tax practice, KPMG Tax has served its clients throughout the pandemic and delivered desired outcomes with utmost efforts.

The second inorganic growth initiative was for expanding Advisory practice with new partners and services which was started by the end of 2019 and continued partially in 2020. By the end of 2020 KPMG Turkey has gained 80 new advisors including 5 partners from new service lines of Technology, Mergers & Acquisition and Capital Debt Advisory; as well as strengthened services such as Transaction Services and Forensic. Throughout all new and expanded services in Advisory, Technology services should be highlighted more in 2020. As the world emerges from the pandemic, demand for technology-enabled professional services is strong and set to get stronger. Therefore in 2020 we enriched our technology solutions and helped our clients in those areas of; digital transformation, data & analytics, technology enablement, information risk management, next generation technologies & digital services and cyber security.

In Audit we had a good year in 2020 acquiring new and credible clients in rotation process while taking Audit quality on top of our agenda on account of Audit Quality Transformation project. In addition to this project, we're developing a globally consistent System of Quality Management (SoQM) that aligns with the International Standard of Quality Management (ISQM 1) coming into effect in 2022. This includes implementing controls that evolve our existing policies and procedures into a proactive approach for managing audit quality, to help us better respond to quality risks.

Spending the year of 2019 as a preparation and integration year to with our new colleagues on our sides, we had further expectations from the year of 2020 in terms of returns on investments up until Covid-19 virus has landed in Turkey and took our aggressive growth ambitions relatively downwards. However, during an epidemic and economic crisis we are pleased to be able to provide our employees a safe place to work on remote conditions while keeping our clients pleased as much as we could with no interruption on delivery. With utmost efforts of my colleagues in these tough times, we were able to grow in each of our business lines consecutively; 20% in Audit, 25% in Tax and 33% in Advisory in 2020.

Having strong connections with KPMG EMA and Global, we have adopted Global strategy and have been following collective priorities in order to uplift the KPMG brand collectively. We have been awarded the M&A advisor of the year by the Merger Market and granted to be amongst top employers by the Top Employers Institute. Last but not least we have been carbon neutral firm reducing and offsetting our emissions to zero through the use of I-RECs and carbon offsets in accordance with the Carbon Neutral Protocol in partnership with Natural Capital Partners.

Murat Alsan
Chairman and Senior Partner
KPMG Bağımsız Denetim ve SMMM A.Ş.



2

Who we are

2.1 Our business

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (here in after “KPMG SMMM”) is a professional services firm that delivers Audit, Advisory and Accounting services. We operate out of 2 offices across Turkey and had an average of 996 personnel for the year ended 30 September 2020 (2019: 937).

Our audit services in Turkey are delivered through KPMG SMMM. Full details of the services offered by KPMG SMMM can be found on our website (<https://home.kpmg.com/tr/en/home.html>).

2.2 Our strategy

Our vision is to be “the clear choice” in professional services for our clients, for our people and for the communities we work in Turkey. Our strategy is set by the Board of Directors 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 Turkey.



3

Our structure and governance

3.1 Legal structure and ownership

As at 30 September 2020, KPMG SMMM is 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 available in the “Governance and leadership” section of the KPMG International Transparency Report.

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

KPMG SMMM is a joint stock company incorporated under the Turkish Commercial Code. As at 30 September 2020, KPMG SMMM is wholly owned by 24 shareholders who are set out in Appendix 1.

3.2 Name, ownership and legal relationships

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

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

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

3.3 Responsibilities and obligations of member firms

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

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

Member firms commit to a common set of KPMG values (see Appendix 3).

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.

Along with KPMG SMMM which is the main member firm of KPMG International, KPMG Yeminli Mali Müşavirlik A.Ş. (“KPMG YMM”) and KPMG Yönetim Danışmanlığı A.Ş. (“KPMG Yönetim”) operate as sublicensee firms of KPMG. KPMG Turkey is comprised of KPMG SMMM, KPMG YMM ve KPMG Yönetim. KPMG YMM delivers corporate tax compliance and tax advisory services and KPMG Yönetim delivers advisory and training services.

3.4 Governance structure

KPMG Turkey applies high standards of corporate governance.

The Board of Directors (Board)

The Senior Partner chairs the Board of Directors (Board) ensuring that the Board members receive accurate, timely and clear information and ensuring effective communication and relationships with the members at large.

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

The Board consists of 3 members, including the Senior Partner, the Head of Quality & Risk Management and Head of Audit.

As at 30 September 2020, the Board of Directors are set out in the table below.

Board of Directors	
Chairman of the Board of Directors	Murat Alsan
Vice Chairman of the Board of Directors	Hatice Nesrin Tuncer
Member of the Board of Directors	Orhan Akova

The Board of Directors focuses on strategic management matters and organize shareholder meetings four times in a year. The constitution of the Board is as determined by the Board of Directors. Members of the Board are selected by partners maximum for four years (regenerable once). The Board meets from time to time to undertake certain statutory duties for KPMG SMMM (including approving the annual accounts and the transparency report).

Full details of those charged with governance for KPMG SMM, including their biographies are set out in Appendix 4.

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

- The Management Team
- The Audit and Risk Committee
- The Nomination and Remuneration Committee

Details about the roles and responsibilities and composition of each of these key bodies are set out below.

The Management Team (MT)

The Management Team is the management and oversight body of KPMG Turkey. The main responsibilities of the Management Team include the approval of overall strategy, policies and regulations.

Management executive decisions for KPMG Turkey are taken by the Management Team, which meets regularly (minimum twice in a month) and is chaired by the Senior Partner.

As at 30 September 2020, the Management Team consists of Senior Partner; Head of Quality and Risk Management, Head of Audit, Head of Advisory, Head of Tax, Head of Clients and Markets, Chief Operating Officer, Head of Performance and Head of People.

Due to the change in Management Team's structure, Chief Operating Officer and Head of Performance were removed from the Management Team's structure as at 1 October 2020.

The Audit and Risk Committee

The principal role of the Audit and Risk Committee is to provide oversight of quality and risk management matters, identifying and reporting relevant issues to the Board in a timely manner. Purpose of Audit and Risk Committee is as follows:

- (i) Overseeing the integrity and compliance of the financial reporting system and internal control system regarding the operations carried out by KPMG SMM
- (ii) Overseeing the professional and operational risks affecting KPMG SMMM and the management of these risks
- (iii) Making recommendations on appointment, dismissal and remuneration of the independent auditor of KPMG SMMM
- (iv) Monitoring compliance with current legislation.

The Audit and Risk Management Committee consists of 3 members being the partners of KPMG SMMM.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for identifying and reporting relevant issues to the Board and presenting annually to Annual Partners' Meeting on its work. Purpose of the Nomination and Remuneration Committee is as follows:

- (i) Reviewing the process for determining individual profit allocation and distribution for partners' remuneration
- (ii) Making recommendations on policies for remuneration and profit allocation of the Senior Partner and reviewing the recommendations of Senior Partner on partners' remuneration
- (iii) Establishing and keep under review the framework for Chairman, Vice Chairman and Board member elections
- (iv) Reviewing the criteria for admission of an individual to become a partner.

The Nomination and Remuneration Committee consisted of 3 members being the partners of KPMG SMMM.

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

4

System of quality control

Overview

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

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

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

These policies and associated procedures are designed to assist member firms in complying with relevant professional standards, regulatory and legal requirements, and in issuing reports that are appropriate in the circumstances, as well as help member firm personnel act with integrity and objectivity and perform their work with diligence.

KPMG SMMM is required to implement KPMG International policies and procedures and also adopts additional policies and procedures that are designed to address rules and standards issued by Public Oversight Accounting and Auditing Standards Authority (POA), Banking Regulation and Supervision Agency (BRSA), Capital Markets Board (CMB), Republic of Turkey Ministry of Treasury and Finance, Energy Market Regulatory Authority (EMRA), Turkish Certified Public Accountant and Chartered Accountant Union of Chambers (TÜRMOB), Public Company Accounting Oversight Board (PCAOB), Securities and Exchange Commission (SEC) and other relevant regulators as well as applicable legal and other regulatory requirements.

KPMG SMMM is also registered with the FINANSTILSYNET (The Financial Supervisory Authority of Norway) and UK FRC (Financial Reporting Council).

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

We are implementing our program to adopt the new international standard on quality management (ISQM 1), which was approved by the IAASB in September 2020 and is expected to be effective from December 2022. ISQM 1 requires each KPMG firms to design, implement and operate a system of quality management to consistently deliver quality audits, and to evaluate the effectiveness of the system on an annual basis.

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

Audit quality framework

At KPMG SMMM audit quality is not just about reaching the right opinion, but how that opinion is reached. It is about the processes, thought, and integrity behind the auditors' report. The outcome of a quality audit is the delivery of an appropriate and independent opinion in compliance with relevant professional standards and applicable legal and regulatory requirements. To help all audit professionals concentrate on the fundamental skills and behaviours required to deliver quality audit, KPMG International has developed the Audit Quality Framework.

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

“Tone at the top” sits at the core of the Audit Quality Framework’s seven drivers of audit quality and helps ensure that the right behaviours permeate all KPMG member firms. All of the other drivers create a virtuous circle because each driver is intended to reinforce the others.



4.1 Tone at the top

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

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

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

The KPMG Values are set out in Appendix 3.

Outlined in [KPMG’s Global Code of Conduct](#) are the responsibilities all KPMG personnel have to each other, our clients, and the public. It shows how our Values inspire our greatest aspirations and guide all of our behaviours and actions.

It defines what it means to work at and be part of KPMG, as well as our individual and collective responsibilities.

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

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

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

To safeguard this, each KPMG firm is required to have procedures and established channels of communication so that anyone working there can report suspected ethical and quality issues or concerns.

In addition the KPMG International Hotline as well as a local hotline is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to certain areas of activity by any KPMG International entity, activities of KPMG member firms or KPMG personnel.

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

At KPMG Turkey, we regularly monitor the extent to which our people feel that the firm lives the KPMG values through the Global People Survey (refer to Section 4.4.6).

4.1.1. Leadership responsibilities for quality and risk management

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

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

The following individuals have leadership responsibilities for quality and risk management at KPMG Turkey.

Senior Partner

In accordance with the principles in ISQC 1, our Senior Partner, Murat Alsan has assumed ultimate responsibility for KPMG Turkey system of quality control. Details of some of the measures that he and the rest of the Board have taken to ensure that a culture of quality prevails within KPMG Turkey are set out below.

Quality and Risk Management Partner (RMP)

The Quality and Risk Management Partner (RMP) is responsible for setting overall professional risk management and quality control policies and monitoring compliance for KPMG Turkey. The RMP has a seat on the Management Team and has a direct reporting line to the Senior Partner. The RMP consults with the appointed Area Quality and Risk Management Leader.

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

Ethics and Independence Partner (EIP)

The Ethics and Independence Partner (EIP) has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Turkey. In Turkey, EIP role is performed by the RMP.

The Audit, Tax (Accounting) and Advisory functions – Function Heads

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

KPMG Turkey Head of Audit is responsible for leading a sustainable high-quality Audit practice. This includes:

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

Audit Leadership Team

The Audit Leadership Team of KPMG met 22 times during the year (2019: 18) and these meetings included regular discussions about current and emerging audit quality issues arising from external and internal quality review processes, queries being raised by engagement teams, root cause analysis procedures and other quality matters identified from a variety of sources. These were debated, other observations collected from client-facing teams were considered and actions agreed. Typically, most of these actions are short term, in which case they are developed and communicated through the regular technical briefings issued to the whole Audit function of KPMG Turkey and also, if considered of sufficient magnitude, included in the next mandatory training.

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

Audit Quality Council

In addition to these regular meetings, within the Audit function our Audit Quality Council considered matters relating to maintaining and improving audit quality. During the year, the Audit Quality Council comprised 12 people.

The Audit Quality Council considered the detailed findings (and related actions) from external regulatory reviews, the internal Quality Performance Review program (QPR) and other quality control programs, as well as papers on a range of issues designed to allow us to challenge ourselves in various aspects of audit quality and improvement.

Investing in continuous improvement

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

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

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

4.2. Association with the right clients

4.2.1. Acceptance and continuance of clients and engagements

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

KPMG's client and engagement acceptance and continuance policies and processes are designed to identify and evaluate any potential risks prior to accepting or continuing a client relationship, or performing a specific engagement.

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

4.2.2 Client and engagement acceptance process

Client evaluation

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

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

Engagement evaluation

Each prospective engagement is also evaluated to identify potential risks in relation to the engagement. A range of factors are considered as part of this evaluation, including potential independence and conflict of interest issues (using Sentinel™, KPMG's conflicts and independence checking system), intended purpose and use of engagement deliverables, public perception, as well as factors specific to the type of engagement.

For audit services, these include the competence of the client's financial management team and the skills and experience of partners and employees assigned to staff the engagement. The evaluation is made in consultation with other senior KPMG Turkey partners and includes review by quality and risk management leadership as required.

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

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

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

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

4.2.3. Continuance process

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

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

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

4.2.4. Withdrawal process

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

4.2.5. Client portfolio management

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

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

4.3. Clear standards and robust audit tools

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

4.3.1. Our approach to audit

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

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

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

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

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

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

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

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

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

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

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

Delivering through our current audit workflow

The current KPMG audit is enabled through eAuditIT, an activity-based workflow and electronic audit file. eAuditIT is KPMG's audit documentation workflow that allows 75,000+ professionals to complete quality and consistent audits. eAuditIT integrates KPMG's audit methodology, guidance and industry specific, and the tools needed to execute and document the audit work performed.

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

Investing for the future

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

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

Audit solutions for today's world

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

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

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

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

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

4.3.2. Independence, integrity, ethics and objectivity

4.3.2.1. Overview

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

KPMG International has detailed independence policies and procedures, incorporating the requirements of the IESBA Code of Ethics. These are set out in KPMG's GORMM, which applies to all KPMG firms. Automated tools, which are required to be used for every prospective engagement to identify potential independence and conflict of interest issues, facilitate compliance with these requirements.

These policies are supplemented by other processes to ensure compliance with the standards issued by POA and those of other applicable regulatory bodies. These policies and processes cover areas such as firm independence (covering for example, treasury and procurement functions), personal independence, firm financial relationships, post-employment relationships, partner rotation, and approval of audit and non-audit services.

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

KPMG Turkey has a designated Ethics and Independence Partner who has primary responsibility for the direction and execution of ethics and independence policies and procedures in KPMG Turkey. The EIP is responsible for communicating and implementing KPMG global policies and procedures and ensuring that local policies and procedures are established and effectively implemented when they are more stringent than the global requirements. The EIP fulfils this responsibility through:

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

Amendments to KPMG International's ethics and independence policies in the course of the year are included in regular quality and risk communications with all KPMG firms. KPMG firms are required to implement changes as specified in the communications, and this is checked through the internal monitoring programs described in section 4.7.1.

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

4.3.2.2 Personal financial independence

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

KPMG firms use a web-based independence compliance system (KICS) to assist KPMG professionals in complying with personal independence investment policies. This system contains an inventory of publicly available investments and provides a tracking mechanism for required users to report acquisitions and disposals of their financial interests.

The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e., late reporting of an investment acquisition).

All partners and all client facing employees who are manager grade or above are required to use the KICS system prior to entering into an investment to identify whether they are permitted to do so. They are also required to maintain a record of all of their investments in publicly traded entities in KICS, which automatically notifies them if their investments subsequently becomes restricted. Newly restricted investments are required to be disposed of within five business days of the notification. KPMG monitors partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. The Global Independence Group provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG International's independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

4.3.2.3. Employment relationships

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

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

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

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

4.3.2.4 Firm financial independence

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

In common with other KPMG firms, KPMG Turkey uses KICS to record its own direct and material indirect investments in listed entities and funds (or similar investment vehicles) as well as in non-listed entities or funds. This includes investments held in associated pension, and employee benefit plans.





Additionally, KPMG Turkey is required to record in KICS all borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets.

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

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

4.3.2.5 Business relationships/suppliers

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

Compliance with these policies and procedures is reviewed periodically.

All prospective business relationships are evaluated to assess association risks and to identify potential auditor independence and conflicts of interest issues. A relationship involving a third-party service provider that a member firm will use to assist with client engagements or other purposes is also evaluated to determine whether the third party has the competence to provide the relevant services. The individuals providing the services are required to confirm they understand and will comply with applicable ethics and independence requirements, and they are also required to complete ethics training. Certain third parties are required to complete independence training.

4.3.2.6. Business acquisitions, admissions and investments

If KPMG Turkey is in the process of considering the acquisition of, or investment in, a business, it is required to perform sufficient due diligence procedures on the prospective target to identify and address any potential independence and risk management issues prior to closing the transaction. Specific consultations with the Global Independence Group and Global Quality & Risk Management are required to enable independence and other issues to be addressed when integrating the business into KPMG Turkey and the wider global organization.

4.3.2.7. Independence clearance process

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

4.3.2.8. Independence training and confirmations

All KPMG Turkey partners and client facing professionals as well as certain other individuals, are required to complete independence training that is appropriate to their grade and function upon joining KPMG Turkey and on an annual basis thereafter.

New partners and employees who are required to complete this training should do so by the earlier of (a) thirty days after joining KPMG Turkey or (b) before providing any services to, or becoming a member of the chain of command for, any audit client.

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

- the Global Code of Conduct and ethical behaviour, including KPMG's anti-bribery policies, compliance with laws, regulations, and professional standards, and
- reporting suspected or actual non-compliance with laws, regulations, professional standards, and KPMG's policies.

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

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

4.3.2.9. Non-audit services

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

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

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

Lead audit engagement partners (LAEPs) are required to maintain group structures for their publicly traded and certain other audit clients including their related entities or affiliates in Sentinel™. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats. For entities for which group structures are maintained, Sentinel enables LAEPs to review and request revision, approve, or deny, any proposed service for those entities worldwide. For approved proposed services, Sentinel designates a timeframe during which the approval remains valid. Upon expiration of the established timeframe, the services are required to be complete or be re-evaluated for permissibility; otherwise, the services are required to be exited.

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

4.3.2.10. Fee dependency

KPMG International's policies recognize that self-interest or intimidation threats may arise when the total fees from an audit client represent a large proportion of the total fees of the KPMG firm expressing the audit opinion. These policies require firms to consult with their Area Quality & Risk Management Leader where it is expected that total fees from an audit client will exceed 10 percent of the annual fee income of the member firm for two consecutive years. In the event that the total fees from a public interest entity audit client and its related entities were to represent more than 10 percent of the total fees received by a particular member firm for two consecutive years, these policies further require that:

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

No audit client accounted for more than 10 percent of the total fees received by KPMG Turkey over the last two years.

4.3.2.11 Resolving Conflicts of interest

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

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

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

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

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

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

4.3.2.12. Independence Breaches

All KPMG Turkey personnel are required to report an independence breach as soon as they become aware of it to the EIP. In the event of failure to comply with our independence policies, whether identified in the compliance review, self-declared or otherwise, professionals are subject to an independence disciplinary policy. All breaches of independence rules are required to be reported to those charged with governance as soon as possible except where alternative timing for less significant breaches has been agreed to with those charged with governance.

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

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

4.3.2.13 Compliance with laws, regulations, and anti-bribery and corruption

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

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

Further information on KPMG International anti-bribery and corruption can be found on the anti-bribery and corruption site.

4.3.2.14. Partner and firm rotation

Partner rotation

KPMG International partner rotation policies are consistent with the requirements of the IESBA Code of Ethics and require all member firms to comply with any stricter applicable rotation requirements. POA requires KPMG Turkey to comply with more strict rotation requirements in Turkey.

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

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

KPMG Turkey monitors the rotation of audit engagement leaders and managers (and any other key roles, such as the Key Audit Partner and EOC reviewer, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

KPMG SMMM partners, directors and managers and other team members who has taken roles in financial statement audit of an audit client, shall not undertake a financial statement audit for any audit client in respect of more than five years in a period of seven years until a three year "cooling off period" has elapsed. KPMG Turkey has processes in place to track and manage the rotation.

Firm rotation

KPMG SMMM shall not undertake a financial statement audit for any audit client in respect of more than seven years in a period of ten years until a three year "cooling off period" has elapsed. KPMG Turkey has processes in place to track and manage audit firm rotation.

4.4. Recruitment, development and assignment of appropriately qualified personnel

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

4.4.1. Recruitment

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

KPMG Turkey's recruitment strategy is focused on drawing entry-level talent from a broad talent base, including working with established universities, colleges and business schools, but also working with secondary schools, helping build relationships with a younger, diverse talent pool at an early age.

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

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

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

4.4.2 Personal development

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

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

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

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

KPMG Turkey monitors quality and compliance incidents and maintains quality and compliance metrics in assessing the overall evaluation, promotion and remuneration of partners, and directors and managers. These evaluations are conducted by performance managers and partners who are in a position to assess performance.

4.4.3. Inclusion and diversity programs

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

Our leadership and management teams also need to reflect the diversity within our firm and the diversity of our clients. We believe that the established KPMG Global Inclusion and Diversity strategy provides the framework to drive the actions that are necessary to promote inclusion and diversity at KPMG Turkey and across all KPMG firms.

4.4.4. Reward and Promotion

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

4.4.4.1. Reward

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

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

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

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

4.4.4.2. Promotion

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

4.4.4.3. Partner admissions

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

4.4.5. Assignment of professionals

KPMG Turkey has procedures in place to assign both the engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Function heads are responsible for the partner assignment process. Key considerations include partner experience and capacity, based on an annual partner portfolio review, to perform the engagement taking into account the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

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

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

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

4.4.6. Insights from our people – Global People Survey (GPS)

Annually, KPMG Turkey invites all its people to participate in an independent Global People Survey to share their perception about their experience of working for KPMG. The GPS provides an overall measure of our people's engagement through an Engagement Index and Performance Excellence Index (PEI) as well as insights into areas driving engagement which may be strengths or opportunities. Results can be analysed by functional or geographic area, grade, role, gender to provide additional focus for action. Additional insight is provided on how we are faring on categories known to impact employee engagement. We also cover areas of focus which are directly relevant to audit quality; the survey includes specific audit quality related questions that all individuals who participated in audit respond to, giving us a particular data set for audit quality related matters.

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

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

4.5. Commitment to technical excellence and quality service delivery

All KPMG Turkey professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department, either to provide resources to the engagement team or for consultation. Where the right resource is not available within KPMG Turkey, the firm accesses a network of highly skilled KPMG professionals in other KPMG firms.

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

4.5.1. Lifetime learning strategy

Formal training

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

Mentoring and on the job training

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

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

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

4.5.2. Licensing and mandatory requirements for IFRS, U.S. GAAP and Local Statutory engagements

Licensing

All KPMG Turkey professionals are required to comply with applicable professional licence rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. KPMG policies and procedures are designed to facilitate compliance with licence requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework, IFRS and Turkish Financial Reporting Standards ("TFRS") published by POA.

Mandatory requirements – IFRS and U.S.GAAP engagements

In addition, KPMG has specific requirements for partners, managers and Engagement Quality Control (EQC) reviewers working on IFRS engagements in countries where IFRS is not the predominant financial reporting framework. Similar policies apply to engagements performed outside the U.S. to report on financial statements or financial information prepared in accordance with U.S. GAAP and/or audited in accordance with U.S. auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR). These require that, at a minimum, all partners, managers, and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement team members and, if appointed the EQCR reviewers) assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

We require that all Audit professionals maintain accreditation with their professional bodies and satisfy the CPD requirements of such bodies (at a minimum, professionals comply with IESBA requirements, POA and other local regulatory requirements). 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

KPMG Turkey engagement teams have access to a network of local KPMG specialists – either within their firm or in other KPMG firms. Engagement partners are responsible for ensuring that their engagement teams have the appropriate resources and skills.

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

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

4.5.4. Culture of Consultation

Encouraging a culture of consultations

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

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

Technical consultation and global resources

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

Global Audit Methodology Group (GAMG)

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

KPMG Global Solutions Group (KGSG)

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

- developing innovative audit capabilities (i.e. technology solutions) and deploying and using advanced audit solutions
- deploying KPMG Clara — our smart audit platform, incorporating advanced technologies, data science, audit automation, data visualization and more

- enhancing KPMG's audit methodology, workflow and knowledge used by member firms' audit professionals.

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

International Standards Group (ISG)

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

PCAOB Standards Group (PSG)

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

Member firm professional practice resource

Member firms provide consultation support on auditing and technical accounting matters to their audit professionals through professional practice resources (referred to as Department of Professional Practice or DPP). This resource also assists engagement teams where there are differences of opinion either within teams or with the EQC reviewer. Unresolved differences are required to follow a prescribed escalation protocol for final resolution. KPMG's International Standards Group and PCAOB Standards Group are also available for consultation support when required.

4.6. Performance of effective and efficient audits

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

4.6.1. KPMG Audit Process

The KPMG high quality audit process includes:

- timely partner and manager involvement;
- timely access to the right knowledge – specialists, accredited individuals and relevant industry expertise;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring, supervision, and review;
- appropriately supported and documented conclusions and
- robust challenge and review, including EQC review.

4.6.1.1. Timely partner and manager involvement

To help identify and respond to the significant audit risks applicable to each 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 responsible for and therefore for the direction, supervision and performance of the engagement and therefore responsible for the overall quality of the audit engagement.

Involvement and leadership from the engagement partner during the planning 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 significant to the engagement, including critical areas of judgment, and significant risks.

The engagement partner is responsible for the final audit opinion and reviews key audit documentation. In particular, documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the partner in meeting these responsibilities and in the day-to-day liaison with the client and team, building a deep business understanding that helps the partner and team deliver valued insights.

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 contradictory or inconsistent audit evidence. The nature and extent of the audit evidence we gather is responsive to the assessed risks. We critically assess audit evidence obtained from all sources. For the purpose of obtaining sufficient appropriate audit evidence each team member is required to exercise professional judgment and maintain professional scepticism throughout the audit engagement.

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

The KPMG professional judgment process facilitates good judgment by introducing a structured approach to auditing areas that require significant judgment. It also reinforces the importance of independence and objectivity and emphasizes the importance of having the right mind set - the need to apply professional scepticism.

Our professional judgment process recognizes the need to be aware of and alert to biases which may pose threats to good judgment. The structured approach to auditing areas that require significant judgment involves:

- considering alternatives
- critically assessing audit evidence by challenging management's assumptions and following up contradictory or inconsistent information
- documenting the rationale for conclusions reached on a timely basis as a means of evaluating their completeness and appropriateness.

The use of the professional judgment process and the application of professional scepticism is reinforced through coaching and training, acknowledging that judgment is a skill developed over time and with different experiences.

4.6.1.3. Embedding ongoing mentoring, supervision and review

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

Ongoing mentoring, coaching and supervision during an audit involves:

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

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

4.6.1.4. Engagement quality control (EQC) reviewers

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

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

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

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

KPMG is continually seeking to strengthen and improve the role that the EQC review plays in member firm audits and have taken a number of actions to reinforce this, including issuing leading practice guidance, incorporating specific review requirements into our audit workflow, and developing policies relating to recognition, nomination and development of EQC reviewers.

4.6.1.5. Reporting

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

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

4.6.1.6. Engagement Documentation

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

4.6.1.7. Insightful, open, and honest two-way communication

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

At KPMG Turkey, we stress the importance of keeping those charged with governance informed of issues arising throughout the audit. We achieve this through a combination of reports and presentations, attendance at Audit Committee or board meetings, and, when appropriate, ongoing informal discussions with management and members of the Audit Committee.

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

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

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

4.7. Commitment to continuous improvement

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

The quality monitoring and compliance programs (see section 4.7.1 for details) are globally administered and consistent in their approach across all member firms, including the nature and extent of testing and reporting. KPMG Turkey compares the results of its internal monitoring programs with the results of those of any external inspection programs and take appropriate action.

4.7.1. Internal monitoring and compliance programs

KPMG Turkey monitoring programs evaluate both:

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

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

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

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

Audit Quality Performance Reviews (QPRs)

KPMG Turkey is subject to the monitoring process, called Quality Performance Review which is performed by KPMG International, whose main purpose is the assessment that member firm quality control system complies with the KPMG Turkey's professional standards and applicable legislative provisions.

Another aim of QPR process is to determine whether there are situations where the deficiencies identified do not fully indicate that the reports issued by our responsible auditors are insufficient to provide reasonable assurance, or other significant deficiencies that require systemic, repetitive or corrective action to be taken at once.

QPR forms the basis of our efforts to monitor the audit quality and the compliance of the audit team with professional standards, KPMG Turkey policies and procedures, and is one of the main programs in which measures compliance with KPMG International, ISQC 1 and KKS 1.

The QPR Program evaluates the performance of the services provided and identifies opportunities to improve service quality. In order to ensure that the QPR program is carried out effectively in KPMG Turkey, a responsible auditor with sufficient and appropriate experience and authority is assigned to take responsibility for the monitoring process.

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

Risk-based approach

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

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

Reviewer selection, preparation and process

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

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

Evaluations from Audit QPR

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

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

Any identified deficiencies and recommendations for appropriate corrective actions are reported to the relevant engagement partners and other relevant personnel. Recommendations for corrective actions for identified deficiencies include one or more of the following:

- a) Taking appropriate corrective steps for only audit or staff
- b) Communicating the findings to those responsible for training and career development
- c) Changing the quality control policies and procedures,
- d) Implement disciplinary action by the firm about those who do not comply with the firm's policies and procedures, particularly those who repeat this behaviour. These notifications are then properly documented.

KPMG Turkey's engagement partners are informed about the lower than satisfactory audit ratings in cross-border and/or global audit accounts and affiliates.

In addition, the engagement partners of other member companies affiliated to the audit network are informed that they are considered to be less than "satisfactory" from the QPR handled by KPMG SMMM.

The Quality and Risk Management Partner determines the action to be taken to ensure compliance with professional standards and regulatory environment requirements when the results obtained under the Quality Performance Program indicate that an output obtained in the audit may be inappropriate.

Steps to take include all necessary consultations (Audit Quality and Risk Management Partner, Functional Leadership, Service Line Leadership or Department of Professional Practice) that local policies and procedures may require.

The first thing to do is to notify the relevant the engagement partner, audit team and, if applicable, the person reviewing the audit quality. If the procedures are skipped in a systematic or general context, information is given throughout KPMG SMMM.

And later, the effects of these deficiencies are detected and these effects are eliminated in the current period. In some cases, legal advice may also be required. Measures to be taken may also include disciplinary procedures for the relevant the engagement partner and audit team (and, if applicable, the person reviewing the quality of the audit).

Reporting

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

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

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

Risk Compliance Program (RCP)

KPMG International develops and maintains quality control policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of ISQC1. During the annual RCP, we perform a robust assessment program consisting of documentation of quality controls and procedures, related compliance testing and reporting of exceptions, action plans and conclusions.

The objectives of the RCP are to:

- document, assess and monitor the extent of compliance of KPMG Turkey system of quality control with Global Quality & Risk Management (GQ&RM) policies and key legal and regulatory requirements relating to the delivery of professional services; and
- provide the basis for KPMG Turkey to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

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

Global Compliance Review (GCR) program

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

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

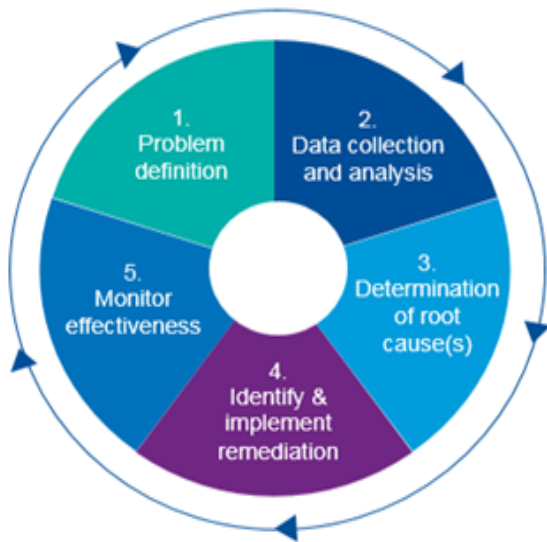
- a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment
- a firm's compliance with KPMG International policies and procedures; and
- the robustness with which the member firm performs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

KPMG Turkey develops action plans to respond to all GCR findings that indicate improvement is required and agree these with the GCR team. Our progress on action plans is monitored by the GCR central team. Results are reported to the GQ&RM Steering Group and, where necessary, to appropriate KPMG International and regional leadership.

Root Cause Analysis (RCA)

KPMG Turkey performs root cause analysis to identify and address audit quality issues in order to prevent them from recurring and help identify good practices as part of continuous improvement. In Since 2016, the individuals who perform RCA or direct those individuals performing RCA within KPMG Turkey has attended the RCA training based on our “Global RCA 5-Step Principles” every year. The training provides a common platform for advancing the practices and skills associated with resourcing, planning and conducting RCA.

The Global RCA 5 Step Principles are as follows:



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

KPMG Turkey’s Head of the Audit is responsible for development and implementation of action plans as a result of RCA including identification of solution owners. Risk Management Partner is responsible for monitoring the implementation of these action plans.

4.7.2. Recommendations for improvements

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

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

4.8. External feedback and dialogue

4.8.1. Regulators

In July 2018, POA has started the audit file reviews. POA sent the final report regarding the inspection in December 2019, in order to make our written statement about these issues. Remedial actions have been taken regarding the final report.

In October 2019, POA has started the audit file reviews. POA sent the final reports regarding the inspection in August 2020 and December 2020, in order to make our written statement about these issues. Remedial actions have been taken regarding the final report.

In January 2020, CMB has started audit file reviews. We have not received the final report yet, the inspection is still continuing.

In August 2020, POA has started the audit file reviews. We have not received the final report yet, the inspection is still continuing.

4.8.2. Client Feedback

We proactively seek feedback from clients through in-person conversations and third-party surveys to monitor their satisfaction with services delivered. We endeavour to take this feedback and make dynamic changes at both the engagement level and firm level to meet clients' needs.

4.8.3. Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed on our external website and also a mail address is communicated in our general terms of business.

To further our commitment to integrity and ethical culture, KPMG Turkey, through a third-party provider, maintains the Ethics and Compliance Hotline. The firm encourages use of the hotline when KPMG Turkey partners and employees feel uncomfortable reporting concerns about possible illegal, unethical, or improper conduct through normal channels or when the normal channels of communication are impractical or perceived as ineffective. Any person working with the firm in a business context, including clients, vendors, and other KPMG member firms' professionals working on engagements with KPMG Turkey's clients, may file reports by calling a toll-free number 00 800 1420 53716, or by submitting a report via the Web at www.clearviewconnects.com. Reports filed through the hotline that involve a publicly traded audit client or certain other professional practice matters are directed to the firm's Ombudsman for further investigation and resolution. The EIP investigates matters that contain allegations of potential criminal conduct and all other matters; with the support of an investigation team. All reports are handled confidentially and anonymously, if requested, and retaliation or retribution of any kind for good faith reporting is prohibited.

A KPMG International Hotline also is available for KPMG International personnel; partners, employees, and clients of member firms; and other parties to confidentially report possible illegal, unethical, or improper conduct in violation of the Global Code of Conduct.

5

Financial information

Revenue earned from audit services between the periods 1 October 2019 – 30 September 2020 compared to revenue earned from non-audit services are as follows:

Audit Services	TL 133.7 m
Other Audit Services	TL 11.1 m
Bookkeeping Services	TL 22.4 m
Non-Audit Services	TL 90.4 m
Total	TL 257.6 m



6

Partner remuneration

Partners' profit share

In addition to monthly gross salaries, partners are remunerated out of the distributable profits of KPMG Turkey and are personally responsible for funding pensions and most other benefits. The final allocation of partner profit is made by the Senior Partner and the MT depending on the Partner Reward Principles agreed by the partners. Partner performance based on quality, financial, people management, leadership and business development, together with market worth and roles are taken into account in the Partner Reward Principles. The Nomination and Remuneration Committee supervises the process and oversees its application.

7

Network arrangements

7.1 Legal Structure

Legal structure for the Financial Year ending 30 September 2020

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

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

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

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

Legal structure from 1 October 2020

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

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

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

7.2. Responsibilities and obligations of member firms

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

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

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

7.3. Professional Indemnity Insurance

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

7.4. Governance structure

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

Global Council

The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms.

Among other things, the Global Council elects the Global Chairman and also approves the appointment of Global Board members. It includes representation from 61 KPMG firms that are "members" of KPMG International as a matter of Swiss law. Sublicensee firms are generally indirectly represented by a member.

Global Board

The Global Board is the principal governance and oversight body of KPMG International. The key responsibilities of the Global Board include approving global strategy, protecting and enhancing the KPMG brand and reputation, overseeing the Global Management Team and approving policies with which KPMG firms are required to comply.

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

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

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

Global Management Team

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

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

The list of current Global Management Team members is available in the [Leadership](#) section on KPMG.com

Global Steering Groups

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

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

The roles of the Global Audit Steering Group and the Global Quality & Risk Management Steering Group are detailed in section 'Governance and leadership' of the [2020 KPMG International Transparency Report](#).

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

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

7.5. Area Quality & Risk Management Leaders

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

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

8

Statement by the Board of KPMG SMMM on the effectiveness of quality controls and independence

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

The Board of KPMG SMMM has considered:

- the design and operation of the quality control systems as described in this report;
- the findings from the various compliance programs operated by our firm (including the KPMG International Review Programs as described in section 4.7.1 and our local compliance monitoring programs); and
- findings from regulatory inspections and subsequent follow up and/or remedial actions.

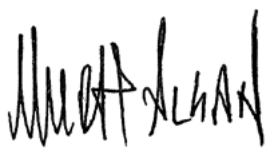
Taking all of this evidence together, the Board of KPMG SMMM confirms with a reasonable level of assurance that the systems of quality control within our firm have operated effectively for the year ended 30 September 2020.

Further, the Board of KPMG SMMM confirms that an internal review of independence compliance within our firm has been conducted for the year ended 30 September 2020.

Murat Alsan

Chairman

31 January 2021





9

Appendix 1

Ownership Structure

Name Surname ⁽²⁾	Share TL	Share %
Murat Alsan	5.997,00	11,994
Hatice Nesrin Tuncer	4.500,00	9,000
Ruşen Fikret Selamet	4.500,00	9,000
Erdal Tıkmak	4.500,00	9,000
Gökhan Atılğan	4.500,00	9,000
Orhan Akova	2.750,00	5,500
İsmail Önder Ünal	2.750,00	5,500
Hakkı Özgür Sivacı	2.750,00	5,500
Funda Aslanoğlu	2.750,00	5,500
Şirin Soysal	2.750,00	5,500
Serkan Ercin	2.750,00	5,500
Hakan Ölekli	2.750,00	5,500
Alper Güvenç	2.750,00	5,500
Ayşe Özlem Karahan	500,00	1,000
Çiğdem Atılğan	500,00	1,000
Işıl Keser	500,00	1,000
Esmâ Kabak	500,00	1,000
Mustafa Şafak Erdur	500,00	1,000
Aysel Tunç	500,00	1,000
Ali Tuğrul Uzun	500,00	1,000
Gökçe Adıgüzel	500,00	1,000
Ayşe Dağıstanlı	1	0.002
Nilgün Çallıalp	1	0.002
Özgür Başpınar	1	0.002
	50.000,00	100,00

(2) After 30 September 2020, Esma Kabak and Özgür Başpınar left the firm and transferred their shares to other shareholders. Ayşe Merih Koçum, Erman Durmaz, Ahmet Hamdi Cura, Engin Ölmez and Muharrem Karataş became shareholders of the firm.



Appendix 2. Public-Interest Entities (PIE)

The list of public interest entity (PIE) audit clients for which KPMG SMMM has signed an independent auditor's report on financial statements of 2020 is given below. The definition of public interest for this purpose is that given under the provisions of the "Public Oversight, Accounting and Auditing Standards Authority's Organization and Responsibilities Decree Law numbered 660", issued by POA. List of PIEs audited by the member firm;

	Listed Companies and Bond Issuers		Banks
1	Anadolu Birlik Holding A.Ş.	1	Aktif Yatırım Bankası A.Ş.
2	Banvit Bandırma Vitaminli Yem Sanayi A.Ş.	2	Arap Türk Bankası A.Ş.
3	Baştaş Başkent Çimento Sanayi ve Ticaret A.Ş.	3	Bankpozitif Kredi ve Kalkınma Bankası A.Ş.
4	Beta Ziraat ve Ticaret A.Ş.	4	Citibank A.Ş.
5	Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	5	Fibabanka A.Ş.
6	Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.	6	GSD Yatırım Bankası A.Ş.
7	Çimbeton Hazır beton ve Prefabrik Yapı Elemanları Sanayi ve Ticaret A.Ş.	7	ICBC Turkey Bank A.Ş.
8	Çimentaş İzmir Çimento Fabrikası T.A.Ş.	8	ING Bank A.Ş.
9	Doğrudan Elektrik Enerjisi Toptan Satış ve Tedarik A.Ş.	9	Intesa Sanpaolo S.P.A. İtalya İstanbul Merkez Şubesi
10	Döktaş Dökümcülük Ticaret ve Sanayi A.Ş.	10	İller Bankası A.Ş.
11	Enka İnşaat ve Sanayi A.Ş.	11	Odea Bank A.Ş.
12	Garanti Filo Yönetim Hizmetleri A.Ş.	12	Şekerbank T.A.Ş.
13	Garanti Yatırım Ortaklığı A.Ş.	13	Türkiye Garanti Bankası A.Ş.
14	Global Yatırım Holding A.Ş.	14	Türkiye Kalkınma ve Yatırım Bankası A.Ş.
15	GSD Denizcilik Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş.		Factoring Companies
16	GSD Holding A.Ş.	1	C Faktoring A.Ş.
17	Hektaş Ticaret T.A.Ş.	2	Çağdaş Faktoring A.Ş.
18	Kangal Termik Santral Elektrik Üretim A.Ş.	3	Fiba Faktoring A.Ş.
19	Kayseri Şeker Fabrikası A.Ş.	4	Garanti Faktoring A.Ş.
20	Koneli Tarım ve Sanayi Ürünleri Pazarlama A.Ş.	5	GSD Faktoring A.Ş.
21	Konya Çimento Sanayii A.Ş.	6	ING Faktoring A.Ş.
22	Konya Şeker Sanayi ve Ticaret A.Ş.	7	Kent Faktoring A.Ş.
23	Kordsa Teknik Tekstil A.Ş.	8	Şeker Faktoring A.Ş.
24	Panagro Tarım Hayvancılık Gıda Sanayi ve Ticaret A.Ş.	9	Yaşar Faktoring A.Ş.
25	Panek Ziraat Aletleri Dayanıklı. Tüketim Malzemeleri Otomotiv Yakıt Petrol Ürünleri Tarım Ticaret A.Ş.		
26	Panplast Sulama Tarım Sanayi ve Ticaret A.Ş.		
27	Parsan Makina Parçaları Sanayi A.Ş.		
28	Pera Gayrimenkul Yatırım Ortaklığı A.Ş.		
29	Sanko Pazarlama İthalat İhracat A.Ş.		
30	Şeker Süt Gıda Mamülleri Sanayi ve Ticaret A.Ş.		
31	Soma Termik Santral Elektrik Üretim A.Ş.		
32	Tat Gıda Sanayi A.Ş.		
33	Tekfen Holding A.Ş.		
34	Teknosa İç ve Dış Ticaret A.Ş.		
35	Türk Telekomünikasyon A.Ş.		
36	Vestel Beyaz Eşya Sanayi ve Ticaret A.Ş.		
37	Vestel Elektronik Sanayi ve Ticaret A.Ş.		
38	Zorlu Enerji Elektrik Üretim A.Ş.		

	Intermediary Institutions		Financing Companies
1	Citi Menkul Değerler A.Ş.	1	Mercedes-Benz Finansman Türk A.Ş.
2	Garanti Yatırım Menkul Kıymetler A.Ş.	2	Orfin Finansman A.Ş.
3	GCM Yatırım Menkul Değerler A.Ş.	3	Şeker Finansman A.Ş.
4	ICBC Turkey Yatırım Menkul Değerler A.Ş.		Asset Management Companies
5	ING Menkul Değerler A.Ş.	1	Doğru Varlık Yönetim A.Ş.
6	Şeker Yatırım Menkul Değerler A.Ş.	2	Dünya Varlık Yönetim A.Ş.
	Portfolio Management Companies	3	Gelecek Varlık Yönetimi A.Ş.
1	Fiba Portföy Yönetimi A.Ş.	4	Kalkınma Yatırım Varlık Kiralama A.Ş.
2	Garanti Portföy Yönetimi A.Ş.	5	Sümer Varlık Yönetim A.Ş.
3	ICBC Turkey Portföy Yönetimi A.Ş.		Insurance, Reinsurance, Life and Pension Companies
4	Mükafat Portföy Yönetimi A.Ş.	1	Bereket Emeklilik ve Hayat A.Ş.
5	Şeker Portföy Yönetimi A.Ş.	2	Bereket Katılım Hayat A.Ş.
	Asset Leasing Companies	3	Bereket Katılım Sigorta A.Ş.
1	Kalkınma Yatırım Varlık Kiralama A.Ş.	4	Bereket Sigorta A.Ş.
	Investment Trusts	5	Fiba Emeklilik ve Hayat A.Ş.
1	Şeker Gayrimenkul Yatırım Ortaklığı A.Ş.	6	Garanti Emeklilik ve Hayat A.Ş.
2	SNK Girişim Sermayesi Yatırım Ortaklığı A.Ş.	7	Mapfre Sigorta A.Ş.
	Real Estate Appraisal Companies	8	Mapfre Yaşam Sigorta A.Ş.
1	Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş.	9	NN Hayat ve Emeklilik A.Ş.
	Leasing Companies	10	Orient Sigorta A.Ş.
1	A & T Finansal Kiralama A.Ş.	11	Ray Sigorta A.Ş.
2	De Lage Landen Finansal Kiralama A.Ş.	12	Sompo Sigorta A.Ş.
3	Garanti Finansal Kiralama A.Ş.	13	Şeker Sigorta A.Ş.
4	ING Finansal Kiralama A.Ş.		
5	Mercedes-Benz Finansal Kiralama Türk A.Ş.		
6	Şeker Finansal Kiralama A.Ş.		

	Funds and Pension Funds
	<i>Actus Portföy Yönetimi A.Ş. Fonlar</i>
1	Actus Portföy Yönetimi A.Ş. 2020 Yatırım Dönemli Değişken Fon
2	Actus Portföy Yönetimi A.Ş. Borçlanma Araçları Fonu
3	Actus Portföy Yönetimi A.Ş. Gaziantep Entegre Sağlık Kampüsü PPP Girişim Sermayesi Yatırım Fonu
4	Actus Portföy Yönetimi A.Ş. Greenone Yenilenebilir Enerji Girişim Sermayesi Yatırım Fonu
5	Actus Portföy Yönetimi A.Ş. Hisse Senedi Fonu (Hisse Senedi Yoğun Fon)
6	Actus Portföy Yönetimi A.Ş. Hitit Serbest Fon
7	Actus Portföy Yönetimi A.Ş. Lidya Serbest (Döviz) Fon
8	Actus Portföy Yönetimi A.Ş. Logo Ventures Girişim Sermayesi Yatırım Fonu
9	Actus Portföy Yönetimi A.Ş. TechOne Girişim Sermayesi Yatırım Fonu
10	Actus Portföy Yönetimi A.Ş. Twozero Ventures Girişim Sermayesi Yatırım Fonu
11	Actus Portföy Yönetimi A.Ş. Urartu Serbest (Döviz) Fon
	<i>AK Portföy Yönetimi A.Ş. Fonlar</i>
12	AK Portföy Yönetimi A.Ş. Jec Yenilenebilir Enerji Özel Girişim Sermayesi Yatırım Fonu
	<i>Aktif Yatırım Bankası A.Ş. Fonlar</i>
13	Aktif Yatırım Bankası A.Ş. (2) No'lu Emek Varlık Finansmanı Fonu
14	Aktif Yatırım Bankası A.Ş. (7) No'lu Emek Varlık Finansmanı Fonu
15	Aktif Yatırım Bankası A.Ş. (8) No'lu Emek Varlık Finansmanı Fonu
16	Aktif Yatırım Bankası A.Ş. (9) No'lu Emek Varlık Finansmanı Fonu
17	Aktif Yatırım Bankası A.Ş. (10) No'lu Emek Varlık Finansmanı Fonu
18	Aktif Yatırım Bankası A.Ş. (12) No'lu Emek Varlık Finansmanı Fonu
	<i>Bereket Emeklilik ve Hayat A.Ş. Fonlar</i>
19	Bereket Emeklilik ve Hayat A.Ş. Altın Katılım Emeklilik Yatırım Fonu
20	Bereket Emeklilik ve Hayat A.Ş. Büyüme Katılım Değişken Emeklilik Yatırım Fonu
21	Bereket Emeklilik ve Hayat A.Ş. Katılım Değişken Grup Emeklilik Yatırım Fonu
22	Bereket Emeklilik ve Hayat A.Ş. Katılım Hisse Senedi Emeklilik Yatırım Fonu
23	Bereket Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu
24	Bereket Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu
25	Bereket Emeklilik ve Hayat A.Ş. Muhafazakar Katılım Değişken Emeklilik Yatırım Fonu
26	Bereket Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu
27	Bereket Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu
28	Bereket Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu
29	Bereket Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu
	<i>Garanti Emeklilik ve Hayat A.Ş. Fonlar</i>
30	Garanti Emeklilik ve Hayat A.Ş. Altın Emeklilik Yatırım Fonu
31	Garanti Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu
32	Garanti Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu
33	Garanti Emeklilik ve Hayat A.Ş. Borçlanma Araçları Emeklilik Yatırım Fonu
34	Garanti Emeklilik ve Hayat A.Ş. Borçlanma Araçları Grup Emeklilik Yatırım Fonu
35	Garanti Emeklilik ve Hayat A.Ş. Değişken Emeklilik Yatırım Fonu
36	Garanti Emeklilik ve Hayat A.Ş. Dengeli Değişken Emeklilik Yatırım Fonu
37	Garanti Emeklilik ve Hayat A.Ş. Dengeli Değişken Grup Emeklilik Yatırım Fonu
38	Garanti Emeklilik ve Hayat A.Ş. Dış Borçlanma Araçları Emeklilik Yatırım Fonu
39	Garanti Emeklilik ve Hayat A.Ş. Dış Borçlanma Araçları Grup Emeklilik Yatırım Fonu
40	Garanti Emeklilik ve Hayat A.Ş. Hisse Senedi Emeklilik Yatırım Fonu
41	Garanti Emeklilik ve Hayat A.Ş. Hisse Senedi Grup Emeklilik Yatırım Fonu
42	Garanti Emeklilik ve Hayat A.Ş. İkinci Değişken Emeklilik Yatırım Fonu
43	Garanti Emeklilik ve Hayat A.Ş. Katılım Dinamik Değişken Emeklilik Yatırım Fonu
44	Garanti Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu
45	Garanti Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu

46	Garanti Emeklilik ve Hayat A.Ş. Katkı Emeklilik Yatırım Fonu
47	Garanti Emeklilik ve Hayat A.Ş. OKS Agresif Değişken Emeklilik Yatırım Fonu
48	Garanti Emeklilik ve Hayat A.Ş. OKS Agresif Katılım Değişken Emeklilik Yatırım Fonu
49	Garanti Emeklilik ve Hayat A.Ş. OKS Dengeli Değişken Emeklilik Yatırım Fonu
50	Garanti Emeklilik ve Hayat A.Ş. OKS Dengeli Katılım Değişken Emeklilik Yatırım Fonu
51	Garanti Emeklilik ve Hayat A.Ş. OKS Dinamik Değişken Emeklilik Yatırım Fonu
52	Garanti Emeklilik ve Hayat A.Ş. OKS Dinamik Katılım Değişken Emeklilik Yatırım Fonu
53	Garanti Emeklilik ve Hayat A.Ş. OKS Katılım Standart Emeklilik Yatırım Fonu
54	Garanti Emeklilik ve Hayat A.Ş. OKS Standart Emeklilik Yatırım Fonu
55	Garanti Emeklilik ve Hayat A.Ş. OKS Temkinli Değişken Emeklilik Yatırım Fonu
56	Garanti Emeklilik ve Hayat A.Ş. OKS Temkinli Katılım Değişken Emeklilik Yatırım Fonu
57	Garanti Emeklilik ve Hayat A.Ş. Özel Sektör Borçlanma Araçları Emeklilik Yatırım Fonu
58	Garanti Emeklilik ve Hayat A.Ş. Para Piyasası Fonu
59	Garanti Emeklilik ve Hayat A.Ş. Standart Emeklilik Yatırım Fonu
60	Garanti Emeklilik ve Hayat A.Ş. Sürdürülebilirlik Hisse Senedi Emeklilik Yatırım Fonu
61	Garanti Emeklilik ve Hayat A.Ş. Temkinli Değişken Emeklilik Yatırım Fonu
62	Garanti Emeklilik ve Hayat A.Ş. Uzun Vadeli Kamu Borçlanma Araçları Emeklilik Yatırım Fonu
	<i>ICBC Turkey Portföy Yönetimi A.Ş. Fonlar</i>
63	ICBC Portföy Yönetimi A.Ş. Altın Fonu
64	ICBC Portföy Yönetimi A.Ş. Birinci Değişken Fon
65	ICBC Portföy Yönetimi A.Ş. Hisse Senedi Fonu (Hisse Senedi Yoğun Fon)
66	ICBC Portföy Yönetimi A.Ş. İkinci Değişken Fon
67	ICBC Portföy Yönetimi A.Ş. Para Piyasası Fonu
68	ICBC Portföy Yönetimi A.Ş. Serbest (Döviz) Fon

Appendix 3. KPMG's values

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

Our values are:

Integrity: We do what is right.

Excellence: We never stop learning and improving.

Courage: We think and act boldly.

Together: We respect each other and draw strength from our differences.

For Better: We do what matters.

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

Appendix 4. Details of those charged with governance at KPMG SMMM



Murat Alsan
Senior Partner,
KPMG Turkey
Chairman

Murat Alsan joined KPMG in 1995. He has been a partner within KPMG for 16 years and has served on our board for 10 years. He was elected as Senior Partner in January 2017.



Nesrin Tuncer
Partner,
Head of Audit

Nesrin Tuncer joined KPMG in 1994. She has been a partner within KPMG for 16 years and has served on our board for 8 years. She was appointed Head of Audit in January 2017.



Orhan Akova
Partner,
Head of Quality and
Risk Management

Orhan Akova joined KPMG in 1998. He has been a partner within KPMG for 11 years. He was appointed Quality and Risk Management Partner in January 2017.

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